

No. 11525

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

**Loan Agreement—*Second Highway Construction Project* (with  
schedules and General Conditions Applicable to Loan  
and Guarantee Agreements). Signed at Washington on  
10 June 1970**

*Authentic text: English.*

*Registered by the International Bank for Reconstruction and Development on  
21 January 1972.*

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

**Contrat d'emprunt — *Deuxième projet de construction de  
routes* (avec annexes et Conditions générales appli-  
cables aux contrats d'emprunt et de garantie). Signé  
à Washington le 10 juin 1970**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 21 janvier 1972.*

## LOAN AGREEMENT <sup>1</sup>

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AGREEMENT, dated June 10, 1970, between REPUBLIC OF CHILE (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

### *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,<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

### *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 ten million eight hundred thousand dollars (\$10,800,000).

*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*(b)* The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the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 1 to this Loan Agreement, as such

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<sup>1</sup> Came into force on 2 December 1970, upon notification by the Bank to the Government of Chile.

<sup>2</sup> See p. 58 of this volume.

allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

*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, as shall be required to meet payments to be made) for goods or services included in Categories II and III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement; and
- (ii) the equivalent of forty-five per cent (45%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for goods or services included in Category I of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Loan Agreement, which percentage 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 such Category I, the Bank may by notice to the Borrower adjust the stated percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in such Category.

*Section 2.04. (a)* It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account under Category I 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.

(b) No withdrawal from the Loan Account shall be made on account of payments for expenditures incurred by the Borrower in the construction or supervision of works for the highway section included in Part A, 1 (c) of the Project.

*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 April 1 and October 1 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan 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 apply the proceeds of the Loan 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 (other than consultants' 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 Borrower and the Bank.

*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 *Ministro de Hacienda* of the Borrower and such other 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.* (a) The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) In carrying out the Project, the Borrower shall employ qualified and experienced consultants acceptable to the Bank, to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.

*Section 5.02.* (a) The Borrower shall furnish promptly to the Bank the reports, plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall reasonably request.

(b) The general design standards for the highways included in Part A of the Project shall be as set forth in Schedule 5 to this Loan Agreement, as such Schedule shall be modified from time to time by agreement between the Borrower and the Bank.

*Section 5.03.* (a) The Borrower shall: (i) cause the national highway system of the Borrower to be adequately maintained and cause all necessary repairs thereof to be made, all in accordance with sound engineering practices; and (ii) provide, promptly as needed, the funds, facilities, services and other resources required for the foregoing.

(b) The Borrower shall: (i) cause all of its road maintenance equipment to be adequately maintained and all necessary repairs and renewals thereof to be made, all in accordance with sound engineering practices; and (ii) cause suitable workshops to be established and maintained in suitable places for the foregoing.

(c) The Borrower shall: (i) take all necessary action to cause the dimensions and axle loads of the vehicles using the national highway system of the Borrower to be kept within the limits currently provided by the laws and regulations of the Borrower and to ensure permanent and consistent enforcement thereof; (ii) consult with the Bank on all proposals to amend or supplement such laws and regulations; and (iii) not later than July 1, 1971, or such other date as shall be agreed between the Borrower and the Bank, agree with the Bank on a timetable for the carrying out of the action specified in subparagraph (i) of this paragraph (c).

*Section 5.04.* The Borrower shall: (a) maintain suitable facilities to collect and record, in accordance with sound statistical methods and procedures, such technical, economic and financial information as shall be required for the proper planning of maintenance, improvement and extension of the Borrower's national highway system; and (b) establish and maintain accounting procedures as shall be required to reflect the actual cost of the Borrower's maintenance and betterment operations in respect of the Borrower's national highway system.

*Section 5.05.* The Borrower shall prepare, not later than July 31, 1970, or such other date as shall be agreed between the Borrower and the Bank, a list of highway projects, in order of priority, for the purpose of determining, in agreement with the Bank, the highways to be included in Part B of the Project.

*Section 5.06.* 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, in respect of the Project, of the ministries, departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto; and shall enable the Bank's representatives to inspect the Project, the national highway system of the Borrower, the goods

financed out of the proceeds of the Loan and any relevant records and documents.

