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CHILE

**RURAL POTABLE WATER PROGRAM
III STAGE**

(CH-0111)

LOAN PROPOSAL

1980

CHILE

RURAL POTABLE WATER PROGRAM - III STAGE

(CH-0111)

LOAN PROPOSAL

C O N T E N T S

Basic Socieconomic Data
Loan Proposal

APPENDIXES

Appendix 1: Proposed resolution CO-CH
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CHILE

Basic Socio-Economic Data1. Statistical Profile

Area (Km ²)	756,629
Estimate of total mid year population millions	
1980	11,273
1985	12,386
Percentage of urban population	79.8
Annual rate of growth of total population (%)	1.9
Gross domestic product <u>a/</u>	17,061
Gross domestic product per capita <u>a/</u>	1,513
Annual growth rate (average 1979-1980 in %)	
Total GDP	3.1
GDP per capita	1.63
Consumption <u>a/</u>	
Total	14,538
Private	12,632
Public	1,906
Gross investment	2,450
Trade <u>a/</u>	
Exports	3,850
Imports	3,775
Gross International reserves <u>b/</u>	4,500
External public debt <u>b/</u>	7,099
Exchange rate (unit of national currency per US\$)	
December, 1978	33.95
December, 1979	39
October, 1980	39
Change in consumer prices 1980, annual average in %	26.0
September 1979-September 1980	30.4
Public sector surplus as per cent of GDP in 1979	3.4
Birth rate per 1,000 inhabitants	22.0
Mortality per 1,000 inhabitants	7.0
Infant mortality per 1,000 live births	36.7
Year of life expectancy at birth	67.0
Percent literacy	88.0
Energy consumption per capita in Kwh (1976)	880
Economically active population by sector (1977)	Thousands
Total	3,217
Agriculture and fishing	600
Mining	134
Manufacturing	416
Construction	138
Commerce	486
Transportation, storage & communication	205
Public administration	313
Others	927
Unemployment rate in Greater Santiago June, 1980	14.4

a/ 1980 est. millions of constant 1978 US\$b/ 1980 est. millions of current dollars.

Product	Real Annual Growth Rate a/					Composition b/		
	1976/75	1977/76	1978/77	1979/78	1980/79*	1976	1978	1980*
	4.0	8.6	7.8	8.5	6.0	100.0	100.0	100.0
	-1.6	9.8	8.3	9.2	4.4	84.7	86.0	85.1
	-4.7	18.3	23.6	18.0	10.8	10.1	12.6	14.4
	20.0	9.6	10.8	11.5	4.3	21.5	22.3	22.6
	-14.6	43.6	23.0	20.4	1.1	13.8	20.9	22.5
forestry	2.6	14.1	-1.2	8.5	4.0	8.4	9.6	9.3
	14.5	2.1	0.3	2.8	1.0	10.7	12.6	4.5
	6.8	12.2	7.8	8.8	5.0	23.7	19.9	20.5
	-18.8	3.5	2.5	25.8	25.0	4.5	2.7	1.9
gas,	3.6	4.8	6.6	7.6	6.5	2.1	2.4	1.7
orage,	5.1	8.7	5.8	7.9	6.5	4.2	4.3	3.7
s	1.2	17.9	14.6	9.3	8.0	20.3	18.8	39.6
	3.3	2.0	5.8	5.8	5.9	26.1	29.7	27.5

based on 1965 prices; between 1977 and 1980 based on 1977 prices.
 gins years correspond to 1975, 1977 and 1979.

	(in US\$ millions)						Annual Growth Rates					Average Growth 1980/75
	1975	1976	1977	1978	1979	1980*	1976/75	1977/76	1978/77	1979/78	1980/79*	
ds (FOB)	1,552	2,083	2,190	2,456	3,821	5,675	34.2	5.1	12.1	55.6	48.6	15.0
	86	119	160	204	265	327	38.4	34.4	27.5	30.0	23.3	36.2
	391	520	628	781	1,244	1,740	33.0	20.8	24.4	59.2	39.9	32.9
	1,075	1,444	1,403	1,481	2,312	3,611	34.3	-2.8	4.8	57.2	56.2	9.8
ds (CIF)	1,708	1,655	2,264	3,002	4,217	6,195	-3.1	46.1	24.2	40.7	46.9	23.2
d)	325	367	466	688	982	1,204	-5.3	26.9	47.6	42.7	22.6	32.4
	904	846	1,106	1,753	2,487	3,879	-6.4	30.7	58.4	41.8	55.9	26.3
	325	367	466	653	879	1,112	12.9	47.4	29.6	34.6	26.5	19.0
	118	101	341	413	--	-- a/	-14.4	237.6	21.1	--	--	--

intermediate.
 d on information available through September 1980.

