Mr. Juan Pablo Lira Bianchi  
Executive Director  
Agencia de Cooperación Internacional de Chile (AGCI)  
Teatinos 180, Piso 8  
Santiago  
Republic of Chile  

Dear Sir:

Re: Republic of Chile: CTF Grant No. TF0A3726 – Technical Assistance for Sustainable Geothermal Development Project

In response to the request for financial assistance made on behalf of the Republic of Chile (“Beneficiary” or “Member Country”) through the Chilean International Cooperation Agency, AGCI (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by various donors (“Donor(s)” to the Clean Technology Fund), proposes to extend to the Recipient, a grant in an amount not to exceed one million seven-hundred eighty thousand United States Dollars ($1,780,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annexes, to assist in the financing of the Technical Assistance for Sustainable Geothermal Development project described in Annex I (“Project”).

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the 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 abovementioned 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 and signing this 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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Article IV of Annex I to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement from the Recipient within ninety (90) days after the date of signature of this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 the administrator of grant funds provided by various Donors to the Clean Technology Trust Fund)

Alberto Rodriguez
Director
Bolivia, Chile, Ecuador, Peru and Venezuela
Latin America and the Caribbean Region

AGREED:

CHILEAN AGENCY FOR INTERNATIONAL COOPERATION
(AGENCIA DE COOPERACIÓN INTERNACIONAL DE CHILE OR AGCI)

By

Authorized Representative

Name: JUAN ABLO LIR Ar A
Title: DIRECTOR EJECUTIVO AGCI
Date: 08.11.2016

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

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

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.

(a) "AGCI" means Agencia de Cooperación Internacional de Chile, the Beneficiary’s public agency for international cooperation, functionally decentralized, which is a legal entity with its own assets, under the supervision of the President of the Republic through the Ministry of Foreign Affairs, established through the Beneficiary’s Law No. 18,989 dated July 13, 1990 and published on July 19, 1990, as said law has been amended to the date of this Agreement.

(b) "Bank’s Safeguards Policies" means the Bank’s operational policies and procedures, set forth in the Bank’s operational manual and identified as OP/BP 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50, and 7.60, as said manual is published under www.WorldBank.org/opmanual.


(d) "MoE" means the Beneficiary’s Ministry of Energy, under the Beneficiary’s Civil Service which develops and coordinates plans, policies and standards for the proper working and development of the energy sector, which ensures compliance and advises the government on all matters related to energy, or any successor thereto.

(e) "Operating Costs" means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of Project implementation, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost, and per diem for Project staff for travel linked to the implementation of the Project, and salaries of contractual staff for the Project (but excluding consultants’ services and salaries of officials of the Beneficiary’s civil service).

(f) "Operational Manual" means the manual dated August 11, 2015 referred to in Section 2.03 (c) of Annex I to this Agreement, as the same may be updated from time to time with agreement of the World Bank.

(g) "Subsidiary Agreement" means the agreement referred to in Section 2.03 (a) of Annex I to this Agreement.

(h) "Training" means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Project, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of
training and workshop materials, and other costs directly related to training course and workshop preparation and implementation (but excluding goods and consultants’ services).

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Beneficiary in resolving specific barriers to improve the geothermal energy market conditions. By addressing key legal, social and market barriers, this technical assistance will contribute to the development of commercializeable geothermal resources.

The Project consists of the following parts:

Part 1: Improve policy framework and strengthen management capabilities to help mobilize investments in geothermal energy

The provision of support for:

(a) The revision of the legal and regulatory framework for geothermal development, through, *inter alia:* (i) the drafting of the necessary regulations; (ii) the carrying out stakeholder consultations; and (iii) the evaluation of the impact of the reforms to adjust the framework for optimal performance.

(b) The review of the legal and regulatory framework for geothermal energy concessions, and developing recommendations on reform including, *inter alia:* (i) a review of the Beneficiary’s internal concession management system to optimize operations; (ii) the identification of steps to strengthen the monitoring of awarded concessions to ensure compliance with investment and related agreements; and (iii) the evaluation of exploitation concession requests, all aiming at carrying out the necessary restructuring of the Beneficiary’s geothermal concession system and improvement of its oversight and process management.

(c) Carrying out capacity building and institutional strengthening activities for MoE, including, *inter alia:* (i) the provision of on-the-ground advisory support to the MoE to boost its existing capacity on the geothermal sector; (ii) the provision of support for the coordination of all activities related to the Project; (iii) the identification of: (A) key evolving sector needs; and (B) just-in-time support and additional training and capacity building needs; and (iv) the facilitation of the means to address the needs mentioned under subsection (iii) of this paragraph.

(d) Carrying out activities to promote stakeholder engagement to address social and environmental considerations of geothermal development, such as: (i) consultations; and (ii) awareness building activities including exchanges with other geothermal development countries and the incorporation of feedback arising from said activities into the reforms that will be implemented through the Project.

Part 2: Enhancing market conditions for promoting sustainable development of the geothermal energy sector

The provision of support for:

(a) The design and preparation of a geothermal resource risk mitigation framework, including, *inter alia:* its: (i) selection; (ii) consultation; (iii) refining; (iv) implementation; and (v) the carrying out
of a revision of the legal and regulatory framework to support the geothermal risk mitigation options that will be implemented in the Beneficiary's territory.

(b) The design and development of an incentive framework for better integration of geothermal power in the Beneficiary's broader power market, including, inter alia, the rationalization of the Beneficiary's geothermal expansion plans through the harmonization of its overall development goals with the existing power market conditions, including the undertaking of the necessary reforms and the implementation of adequate incentives.

