
LOAN NUMBER 978 CH

Loan Agreement

(Technical Assistance Project)

BETWEEN

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

AND

CORPORACION DE FOMENTO DE LA PRODUCCION

DATED APRIL 22, 1974

Public Disclosure Authorized

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LOAN AGREEMENT

AGREEMENT, dated April 22, 1974, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CORPORACION DE FOMENTO DE LA PRODUCCION (hereinafter called the Borrower).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of the words "or in the Loan Agreement for the purposes of Section 7.01" in Section 6.02(i) thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the term "sub-project" means a particular study or project of technical assistance to be financed out of the proceeds of the Loan, as described in Section 3.01 of this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million two hundred and fifty thousand dollars (\$5,250,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and the General Conditions and in accordance with the allocation of the proceeds of the Loan agreed between the Borrower and the Bank pursuant to Section 3.02 of this Loan Agreement.

(b) Pursuant to Section 5.01 of the General Conditions, withdrawals may be made on account of expenditures (i) under paragraph (b) of Section 2.03 of this Loan Agreement incurred prior to the date of this Loan Agreement but after August 1, 1973, in an aggregate amount not exceeding the equivalent of \$100,000 and (ii) under sub-paragraphs (ii) and (iii) of paragraph (b) of Section 2.03 of this Loan Agreement incurred in the currency of the Guarantor.

(c) No withdrawals shall be made in respect of payments for taxes imposed under the laws of the Guarantor or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in sub-paragraph (ii) of paragraph (b) of Section 2.03 of this Loan Agreement would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Loan Account, to the extent set forth in paragraph (b) of this Section 2.03, such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for the reasonable cost of goods and services required to carry out sub-projects.

- (b) Withdrawals from the Loan Account may be made in respect of:
- (i) expenditures in currencies other than the currency of the Guarantor for services rendered by non-Chilean consultants;
 - (ii) the equivalent of seventy per cent (70%) of payments made in any currency for services rendered by Chilean consultants;
 - (iii) expenditures in any currency for equipment and materials required to carry out sub-projects and procured directly by the Borrower; and
 - (iv) expenditures in currencies other than the currency of the Guarantor for overseas travel of personnel of the Borrower or of the Guarantor working on sub-projects with the consultants referred to in sub-paragraphs (i) or (ii) above or for training programs.

Section 2.04. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed

out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in April 1972, revised in October 1972, and in accordance with, and subject to, the provisions set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The Closing Date shall be June 30, 1975 or such other date as shall be agreed between the Bank and the Borrower.

Section 2.06. 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 2.07. The Borrower shall pay interest at the rate of seven and one-fourth per cent ($7-1/4\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.08. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.10. If and when the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 2.11. The *Vicepresidente Ejecutivo* of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

ARTICLE III

Description of the Project; Use of Proceeds of the Loan

Section 3.01. The Project for which the Loan is granted consists in the carrying out of such high-priority studies and other projects of technical assistance (including training programs for personnel of the Borrower or of the Guarantor) designed to assist the Guarantor in the planning and implementation of its programs of economic development as shall be selected by agreement between the Bank and the Borrower.

Section 3.02. The eligibility of each sub-project for inclusion in the Project, the purpose and scope of each sub-project, the method of implementation thereof and the specific allocation thereto of proceeds of the Loan shall be determined by agreement between the Bank and the Borrower.

Section 3.03. The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Loan Agreement exclusively to expenditures on the Project.

ARTICLE IV

Execution of the Project

Section 4.01. The Borrower shall carry out each sub-project, or cause each sub-project to be carried out, with due diligence and efficiency and shall make available, or cause to be made available, promptly as needed, all funds, facilities, services and other resources required for the purpose.

Section 4.02. (a) For the purpose of carrying out each sub-project, the Borrower shall employ, or cause to be employed, qualified and experienced consultants acceptable to the Bank, to an extent and upon terms and conditions, including terms of reference, agreed upon between the Bank and the Borrower.

(b) The Borrower shall be responsible for ensuring effective coordination among the departments and agencies of the Guarantor responsible for the execution of each sub-project included in the Project.

(c) The Borrower shall establish, or cause to be established, for each sub-project, arrangements and procedures, satisfactory to the Bank and the Borrower, for selecting services, equipment and supplies and directing their use for such sub-project, supervising and directing the work of the consultants employed therefor, recommending modifications of the consultants' terms of reference or other terms and conditions of their employment, and reviewing the reports and recommendations of such consultants.

