

**CONFORMED COPY**

**LOAN NUMBER 7574-CL**

# **Loan Agreement**

**(Innovation for Competitiveness Project)**

**between**

**REPUBLIC OF CHILE**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**LOAN AGREEMENT**

Agreement, as of the Signature Date (as defined in the Appendix to the Loan Agreement), between REPUBLIC OF CHILE (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of thirty million Dollars (\$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of the amortization schedule set forth in Schedule 3 to this Agreement.

- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall, under the overall coordination and supervision of all Parts of the Project by MOE and the guidance of the Inter-Ministerial Committee for Innovation for Parts II and III of the Project:
- (a) carry out Part I of the Project through MOE;
- (b) cause CONICYT to carry out Part II of the Project, and
- (c) cause CORFO to carry out Part III of the Project,
- all in accordance with the provisions of Article V of the General Conditions, the CONICYT Agreement and the CORFO Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:

- (a) CONICYT shall have failed to perform any of its obligations under the CONICYT Agreement.
- (b) CORFO shall have failed to perform any of its obligations under the CORFO Agreement.
- (c) The CONICYT Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CONICYT to perform any of its obligations under the CONICYT Agreement.
- (d) The CORFO Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of CORFO to perform any of its obligations under the CORFO Agreement.

4.02. The Additional Events of Acceleration consist of the following:

- (a) Any of the events specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.
- (b) Any of the events specified in paragraphs (c) or (d) of Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the Signature Date, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on January 15, 2010.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is its Minister of Finance.

6.02. The Borrower's Address is:

Ministry of Finance  
Teatinos 120  
Santiago, Chile

Facsimile: (56-2) 698-8903

6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

AGREED at Buenos Aires, Argentina, on behalf of the Bank on November 28, 2008 and at Santiago, Chile on behalf of the Borrower on December 31, 2008.

REPUBLIC OF CHILE

By /s/ Andrés Velasco Brañes

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Pedro Alba

Authorized Representative

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

By: /s/ Pamela Cuzmar Poblete  
Authorized Representative

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

By: /s/ Ramiro Mendoza  
Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are: (a) to strengthen the MOE's capacity on innovation and to ensure the MOE's policies' coherence with other policies for competitiveness; (b) to strengthen CONICYT and improve the coherence, quality and relevance of research funding policy in Chile; and (c) to stimulate technology transfer and the creation of new technology based enterprises.

The Project consists of the following parts:

**Part I:**            Strengthening MOE Capacity on Innovation Policy and its Coherence with Other Competitiveness Policies

1.    MOE Strengthening

Strengthening MOE's unit responsible for innovation and its linkages with other units within MOE to both ensure the coherence and sustainability of innovation policies and enable the synergies between innovation activities and other competitiveness policies of MOE through, inter alia:

- (a) review of the organizational structure of MOE;
- (b) review of the existing management processes of MOE as an input to, and development of, a performance-based management system for the different units of MOE;
- (c) development of a human resources management system for MOE;
- (d) development of management information systems for MOE and acquisition of the equipment required therefor;
- (e) training of staff of MOE and other concerned agencies on innovation policies and related competitiveness aspects, and on areas related to the performance-based management system and human resource management system developed under (b) and (c) above;
- (f) carrying out of consultations (including surveys) with relevant stakeholders to prepare and facilitate the implementation of the activities of this Part I.1. of the Project; and
- (g) carrying out of studies and provision of expert advice as may be proposed by the Borrower through the MOE and agreed to by the Bank to achieve the objectives of Part I.1 of the Project.

