His Excellency  
Mr. Nicolás Eyzaguirre  
Minister of Finance  
Ministry of Finance  
Teatinos 120  
Santiago de Chile  

Dear Mr. Nicolás Eyzaguirre:  

Re: IBRD Loan 8785-CL (Strengthening of State Universities in Chile Project)  
Additional Instructions: Disbursement and Financial Information Letter (DFIL).  

I refer to the Loan Agreement between the Republic of Chile (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) for the above-referenced project, dated December 14, 2017. The General Conditions, as defined in the Loan Agreement, provide that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 8785-CL (“Loan”), and specify certain financial management reporting and audit requirements. This letter (“Disbursement and Financial Information Letter” or “DFIL”), as revised from time to time, constitutes such additional instructions.  


I. Disbursement Arrangements, Withdrawal and Reporting of Loan Proceeds.  

(i) Disbursement Arrangements:  

- **Instructions.** The table in Schedule 1 provides the disbursement methods, information on registration of authorized signatures, processing of withdrawal applications (including minimum value of applications and processing of advances), instructions on supporting documentation, and frequency of reporting on the Designated Account.
• **Minimum Value of Applications (subsection 3.5).** The Minimum Value of Applications for Reimbursement is USD 500,000 equivalent.

• **Disbursement Deadline Date, DDD (subsection 3.7).** The DDD is four (4) months after the Closing Date. Any changes to this date will be notified by the Bank.

(ii) **Electronic Delivery.** Refer to section 10.01 (c) of the General Conditions:

• The Bank may permit the Borrower, through MINEDUC, to electronically deliver applications (with supporting documents) through the Bank’s web-based portal (https://clientconnection.worldbank.org) “Client Connection”. This option may be effected if: (a) the Borrower, through MINEDUC, has designated in writing, its officials who are authorized to sign and deliver Applications and to receive Secure Identification Credentials (“SIDC”) from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower, through MINEDUC, have registered as users of “Client Connection”. The designated officials may deliver Applications electronically by completing the Form 2380, which is accessible through “Client Connection”. The Borrower, through MINEDUC, may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications. By designating officials to use SIDC and by choosing to deliver the Applications electronically, the Borrower, through MINEDUC, confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Credentials in connection with Use of Electronic Means to Process Applications and Supporting Documentation, available in the Bank’s public website at https://worldbank.org and “Client Connection”; and (b) to cause such official to abide by those terms and conditions.

II. **Financial Reports and Audits.**

(i) **Financial Reports.** The Borrower, through MINEDUC, shall prepare and furnish to the Bank not later than sixty (60) days after the end of each calendar semester, interim unaudited financial reports (IFR) for the Project covering the semester.

(ii) **Audits.** Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

III. **Additional Instructions**

The Bank will disburse, through Reimbursements, the loan proceeds allocated to the DLIs in an account held by the “Tesorería General de la República” at the Central Bank, conditional on (i) the accomplishment of DLI target; and (ii) the execution of the EEP within the Approval Budget Lines that are related to transfers to State Universities for payments of non-procurable expenditures, including salaries and recurrent administration costs.
**DLIs, Allocation and Targets**

The Table provided in Schedule 4 of the Loan Agreement specifies the Disbursement-Linked Indicators, the amount allocated and the expected calendar year of completion. As set forth in the Loan Agreement, the calendar year of completion of the DLIs are indicative and may be achieved prior to the expected completion date or after said date.

The Verification Protocols, included in Annex 3, sets forth the actions and mechanisms required to substantiate the achievement of each DLI. The verification reports and accompanying evidence will need to be satisfactory to the World Bank. The Bank can request, as needed, additional information and clarification before authorizing disbursements.

**Partially achievement of DLIs**

If the Bank is not satisfied that a DLI has been achieved, or partially achieved, the Bank may at any time, and by notice to the Borrower, through MINEDUC, decide, in its sole discretion to:

(a) In respect of Scalable DLIs:

   (i) authorize the withdrawal of a reduced amount of the unwithdrawn proceeds of the Loan allocated to the Scalable DLI which, in the opinion of the Bank, corresponds to the degree of achievement of said Scalable DLI calculated as set forth in the Verification Protocols;

   (ii) authorize that the unwithdrawn amount corresponding to the portion of the allocated amount not disbursed due to partial achievement of any Scalable DLI be carried forward to the immediately subsequent withdrawal, pending further achievement of the respective Scalable DLI; or

   (iii) cancel all or a portion of the proceeds of the Loan then allocated to said Scalable DLI.

(b) In respect of any DLI which is not Scalable:

   (i) withhold the unwithdrawn proceeds of the Loan then allocated to said DLI until the Bank is satisfied that said DLI has been fully achieved; or

   (ii) (1) at the Borrower’s, through MINEDUC, request, and providing there is a justification acceptable to the Bank, reallocate all or a portion of the proceeds of the Loan then allocated to said DLI to any other DLI; (2) adjust or replace said DLI for another DLI; or (3) cancel all or a portion of the proceeds of the Loan then allocated to said DLI.
IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Loan Handbook available on the Bank’s public website and “Client Connection”. The Bank recommends that you register as a user of “Client Connection”. From this website, you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at clientconnection@worldbank.org.

If you have any queries in relation to the above, please contact Maria Virginia Hormazabal, Finance Officer at mhormazabal@worldbank.org, with copy to Renata Pantoja, Finance Analyst at rpantoja@worldbank.org using the above reference.

Yours sincerely,

[Signature]

Alberto Rodriguez
Director
Bolivia, Chile, Ecuador, Perú and Venezuela

Attachments

1. Authorized Signature Letter
2. EEP Spending Report
3. Protocols for Verifying Disbursement-Linked Indicators

Cc with copies: Mrs. Adriana Delpiano Puelma
Minister of Education
Ministry of Education
Av. Libertador Bernardo O'Higgins 1371
Santiago de Chile