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INTERNATIONAL  
LOAN BRANCH  
AID Loan No. 513-L-033  
*PDQAF112*

AMENDMENT N° 2  
to  
LOAN AGREEMENT  
between  
THE REPUBLIC OF CHILE  
and the  
UNITED STATES OF AMERICA  
for  
PREINVESTMENT AND FEASIBILITY STUDIES

Dated: APR 30 1975

*4/30/75*

"CONFIRMED COPY"

*add to  
5.16.75*

AMENDMENT N° 2 to

A.I.D. Loan 513-L-033

AMENDMENT N° 2, dated the *thirtieth* (30) day of April, 1975, to A.I.D. Loan Agreement N° 513-L-033, dated July 19, 1968, as previously amended on July 10, 1970 ("Loan Agreement"), between the REPUBLIC OF CHILE ("Borrower"), and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D. ").

1. Section 1.01 of the Loan Agreement is hereby amended by adding "Except as A.I.D. may otherwise agree in writing" to the beginning of the sentence which reads, "The amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of one million United States dollars (\$ 1,000,000)."

2. A revised Annex I, "Description of Project" attached hereto, is hereby substituted for that Annex I referred to in Section 1.02 of the Loan Agreement.

3. Section 1.03 of the Loan Agreement is amended by deleting the last sentence therein and substituting the following sentence therefor: "Any such funds used for the Project shall

reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, at that rate of exchange between United States dollars and Chilean escudos which yields the greatest number of escudos per dollar and which is not unlawful in Chile."

4. A new Section 3.07 is added:

" SECTION 3.07 Conditions Precedent to Disbursement for Individual Activities.

Prior to any disbursement or the issuance of any commitment document under the Loan for any individual study or technical assistance activity, the Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) for a study, information on the need for the study and the availability of financing for the project studied if the project is determined to be feasible; and

(b) for technical assistance activity, information on the need for the activity and the availability of funds to continue the activity after Loan funding is no longer available."

5. Section 5.02 of the Loan Agreement is amended to read in its entirety as follows:

"SECTION 5.02 Borrower's Contribution. Borrower shall make available for the Project from its own resources the equivalent of at least two million United States dollars (\$ 2,000,000).

With respect to local currency made available for the Project, the dollar equivalent shall be determined, as of the date such local currency contributions are or have been actually made, by applying that rate of exchange between United States dollars and Chilean escudos which yields the greatest number of escudos per dollar and which is not unlawful in Chile."

6. Section 7.02 of the Loan Agreement is amended to read in its entirety as follows:

"SECTION 7.02 Disbursements for Local Currency Costs.

Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A. I. D. of local currency for Local Currency Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A. I. D. such supporting documentations as A. I. D. may prescribe in Implementation Letters. A. I. D. shall make such disbursements

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from local currency owned by the U.S. Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the local currency made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the local currency."

7. Section 7.05 of the Loan Agreement is amended by deleting "April 30, 1970" and "October 31, 1970" and by substituting "twenty-one (21) months from the date of Amendment No.2 to the Loan Agreement" and "twenty-four (24) months from the date of Amendment No.2 to the Loan Agreement" therefor, respectively.

8. Prior to any further disbursements or the issuance of any commitment documents under the Loan, the Borrower shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) an opinion of the Minister of Justice or other counsel acceptable to A.I.D. that this Amendment No.2 to the Loan Agreement has been duly authorized and ratified by, and executed on behalf of, the Borrower, and that it constitutes a



valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) a statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement.

9. If all the conditions specified in Section 8 hereof have not been met within sixty (60) days from the date of this Amendment No.2 to the Loan Agreement, or by such later date as A.I.D. may agree to in writing, then this Amendment No.2 to the Loan Agreement may be terminated at the option of A.I.D. by giving written notice to the Borrower. In such case the Loan Agreement, as previously amended, will continue in full force and effect.