2.    Monitoring and Evaluation

- (a) Design and establishment of a unit within MOE to be responsible for: (i) providing technically sound information on the status and trends in key indicators of innovation and related competitiveness areas; (ii) performing international benchmarking of the aforementioned information or indicators; and (iii) evaluating the impact and effectiveness of policies and publicly funded instruments to stimulate innovation and related competitiveness areas (the Monitoring and Evaluation Unit).
  - (b) Design of methodologies to develop and/or select indicators on innovation and related competitiveness areas which conform to international standards and to support knowledge management in these areas.
  - (c) Carrying out of evaluations and surveys to produce indicators and evaluate the impact of policies on innovation and related competitiveness areas.
  - (d) Development of management information systems for the Monitoring and Evaluation Unit and acquisition of the equipment required therefor.
  - (e) Training of staff of MOE on the Monitoring and Evaluation Unit and methodologies developed under 2 (b) above.
  - (f) Carrying out of seminars and publications, and dissemination of the analytical work of the Monitoring and Evaluation Unit to foster transparency and improve policy formulation.
3. Strengthening the capacity of the Project Coordination Unit for supervision and monitoring of all Parts of the Project.

Part II: Strengthening the Borrower's Science Base

1. CONICYT's Role in the Borrower's Innovation System

- (a) Preparation of a medium-term strategy for CONICYT to define its vision, program goals and institutional strengthening needs in line with the guidelines of the National Innovation Strategy including the preparation of an implementation plan for such strategy (the CONICYT Strategy).
- (b) Training of staff of CONICYT and other relevant agencies, provision of expert advice, and carrying out of other activities as proposed by the Borrower and agreed to by the Bank, as needed to initiate the implementation of the CONICYT Strategy.
- (c) Acquisition of a management information system as required to implement the CONICYT Strategy.
- (d) Dissemination of the CONICYT Strategy.

2. Consolidation and Reformulation of Support to Research and Advanced Training



- (a) (i) Consolidation, and reform as needed, of CONICYT's research and advance training programs; and
- (a) (ii) training of CONICYT's staff and provision of expert advice as needed for the implementation of such consolidated and, as the case maybe, reformed programs.
- (b) Provision of support for the research program resulting from the consolidation referred to in (a) above through:
  - (i) Carrying out of Research Equipment Subprojects.
  - (ii) Carrying out of Fellowships.
  - (iii) Carrying out of Group Research Subprojects.

### 3. Strengthening CONICYT Monitoring and Evaluation Capacity

- (a) Development of innovation indicators related to advanced training and research capacity and other areas of concern to CONICYT which conform to international standards, including surveys to gather indicators.
- (b) Carrying out of evaluations on the effectiveness of CONICYT's programs.
- (c) Acquisition of information systems as required to produce the indicators referred to in (a) above.
- (d) Training of staff of CONICYT and other relevant agencies in the collection and analysis of the indicators referred to in (a) above.
- (e) Carrying out of seminars and publications and dissemination of the results of the collection and analysis of the indicators referred to in (a) above to foster transparency and improve policy formulation.

### Part III: Fostering Technology Transfer and New Ventures

Strengthening the articulation and sequencing of the Borrower's programs to foster the growth of technology-based enterprises through, *inter alia*:

#### 1. Fostering New Ventures

- (a) Design of a benchmarking and certification system for entities that mentor new entrepreneurs (Incubators).
- (b) Training of staff of *Innova Chile* and other relevant agencies on the new system of certification of Incubators.

- (c) Carrying out of Incubators Upgrading Subprojects and Business Accelerator Subprojects.
- (d) Carrying out of studies to design or redesign complementary instruments to foster technology-based enterprises.

2. Strengthening Technology Transfer and Extension

Strengthening the transfer of technology and extension services to enterprises with special attention to SMEs through, inter alia:

- (a) Carrying out of studies to design the guidelines to select (for financing as Subprojects) technology centers with a cluster focus and a multisectoral focus.
- (b) Dissemination of the guidelines referred to in (a) above to interested stakeholders.
- (c) Carrying out of: (a) Technology Center Business Plan Preparation Subprojects; and (b) Technology Center Business Plan Implementation Subprojects.
- (d) Training of staff of *Innova Chile* and other relevant agencies concerned with the monitoring of the implementation of: (i) the Technology Center Business Plan Preparation Subprojects; and (ii) the Technology Center Business Plan Implementation Subprojects.