(c) The design of a strategy to enhance geothermal competitiveness in the long term by exploring synergies with alternate uses and related domestic sectors, including, inter alia: (i) the identification of the sectors best positioned in the Beneficiary's territory to develop low and medium enthalpy resources in an economic fashion; and (ii) the design of the most appropriate schemes to promote the use of said resources and their implementation.

2.02. Project Execution Generally. The Recipient declares its commitment to the objective of the Project. The Recipient shall carry out the Project activities in partnership with the MoE. To this end, the Recipient and MoE shall carry out the Project in accordance with the provisions of: (a) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. For the purposes of carrying out the Project, the Recipient shall:

(a) Enter into a subsidiary agreement with MoE (“Subsidiary Agreement”), under terms and conditions acceptable to the World Bank, in accordance with the Operational Manual and this Agreement.

(b) 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. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

(c) Maintain, in collaboration with the MoE, an operational manual (the “Operational Manual”) throughout Project activities implementation, satisfactory in form and substance to the World Bank, therein setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Grant Activities, including, inter alia, the following: (i) a detailed description of Project activities; (ii) the administrative, financial, accounting, auditing, procurement and disbursement procedures for the implementation of the Project activities including the relevant standard documents; and (iii) the plan for the monitoring, evaluation and supervision of the Grant Activities, including the performance indicators. 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) Ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the World Bank’s Safeguards Policies.

2.04. Donor Visibility and Visit.

(a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.
For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Beneficiary’s territory for purposes related to the Project.

2.05. Project Monitoring, Reporting and Evaluation.

(a) The Recipient shall, in collaboration with the MoE, monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient 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 (6) months after the Project Closing Date.

2.06. Financial Management.

(a) The Recipient 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 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 shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 (6) months after the end of such period.

2.07. Procurement.

(a) Goods and Non-consulting Services. All goods, non-consulting services, and/or consulting services required for the Project and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in: (i) Section I of the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011 (revised July 2014) (“Procurement Guidelines”), in the case of goods and non-consulting services; (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 (revised July 2014) (“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 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.

(i) Except as otherwise provided in sub-paragraphs (ii) and (iii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding subject to the additional provisions set out in the Annex II to this Agreement; (B) Shopping; and (C) Direct Contracting.

(iii) For the procurement of goods and non-consulting services estimated to cost up to an equivalent of three hundred and fifty thousand United States Dollars ($350,000), the following methods may be used as an alternative to National Competitive Bidding or Shopping: (A) ChileCompra; and (B) Framework Agreements in accordance with procedures which have been found acceptable to the World Bank.

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, other than Quality- and Cost-based Selection, 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; (F) Selection of Individual Consultants; (G) Single-source procedures for the Selection of Individual Consultants; and (H) for consultant’s services estimated to cost below three hundred thousand United States Dollars ($300,000) equivalent, the procedures of ChileCompra may be followed as a form, acceptable to the World Bank.

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 may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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, 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 Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, non-consulting services, consultants’ services, Training and Operating Costs</td>
<td>1,780,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,780,000</td>
<td></td>
</tr>
</tbody>
</table>

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 June 30, 2020.

**Article IV**

**Effectiveness; Termination**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental action.

(b) The Subsidiary Agreement referred to in Section 2.03 (a) of this Annex I has been executed on behalf of the Recipient and MoE.

4.02. As part of the evidence to be furnished pursuant to Section 4.01 (a) and (b) above, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official, showing the following matters:

(a) On behalf of the Recipient, that this Agreement has been duly authorized or ratified by it, and executed and delivered on its behalf, and is legally binding upon it in accordance with its terms;

(b) On behalf of the Member Country, that this Agreement has been duly authorized or ratified and is legally binding upon it in accordance with its terms; and

(c) The Subsidiary Agreement has been duly authorized or ratified by the Recipient and MoE and is legally binding upon each such party in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
4.04. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**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 Executive Director.

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

Agencia de Cooperación Internacional de Chile
Teatinos 180, piso 8
Santiago
Chile

Phone: 56-2 28275700

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
Annex II

Special Provisions Relating to: (a) the Procurement of Goods and Non-consulting Services under World Bank Financed Contracts Subject to National Competitive Bidding; and (b) Consultant’s Services

(a) In addition and without limitation to any other provisions set forth in Article II, Section 2.07 of Annex I of this Agreement or the Procurement Guidelines, the following principles of procurement shall expressly govern all procurement of goods, and non-consulting services under National Competitive Bidding procedures:

(i) The lowest evaluated bid shall be selected for contract award.

(ii) There shall be no prescribed minimum number of bids to be submitted in order for a contract to be subsequently awarded.

(iii) For contracts to cost up to an equivalent amount of three hundred and fifty thousand United States Dollars ($350,000), ChileCompra procedures may be used, provided that the bidding documents are acceptable to the World Bank.

(b) In addition and without limitation to any other provisions set forth in Article II, Section 2.07 of Annex I of this Agreement or the Consultant Guidelines, the following principles of procurement shall expressly govern all employment of consultants:

(i) There shall be no prescribed minimum number of proposals to be submitted in order for a contract to be subsequently awarded.

(ii) The call for expression of interest and award of contracts for consultants’ services for an equivalent amount of three hundred thousand United States Dollars ($300,000) or more, which are selected following the procedures set forth in Section 2.07 (d) (ii) of Annex I to this Agreement, shall be published in the Beneficiary’s Mercado Público Portal.