10. Except as expressly amended hereby, the Loan Agreement, as previously amended, remains in full force and effect.

IN WITNESS WHEREOF, the Borrower and the United States of America each acting through its respective duly authorized representatives, have caused this Amendment No.2

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to the Loan Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF CHILE

By Jorge Cauas Lamas  
Title Minister of Finance

By Francisco Soza Cousiño  
Title Vice-President CORFO

UNITED STATES OF AMERICA

By Stuart Van Dyke  
Title USAID Director

## ANNEX I

### DESCRIPTION OF PROJECT

Pursuant to Section 9.02 of the Loan Agreement, the Borrower designates the Development Corporation, CORFO, as its Agent, with A. I. D. approval, for the administration of the loan resources and for project implementation. CORFO is authorized to exercise the rights granted the Borrower for utilizing loan resources and to carry out the responsibilities for meeting the respective requirements of the Loan Agreement, as amended. The commitments of CORFO do not include those related to Loan repayment, payment of interest nor any other financial obligations, including the provision of Borrower's contribution, for which Borrower maintains the full responsibility as set forth in the Loan Agreement, as amended.

The Project, totaling the equivalent of at least \$ 4,500,000, consists of the undertaking of preinvestment studies, feasibility studies and technical assistance, necessary to assist Borrower in improving sector planning and project identification, and supporting the execution of feasibility and general studies. As of the date of Loan Agreement Amendment No.2, the following studies have been accomplished and the corresponding disbursements made:

	<u>In U.S. Dollars or Equivalents*</u>	
	<u>Borrower</u>	<u>A. I. D.</u>
1. San Fernando-Nuble Road	23,064	-
2. Santiago Metropolitan Area Plan	166,528	-
3. Garbage Recycling	40,799	-
4. Oat Processing, Storage and Marketing	33,888	-
5. Ventanas Port Facilities	47,710	-
6. Santiago Pre-Investment	14,571	-
7. Puclaro Dam	542,700	-
8. Digullin Soil )		
9. Convento Viejo Soil )	313,383	
10. Macrozona Central )		100,465.38
	<hr/>	<hr/>
Total	\$1,182,642	\$100,465.38

The additional studies undertaken during the remainder of the Project shall be for the priority sectors of agriculture (including marketing) and health. Not more than U.S. \$ 250,000 of Loan funds may be used to finance the dollar and local currency costs of technical assistance activities such as foreign and Chilean advisory services, training, and research related travel. Borrower and A.I.D. have agreed in principle that the following proposed studies are eligible for financing under the Project, subject to the

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\* E° 12.01 to U.S. \$ 1 exchange rate prevailing at time of making studies. Source: Ministry of Finance Letter #849 dated April 19, 1975.

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preparation of mutually satisfactory scopes of work:

1. Export Markets for Principal Agriculture Products
2. Container Manufacturing for Food Industry
3. Santiago Wholesale Market
4. Arid Zones Development (Coquimbo)
5. Santiago Environmental Contamination
6. Krill Exploitation

Additions and modifications to this list may be incorporated as necessary in Implementation Letters.

*Abstracted  
Loan Analytic SK*

A. I. DRELCAN N° 513-L-033

2/7/31

JUL 27 3 48 PM '70

INTERNATIONAL  
LOAN BRANCH

ALLIANCE FOR PROGRESS

AMENDMENT N°1

TO MICROFILM  
CUT-OFF 1973

LOAN AGREEMENT

between

THE REPUBLIC OF CHILE

and the

UNITED STATES OF AMERICA

for

PREINVESTMENT AND FEASIBILITY STUDIES

DATED: JUL 10 1970

CONFORMED

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ALLIANCE FOR PROGRESS  
AMENDMENT TO LOAN AGREEMENT

JUL 10 1970

AMENDMENT N° 1, dated the \_\_\_\_\_ day of \_\_\_\_\_, 1970  
to the Loan Agreement N° 513-L-033, dated July 19, 1968 ("Loan Agreement")  
between the REPUBLIC OF CHILE ("Borrower"), acting primarily through the  
Ministry of Finance, and the UNITED STATES OF AMERICA, acting through the  
AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

WHEREAS, the said Loan Agreement was signed between the parties  
to provide financing for pre-investment and feasibility studies,  
together with related technical assistance, designed to assist the  
Borrower in its efforts to improve its sector planning and project  
identification; and

WHEREAS, Section 5.01 of the said agreement prohibits the use of  
funds made available under the loan for the financing of housing and  
urban development studies; and

WHEREAS, it now appears that certain specific studies in the area  
of housing and urban development may be of sufficient importance that  
their financing under the loan would be justified;

NOW THEREFORE, the parties hereto agree as follows:

Section 5.01 of the Loan Agreement is hereby deleted and the  
following language inserted in its place:

SECTION 5.01. Limitations on Studies. None of the funds made  
available under this Loan may be used to finance Housing and  
Urban Development Studies except as may be otherwise approved by  
A.I.D., Washington.