3. Strengthening *Innova Chile*'s Monitoring and Evaluation Capacity

- (a) Development of innovation indicators related to the creation of new ventures, innovation in enterprises and other areas of concern to *Innova Chile* which conform to international standards, including surveys to gather indicators.
- (b) Carrying out of evaluations and analysis of the effectiveness of the *Innova Chile* programs.
- (c) Acquisition of information systems as required to produce the indicators referred to in (a) above.
- (d) Training of staff of *Innova Chile* implementing and/or managing its programs and other relevant agencies in monitoring and evaluation methodologies.
- (e) Carrying out of seminars to disseminate the results of the collection and analysis of the indicators referred to in (a) above.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Borrower shall, through MOE, during the implementation of the Project:
  - (a) continue operating the Project Coordination Unit (PCU); and
  - (b) cause CONICYT and CORFO to maintain a Project implementation team each (PIT) with functions and responsibilities satisfactory to the Bank, at all times headed by a team coordinator and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Bank.

##### B. Agreements

1. The Borrower shall, through MOE, make the proceeds of the Loan allocated for Part II of the Project available to CONICYT under an agreement to be entered into between the Borrower, through MOE and CONICYT, under terms and conditions which shall have been approved by the Bank, which shall include, *inter alia*, CONICYT's obligations to carry out Part II of the Project in accordance with the provisions of this Agreement.
2. The Borrower shall, through MOE, make the proceeds of the Loan allocated for Part III of the Project available to CORFO under an agreement to be entered into between the Borrower, through MOE, and CORFO, under terms and conditions which shall have been approved by the Bank, which shall include, *inter alia*, CORFO's obligations to carry out Part III of the Project in accordance with the provisions of this Agreement.
3. The Borrower shall, through MOE, cause CONICYT to enter into agreements with each Beneficiary of a Grant, under terms and conditions substantially similar to those of the model form to be contained in the Operational Manual (the Grant Agreements), such agreements to provide for:
  - (a) the transfer by CONICYT to such Beneficiary, on a grant basis, of the funds required by such Beneficiary to carry out a Research Equipment Subproject, a Group Research Subproject or a Fellowship;
  - (b) the obligation of such Beneficiary to carry out such Subproject or Fellowship as provided in the Operational Manual; and
  - (c) the Beneficiary's undertaking to carry out its Subproject in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; and the Bank's and

the Borrower's right to require audits of the Beneficiary's records and accounts.

4. The Borrower shall, through MOE, cause CORFO to enter into agreements with each Beneficiary of a Grant, under terms and conditions substantially similar to those of the model form to be contained in the Operational Manual (the Grant Agreements), such agreements to provide for:
  - (a) the transfer by CORFO to such Beneficiary, on a grant basis, of the funds required by such Beneficiary to carry out an Incubator Upgrading Subproject, a Business Accelerator Subproject, a Technology Center Business Plan Preparation Subproject, or a Technology Center Business Plan Implementation Subproject;
  - (b) the obligation of such Beneficiary to carry out the respective Subproject as provided in the Operational Manual; and
  - (c) the Beneficiary's undertaking to carry out its Subproject in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower and the Bank's and the Borrower's right to require audits of the Beneficiary's records and accounts.
5. The Borrower shall through MOE exercise its rights and carry out its obligations under the CONICYT Agreement and the CORFO Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, suspend, waive, terminate or fail to enforce the CONICYT Agreement or the CORFO Agreement or any provision thereof.
6. The Borrower shall, through MOE, cause CONICYT and CORFO:
  - (a) to exercise their respective rights and carry out their respective obligations under each Grant Agreement, in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and
  - (b) except as the Bank shall otherwise agree, not to assign, amend, abrogate, suspend, waive, terminate or fail to enforce any Grant Agreement or any provision thereof.

