

No. 10827

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
CHILE**

**Guarantee Agreement—*Second Vocational Training Project*
(with annexed General Conditions Applicable to Loan and
Guarantee Agreements, Loan Agreement between the
Bank and the Corporación de Fomento de la Producción
and Project Agreement between the Bank and the Instituto
Nacional de Capacitación Profesional). Signed at
Washington on 23 April 1970**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
23 November 1970.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
CHILI**

**Contrat de garantie—*Deuxième projet relatif à la formation
professionnelle* (avec, en annexe, les Conditions générales
applicables aux contrats d'emprunt et de garantie, le
Contrat d'emprunt entre la Banque et la Corporación
de Fomento de la Producción et le Contrat relatif au
Projet entre la Banque et l'Instituto Nacional de Capa-
citación Profesional). Signé à Washington le 23 avril 1970**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 23 novembre 1970.*

GUARANTEE AGREEMENT¹

AGREEMENT, dated April 23, 1970, between REPUBLIC OF CHILE (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by an agreement of even date herewith (hereinafter called the Loan Agreement²) between the Bank and Corporación de Fomento de la Producción (hereinafter called the Borrower), the Bank has agreed to make to the Borrower a loan in various currencies equivalent to one million five hundred thousand dollars (\$1,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition *inter alia* that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this Guarantee Agreement, the Guarantor hereby uncondi-

¹ Came into force on 2 September 1970, upon notification by the Bank to the Government of Chile.

² See p. 212 of this volume.

³ See p. 210 of this volume.

tionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Guarantee Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including the Banco Central de Chile.

Section 3.02. (a) The Guarantor and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement, the Project Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The Guarantor shall cause the buildings of its Ministry of Education which are presently utilized by INACAP for its vocational training activities, or equivalent facilities, to be continually available to INACAP as required for the operation of the Project. The Guarantor shall cause such buildings or facilities to be adequately maintained, and shall cause from time to time all necessary renewals and repairs to be made thereto.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The *Ministro de Hacienda* of the Guarantor and such person or persons as he shall appoint in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article V

Section 5.01. The *Ministro de Hacienda* of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

Republic of Chile
c/o Corporación de Fomento de la Producción
80 Pine Street
New York, N.Y. 10005
United States of America

Alternative address for cables :

Fomento
New York, N.Y.

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Chile :

By DOMINGO SANTA MARÍA
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.*]

LOAN AGREEMENT

AGREEMENT, dated April 23, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CORPORACIÓN DE FOMENTO DE LA PRODUCCIÓN (hereinafter called the Borrower).

WHEREAS the Instituto Nacional de Capacitación Profesional (hereinafter called INACAP), an affiliate of the Borrower, was established to improve manpower resources in Chile;

WHEREAS INACAP is carrying out vocational training programs which require expansion to meet present and foreseeable skilled manpower needs in Chile;

WHEREAS the Borrower is willing to make funds available for the expansion of such programs as hereinafter provided;

WHEREAS the Bank is willing at this time to make a loan to the Borrower, upon the terms and conditions set forth herein and in a project agreement of even date herewith¹ between the Bank and INACAP, for the purpose of contributing to the expansion of such programs;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions) :

(a) the words "the Project Agreement" are inserted in Sections 6.06, 9.01, and 9.03 after the words "the Loan Agreement" wherever they occur;

(b) Section 9.02 is deleted and the following Section is substituted therefor :

"SECTION 9.02. *Obligations of the Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or INACAP or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or INACAP, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower or INACAP; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or INACAP or in respect of any security for the Loan, any modification or amplification of the provisions of the

¹ See p. 236 of this volume.

² See p. 210 of this volume.

Loan Agreement contemplated by the terms thereof; any failure of the Borrower or INACAP to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”; and

(c) the words, “if the Borrower is a member of the Bank,” are deleted in Section 10.03 wherever they occur.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings :

(a) the term “Project Agreement” means the agreement of even date herewith between the Bank and INACAP and shall include any amendments thereto made by agreement between the Bank and INACAP;

(b) the term “Project Unit” means the project unit referred to in Section 2.02 (a) of the Project Agreement; and

(c) the term “Project Architect” means the project architect referred to in Section 2.02 (b) (i) of the Project Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to one million five hundred thousand dollars (\$1,500,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan.