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IN WITNESS WHEREOF, Borrower and the United States of America,  
each acting through its respective duly authorized representative,  
have caused this Amendment to be signed in their names and delivered  
as of the day and year first above written.

THE GOVERNMENT OF THE REPUBLIC OF CHILE

By: \_\_\_\_\_

Title: \_\_\_\_\_

THE UNITED STATES OF AMERICA

By: \_\_\_\_\_

Title: \_\_\_\_\_

LOAN AGREEMENT

between

THE GOVERNMENT OF THE REPUBLIC OF CHILE

and the

UNITED STATES OF AMERICA

for

PREINVESTMENT AND FEASIBILITY STUDIES

*90 days  
orig date*

*ORIGINAL 10-23-67*

*(SIGNATURE ON ORIGINAL NOT VALID)  
LOAN RESIGNED  
7-19-68)*

DATED: JUL 19 1968

RECEIVED  
AUG 1 3 27 PM '68  
CONFIRMED  
BVM/DOV/ACC/WAB

*89-97-8  
8-26-68*

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ANNEX I - Description of Project

ORIG. 10-23-67

LOAN AGREEMENT Dated JUL 19 1968

between the GOVERNMENT OF THE REPUBLIC OF CHILE ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01 The Loan. A.I.D. agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed two million five hundred thousand United States dollars (\$2,500,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Project ("Dollar Costs") and local currency costs of goods and services required for the Project ("Local Currency Costs"). The amount of the Loan used to finance the Local Currency Costs shall not exceed the equivalent of one million United States dollars (\$1,000,000). The aggregate amount of disbursement under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project shall consist of pre-investment and feasibility studies, together with related technical assistance, designed to assist Borrower in its efforts to improve its sector planning and project identification.

BEST AVAILABLE DOCUMENT

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The Project is more fully described in annex 1, attached hereto. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 9.03 ("Implementation Letters").

SECTION 1.03. Use of Funds Generated by Other United States Assistance. The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Local Currency Costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that A.I.D. and the Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, at the rate of exchange defined in the Special Letter of Credit Implementation Memorandum referred to in Section 7.02 as in effect on such date.

BEST AVAILABLE DOCUMENT

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ARTICLE II

Loan Terms

SECTION 2.01 Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of one percent (1%) per annum for ten years following the date of the first disbursement hereunder and at the rate of two and one-half percent (2½%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04), and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The borrower shall repay A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment.

All payment of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. In light of the undertakings of the United States of America, and the other signatories of the Act of Bogota and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower taking into consideration the relative capital requirements of Chile and of the other signatories of the Act of Bogota and the Charter of Punta del Este.

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ARTICLE III

Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement.

Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms; and

(b) A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement.

SECTION 3.02. Additional Conditions Precedent: Preinvestment and Feasibility Studies in the Public Sector. Prior to the first disbursement or to the issuance of the first Letter of Commitment with respect to each preinvestment study, and each feasibility study in the Public Sector, the Borrower shall have met the conditions specified in Section 3.01, and, except as A.I.D. may otherwise agree in writing, shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

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(a) A written statement justifying the determination that the project to be studied is a priority project in the economic development of Chile;

(b) Such information concerning the scope and implementation of the study as A.I.D. may request, and

(c) An executed contract for the study acceptable to A.I.D. with a firm acceptable to A.I.D.

SECTION 3.03. Additional Conditions Precedent: Preinvestment and Feasibility Studies in the Private Sector. Prior to the first disbursement or to the issuance of the first Letter of Commitment to finance preinvestment or feasibility studies in the private sector, the Borrower shall have met the conditions specified in Section 3.01, and shall furnish to A.I.D. in form and substance satisfactory to A.I.D.

