Loan Agreement

(Additional Financing for the Scaling-up of the Social Protection Technical Assistance 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”) for the purpose of providing additional financing for scaled-up activities related to the Original Project (as defined in the Appendix to this Agreement).

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 three million Dollars ($3,000,000), 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 Variable 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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 1 and July 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of 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 withdrawn and outstanding 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 carry out the Project through MIDEPLAN and with the assistance of Municipalities in respect of Part 2.2. of the Project in accordance with the provisions of Article V of the General Conditions.

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 — EFFECTIVENESS; TERMINATION

4.01. 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 April 29, 2011.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Minister of Finance.

5.02. The Borrower’s Address is:

Ministry of Finance
Teatinos 120
Santiago, Chile

Facsimile: (56-2) 695-9491

5.03. 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: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391
AGREED at Buenos Aires, Argentina, on behalf of the Bank on January 7, 2010 and at Santiago, Chile on behalf of the Borrower on January 7, 2010.

REPUBLIC OF CHILE

By /s/ Andrés Velasco

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: Ramiro Mendoza Zúñiga

Authorized Representative

Date: July 14, 2010
SCHEDULE 1

Project Description

The objective of the Project is to support the Borrower’s efforts to implement Chile Solidario and lay the basis for a national system of social protection now including a subsystem for young children.

The Project consists of the following parts:

Part 1: Registry of Social Information

Design, upgrading and implementation of a computerized technological platform (designated by the Borrower as the Integrated System of Social Information) containing social information (designated by the Borrower in Law No. 19949 as the Registry of Social Information) to support the management of the social protection system, including development of procedures, standards and rules for the system, the carrying out of a public information campaign on the system and the acquisition of the hardware and software and related services required therefor.

Part 2: Training

1. Provision of staff training to strengthen the capacities of MIDEPLAN and other agencies involved in the Borrower’s social protection system to develop, implement and monitor a system of social protection.

2. Carrying out of capacity building activities designed to strengthen the capacity of selected Municipalities in the implementation of Chile Solidario and Chile Crece Contigo (the Municipality Capacity Building Subprojects).

Part 3: System of Analysis, Evaluation and Monitoring of Social Programs and Policies

Strengthening the Borrower’s capacity to quantify the impact of Chile Solidario and Chile Crece Contigo through:

1. the design of an integrated system of monitoring of management processes and partial results of Chile Solidario and Chile Crece Contigo and any required updates;

2. the evaluation of the effectiveness of selected programs of Chile Solidario in addressing the needs of the beneficiaries of Chile Solidario and Chile Crece Contigo;

3. the completion of the evaluation of the impact of Chile Solidario started under the Original Project and the evaluation of the implementation of Chile Crece Contigo; and
4. the design and implementation of consultations with community organizations in selected areas to assess the implementation of Chile Solidario and Chile Crece Contigo.

Part 4: Institutional Strengthening of MIDEPLAN

1. Carrying out of studies on subjects related to the implementation of Chile Solidario, and Chile Crece Contigo as shall be proposed by the Borrower through MIDEPLAN and agreed to by the Bank.

2. Strengthening of the capacity of MIDEPLAN’s units in charge of the coordination and evaluation of the Borrower’s social protection system.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall, during the implementation of the Project maintain in MIDEPLAN:

   (a) a Project implementation unit (PIU) with functions and responsibilities satisfactory to the Bank; and

   (b) technical units for implementation of the Project, with composition and functions satisfactory to the Bank, as set forth in the Operational Manual.

2. (a) The Borrower shall through MIDEPLAN, prior to initiating the bidding process for any activity of a Municipality Capacity Building Subproject, enter into an agreement or other inter-institutional arrangements with the respective Municipality, under terms and conditions satisfactory to the Bank, to set forth their respective responsibilities in the implementation of the Municipality Capacity Building Subproject including the Municipalities’ obligation to abide by the Anti-Corruption Guidelines.

   (b) The Borrower shall exercise its rights and carry out its obligations under the CONADI Agreement and each of the Municipality Capacity Building Agreements, 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 CONADI Agreement or any of the Municipality Capacity Building Agreements, or any provision thereof.

3. The Borrower shall, through MIDEPLAN, carry out the Project in accordance with the Operational Manual, said manual to include, *inter alia*, the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement, financial and disbursement requirements thereof and 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.

4. The Borrower shall, through MIDEPLAN:

   (a) not later than March 31, 2010 or such later date as the Bank may agree, furnish to the Bank for its approval guidelines for the selection,
implementation and monitoring of the Municipality Capacity Building Subprojects, and

(b) thereafter carry out and cause to be carried out the Municipality Capacity Building Subprojects in accordance with such guidelines.