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule I to this Loan Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Bank and the Borrower.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project and to be financed under this Loan Agreement :

- (i) such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Category III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement;
- (ii) the equivalent of fifteen per cent (15%) (or such other percentage as shall be established from time to time by the Bank for purposes of this Section) of such amounts as shall have been paid (or, if the Bank shall so agree, shall be required to meet payments to be made) for goods or services included in Categories I and II of the

allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement, which represents the estimated foreign exchange component of the cost of such goods or services;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories I or II, the Bank may by notice to the Borrower adjust the stated percentage applicable to any such Categories as required in order that withdrawals of the amount of the Loan then allocated to any such Categories and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in any such Categories.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Categories I and II of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of seven per cent (7%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied by INACAP in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this Loan Agreement.

Section 3.02. Except as the Bank shall otherwise agree, the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Loan Agreement or as shall be agreed between the Bank, the Borrower and INACAP.

Section 3.03. Except as the Bank may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The *Vicepresidente Ejecutivo* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall cause the Project to be carried out by INACAP with due diligence and efficiency and in conformity with sound technical, administrative and financial practices and with due regard to economy, and shall provide, or cause INACAP to be provided with, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 5.02. (a) The Borrower shall (i) make available to INACAP, on a non-reimbursable basis and free from any charges, the proceeds of the Loan; (ii) exercise every right and recourse available to it to cause INACAP to carry out and punctually to perform all the covenants, agreements and obligations of INACAP as set forth in the Project Agreement; (iii) take or cause to be taken all action as may be necessary or appropriate to enable INACAP to perform such covenants, agreements and obligations; and (iv) not take any action that would hinder, interfere with or prevent the performance by INACAP of such covenants, agreements and obligations.

(b) Except as the Bank and the Borrower shall otherwise agree, the Borrower shall not divest itself of, or otherwise lose, effective control of, INACAP.

Section 5.03. The Borrower shall cause the educational facilities included in the Project to be operated in such manner as to promote the vocational training objectives of INACAP set forth in Schedule 1 to the Project Agreement.

Section 5.04. The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations, administration and financial condition of the Borrower and INACAP; and shall enable the Bank's representatives to inspect the Project, the educational facilities included therein, the goods financed out of the proceeds of the Loan and any relevant records and documents.

Section 5.05. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure

of the proceeds of the Loan, the Project, the goods and services financed out of the proceeds of the Loan, the operation, administration and financial condition of the Borrower and INACAP, and any other matters relating to the purposes of the Loan, the maintenance of the service thereof and the general status of the Loan.

(b) The Bank and the Borrower shall cooperate fully with each other to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time at the request of either party exchange views through their representatives with regard to the performance by the Borrower and INACAP of their respective obligations under this Loan Agreement or the Project Agreement, the operation, administration and financial condition of the Borrower and INACAP and other matters relating to the purposes of the Loan.

(c) The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or the performance by the Borrower or INACAP of their respective obligations under this Loan Agreement or the Project Agreement.

Section 5.06. The Borrower undertakes to insure or cause to be insured, or make other provision satisfactory to the Bank for the insurance of, the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 5.07. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of the Borrower's business and securing a debt maturing not more than one year after the date on which it is originally incurred.

Section 5.08. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Project Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.09. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in con-

nection with the execution, issue, delivery or registration of this Loan Agreement, the Project Agreement, the Guarantee Agreement or the Bonds.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Loan Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified, namely :

the events specified in Section 6.03(a) of this Loan Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

Section 6.03. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

- (a) INACAP shall have failed to perform any covenant, agreement or obligation of INACAP under the Project Agreement.
- (b) An extraordinary situation shall have arisen which shall make it improbable that INACAP will be able to perform its obligations under the Project Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) the execution and delivery of the Project Agreement on behalf of INACAP have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) INACAP has established the Project Unit; and
- (c) INACAP has employed the Project Architect and appointed him to the Project Unit.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, INACAP and constitutes a valid and binding obligation of INACAP in accordance with its terms.