(a) A written statement designating an agency or instrumentality to administer these studies; and

(b) A letter of information setting forth the policies, criteria, and procedures governing the making, financing, and utilization of these studies.

SECTION 3.04. Additional Conditions Precedent: Technical Assistance. Prior to the first disbursement or to the issuance of the first Letter of Commitment with respect to each item of technical assistance, the Borrower shall have met the conditions specified in Section 3.01, and shall furnish to A.I.D. in form

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and substance satisfactory to A.I.D.:

(a) A written statement justifying the determination that the technical assistance to be financed is required for the achievement of the purposes of the project, and

(b) An executed contract for the technical assistance acceptable to A.I.D. with a firm acceptable to A.I.D..

SECTION 3.05. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within 60 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option may terminate this agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties thereunder shall terminate.

SECTION 3.06. Notification of Meeting of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement have been met.

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ARTICLE IV

General Covenants and Warranties

SECTION 4.01. Execution of the Project.

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, financial, and administrative practices.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the contracts and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this agreement.

SECTION 4.02. Funds and Resources to be Provided by Borrower. The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party exchange views through their representatives with regard to the progress of the Project, the performance by the Borrower of its obligations under this Agreement, and other matters relating to the Project.

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SECTION 4.04. Taxation. This Agreement, the Loan and any evidences of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.05. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.



SECTION 4.06. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Project and the discharge of its obligations under this Agreement.

The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.07. Commissions, Fees and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the Borrower's full-time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D.; any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is

a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes or similar payments legally established in the country of the Borrower.

SECTION 4.08. Maintenance and Audit of Records. The Borrower shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall, without limitation, be adequate to show:

(a) the receipt and use made of goods and services acquired with funds disbursed from this Loan and from the Borrower's contribution;

(b) the nature and extent of solicitations of prospective suppliers of goods and services acquired;

(c) the basis of the award of contracts; and

(d) the progress of the Project.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.09. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.10 Inspection. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.



ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Limitations on Studies. None of the funds made available under this Loan may be used to finance Housing and Urban Development Studies.

SECTION 5.02. Borrower's Contribution.

(a) Borrower shall make available for the Project from its own resources, the equivalent of at least two million United States dollars (\$2,000,000). With respect to local currency made available for this purpose, the dollar equivalent shall be determined by applying the rate of exchange specified in Section 7.02 as of the dates on which the Borrower disburses said local currency for the Project.

(b) Borrower shall make available the funds specified in subsection (a) in three approximately equal annual installments, for the Calendar Years 1968, 1969 and 1970. Borrower shall disburse such funds to finance studies and technical assistance on an approximately pari passu basis with the funds made available under this Loan.

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ARTICLE VI

Procurement

SECTION 6.01. Procurement from the United States. Except as A.I.D. may otherwise agree in writing, disbursement made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services, including ocean shipping and marine insurance, having both their source and origin in the United States of America.

SECTION 6.02. Procurement from Chile. Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Project of goods and services (not including ocean shipping or marine insurance, neither of which may be financed with disbursements made pursuant to Section 7.02) having both their source and origin in Chile.

SECTION 6.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04. Goods and Services Not Financed Under Loan. Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 or the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

**SECTION 6.05. Implementation of Procurement Requirements.**

The definitions applicable to the eligibility requirements of Sections 6.01, 6.02, and 6.03 will be set forth in detail in Implementation Letters.

**SECTION 6.06. Contracts.**

(a) All documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance. All contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution. Material modifications in such contracts shall also be approved by A.I.D. in writing prior to their becoming effective.

(b) Except as A.I.D. may otherwise agree in writing all documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements.

**SECTION 6.07. Reasonable Price.** No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

**SECTION 6.08. Shipping and Insurance.**

(a) Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower

on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) At least fifty percent (50%) of the gross tonnage of all goods procured from the United States and financed under the Loan (computed separately for dry b.l. carriers, dry cargo liners and tankers) which shall be transported on ocean vessels shall be transported on privately-owned United States-flag commercial vessels unless A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D. financed goods or (ii) which has been chartered for the carriage of A.I.D. financed goods unless such charter has been approved by A.I.D.