**C. Operational Manual**

Without limitation to the provisions of Article V of the General Conditions, the Borrower shall, through MOE, carry out Part I of the Project and cause CONICYT and CORFO to carry out respectively Parts II and III of the Project in accordance with a manual, satisfactory to the Bank, said manual to include, *inter alia*:

- (a) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, financial and environmental requirements thereof);
- (b) Project performance indicators; and
- (c) when prepared in accordance with the requirements of Sections I. E. 2 and IV B.1(e) (i) of this Schedule for each type of Subproject and Fellowship: (i) the criteria for the approval, implementation and monitoring of Subprojects and Fellowships; (ii) the criteria for eligibility of Beneficiaries; and (iii) model agreements with Beneficiaries for implementation of each type of Subproject and Fellowship.

In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

**D. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**E. Other Undertakings**

1. The Borrower shall, through MOE, not later than June 30, 2011 start implementation of the performance based management and human resource management systems referred to in Part I.1.(b) and (c) of the Project in at least the Monitoring and Evaluation Unit and the unit responsible for innovation in MOE.
2. The Borrower shall, through MOE, cause CONICYT and CORFO to: (a) not later than December 31, 2009 and June 30, 2009 respectively furnish to the Bank for its approval the guidelines containing the criteria for the selection, implementation and financing of each type of Subprojects and Fellowships as the case maybe (including the model Grant Agreement with each Beneficiary) for Parts II and III of the Project; and (b) shortly after the Bank's approval of each such guidelines, incorporate them in the Operational Manual.

**Section II. Project Monitoring Reporting and Evaluation**

**A. Project Reports**

The Borrower shall, through MOE, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than two months after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank not later than two months after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Non-consultant Services and Works.** All goods, non-consultant services and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consultant services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods, non-consultant services and Works.**
  - (a) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, non-consultant services and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b><u>Procurement Method</u></b> |
|----------------------------------|
| National Competitive Bidding     |
| Limited International Bidding    |
| Commercial Practices             |
| Shopping                         |

- (b) Contracts awarded on the basis of National Competitive Bidding procedures are subject to the following additional procedures:
  - (i) the lowest evaluated bid shall be selected for contract award; and
  - (ii) there shall be no prescribed minimum number of bids or proposals to be submitted in order for a contract to be subsequently awarded.

3. *Chilecompra* and *Convenio Marco* may be used as an alternative to Shopping provided that the Borrower: (i) compares at least three prices of qualified suppliers and providers that meet the specifications of the bid or request for offers; and (ii) awards the contract to the lowest compared price.

**C. Particular Methods of Procurement of Consultants’ Services**

- 1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- 2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

| <b><u>Procurement Method</u></b>                   |
|--|
| (a) Quality-Based Selection.                       |
| (b) Fixed Budget Selection                         |
| (c) Least-Cost Selection.                          |
| (d) Single Source Selection.                       |
| (e) Selection based on Consultants’ Qualifications |
| (f) Individual Consultants                         |

- 3. (a) The call for expressions of interest and award of contracts for consultant services costing \$100,000 equivalent or more, and which are selected following the procedures set forth in paragraph 2 above, shall be published in the *Chilecompra* portal.
- (b) For consultant services for contracts estimated to cost below \$100,000 equivalent the procedures of *Chilecompra* may be followed as a form, acceptable to the Bank, of Single Source Selection without the Bank’s prior approval.

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

| <b>Category</b>  | <b>Amount of the Loan Allocated<br/>(expressed in Dollars)</b> | <b>Percentage of Expenditures to be financed<br/>(inclusive of Taxes)</b>   |
|--|--|---|
| (1) Goods, Training, Operating Costs and consultants’ services for Part I of the Project   | 7,300,000  | 100%  |
| (2) (a) Goods, Training, Operating Costs and consultants’ services for Part II of the Project (other than for Subprojects and Fellowships) | 5,400,000  | 100%  |
| (b) Goods, works, consultants’ services, Training and Operating Costs for Subprojects and Fellowships                                      | 8,025,000  | 100% of the amount of the Grant as per the terms of the Grant Agreement   |
| (3) (a) Goods, Training, Operating Costs and consultants’ services for Part III of the Project (other than for Subprojects); and           | 3,400,000  | 100%  |
| (b) Goods, works, consultants’ services, Training and Operating Costs for Subprojects  | 4,800,000  | 100% of the amount of the Grant as per the terms of the Grant Agreement   |
| (4) Front-end Fee  | 75,000   | Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions |
| (5) Premia for Interest Rate Caps and Interest Rate Collars  | 0  | Amount due under Section 2.07 (c) of this Agreement.  |
| (6) Unallocated  | 1,000,000  |   |
| <b>TOTAL AMOUNT</b>  | <b>30,000,000</b>  |   |