Payment	(in US\$ millions)					
	1975	1976	1977	1978	1979	1980
Current Transactions	-578	153	531	-888	-894	--
Exports (fob)	1,552	2,083	2,190	2,456	3,821	--
Imports (cif)	1,708	1,655	2,244	3,158	4,443	--
Services	-432	-285	-552	-243	-366	--
Transfers	10	10	75	57	94	--
Capital Flow	50	318	444	1,582	1,929	--
Public sector (net)	58	-116	-81	607	426	--
Private sector (net)	233	227	240	746	1,153	--
Foreign investment & other	-125	207	285	230	349	--
Relief	232	--	--	--	--	--
Errors and Omissions	21	-16	93	-71	13	--
Change in International Reserves (gross) (increase)	275	-455	6	-624	-1,048	--
International Reserves (gross)	-470	-83	-84	395	1,443	--

Expense a/	(in % of GDP)						(in % of GDP) b/					
	Central Government a/						Public Sector					
	1975	1976	1977	1978	1979	1980	1975	1976	1977	1978	1979	1980
Revenue c/	21.3	21.4	21.9	23.5	25.1	--	65.3	81.2	64.3	69.2	70.3	--
Taxes	20.3	20.7	20.5	22.3	23.5	--	23.2	23.6	23.8	26.1	29.1	--
Expenditures c/	17.7	17.3	20.1	20.2	20.5	--	58.8	70.8	546.6	60.3	60.5	--
Current account												
Current deficit (-)	3.6	4.1	1.8	3.3	4.6	--	6.5	10.4	7.7	8.9	9.8	--
Transfer	0.8	2.6	0.1	1.0	2.1	--	-1.7	3.7	0.4	1.6	3.4	--
Net												
Current deficit (-)	-1.1	-1.4	-1.0	-0.5	-0.4	--						
Transfer	-0.3	1.2	-0.9	0.5	1.7	--						

1979 figures are estimated

social security, CORFO, CORVI, CORHABITSNS, SERMENA, etc. Municipalities, Banco del Estado and universities and other institutions.

These include substantial interagency transfers and therefore overestimate actual public participation in GDP

6. Money and Credit	(billions of pesos)					Growth Rate				Average 1978/75
	1975	1976	1977	1978	1979	1976/75	1977/76	1978/77	1979/78	

Money										
M1	4.7	15.4	38.7	56.3	87.1	228.0	151.3	45.5	54.7	108.0
M2	7.7	27.6	71.3	120.6	193.2	258.4	58.3	69.1	60.2	106.6
M2 as % of GDP	18.3	18.8	22.2	25.3	28.0					
Internal credit										
Total	22.2	48.1	116.5	215.8	318.0	116.6	142.2	85.2	47.3	97.8
% private sector	13.6	20.0	32.4	50.6	60.0					
% public sector	86.4	80.0	67.6	49.4	40.0					

a/ Estimated

7. Prices

7. Prices	Annual Average Variation a/					December/December						
	1975	1976	1977	1978	1979 a/	1975	1976	1977	1978	1979	1980	
Consumer	375.0	212.0	91.7	40.1	33.1	26.0	340.7	124.3	63.5	30.3	38.9	28.9
Wholesale	482.0	221.2	86.0	42.9	49.4	26.0	410.9	141.5	65.0	38.9	56.3	31.1
Wages	311.1	207.2	125.2	57.3	46.4	---	---	---	---	---	38.0	b/
GDP deflator	486.1	229.2	81.1	41.3	---	---	---	---	---	---	---	---
Unemployment rate c/	16.6	15.7	12.8	13.7	12.5	11.5	---	---	---	---	---	---

Consumer	375.0	212.0	91.7	40.1	33.1	340.7	124.3	63.5	30.3	38.9	28.9
Wholesale	482.0	221.2	86.0	42.9	49.4	410.9	141.5	55.0	38.9	58.3	31.1
Wages	311.1	207.2	125.2	57.3	46.4	--	--	--	--	38.0	b/
GDP deflator	486.1	229.2	81.1	41.3	--	--	--	--	--	--	--
Unemployment rate c/	16.6	15.7	12.8	13.7	12.5						

a/ Estimated values

b/ January to January
c/ September

8. External Debt a/

	Committed (millions US\$)					Composition 1978	Disbursed 1978	Disbursed as % Committed 1978
	1975	1976	1977	1978	1979			

Total	6,296	5,937	5,865	6,911	7,757	100.0	4,333	77.8
Total Public	4,359	4,261	4,638	5,573	--	68.4	3,022	79.3
Private lenders	1,713	1,642	2,173	3,813	--	11.1	618	98.1
Suppliers credits	765	786	637	630	--	42.7	1,602	67.3
Banks	489	490	1,225	2,381	--	14.3	802	100.0
Others	459	366	311	802	--	8.5	286	60.7
International org.	392	468	504	471	--	3.4	142	74.0
BID	177	230	224	192	--	23.1	1,025	79.5
Bilateral	2,254	2,151	1,961	1,289	--			

a/ Public Debt includes public enterprises through 1978, data for 1980 is for General Government only. The Chilean Government no longer guarantees the debt of public enterprises.

b/ As of June, 1980.