Section 7.03. The date of July 22, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1973, or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Corporación de Fomento de la Producción
80 Pine Street
New York, N.Y. 10005
United States of America

Alternative address for cables :

Fomento
New York, N.Y.

or :

Corporación de Fomento de la Producción
Ramón Nieto 920
Santiago, Chile

Alternative address for cables :

CORFO
Santiago, Chile

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables :

Intbafrad
Washington, D.C.

Section 8.03. The *Vicepresidente Ejecutivo* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

Corporación de Fomento de la Producción :

By JAIME DONOSO
Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Construction Works	198,000
II. Furniture	13,000
III. Instructional and other Equipment	1,065,000
IV. Unallocated	224,000
	<u>TOTAL 1,500,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimated cost of the goods and services included in any of the Categories I to III shall decrease, the amount of the Loan then allocated to, and no longer required for such Category, will be reallocated by the Bank to Category IV.

2. If the estimate of the cost of the items included in any of the Categories I to III shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Loan (or, in the case of Categories I and II, an amount equal to 15% of such increase) will be allocated by the Bank, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
March 15, 1975	15,000	September 15, 1985	35,000
September 15, 1975	15,000	March 15, 1986	35,000
March 15, 1976	20,000	September 15, 1986	35,000
September 15, 1976	20,000	March 15, 1987	40,000
March 15, 1977	20,000	September 15, 1987	40,000
September 15, 1977	20,000	March 15, 1988	40,000
March 15, 1978	20,000	September 15, 1988	45,000
September 15, 1978	20,000	March 15, 1989	45,000
March 15, 1979	20,000	September 15, 1989	45,000
September 15, 1979	25,000	March 15, 1990	50,000
March 15, 1980	25,000	September 15, 1990	50,000
September 15, 1980	25,000	March 15, 1991	50,000
March 15, 1981	25,000	September 15, 1991	55,000
September 15, 1981	25,000	March 15, 1992	55,000
March 15, 1982	25,000	September 15, 1992	55,000
September 15, 1982	30,000	March 15, 1993	60,000
March 15, 1983	30,000	September 15, 1993	60,000
September 15, 1983	30,000	March 15, 1994	65,000
March 15, 1984	30,000	September 15, 1994	65,000
September 15, 1984	35,000	March 15, 1995	65,000
March 15, 1985	35,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{3}{4}\%$
More than three years but not more than six years before maturity	2%
More than six years but not more than eleven years before maturity	$2\frac{3}{4}\%$
More than eleven years but not more than sixteen years before maturity	$4\frac{1}{4}\%$
More than sixteen years but not more than twenty-one years before maturity	$5\frac{1}{2}\%$
More than twenty-one years but not more than twenty-three years before maturity	$6\frac{1}{2}\%$
More than twenty-three years before maturity	7%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of providing vocational training by INACAP in a variety of needed skills, to approximately 8,000 workers per year, in addition to the some 30,000 workers now being so trained annually, and includes :

A. The construction of :

1. Premises for the Centro Chileno-Suizo de Refrigeración y Aire Acondicionado, at Santiago.
2. New premises for the Centro de Confección, at Santiago.
3. Extensions to the Centro Metalúrgico Chileno-Danés, at Santiago.

4. Extensions to INACAP's Center at Renca.
5. Extensions to INACAP's Centro de Mecánica Agrícola, at San Fernando.

B. Provision of mobile training units for :

1. The Agricultural Training Program (22 units).
2. The Fishery Program (8 units, including 1 vessel).

C. Provision of instructional and other equipment for :

1. Parts A.4 and A.5 of the Project.
2. The print shop of INACAP's Center at Renca.
3. Data processing facilities of INACAP's Center at Renca.

4. Such other INACAP programs as shall be agreed from time to time between the Bank, the Borrower and INACAP.

The planned total enrollment capacity of the educational facilities included in Part A of the Project and the approximate area of construction for each one shall be as specified in Exhibit A of this Schedule, subject to modification by further agreement between the Bank, the Borrower and INACAP.

The Project is expected to be completed by June, 1973.