For the purposes of this Schedule:

- (a) the term “Operating Costs” means the reasonable costs incurred: (i) for utilities, maintenance and consumable office supplies by MOE, CONICYT or CORFO; and (ii) for salaries, research consumables, and other recurrent costs for Subprojects as set forth in the Operational Manual, that would not have been incurred absent the Project; and
- (b) the term “Training” means the reasonable costs of: (i) travel, room, board and per diem incurred by participants in connection with their training and/ or attendance of international events; (ii) the course fees charged by academic or other institutions; and (iii) in respect of Subprojects, scholarships for advanced training and fellowships.

**B. Withdrawal Conditions; Withdrawal Period**

- 1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee;
  - (b) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed \$2,000,000 equivalent may be made for payments made within twelve months prior to the Signature Date for Eligible Expenditures;
  - (c) for payments covered by Category (2) unless: (i) the CONICYT Agreement has been executed on behalf of the parties thereto; and (ii) a legal opinion of counsel to CONICYT, acceptable to the Bank, has been delivered to the Bank, in form and substance satisfactory to the Bank, stating that the CONICYT Agreement has been duly authorized and ratified by the parties thereto, and is legally binding upon such parties, in accordance with its terms;
  - (d) for payments covered by Category (3) unless: (i) the CORFO Agreement has been executed on behalf of the parties thereto; and (ii) a legal opinion of counsel to CORFO, acceptable to the Bank, has been delivered to the Bank, in form and substance satisfactory to the Bank, stating that the CORFO Agreement has been duly authorized and ratified by the parties thereto, and is legally binding upon such parties, in accordance with its terms; and
  - (e) for payments for:
    - (i) the first Fellowship or the first of each type of Subproject covered by Category 2 (b) or 3 (b) unless the Bank shall have approved the revisions to the Operational Manual to include the guidelines referred to in Section I. E. 2. of Schedule 2 to this Agreement for the applicable type of Subproject or Fellowships; and

- (ii) for the first Research Equipment Subproject, Fellowship, or Group Research Subproject unless the Bank shall have approved the program selected by CONICYT for support with such Subprojects and Fellowships.

2. The Closing Date is July 15, 2014.

### SCHEDULE 3

#### Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

| <b>Principal Payment Date</b>                       | <b>Installment Share<br/>(Expressed as a Percentage)</b> |
|---|--|
| On each January 15 and July 15                      |  |
| Beginning July 15, 2014<br>through January 15, 2019 | 10%  |

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
  - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
  - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3.
  - (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
  - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued

on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Beneficiary” means any beneficiary which is selected pursuant to the criteria to be set forth in the Operational Manual to receive a Grant.
3. “Business Accelerator Subproject” means a project to be carried out to provide assistance and mentoring to firms that have been operating a limited number of years and wish to become dynamic exporters, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “*Chilecompra*” means the electronic procurement system set forth in the Borrower’s Law No. 19886 of August 29, 2003, published in the Borrower’s Official Gazette, dated July 30, 2003 and its regulations set forth in Supreme Decree No. 250 of September 24, 2004.
6. “CONICYT” means *Comisión Nacional de Investigación Científica y Tecnológica*, the Borrower’s Science and Technology Commission established pursuant to the CONICYT Legislation.
7. “CONICYT Agreement” means the Agreement referred to in Section I.B.1. of Schedule 2 to this Agreement.
8. “CONICYT Legislation” means Law No. 16746 published in the Borrower’s Official Gazette on February 14, 1968 as amended to the Signature Date of this Agreement.
9. “CONICYT Strategy” means the medium-term strategy for CONICYT referred to in Part II.1 (a) of the Project.
10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
11. “*Convenio Marco*” means the bidding procedure set forth in *Chilecompra* whereby the goods that could be purchased from qualified providers, selected in open competition by the Borrower’s Purchasing Directorate, are listed in a catalogue with the authorized terms and conditions (including prices) of such goods for purchases by any of the Borrower’s agencies.
12. “CORFO” means *Corporación de Fomento de la Producción*, the Borrower’s Corporation for the Promotion of Production established pursuant to the CORFO Legislation.

