

CONFORMED COPY

LOAN NUMBER 3028 CH

(Urban Streets and Transport Project)

between

REPUBLIC OF CHILE

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated May 12, 1989

LOAN NUMBER 3028 CH

LOAN AGREEMENT

AGREEMENT, dated May 12, 1989, between REPUBLIC OF CHILE (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "MINVU" means the Ministerio de Vivienda y Urbanismo, the Ministry of Housing and Urbanism of the Borrower;

(b) "CREDEX" means Oficina de Coordinacion de Credito Externo, the Office of Coordination of External Credit of MINVU;

(c) "SECTU" means Secretaria Ejecutiva de la Comision de Transporte Urbano, the Executive Secretariat to the Urban Transport Commission of the Borrower;

(d) "MOI" means Ministerio del Interior, the Ministry of Interior of the Borrower;

(e) "Intendencias" means the government of each of the following of the Borrower's political subdivisions: Gran Santiago, Gran Concepcion and Gran Valparaiso, and "Intendencia" means any one of the Intendencias;

(f) "Project Implementation Agencies" means collectively MINVU, CREDEX, SECTU, and the Intendencias, and "Project Implementation Agency" means any one of the Project Implementation Agencies;

(g) "Sub-project" means any sub-project included under Part A of the Project described in Schedule 2 to this Agreement and to be partially financed out of the proceeds of the Loan;

(h) "Banco Central" means Banco Central de Chile, the central bank of the Borrower;

(i) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(j) "Peso" means the unit of currency of the Borrower;

(k) "National Transport Sector" means all activities pertaining to the movement throughout the Borrower's territory of people and goods including, without limitation, planning, design, construction, acquisition, operation and maintenance of all transportation equipment, material, facilities, infrastructure and operational systems;

(l) "National Urban Transport Sector" means such part of the National Transport Sector which pertains to the movement of people and goods in the urbanized areas of the Borrower's territory, "urbanized areas", for purposes of this paragraph (l) only, to include all cities and urbanized population centers with at least 2,500 inhabitants;

(m) "Urban Streets Maintenance Program" means the Borrower's annual program for the routine and periodic maintenance of the urban streets under its jurisdiction;

(n) "Urban Streets Improvement Program" means the Borrower's annual program for improvements to urban streets under its jurisdiction including, without limitation, paving, geometric and operational improvements, rehabilitation, construction, planning, design, studies and supervision of contracts; and

(o) "Major Urban Transport Investment" means any investment related to the National Urban Transport Sector, including, without limitation, the execution of civil works or the acquisition of vehicles and equipment, estimated to cost the equivalent of ten million dollars (\$10,000,000) or more.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to seventy five million dollars (US\$75,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account

in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in Banco Central on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

(iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Project Implementation Agencies, as applicable, with due diligence and efficiency and in conformity with appropriate engineering, administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section, the Borrower shall ensure that, unless otherwise agreed by the Bank, the following Project Implementation Agencies shall have primary responsibility for carrying out the stated Part of the Project:

Parts A.1 (a), (b) (i), - MINVU (acting through  
(c) and (e) its central and regional  
offices, as applicable)

Parts A.1, (b) (ii), - SECTU and the

(d) and A.2		Intendencias
Parts A.3 (a), (b), (c) and (e)	-	SECTU and the Intendencias
Part A.3 (d)	-	MINVU (acting through its central and regional offices, as applicable)
Parts B.1 (a), (c) and B.2 (a)	-	MINVU
Parts B.1 (b), (d) and B.2 (b)	-	SECTU and the Intendencias

Section 3.02. The Borrower agrees to maintain full cost recovery in respect of the National Transport Sector and will advise the Bank of any changes of policy or actions which would adversely affect such cost recovery, and afford the Bank an opportunity to review and comment on such changes. Upon the Bank's request, the Borrower shall provide the Bank information, satisfactory to the Bank, indicating the level of cost recovery in respect of such Sector.

