Mr. Felipe Larrain Bascurán  
Minister of Finance  
Ministry of Finance  
Teatinos 120  
Santiago, Republic of Chile

Re: REPUBLIC OF CHILE: Loan 7485-CH  
(Second Public Expenditure Management Project)  
Amendment to the Loan Agreement

Excellency,

Please refer to the Loan Agreement for the above-captioned Project between the Republic of Chile (the Borrower) and the International Bank for Reconstruction and Development (the Bank), dated November 29, 2007 (the Loan Agreement). Capitalized terms used in this letter (Amendment Letter) and not defined herein have the meaning ascribed to them in the Loan Agreement.

Pursuant to your request to amend the Loan Agreement, we are pleased to inform you that the Bank agrees with your requests, and consequently proposes to amend the Loan Agreement as follows:

1. Part B of Schedule I shall read as follows: Improvement of Budget Procedures.

2. Part B.2 of Schedule 1 to the Loan Agreement is deleted.

3. The table in Section IV A.2 of Schedule 2 to the Loan Agreement is amended and replaced to read in its entirety as set forth in the Annex to this Amendment Letter.

Please confirm your agreement with the foregoing amendments by signing and dating this Amendment Letter in the spaces provided below. Henceforward, all other provisions of the Loan Agreement, except as amended through this Amendment Letter shall remain in full force and effect. This Amendment Letter shall be executed in two counterparts each of which shall be an original.

Upon confirmation, please return one fully executed original to us. The date of this Amendment Letter shall be deemed that of the signature of the Borrower's representative. The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon receipt by the Bank of the countersigned original of this Amendment Letter.

July 31, 2012
Please also note that the restructuring paper which reflects the Bank’s approved Project modifications dated March 5, 2012 will be disclosed on the Bank’s external Website.

Sincerely yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

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

AGREED:

REPUBLIC OF CHILE

By: ____________________________
Authorized Representative

Name: __________________________

Title: __________________________

Date: 23 Aug 2012

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

By: ____________________________
Authorized Representative

Date: __________________________

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

By: ____________________________
Authorized Representative

Date: 19 Dic. 2012
### Annex

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, non-consultant services, works, consultants’ services,</td>
<td>16,206,000</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>Operating Costs and Training for Parts A, B, C, D and E of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, non-consultant services, works, consultants’ services,</td>
<td>8,532,000</td>
<td>Up to 100%</td>
</tr>
<tr>
<td>Operating Costs and Training for Part C of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>62,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in</td>
</tr>
<tr>
<td></td>
<td></td>
<td>accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>24,800,000</td>
<td></td>
</tr>
</tbody>
</table>