*Section 5.07.* (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 national highway system of the Borrower and the operation, administration and financial condition, in respect of the Project, of the ministries, departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto, and any other matters relating to the purposes of the Loan, the maintenance of the service thereof and the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall cooperate fully with each other to assure that the purposes of the Loan will be accomplished. To that end, the Borrower 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 the Borrower of its obligations under this Loan Agreement, the operation, administration and financial condition, in respect of the Project, of the ministries, departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or for the maintenance of all works, facilities and equipment related thereto, 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 of its obligations under this Loan Agreement.

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

*Section 5.08.* It is the mutual intention of the Borrower 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 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 banking transactions and securing a debt maturing not more than one year after its date.

The term “assets of the Borrower” as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Banco Central de Chile.

*Section 5.09.* 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 Borrower 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 Borrower.

*Section 5.10.* This Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof, and the Borrower shall pay all such 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.

## *Article VI*

### REMEDIES OF THE BANK

*Section 6.01.* If any event specified in Section 7.01 of the General Conditions 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.

*Article VII*

MISCELLANEOUS

*Section 7.01.* The Closing Date shall be September 30, 1974, or such other date as shall be agreed between the Borrower and the Bank.

*Section 7.02.* The date of September 10, 1970 is hereby specified for the purposes of Section 11.04 of the General Conditions.

*Section 7.03.* The *Ministro de Obras Públicas y Transportes* of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

*Section 7.04.* The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Borrower:

Ministerio de Obras Públicas y Transportes  
Morandé 59  
Santiago 1, Chile

Alternative address for cables:

Minobras  
Santiago

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 Loan Agreement to be signed in their respective names and to be 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

#### SCHEDULE 1

##### ALLOCATION OF THE PROCEEDS OF THE LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Highway Construction or Reconstruction . . . . .	8,200,000
II. Supervisory Services for Part A of the Project . . . . .	600,000
III. Pre-Investment Studies . . . . .	600,000
IV. Unallocated . . . . .	1,400,000
	TOTAL 10,800,000

##### REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items 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 Category I, an amount equal to 45% 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>
October 1, 1974 . . . . .	110,000	October 1, 1985 . . . . .	240,000
April 1, 1975 . . . . .	115,000	April 1, 1986 . . . . .	245,000
October 1, 1975 . . . . .	120,000	October 1, 1986 . . . . .	255,000
April 1, 1976 . . . . .	125,000	April 1, 1987 . . . . .	265,000
October 1, 1976 . . . . .	130,000	October 1, 1987 . . . . .	275,000
April 1, 1977 . . . . .	130,000	April 1, 1988 . . . . .	280,000
October 1, 1977 . . . . .	135,000	October 1, 1988 . . . . .	290,000
April 1, 1978 . . . . .	140,000	April 1, 1989 . . . . .	300,000
October 1, 1978 . . . . .	145,000	October 1, 1989 . . . . .	315,000
April 1, 1979 . . . . .	150,000	April 1, 1990 . . . . .	325,000
October 1, 1979 . . . . .	155,000	October 1, 1990 . . . . .	335,000
April 1, 1980 . . . . .	165,000	April 1, 1991 . . . . .	345,000
October 1, 1980 . . . . .	170,000	October 1, 1991 . . . . .	360,000
April 1, 1981 . . . . .	175,000	April 1, 1992 . . . . .	370,000
October 1, 1981 . . . . .	180,000	October 1, 1992 . . . . .	385,000
April 1, 1982 . . . . .	185,000	April 1, 1993 . . . . .	400,000
October 1, 1982 . . . . .	195,000	October 1, 1993 . . . . .	410,000
April 1, 1983 . . . . .	200,000	April 1, 1994 . . . . .	425,000
October 1, 1983 . . . . .	205,000	October 1, 1994 . . . . .	440,000
April 1, 1984 . . . . .	215,000	April 1, 1995 . . . . .	455,000
October 1, 1984 . . . . .	220,000	October 1, 1995 . . . . .	490,000
April 1, 1985 . . . . .	230,000		

\* To the extent that any portion 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 portion 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 . . . . .	¾%
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 ¾%
More than eleven years but not more than sixteen years before maturity . . . . .	4 ¼%
More than sixteen years but not more than twenty-one years before maturity . . . . .	5 ½%
More than twenty-one years but not more than twenty-three years before maturity . . . . .	6 ½%
More than twenty-three years before maturity . . . . .	7%

