Mr. Felipe Larrain Bascuñán  
Minister of Finance of Chile  
Ministry of Finance  
Teatinos 120  
Santiago  
Chile  

Re: REPUBLIC OF CHILE: Grant for the Design and Implementation of a Biodiversity Management System in the Ministry of Public Works Project  
GEF MSP Grant No. TF011309  

Excellency,  

In response to the request for financial assistance made on behalf of Republic of Chile ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Implementing Agency of the Global Environment Facility (GEF), proposes to extend to the Recipient a grant in an amount not to exceed nine hundred nine thousand ninety United States Dollars (US$909,090) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").  

This Grant is funded out of the GEF trust fund for which the World Bank receives periodic contributions from donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the GEF trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.  

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.  

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.
Thereafter, this Agreement shall become effective upon: (i) receipt by the World Bank of this countersigned copy; (ii) the signing and effectiveness of the Subsidiary Agreement referred to in Section 2.03 (a) of the Annex to this Agreement; and (iii) the approval by the World Bank of the Operational Manual referred to in Section 2.03 (c) of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
Acting as Implementing Agency of the Global Environment Facility

By

Susan G. Goldmark
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

[Signature]

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions


1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) "Advisory Council" means the consortium referred to in Section 2.03 (g) of this Agreement, comprising representatives of the Ministry of Environment (MA), the Agriculture and Livestock Service (Servicio Agrícola y Ganadero, SAG), the Water Directorate (DGA), and the National Forestry Corporation (CONAF), all of which are government agencies with responsibility for natural resources and biodiversity management, or any successor thereto acceptable to the World Bank.

(b) "BMS" means Biodiversity Management System, a tool to be developed by the Project.

(c) "CONAF" means Corporación Nacional Forestal, the Recipient’s National Forestry Corporation within the Ministry of Agriculture created pursuant to Decree 455, dated April 19, 1973 (as amended to the date of this Agreement), or any successor thereto.

(d) "Consultative Council" means the consortium referred to in Section 2.03 (g) of this Agreement, comprising representatives of international and local non-governmental organizations with solid background in biodiversity management and nature conservation, as well as relevant local scientists with recognized contributions in related fields.

(e) "DGA" means Dirección General de Aguas, the Recipient’s General Directorate of Water, created pursuant to Law 16640, dated July 28, 1967 (as amended to the date of this Agreement), or any successor thereto.

(f) "FB" means Fundación Biodiversa, a non-profit organization established and operating in the Recipient’s territory pursuant to Decree 3781, dated December 23, 2004 (as amended to the date of this Agreement), or any successor thereto.

(g) "MA" means Ministerio del Medio Ambiente, the Recipient’s Ministry of Environment, or any successor thereto.

(h) "MOP" means Ministerio de Obras Públicas, the Recipient’s Ministry of Public Works, or any successor thereto.
Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient with its biodiversity conservation efforts in key ecoregions through the elaboration of a BMS applied to the planning, design, construction, and operation of infrastructure works. The Project consists of the following parts:

**Part 1: Design of a Biodiversity Management System**

Design of a BMS composed of an information management system, a biodiversity valuation system and a procedures system to serve as an integrated MOP tool, through the carrying out of activities, including, *inter alia*: (a) the development of territorial units for analysis; (b) the definition of variables and information sources to value those units at the ecosystem and species levels; (c) the design of biodiversity value index in territorial units; and (d) the design of a geographic information system.

**Part 2: Application, Assessment and Validation of the Biodiversity Management System in Pilot Ecoregions**

(a) Application and assessment of the BMS in the Pilot Ecoregions through the carrying out of activities including, *inter alia*: (i) the development and set up of a biodiversity baseline; (ii) the elaboration and identification of the typology of...
infrastructure biodiversity threats; (iii) the elaboration of a BMS procedure with recommendations channeled toward biodiversity management; (iv) the design of a monitoring and follow up system; (v) the identification of the BMS weaknesses and strengths; and (vi) the adjustment of the BMS to the specificities of each Pilot Ecoregion.

(b) Validation of the BMS through the carrying out of activities including, *inter alia:*
1. The identification of the types and severity of existing infrastructure threats on different types of ecosystems and/or populations within an ecoregion;
2. The development of recommendations for the improvement of procedures to manage biodiversity; and
3. The elaboration of documents on lessons learned.

**Part 3: Internalization and Dissemination of the Biodiversity Management System**

(a) Building the capacity of MOP’s staff and environmental officers, Participating Agencies and stakeholders to facilitate internalization of the BMS through: (i) the development of guidelines to manage biodiversity based on the BMS application; (ii) the carrying out of a training program including dissemination seminars; and (iii) the development of an internal communication and promotion strategy to support the internalization process.

(b) Coordination with other public organizations and integration of the BMS at the Advisory Council level through: (i) the carrying out of dissemination seminars for members of said council and potential public and private BMS users on the applicability of the BMS; and (ii) the development of an external communication and promotion strategy to support the internalization process.

(c) Integration of the BMS at the Consultative Council level through: (i) the carrying out of dissemination seminars on the BMS applicability for civil society representatives; and (ii) the development of an external communication and promotion strategy to support the internalization process.

**Part 4: Project Technical and Administrative Management**

Provision of technical and fiduciary assistance to the Recipient to ensure efficient Project implementation, including, *inter alia,* the provision of support for Project administration, monitoring, evaluation, and coordination.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through MOP, shall cause *Fundación Biodiversa* to carry out the Project in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011, and available to the public on the World Bank’s website www.worldbank.org (“Anti-Corruption Guidelines”); and (c) this Article II; (d) the Subsidiary Agreement; and (e) the Operational Manual.