EXHIBIT A

LIST OF EDUCATIONAL FACILITIES

(Part A of the Project)

<i>Location</i>	<i>Added enrollment capacity</i>	<i>Area of new construction (approx. gross sq. met.)</i>
1. Centro Chileno-Suizo de Refrigeración y Aire Acondicionado (Santiago)	72	700
2. Centro de Confección (Santiago)	450	1,650
3. Centro Metalúrgico Chileno-Danés (Santiago) . .	600	2,034
4. Renca Center	1,370 ¹	3,511 ²
5. Centro de Mecánica Agrícola (San Fernando) . .	260 ³	1,155 ⁴

¹ Extensions at the Renca Center will permit an increase in enrollment capacity for various INACAP programs, not all of which are located at Renca.

² It also includes area for operational activities.

³ Including 100 new boarding places.

⁴ Boarding space only.

SCHEDULE 4

PROCUREMENT PROCEDURES

A. *Construction Works*

1. Contractors shall be prequalified.

2. Before inviting bids, INACAP shall request the Bank's agreement to the following :

- (a) A list of all contracts to be let, with estimated values, indicating the forecast timetable for their award;
- (b) Draft bid notices, prequalification questionnaires and a description of the proposed prequalification procedures;
- (c) The Project Unit's report and recommendations on the prequalification data and the proposed list of prequalified contractors; and
- (d) Draft standard documents to be used for inviting tenders, forms of contracts and a description of the proposed tendering procedures;

provided, however, that in the case of construction contracts for Part A.1 of the Project, INACAP may proceed to invite bids after the Bank has received all the data listed in sub-paragraphs (a) through (d) above.

3. After bids have been received and evaluated, INACAP shall send to the Bank a copy of the Project Unit's report and recommendations and a brief justification of the INACAP's decision for the award; provided that in the case of any contract involving

an amount equivalent to \$200,000 or more, INACAP shall request the Bank's agreement before making the award.

4. After a contract is awarded, INACAP shall :

- (a) Furnish the Bank with a signed copy thereof; and
- (b) Submit to the Bank's prior agreement any proposal for a subsequent change in the contract which would increase the amount payable thereunder by more than 10% of the original contract price or the equivalent of \$20,000, whichever is the lower, together with the reason for the proposed change.

5. Fixed furniture and fittings shall be part of construction works contracts.

B. *Movable Furniture and Instructional and Other Equipment*

1. INACAP shall prepare lists of all required instructional equipment and furniture other than the fixed furniture and fittings referred to in paragraph A5 above. Such lists shall show the quantities, brief specifications and estimated unit and total cost for each item (C.I.F. port of entry, in case of imports). Each item shall be assigned a code number to indicate the type of item and the educational facility where it is to be installed. Such lists shall be submitted for the Bank's agreement before inviting bids. Procurement shall be in agreement with such lists, as approved, or as they shall be amended, from time to time, by agreement between the Bank and INACAP.

2. Whenever feasible, items shall be grouped for procurement to permit bulk ordering. Contracts shall take into account the destination of the items listed and the dates upon which such items will be required on site to conform with construction schedules.

3. Before inviting bids, INACAP shall request the Bank's agreement to the following :

- (a) A forecast timetable for the procurement of the items, grouped for bid purposes as provided in paragraphs B1 and B2 above.
- (b) Proposed standard bid, tender and contract documents, together with a description of the proposed tendering procedures.

4. Pursuant to paragraph 2.8 of the Guidelines for Procurement referred to in Section 3.02 of this Loan Agreement, the Bank agrees that where bids are submitted by manufacturers or suppliers, established in the territories of the Guarantor, of goods manufactured or processed to a substantial extent within the territories of the Guarantor (Local Bids), the following rules shall be observed for the purpose of comparing any Local Bid to any other competing bid (Foreign Bids) :

- (a) All taxes on the importation of the goods offered shall first be excluded from the total of any Foreign Bid.
- (b) The portion of any Foreign Bid representing the C.I.F. landed price of such goods shall then be increased by 15% thereof or the applicable amount of such taxes as they generally apply to non-exempt purchasers importing such goods in the territories of the Guarantor whichever is lower.