B. Anti-Corruption

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

C. Safeguards.

The Borrower shall, through MIDEPLAN, carry out the IPP in accordance with its terms.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower, shall, through MIDEPLAN, 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 forty-five days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall, through MIDEPLAN, 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, through MIDEPLAN, prepare and furnish to the Bank not later than forty-five days 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, through MIDEPLAN, 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. Non-Consultant Services. All Non-Consultant 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 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 Non-Consultant Services

1. National Competitive Bidding

(a) Except as otherwise provided in paragraph 2 below, Non-Consultant services shall be procured under contracts awarded on the basis of National Competitive Bidding procedures.

(b) Contracts awarded on the basis of National Competitive Bidding procedures are subject to the following additional procedure:

(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.

2. Other Methods of Procurement of Non-Consultant Services. The following table specifies the method of procurement, other than National Competitive Bidding, which may be used for Non-Consultant services. The Procurement Plan shall specify the circumstances under which such method may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping</td>
</tr>
</tbody>
</table>

Convenio Marco may be used as an alternative for Shopping provided that the Borrower:

(a) compares at least three prices of qualified suppliers and providers that meet the specifications of the bid or request for offers; and
b) 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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Least Cost Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Single Source Selection</td>
</tr>
</tbody>
</table>

3. (a) The call for expressions of interest and award of contracts for consultant services costing $50,000 equivalent or more, and which are selected following the procedures set forth in paragraph 2 above, shall be published in the portal used for Chilecompra.

(b) For consultant services for contracts estimated to cost below $50,000 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.
<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) Non-Consultant Services, consultants’ services and Training (other than for Municipality Capacity Building Subprojects)</td>
<td>2,692,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Municipality Capacity Building Subprojects</td>
<td>250,000</td>
<td>100% of the cost of Non-Consultant Services, consultants’ services and Training</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>50,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>7,500</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(5) 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>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For the purposes of this Schedule:

   (a) the term “Training” means the reasonable non-consultants’ costs of: (i) travel, room, board and per diem incurred by trainees in connection with their training; and (ii) the course fees charged by academic or other institutions;

   (b) the term “Non-Consultant Services” means logistical services for printing of materials, production costs for audio-visual materials, computer maintenance and related systems operations support, as well as other services which are not rendered by consultants, obtained at reasonable cost on account of Project implementation and which are not covered in the definitions of Training and Operating Costs; and

   (c) the term “Operating Costs” means reasonable non-consultants’ costs incurred by MIDEPLAN for consumable office supplies and incidental costs associated with Project implementation, for travel to participate in training events, and for the functioning of the Technical Units and MIDEPLAN’s secretariat or unit charged with the coordination of the social protection system.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed $500,000 equivalent may be made for payments
made for Eligible Expenditures prior to this date but within twelve months prior to the Signature Date and on or after June 1, 2009; and

(b) for payments under Category (2) unless the Bank shall have approved the Municipality Capacity Building Subproject Guidelines.

2. The Closing Date is August 31, 2011.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each January 1 and July 1</td>
<td></td>
</tr>
<tr>
<td>Beginning July 1, 2011 through July 1, 2013</td>
<td>20%</td>
</tr>
</tbody>
</table>

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 sub-paragraph 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.
Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Chile Solidario” means the social protection system established in Law No. 19949.

6. “CONADI” means Corporación Nacional de Desarrollo Indígena, the Borrower’s agency in charge of indigenous peoples development established pursuant to Title VI of the Borrower’s Law No. 19253 published in the Official Gazette on October 5, 1993 as amended to the Signature Date.

7. “CONADI Agreement” means the agreement entered into between the Borrower and CONADI on April 24, 2008 which establishes the enabling framework for implementation of CONADI’s obligations under the IPP.

8. “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.


11. “IPP” means the indigenous peoples plan set forth in a letter from MIDEPLAN to the Bank dated August 9, 2009 setting forth measures and strategies to ensure the ethnic and cultural appropriateness of Chile Solidario and Chile Crece Contigo.


15. “Municipality Capacity Building Agreement” means any of the agreements referred to in Section I.A.2 (a) of Schedule 2 to this Agreement.

16. “Municipality Capacity Building Guidelines” means the guidelines to be issued by MIDEPLAN and referred to in Section I. A. 4 of Schedule 2 to this Agreement.

17. “Municipality Capacity Building Subproject” means a subproject eligible for financing under Part 2.2 of the Project in accordance with the Municipality Capacity Building Guidelines.

18. “Operational Manual” means the manual approved by the Bank on September 28, 2009 and referred to in Section I.A.3 of Schedule 2 to this Agreement.

19. “Original Loan Agreement” means the loan agreement for the Original Project between the Bank and the Borrower, dated May 10, 2004 (Loan No. 7211-CH).

20. “Original Project” means the Project described in Schedule 2 to the Original Loan Agreement.


22. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated July 30, 2009 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.

23. “Signature Date” means the latest of the two dates on which the Borrower and the Bank signed the Loan Agreement and such definition applied 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.