## SCHEDULE 3

## DESCRIPTION OF THE PROJECT

The Project consists of:

*Part A.* The construction or reconstruction, including paving, of the following highway sections:

1. Padre Hurtado–Puangue :
  - (a) Padre Hurtado–Malloco (about 4.1 kms.).
  - (b) Malloco–Talagante (about 12.2 kms.).
  - (c) Talagante–El Paico (about 13.2 kms.).
  - (d) El Paico–Puangue (about 29 kms.).
2. San Antonio–Algarrobo (about 25.5 kms.).
3. Puchuncaví–La Laguna (about 14.5 kms.).
4. Loncomilla–Constitución (about 67 kms.).

*Part B.* Pre-Investment Studies

Feasibility and engineering studies for about 500 kms. of future highway construction, to be agreed between the Borrower and the Bank.

The Project is expected to be completed by mid 1974.

## SCHEDULE 4

## SUPPLEMENTARY PROCUREMENT PROCEDURES

1. Copies of the notices sent to embassies and advertisements (with a list of the publications in which such advertisements shall appear) inviting contractors to prequalify shall be sent to the Bank at the time of their distribution or placement. A period of at least 45 days shall be allowed for the presentation of completed prequalification documents.

2. Prior to inviting bids, the Borrower shall submit to the Bank, for its approval, copies of invitations to bid, bidding documents (excluding detailed drawings), and the proposed list of contractors prequalified to bid, together with the consultants' evaluation of prequalification applications. A period of at least 60 days will be allowed for the submission of bids.

3. For bidding purposes, civil works contracts shall be grouped as follows:

Contract No. 1: Parts A, 1 (a) and (b) of the Project (about 16.3 kms.)

Contract No. 2: Part A, 1 (d) of the Project (about 29 kms.)

Contract No. 3: Part A, 2 of the Project (about 25.5 kms.)

Contract No. 4: Part A, 3 of the Project (about 14.5 kms.)

Contract No. 5: Part A, 4 of the Project (about 67 kms.)

4. Bids for Contracts No. 1 and 2 shall be invited simultaneously, and qualified contractors shall be permitted to submit offers for one or both Contracts combined. Awards shall be made on the basis of the lowest evaluated bid for combination of bids.

5. Bids shall be accompanied by a bid bond or guarantee amounting to not less than 2% of the bid contract value.

6. Before any contract is awarded, the Borrower shall send to the Bank, for approval, an official record of the opening of bids, the consultants' evaluation of bids and recommendations for award, and the Borrower's comments thereon and proposals for award.

7. Each contract shall:

- (a) be on a unit price basis;
- (b) allow the contractor the option of furnishing a guarantee by an acceptable financial institution doing business in Chile in an amount of not less than 10% of the contract price or a performance bond in an amount of 100% of that price, to remain in effect until the final acceptance of the work; and
- (c) provide for the retention of at least 5% of the amount payable to the contractor on monthly invoices. After the provisional acceptance of the works, or of any portion thereof, the amounts so retained in respect of such works or portion thereof shall be paid to the contractor.

8. In the event that a contract is awarded to a contractor not registered in Chile, the Borrower shall cooperate with such contractor in the accomplishment of such formalities as shall be necessary to enable such contractor to start performance under such contract.

SCHEDULE 5  
GENERAL DESIGN STANDARDS

	Class K			Class M		
	Flat	Rolling	Moun- tainous	Flat	Rolling	Moun- tainous
Design Speed, km/h . . . . .	100	100	85	100	85	60
Minimum horizontal radius, meters . . . . .	500	400	300	400	300	175
Maximum grade, % . . . . .	4.0	5.0	6.0	5.0	6.0	7.0
Pavement width, meters (two lanes) . . . . .	7.0	7.0	7.0	7.0	7.0	7.0
Shoulder width, meters . . . . .	3.0	3.0	3.0	2.50	2.0	2.0
Pavement Type . . . . .	Concrete or asphalt concrete			Double surface treatment or road mix		

NOTE. Class K standards shall apply to the Padre Hurtado-Puangue section (Part A, 1 of the Project). All other highways included in Part A of the Project shall be constructed to Class M standards.

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.]