- (c) The figure resulting from (b) above plus the portion of the same Foreign Bid representing inland freight, insurance and other costs of delivery of such goods to their site of use or installation, as designated in the specifications, shall be deemed to be the price of such Foreign Bid for purposes of comparison with the Local Bids.
- (d) If the price of the goods delivered to such site offered by the lowest evaluated Local Bid is equal to or lower than the comparison price of the lowest evaluated Foreign Bid arrived at under (b) and (c) above, then such Local Bid may be considered the lowest evaluated bid for purposes of paragraph 3.9 of the said Guidelines for Procurement.
- (e) In cases where it is recommended to award a contract to a Local Bid, the bid analysis shall state the amount of the taxes referred to in (b) above and the proportion of the C.I.F. landed price of goods offered under the lowest evaluated Foreign Bid represented by such amount.

5. After bids have been received and evaluated, INACAP shall send to the Bank a copy of the Project Unit's report and recommendations and a brief justification of the INACAP's decision for the award; provided that in the case of any contract involving an amount equivalent to \$25,000 or more, INACAP shall request the Bank's agreement before making the award.

6. After a contract is awarded, INACAP shall :

- (a) Furnish the Bank with a signed copy thereof; and
- (b) Submit to the Bank's prior approval any proposal for a subsequent change in the contract which would increase the amount payable thereunder by more than 10% of the original contract price or the equivalent of \$2,500 whichever is the lower, together with the reason for the proposed change.
- C. If it is proposed to make a substantial modification of tender documents, or to award any contract under A or B hereof to a bidder other than the lowest evaluated bidder, INACAP shall submit to the Bank the reasons for so doing, respectively before the invitation for bids or before award is made.

PROJECT AGREEMENT

AGREEMENT, dated April 23, 1970, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and INSTITUTO NACIONAL DE CAPACITACIÓN PROFESIONAL (hereinafter called INACAP).

WHEREAS, by a Loan Agreement of even date herewith¹ (hereinafter called the Loan Agreement) between the Bank and Corporación de Fomento de la Producción (hereinafter called the Borrower), the Bank has agreed to assist in the financing of a project for the expansion of the vocational training programs of INACAP by making available to the Borrower a loan in various currencies equivalent to one million five hundred thousand dollars (\$1,500,000), on the terms and conditions set forth in the Loan Agreement but only on condition *inter alia* that INACAP agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

¹ See p. 212 of this volume.

WHEREAS, INACAP, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;
NOW THEREFORE the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions (as so defined) shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS OF INACAP

Section 2.01 (a) INACAP shall carry out the Project described in Schedule 3 to the Loan Agreement with due diligence and efficiency and in conformity with sound technical, administrative and financial practices and with due regard to economy, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) INACAP shall operate the educational facilities included in the Project in such manner as to promote the vocational training objectives of INACAP set forth in Schedule 1 to this Project Agreement.

(c) INACAP shall promptly furnish to the Bank the plans, specifications and work schedules for the Project, INACAP's training programs, and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

Section 2.02. INACAP shall, for the purpose of carrying out the Project :

- (a) establish and maintain a Project Unit with such responsibilities, powers and staff as are specified in Schedule 2 to this Project Agreement; and
- (b) employ, to an extent and upon terms and conditions satisfactory to the Bank and INACAP (i) a Project Architect acceptable to the Bank and INACAP; (ii) architectural consultants, acceptable to the Bank and INACAP, selected and retained in accordance with the procedures set forth in the booklet entitled *Uses of Consultants by the World Bank and its Borrowers*, published by the Bank in September, 1966; and (iii) qualified and experienced contractors acceptable to the Bank and INACAP.

Section 2.03. INACAP shall take all action as shall be necessary or advisable to increase the utilization of its educational staff and facilities and its instructional equipment, including but without limitation, action to :

- (a) set up and carry out, with the help of data processing equipment, continuous course evaluation procedures and utilize information derived therefrom both in the adoption of decisions concerning INACAP's day-to-day operations and in the improvement of course supervision;

- (b) increase the direct involvement of department heads and other senior staff of INACAP in course supervision; and
- (c) develop a program, in close consultation with appropriate industrial organizations, to achieve better co-operation with industry, *inter alia* through the release of workers during part of their workday to enable them to attend day-time INACAP training courses.