Section 3.03. The Borrower shall:

(a) Before each November 1, prepare and furnish to the Bank for its comments, the proposed Urban Streets Maintenance Program, approved by MINVU, and the proposed Urban Streets Improvement Program, approved by Comision de Transporte Urbano, the Borrower's Urban Transport Commission, both for the following fiscal year;

(b) before each December 31, prepare and furnish to the Bank, the Urban Streets Maintenance Program and the Urban Streets Improvement Program for the following fiscal year, which shall be satisfactory to the Bank;

(c) for each of its fiscal years, after the fiscal year ending December 31, 1988, increase the yearly amounts allocated in its national budget to the Urban Streets Maintenance Program, on terms satisfactory to the Bank, so as to reach the minima of thirteen million five hundred thousand dollars (\$13,500,000) in the fourth year of the execution of the Project, and fourteen million dollars (\$14,000,000) in each year thereafter; and

(d) (i) cause all urban streets under the jurisdiction of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with appropriate economic, engineering and environmental practices; (ii) cause all urban street maintenance equipment and workshops, owned by or under the control of the Borrower, to be adequately maintained and cause all necessary repairs and renewals thereof to be made, all in accordance with appropriate economic and engineering practices; and (iii) provide, promptly as needed, the funds required for the foregoing.

Section 3.04. The Borrower through CREDEX shall, on the basis of information provided by each Project Implementation Agency, prepare and provide to the Bank no later than within 45 days of the end of each quarter ending December 31, March 30, June 30 and September 30, of each year until the Closing Date, a written report on the progress achieved in the execution of, inter alia, the physical, financial and institutional aspects of the Project. Each such report shall be of such scope and detail as the Bank shall reasonably request and shall include inter alia, information indicating progress achieved, measured against key monitoring and evaluation indicators acceptable to the Bank. The first such report each year shall also include information, satisfactory to the Bank, concerning the allocations in the Borrower's budget for the Borrower's then current fiscal year of the funds required for the Project.

Section 3.05. The Borrower shall, prior to commencing any Major Urban Transport Investment advise the Bank of such planned investment, furnish to the Bank such information thereon as the Bank may reasonably request and provide the Bank an opportunity to comment on such planned investment prior to its commencement.

Section 3.06. The Borrower shall carry out, or cause to be carried out the studies, plans and programs described in Schedule 2 to this Agreement promptly in accordance with the implementation timetable set forth in Schedule 6 to this Agreement and under terms of reference satisfactory to the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank for its review and comment the results of each such study, plan and program.

Section 3.07. Without limitation to the Borrower's obligations under Section 3.01 (a) of this Agreement, the Borrower shall complete Part A.1 (a) of the Project in a manner satisfactory to the Bank not later than one year from the Effective Date.

Section 3.08. Except as the Bank shall otherwise agree, procurement of goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the Project Implementation Agencies and other departments or agencies of the Borrower responsible for carrying out the Project, or any part thereof, including, without limitation, separate records and accounts to reflect resources and expenditures in respect of the Urban Streets Maintenance Program.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

(ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Other Covenants

Section 5.01. (a) The Borrower shall ensure, or cause to be ensured, that all acquisition of land needed for the execution of the Project shall be carried out in accordance with policies, rules and criteria acceptable to the Bank.

(b) Without limitation to the foregoing, should implementation of the Project require displacement or resettlement of population, the Borrower shall notify the Bank thereof, and upon the Bank's request shall present a resettlement plan, satisfactory to the Bank, prior to any such displacement or resettlement.

ARTICLE VI

Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the Borrower shall have commenced a Major Urban Transport Investment which in the opinion of the Bank shall materially and adversely affect the execution of the Project or of any Sub-project or the economic or financial viability of the Borrower's Urban Streets Maintenance Program or Urban Streets Improvement Program.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 6.01 above shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower.