(d) The Borrower shall take, or cause to be taken, all reasonable measures to facilitate the work of the consultants in the performance of their services for the Project and make available, or cause to be made available, to them all information relevant to the Project.

(e) The Borrower shall not amend or waive, nor consent to the amendment or waiver of, any of the terms and conditions of employment of the consultants

employed for any sub-project, or grant, or consent to the granting of, any material extension of time or any approval of sub-contracts or modifications thereof, or agree to, or consent in, substitutions of personnel of such consultants, without prior agreement between the Bank and the Borrower. The Borrower shall not suspend payments under, or terminate, any contract with such consultants, nor consent to any such suspension or termination, without prior consultation with the Bank.

Section 4.03. (a) The Borrower shall cause the consultants employed for the Project promptly to furnish to the Bank copies of the documents prepared by them for the Project, including reports and drafts thereof, in such number as the Bank shall reasonably request.

(b) The Bank and the Borrower shall from time to time exchange views with respect to the evaluation and implementation of the recommendations and other conclusions contained in the documents referred to in the foregoing paragraph (a) of this Section.

(c) The Borrower shall: (i) maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project and to record the progress of the Project (including the cost thereof); (ii) enable the Bank's accredited representatives to examine the Project, any sub-project included therein, the goods and services financed out of the proceeds of the Loan and any relevant records and documents, including records and documents which the consultants employed for the Project shall be required to keep for the purposes of the Project; and (iii) furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the Project, any sub-project included therein, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 4.04. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, all goods and services financed out of the proceeds of the Loan shall be used exclusively for the Project until its completion.

ARTICLE V**Financial Covenants**

Section 5.01. The Borrower shall maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices its operations and financial condition.

Section 5.02. The Borrower shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with sound 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 four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) 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 the accounts and financial statements of the Borrower and the audit thereof as the Bank shall from time to time reasonably request.

Section 5.03. (a) The Borrower represents that at the date of this Loan Agreement no lien exists on any of its assets as security for any debt except as otherwise disclosed in writing by the Borrower to the Bank.

(b) The Borrower undertakes that, except as the Bank shall otherwise agree: (i) if the Borrower shall create any lien on any of its assets as security for any debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and in the creation of any such lien express provision will be made to that effect, at no cost to the Bank or the holders of the Bonds; and (ii) if any statutory lien shall be created on any assets of the Borrower as security for any debt, the Borrower shall grant, at no cost to the Bank or the holders of the Bonds, an equivalent lien satisfactory to the Bank to secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds; provided, however, that the foregoing provisions of this paragraph shall not apply to: (A) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (B) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after the date on which it is originally incurred.

ARTICLE VI

Consultation, Information and Inspection

Section 6.01. The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party:

(a) exchange views through their representatives with regard to the performance of their respective obligations under this Loan Agreement, the administration, operations and financial condition of the Borrower and, in respect of the Project, of the departments or agencies of the Guarantor responsible for carrying out any part of the Project, and other matters relating to the purpose of the Loan; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

Section 6.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the administration, operations, resources and expenditures of the Borrower and, in respect of the Project, of the departments or agencies of the Guarantor responsible for carrying out any part of the Project.

(b) The Bank and the Borrower shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof or the performance by either of them of its obligations under this Loan Agreement.

Section 6.03. The Borrower shall enable the Bank's representatives, or cause them to be enabled, to examine all plants, installations, sites, works, buildings, property and equipment of the Borrower, or of others which are related to the Project, and any relevant records and documents.

ARTICLE VII

Taxes

Section 7.01. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration of this Loan

Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 7.02. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

ARTICLE VIII

Remedies of the Bank

Section 8.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon, and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

ARTICLE IX

Effective Date; Termination

Section 9.01. The date of July 23, 1974 is hereby specified for the purposes of Section 11.04 of the General Conditions.

ARTICLE X

Addresses

Section 10.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

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.