(c) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, goods procured from the United States and financed under the Loan shall during the continuance of such discrimination be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured all goods procured in the United States and financed under the Loan against risks incident to their transit to the point of their use in the Project. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed. Any indemnification received under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the insured for the replacement or repair of such goods. Any such replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 6.09. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish or cause to be furnished to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.10. Information and Marketing. Borrower shall give or cause to be given publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress.

## ARTICLE VII

Disbursements

SECTION 7.01. Disbursements for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of letters of credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 7.02. Disbursements for Local Currency Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of local currency for Local Currency Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D., at its option, may make such disbursements from currency of the country of the Borrower owned by the U.S.

Government and obtained by A.I.D. with United States dollars, or obtained with United States dollars in accordance with the provisions of the Special Letter of Credit Implementation Memorandum dated June 18, 1964, between Borrower, the Central Bank of Chile and A.I.D. as amended from time to time except that dollars provided under the A.I.D. Standard Commodity Financial Procedure. The United States dollar amount of the Loan disbursed under this Section will be the United States dollar equivalent of the disbursements of local currency determined at the rate of exchange at which the local currency was generated by the Central Bank.

SECTION 7.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur:

(a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, and

(b) in the case of disbursements pursuant to Section 7.02, on the date on which A.I.D. disburses the local currency to the Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other

commitment documents which may be called for by another form of disbursement under either Section 7.02 or Section 7.03, or amendment thereto shall be issued in response to requests received by A.I.D. after April 30, 1970, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after October 31, 1970. A.I.D., at its option, may at any time or times after October 31, 1970, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due diligence and efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies, or shall have failed to comply with any other agreement, memorandum of understanding, exchange of letters or similar understandings between Borrower and A.I.D.; then A.I.D. may, at its option, give to the Borrower notice that all

or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and, unless the Event of Default is cured within such sixty (60) days:

- (i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately, and
- (ii) the amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursements. In the event that at any time:

- (a) An Event of Default has occurred;
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D., or
- (d) The Borrower shall have failed to pay when due any interest or any installment of principal or any other payment required under any other loan agreement, any guaranty agreement or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may, at its option:

- (i) Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter,
- (ii) Decline to make disbursements other than under outstanding commitment documents,
- (iii) Decline to issue additional commitment documents, and
- (iv) At A.I.D.'s expense, direct that title to goods finance under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods

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or services, or to goods that did not conform with specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Project hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made or sent by the Borrower or A.I.D. pursuant to the Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministerio de Hacienda  
Teatinos - Moneda  
Santiago, Chile

Cable Address: MINHACIENDA  
Santiago, Chile

TO A.I.D.: Mail Address: US AID Mission  
American Embassy  
Santiago, Chile

Cable Address: AMEMBASSY  
Santiago, Chile

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications and documents submitted to A.I.D. hereunder shall be in English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be

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represented by the individual holding or acting in the Office of Director, United States AID Mission to Chile. Such individuals shall have the authority to designate by written notice additional representatives. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement

shall terminate.

IN WITNESS WHEREOF, Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

THE GOVERNMENT OF THE REPUBLIC OF CHILE

By: \_\_\_\_\_

Andres Zaldivar

Title: Minister of Finance

THE UNITED STATES OF AMERICA

By: \_\_\_\_\_

Edward M. Korry

Title: United States Ambassador to Chile

ANNEX I

Description of Project

A. The Project, totalling the equivalent of four million five hundred thousand United States dollars (\$4,500,000) consists of the following:

1. To be financed from loan funds:

- (a) Preinvestment and feasibility studies for projects of high priority in the development of Chile. These shall be in the public sector, except that not to exceed seven hundred and fifty thousand dollars (\$750,000) of the Loan may be used to finance preinvestment and feasibility studies in the private sector.
- (b) Technical Assistance to agencies and ministries of the Government of Chile, designed to improve sector planning, project identification, and the overall budgeting process.

2. To be financed from Borrower's Contribution:

- (a) Preinvestment and feasibility studies for projects of highly priority in the development of Chile.
- (b) Technical Assistance to agencies and ministries of the Government of Chile, designed to improve sector planning, project identification and the overall budgeting process.

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