Section 2.04. Without limitation upon its obligations under Section 2.01 (a) of this Project Agreement, INACAP shall make and maintain arrangements, satisfactory to the Bank and INACAP, with such institutions as shall be acceptable to the Bank and INACAP, for the initial provision of adequate instructional staff and equipment for the educational facilities included in Parts A.1 and A.3 of the Project.

Section 2.05. INACAP shall make and maintain arrangements, satisfactory to the Bank and INACAP, under which INACAP shall have, at all times, access to all the land and facilities required to carry out the Project and to operate the educational facilities included therein in accordance with the educational objectives of INACAP.

Section 2.06. (a) INACAP shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods and services financed out of the proceeds of the Loan, the operation, administration and financial condition of INACAP and any other matters relating to the purposes of the Loan.

(b) INACAP and the Bank shall cooperate fully with each other to assure that the purposes of the Loan will be accomplished. To that end, INACAP and the Bank shall from time to time at the request of either party exchange views through their representatives with regard to the performance by INACAP of its obligations under the Project Agreement, the operation, administration and financial condition of INACAP and other matters relating to the purposes of the Loan.

(c) INACAP shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the performance by INACAP of its obligations under this Project Agreement.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall enter into force and effect on the Effective Date. If, pursuant to Section 11.04 of the General Conditions, the Loan Agreement shall terminate, the Bank shall promptly notify INACAP thereof, and, upon the giving of such notice, this Project Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date when the Loan Agreement shall terminate.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

Section 4.02. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433

Alternative address for cables :

Intbafrad
Washington, D.C.

For INACAP :

Instituto Nacional de Capacitación Profesional
Huérfanos 1147, Piso 6, Oficina 646
Santiago, Chile

Alternative address for cables :

INACAP
Santiago, Chile

Section 4.03. Any action required or permitted to be taken, and any documents required or permitted to be executed under this Project Agreement on behalf of INACAP may be taken or executed by the *Director Ejecutivo* of INACAP or such other person or persons as he shall designate in writing.

Section 4.04. This Project Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

Instituto Nacional de Capacitación Profesional :

By JAIME DONOSO
Authorized Representative

SCHEDULE 1

VOCATIONAL TRAINING OBJECTIVES OF INACAP

The chief educational objective of INACAP is to contribute to the upgrading of Chile's labor force.

The economic sectors, industries and types of enterprise for which training provided by INACAP shall be designed and the number of trainees to be set as a target have been and shall continue to be determined by INACAP on the basis of studies it undertakes, taking due account of the qualitative and quantitative needs of the labor market.

The training programs of INACAP shall be designed, organized and revised so that they respond, promptly and flexibly, to changes in said needs.

SCHEDULE 2

THE PROJECT UNIT

1. The Project Unit shall be responsible for the execution of the Project. It shall have, *inter alia*, the necessary powers for :

- (a) the approval of the design of educational facilities included in the Project and of the lists of furniture to be procured for such educational institutions;
- (b) the preparation of detailed priced lists of the instructional and other equipment to be procured for such educational facilities;
- (c) the preparation of bidding documents for all construction works and for the procurement of furniture; the preparation of bidding documents for the procurement of instructional and other equipment; the analysis of bids and, where required, the making of recommendations regarding the award of contracts;
- (d) the coordination of the regular inspection of all construction works; and
- (e) the keeping of records, including financial records, of the execution of the Project and the preparation of regular reports to the Bank.

2. The Project Unit shall consist of :

- (a) a Project Director, who shall be a senior officer of INACAP and shall have overall responsibility for the direction and coordination of the Project Unit's work;
 - (b) a Project Architect, hired in accordance with Section 2.02 (b) (i) of this Project Agreement who shall be particularly responsible for the design, contractual arrangements, direction and supervision of all construction works required to carry out the Project and for liaison with all agencies of the Guarantor having jurisdiction over such works; and
 - (c) such technical, accounting, administrative and secretarial staff as may be required for the discharge of the Project Unit's responsibilities.
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