ARTICLE VII

Effective Date; Termination

Section 7.01. The date ninety days is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Representative of the Borrower; Addresses

Section 8.01. The Minister of Finance of the Borrower (Ministro de Hacienda) is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministerio de Hacienda  
Teatinos 120  
Santiago de Chile  
Chile

Cable address:

MHDA-CL  
Santiago, Chile

Telex:

241334 MHDA-CL

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF CHILE

By /s/ Enrique Seguel

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Ping-Cheung Loh

Acting Regional Vice President  
Latin America and the Caribbean

Countersigned on behalf of  
the Controller General and  
of the Treasurer General  
of the Republic of Chile

By /s/ Octavio Errazuriz

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	Percentage of Expenditures to be Financed
(1) (a) Works under Part A.1 of the Project	48,400,000	70% of amounts paid by the Borrower in 1988 and 1989, 60% in 1990, 50% in 1991, 44% in 1992, 35% in 1993, and 30% in 1994.
(b) Works under	4,100,000	47%

	Part A.2 of the Project		
(c)	Works under Part A.3 of the Project	4,600,000	47%
(2)	Goods	1,300,000	70%
(3)	(a) Studies, Technical Assistance and Training under Parts A and B of the Project	4,500,000	80%
	(b) Design and supervision of works under Part A of the Project	4,600,000	80%
(4)	Unallocated	7,500,000	
	TOTAL	75,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of seven million five hundred thousand dollars (US\$7,500,000), may be made in respect of Categories (1), (2) and (3) on account of payments made for expenditures before that date but after September 23, 1988.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to: (a) strengthen the Borrower's institutional capabilities to plan, manage and maintain its urban transport systems in a cost-effective manner; (b) preserve the Borrower's national investment in its urban street infrastructure; (c) facilitate the integration of the Borrower's urban transport elements, reduce congestion and contribute to a reduction in air pollution; and (d) demonstrate the efficiency of alternative public transport modes.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### Part A:

Execution of the following individual Sub-projects.

1. A MINVU urban street maintenance and rehabilitation Sub-project consisting of the following:

(a) Development of urban street pavement and maintenance management systems in each of the Borrower's thirteen (13) geographical regions ("Regiones");

(b) Preparation and annual updating for each of the Borrower's thirteen (13) geographical regions, of five-year programs for: (i) urban street maintenance and (ii) urban street improvement generally based on the management systems referred to in subparagraph (a) above;

(c) Execution of the annual program for routine and periodic maintenance of



urban streets referred to in subparagraph (b) (i) above; and

(d) Evaluation, selection and preliminary design of urban streets to be included in the Urban Streets Improvement Program (including paving of unpaved streets);

(e) Execution of the annual urban street improvement program referred to in subparagraph (b) (ii) above.

2. A public transport Sub-project consisting of the following:

(a) Carrying out of studies on alternative public transport modes in the metropolitan area of Gran Santiago;

(b) Design and construction of a pilot bus/tramway alternative public transport mode selected on the basis of the studies referred to in subparagraph (a) above; and

(c) Carrying out of a study to evaluate the technical, economic and financial performance of the pilot bus/tramway alternative public transport mode referred to in subparagraph (b) above.

3. A traffic management Sub-project consisting of the following:

(a) Carrying out of urban transport and traffic management studies;

(b) Execution of urban traffic management programs, including bus priority lanes, selected on the basis of the studies referred to in subparagraph (a) above; and

(c) Carrying out of a feasibility study and the design of a pilot bikeway scheme in the metropolitan area of Gran Santiago;

(d) Execution of the bikeway scheme selected on the basis of the study and design referred to in subparagraph (c) above; and

(e) Carrying out of a study to evaluate the technical, economic and financial performance of the bikeway scheme referred to in subparagraph (d) above.

Part B:

1. Provision of technical assistance:

(a) For the institutional strengthening of MINVU's central and regional offices, including assisting MINVU in carrying out Part A.1 of the Project;

(b) To assist SECTU and the Intendencias in carrying out Parts A.2 and A.3 of the Project;

(c) Acquisition and utilization of equipment for carrying out the activities under subparagraph (a) above.

(d) Acquisition and utilization of equipment for carrying out the activities under subparagraph (b) above.