13. “CORFO Agreement” means the Agreement referred to in Section I.B.2 of Schedule 2 to this Agreement.
14. “CORFO Legislation” means the Borrower’s Law No. 6640 published in the Borrower’s Official Gazette on January 10, 1941 and its regulations set forth in the Borrower’s Decree No. 360 published in the Borrower’s Official Gazette on May 15, 1945 and the norms set forth in Decree with Force of Law No. 221 published in the Borrower’s Official Gazette on May 15, 1945, all as amended to the Signature Date of this Agreement.
15. “Fellowship” means an exchange of professors or researchers, a sabbatical or the visit of a professor or researcher to deliver services in universities and knowledge centers within and outside the Borrower’s territory, which is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
16. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).
17. “Grant” means any grant provided for the financing of part of the cost of consultants’ services, goods, training, works and operating costs, as the case may be, for a Subproject or Fellowship.
18. “Grant Agreement” means any of the agreements referred to in Section I.B.3 and I.B.4 of Schedule 2 to this Agreement.
19. “Group Research Subproject” means a research and/or advanced training project to be carried out by a university, science and/or technology institute or other legal entity engaged in scientific research, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
20. “Incubator” means a legally established entity which mentors newly established entrepreneurs.
21. “Incubator Upgrading Subproject” means a project to be carried out by a firm to upgrade its capacity as required to qualify as Incubator as per the norms of the certification system to be developed under Part III.1 (a) of the Project, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
22. “*Innova Chile*” means the Borrower’s committee in charge of a set of programs to promote innovation in the private sector established pursuant to CORFO’s Decision (*Acuerdo*) dated January 10, 2005.
23. “Inter-Ministerial Committee for Innovation” means the committee established pursuant to Presidential Instructive No. 002 dated May 2, 2007 or any successor acceptable to the Bank.
24. “MOE” means *Ministerio de Economía, Fomento y Reconstrucción*, the Borrower’s Ministry of Economy, Development and Reconstruction.

25. “Monitoring and Evaluation Unit” means the unit to be established for monitoring and evaluation within MOE and referred to in Part I.2 of the Project.
26. “National Innovation Strategy” means the Borrower’s draft innovation strategy included in *Innova Chile*’s website at <http://www.consejodeinnovación.cl/cnic/cnic/web/portada.php>.
27. “Operational Manual” means the manual referred to in Section I.C. of Schedule 2 to this Agreement and approved by the Bank on June 6, 2008.
28. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
29. “Procurement Plan” means the Borrower’s procurement plan for the Project dated June 6, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
30. “Project Coordination Unit” means the unit responsible for Project coordination and supervision operating within MOE.
31. “Research Equipment Subproject” means a project to be carried out by a Beneficiary for the purchase of specialized scientific equipment to support research, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
32. “Signature Date” means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions. Countersignature dates by the Borrower’s Treasurer General and Controller General are not considered for purposes of establishing the Signature Date.
33. “SME” means small and medium enterprises.
34. “Subproject” means any Group Research Subproject, Research Equipment Subproject, Incubator Upgrading Subproject, Business Accelerator Subproject, Technology Centers Business Plan Preparation Subproject or Technology Centers Business Plan Implementation Subproject.
35. “Technology Center Business Plan Implementation Subproject” means a project to be carried out by a technology center for the implementation of its business plan, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.
36. “Technology Center Business Plan Preparation Subproject” means a project to be carried out by a technology center for the preparation of its business plan, which project is eligible for financing by a Grant in accordance with the criteria to be set forth in the Operational Manual.