For the Borrower:

Corporación de Fomento
de la Producción
Ramón Nieto 920
Santiago, Chile

Cable address:

CORFO
Santiago
Chile

Telex:

392/40421 (RCA)

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gerald Alter

*Regional Vice President
Latin America and the Caribbean*

CORPORACION DE FOMENTO DE LA PRODUCCION

By /s/ Mariano Pastor

Authorized Representative

SCHEDULE 1

Amortization Schedule

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
October 15, 1978	100,000
April 15, 1979	105,000
October 15, 1979	105,000
April 15, 1980	110,000
October 15, 1980	115,000
April 15, 1981	120,000
October 15, 1981	125,000
April 15, 1982	130,000
October 15, 1982	130,000
April 15, 1983	135,000
October 15, 1983	140,000
April 15, 1984	145,000
October 15, 1984	155,000
April 15, 1985	160,000
October 15, 1985	165,000
April 15, 1986	170,000
October 15, 1986	175,000
April 15, 1987	185,000
October 15, 1987	190,000
April 15, 1988	195,000
October 15, 1988	205,000
April 15, 1989	210,000
October 15, 1989	220,000
April 15, 1990	225,000
October 15, 1990	235,000
April 15, 1991	245,000
October 15, 1991	250,000
April 15, 1992	260,000
October 15, 1992	270,000
April 15, 1993	275,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1-1/4%
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	3-1/2%
More than eleven years but not more than sixteen years before maturity	5-1/4%
More than sixteen years but not more than eighteen years before maturity	6-1/4%
More than eighteen years before maturity	7-1/4%

SCHEDULE 2**Procurement***Supplemental Rules on Bid Evaluation and Comparison*

1. For the purpose of evaluation and comparison of bids, customs duties and other import taxes on imported goods, and sales and similar taxes on locally supplied goods, shall be excluded, except to the extent hereinafter provided. Bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for locally manufactured goods. The cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be taken into account in the evaluation of bids in accordance with paragraph 4.7 of the Guidelines for Procurement.

2. The Borrower may grant a margin of preference to goods manufactured in Chile and to goods manufactured in countries which are a party to the Latin American Free Trade Association or to the Andean Group in accordance with, and subject to, the following provisions:

(a) After evaluation, responsive bids will be classified in one of the following groups:

- (1) *Group A*: bids offering goods manufactured in Chile, if the bidder shall have established to the satisfaction of the Bank and the Borrower that the manufacturing cost of such goods includes a value added in Chile equal to at least 20% of the ex-factory bid price of such goods.
- (2) *Group B*: bids offering goods manufactured in Chile, other than bids classified in Group A.
- (3) *Group C*: bids offering goods manufactured in a country (other than Chile) which is a party to the Latin American Free Trade Association or to the Andean Group and entitled to preferential tariffs thereunder.
- (4) *Group D*: bids offering any other goods.

(b) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be

imported and any sales or similar taxes on goods to be supplied locally, to determine the lowest evaluated bid of each group. The lowest evaluated bids of each group shall then be compared with each other and if, as a result of this comparison, a bid from Group A or Group B is the lowest, it shall be selected for purposes of award.

(c) If, as a result of the first comparison under paragraph (b) above, the lowest bid is a bid from Group C or Group D, *all* Group C and Group D bids shall be further compared with the lowest bid from Group A, as determined under paragraph (b) above, after adding to the c.i.f. bid price of goods to be imported offered in each Group C and Group D bid, for the purpose of this further comparison only, an amount equal to the smaller of (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of goods offered in such Group C or Group D bid, or (ii) 15% of the c.i.f. bid price of such goods. If the Group A bid or a Group C bid is the lowest in such further comparison, it shall be selected for purposes of award.

(d) If, as a result of the further comparison under paragraph (c) above, a bid from Group D is the lowest, *all* Group D bids shall be finally compared with the lowest bid from Group C, as determined under paragraph (b) above, after adding to the c.i.f. bid price of goods to be imported offered in each Group D bid, for the purpose of this final comparison only, an amount equal to the smaller of (i) the difference between the amount of customs duties and other import taxes which would actually be payable for the importation of goods offered in such Group D bid and for the importation of goods offered in the Group C bid, or (ii) 15% of the c.i.f. bid price of goods to be imported offered in such Group D bid. If the lowest bid in such comparison is the Group C bid, it shall be selected for purposes of award; if not, the lowest bid from Group D, as determined under paragraph (b) above, shall be selected for purposes of award.

3. The bidding documents shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the methods and stages that will be followed in the evaluation and comparison of bids to give effect to such preference.

Consistency with Procurement Provisions

1. With respect to any contract for goods or services referred to in Section 2.04 of this Loan Agreement, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids,

recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.04 of this Loan Agreement, promptly inform the Borrower and state the reasons for such determination.

2. If the Bank shall have reasonably determined that the procurement of any goods or services referred to in Section 2.04 of this Loan Agreement is inconsistent with the procedures set forth or referred to in such Section, no expenditures for such goods or services shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under this Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.