2. Execution of training programs including overseas courses and technical meetings:

(a) For MINVU's managerial, professional and technical staff, and related personnel of the Borrower's National Urban Transport Sector, for the carrying out of the activities under paragraph 1 (a) above; and

(b) For the managerial, professional and technical staff of SECTU and the Intendencias, and related personnel of the Borrower's National Urban Transport Sector, for the carrying out of activities under paragraph 1 (b) above.

\* \* \*

The Project is expected to be completed by June 30, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each January 15 and July 15 beginning July 15, 1994 through January 15, 2006	3,125,000

---

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A.1 hereof, goods manufactured in Chile may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Limited International Bidding:

Subject to paragraph 3 below, computer hardware and software may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

2. Local Competitive Bidding:

Subject to paragraph 3 below, goods, other than those referred to in paragraph 1 above, estimated to cost the equivalent of \$50,000 or more but less than the equivalent of \$300,000, and civil works estimated to cost the equivalent of \$50,000 or more but less than the equivalent of 3,500,000 per contract, up to an aggregate amount not to exceed the equivalent of \$122,300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

3. Shopping:

Goods, other than those referred to in paragraph 1 above, civil works estimated to cost less than the equivalent of \$50,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,100,000; and computer hardware and software estimated to cost less than the equivalent of \$5,000 per contract, up to an aggregate amount not to exceed the equivalent of \$50,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to: (i) all contracts and related documents for the procurement of works and goods by each Project Implementation Agency up to the first \$1,000,000 aggregate worth of said procurement for each such Agency in respect of Parts A.1 (a), (b) (i), (c), (e) and A.3 (d) of the Project, and up to the first \$500,000 aggregate worth of said procurement in respect of Parts A.1 (b) (ii), (d), A.2 and A.3 (a), (b), (c) and (e) of the Project; (ii) without limitation to the foregoing, each contract for works estimated to cost the equivalent of \$3,500,000 or more, and each contract for goods estimated to cost the equivalent of \$300,000 or more; and (iii) all contracts for the carrying out of studies, plans and programs, and for the provision of technical assistance and training under the Project, the

procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

### SCHEDULE 5

#### Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to seven million dollars (\$7,000,000) to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special

Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been made out of the Special Account for Eligible Expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Categories less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

#### SCHEDULE 6

#### Implementation Plan

1. Unless otherwise agreed by the Bank, the following shall be the schedule for implementation of the studies, plans and programs described in Schedule 2 to this Agreement.

Activity	Begin by	Com- plete by	Review results with Bank by	Propose plan of action accept- able to Bank	Begin imple- mentation of plan of action
Studies					
1. MINVU Train- ing Study	6/30/89	9/30/89	10/31/89	11/30/89	1/31/90
2. MINVU Annual Regional Maintenance Studies (com- mencing in the year 1990)	1/31/--	9/30/--	10/31/--	11/30/--	1/31/--
3. Concepcion Urban Transport Study	6/30/90	12/31/91	3/31/92	6/30/92	9/30/92
4. Santiago Urban Transport Study	11/30/89	12/31/90	6/30/91	9/30/91	12/31/91
5. MINVU Annual Training Eva- luation (com- mencing in the year 1990)	6/30/--	7/31/--	9/30/--	10/31/--	1/31/--
6. Bus/Tramway Evaluation	3/31/92	9/30/92	12/31/92	N/A	N/A
7. Bikeway Eva- luation	6/30/91	12/31/91	3/31/92	N/A	N/A
Training					
1. MINVU Training	3/01/90	12/31/91			
2. MINVU Study Visits	9/30/89	12/31/89	3/31/90	4/30/90	6/30/90
3. SECTU Study Visits	6/30/89	8/31/89	9/30/89	12/31/89	1/31/90
Technical Assistance					
1. MINVU Main- tenance Advisor	6/30/89	5/31/90	N/A	N/A	N/A
2. Traffic	6/30/89	12/31/91	Annually		

system man-  
agement  
develop-  
ment in In-  
tendencias