2.03. **Institutional and Other Arrangements.** For the purposes of carrying out the Project, the Recipient, through MOP, shall:
enter into an agreement ("Subsidiary Agreement") with Fundación Biodiversa, under terms and conditions satisfactory to the World Bank, which shall include inter alia: (i) the obligation of the Recipient, through MOP, to promptly provide the funds, facilities, services and other resources required by Fundación Biodiversa to implement the Project; and (ii) the obligation of Fundación Biodiversa to:

(A) carry out of the Project with due diligence and efficiency and in accordance with sound technical, economic, financial, environmental, managerial standards and practices satisfactory to the World Bank; and in accordance with the Operational Manual;

(B) carry out of the Project in accordance with the Anti-Corruption Guidelines;

(C) use the Grant funds in accordance with the terms and conditions of this Agreement, and in conformity with administrative, technical, financial, procurement, auditing, participatory and legal standards and practices;

(D) procure goods and consultants' services in accordance with the provisions of Section 2.06 of this Agreement;

(E) maintain adequate records and accounts, and make available such documentation to the Recipient, and any other information that the Recipient may request in order to comply with its obligations under Section 2.05 of this Agreement;

(F) recruit not later than two months after the signing of this Agreement, a financial management assistant with qualifications and under terms of reference acceptable to the World Bank;

(G) take all actions necessary to enable the Recipient, through MOP, to comply with its obligations under this Agreement;

(H) enable the World Bank under the Subsidiary Agreement to inspect the activities carried out, their operation and any relevant records and documents; and

(I) furnish all such information as the Recipient, through MOP, or the World Bank shall reasonably request.

exercise its rights and carry out its obligations under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. The Recipient, through MOP, shall not, except as the World Bank shall otherwise agree, assign, amend, abrogate, suspend, waive, terminate or fail to enforce the Subsidiary Agreement or any provision thereof. In case of any conflict between the terms of the Subsidiary Agreement and those of this Agreement, the terms of this Agreement shall prevail.

(c) carry out, and/or cause the Project to be carried out, in accordance with the provisions of a manual (the Operational Manual), acceptable to the World Bank, said manual to include, inter alia:
(i) the detailed description of Project implementation activities;

(ii) the Project administrative, accounting, auditing, reporting, financial, and disbursement procedures, including all pertinent standard documents and model contracts in relation thereto;

(iii) the procedures for the monitoring, evaluation and supervision of the Project;

(iv) the eligibility criteria and procedures for the selection of the Pilot Ecoregions;

(v) the plan for the training and capacity building activities under the Project; and

(vi) the performance indicators for the Project.

(d) The Operational Manual may only be amended from time to time in consultation with, and after approval of, the World Bank. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

(e) The Recipient, through MOP, shall hire a Project coordinator (PC) with qualifications, experience, functions and responsibilities satisfactory to the World Bank as set forth in the Operational Manual.

(f) For purposes of overall coordination of Project implementation, the Recipient, through MOP, shall establish and maintain at all times a Project steering committee (PSC) comprising representatives of the Recipient and the *Fundación Biodiversa*, all with a structure, functions, staffing, terms of reference and responsibilities satisfactory to the World Bank and as set forth in the Operational Manual.

(g) The Recipient, through MOP, shall establish and maintain an Advisory Council and a Consultative Council, with functions, terms of reference and resources acceptable to the World Bank, and as further set forth in the Operational Manual.

(h) The Recipient, through MOP, shall ensure that the terms of reference for Project activities under Part 1 and Part 2 include a provision, satisfactory to the World Bank, mandating that the Recipient, through MOP, shall observe and incorporate, and/or cause to be observed and incorporated, the substantive policy standards contained in the World Bank Safeguard Policies into the relevant actions, policies and/or measures referred to herein.

2.04. **Completion Report.** The Recipient, through MOP, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. **Financial Management.** (a) The Recipient, through MOP, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
(b) The Recipient, through MOP, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient, through MOP, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06 Procurement

(a) General. All goods, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:


(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011, and available to the public on the World Bank’s website www.worldbank.org (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient, through MOP, for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services. Except as the World Bank may otherwise agree, goods and non-consulting services shall be procured under contracts awarded on the basis of: (A) Shopping; (B) National Competitive Bidding; and (C) Direct Contracting.
(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; and (F) Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

## Article III
### Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient, through MOP, may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, and available to the public on the World Bank’s website www.worldbank.org, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultant services, Goods and training under Part 1 of the Project</td>
<td>337,746</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>(2) Consultant services, Goods and training under Part 2 of the Project</td>
<td>294,651</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>(3) Consultant services and training under Part 3 of the Project</td>
<td>186,757</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>(4) Operating Costs under Part 4 of the Project (including audit fees)</td>
<td>89,936</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>909,090</td>
<td></td>
</tr>
</tbody>
</table>
For the purposes of this Section, the terms:

(a) “Operating Costs” means reasonable recurrent expenses incurred on account of Project implementation, including office equipment and supplies, reasonable commercial banking charges and fees, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs; and

(c) “Training” means reasonable expenditures (other than those for consultants’ services) incurred by the Recipient in connection with the carrying out of training Activities, including travel costs and *per diem* of workshop facilitators and participants; rental of training facilities, preparation, acquisition, reproduction and distribution of training and workshop materials.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2014.

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of, namely that, the Recipient, through MOP, and/or Fundación Biodiversa shall have failed to perform any of its/their respective obligations under the Subsidiary Agreement.

**Article V**

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

    Ministry of Finance
    Teatinos 120
    Santiago, Chile
    Facsimile: (56-2) 671-3814

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

    International Bank for Reconstruction and Development
    1818 H Street, N.W.
    Washington, D.C. 20433
    United States of America
Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391