		<u>Disbursed as of December 31, 1979</u>							
		<u>In millions</u>				<u>%</u>			
<u>8a. Total External Debt of Chile</u>		<u>of US\$</u>							
By maturity		8,462.1				100.0			
1 to 4 years		5,255				62.1			
5 to 9 years		2,355				27.6			
10 + years		872				10.3 ^{1/}			
<u>Debt Service</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	
Total service									
(in millions of US dollars)	1197	1426	1766	1936	1977	2190	2879	3164	
Serv./Exp. of goods and services (%)	83.8	62.2	99.2	82.0	75.0	71.3	60.9	76.	

<u>Loans of IDB approved as of Oct./80</u>		<u>Millions of US\$</u>	<u>Composition %</u>
<u>Total</u>		<u>597.1</u>	<u>100.0</u>
Ordinary Capital		299.4	50.1
Inter-regional Capital		42.1	7.0
Fund Special Operations		211.6	35.5
Social Progress Trust Fund		34.4	5.8
Other Funds		9.6	1.6
<u>By Sector</u>			
Agriculture and Fishing		117.0	19.6
Industry and Mining		150.4	25.2
Transportation and Communications		91.8	15.4
Energy		89.0	14.9
Health		50.9	8.5
Urban Development		60.1	10.1
Education		29.0	4.9
Export Financing		3.8	0.6
Preinvestment		3.4	0.5
Tourism		1.7	0.3

1/ Estimated

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Oct/28/80
Rev.II-7-80

CHILE

RURAL POTABLE WATER PROGRAM - III STAGE

(CH-0111)

LOAN PROPOSAL

I. THE PROGRAM

A. Frame of Reference

1. Recent economic situation

- 1.01 Chile has experienced substantial economic growth in the last five years. Between 1976 and 1979 the growth rate of the gross domestic product averaged around 7% and is estimated at about 6% for 1980. With a population of 11.3 million in 1980, the per capita gross domestic product was calculated at US\$1,513 for the year. Capital investment is expected to reach 15% of GDP in 1980 after the decline posted between 1970 and 1976. This growth is chiefly the result of an increase in foreign and private investment, since public investment has held at a constant proportion of GDP since 1974.
- 1.02 The importance of the foreign sector to the Chilean economy has been growing steadily. By the end of 1980 exports of goods and services will have reached, in constant 1978 dollar terms, some US\$3,850 million compared with US\$1,700 million at the start of the decade, and this even allowing for the contraction of the share of traditional copper exports from 80% of the total to slightly under 50%. Imports of goods and services are expected to hold to a level slightly under exports in 1980 to leave a small surplus on the trade balance.
- 1.03 The country's economy has been stimulated by the resurgence of private consumption, which rose 11.3% in 1979 and is expected to hold at 8% to 9% this year. Nevertheless, public consumption, which rose only 0.5% in 1978 and then dropped 2% in 1979, should increase minimally in 1980. The increase in real consumption is largely due to the wage increases that began in the industrial and service sectors in 1977, and which by 1979 had reached 45%. In spite of this, unemployment remains high - it was 14.4% in Santiago in June 1980. To reduce this high rate of unemployment the government has launched a program of minimum employment and direct grants designed to offset the high cost of labor. In addition, the government has recently announced a plan for the generation of one million new jobs by reducing taxes on personal employment, stepping up investment, and reactivating the construction sector.

- 1.04 Despite the government's efforts to check inflation by restrictive monetary and fiscal policies, the consumer price index has risen markedly since mid-1979. From December to December the rate of inflation jumped from 30% to 38.9%. This increase was partly generated by a significant rise in the cost of imports, especially of petroleum, which supplies 80% of the energy consumed in the country. With the government's restrictive policy, however, inflation will be around 26% this year.
- 1.05 In 1979 the public sector returned a surplus on the order of 3.4% of GDP. Of this surplus, half was generated by the state enterprises and half by the central government itself. One important factor in the production of this surplus was the increase in the current income of the Central Government, mainly thanks to unexpected receipts from copper exports, a reform of the tax system, and an increase in revenues from personal and corporate taxes and the value-added tax. Meanwhile, public sector investment held at around 2.1% of GDP and transfers to state enterprises shrank to 0.4% of GDP. The 1980 budget implements a drastic containment of costs and a substantial reduction of investments in public works. However, the government has indicated it would increase investments in the social sector to 14% of what they were in 1979. These investments are part of the Social Development Plan for improving the lot of the extremely poor.
- 1.06 An important concern of the present government has been to reduce the country's foreign debt and improve its reserve position, which in 1975 reached a low with a negative balance of US\$470 million. The new economic policy of opening the country up to foreign trade and achieving competitiveness has resulted in a substantial improvement of the foreign debt and reserves. Net reserves were US\$395 million in 1978 and rose to US\$1,500 million in 1979; they are expected to reach about US\$3,040 million by the end of 1980. Gross reserves were US\$2,800 million at the end of 1979 and are expected to be US\$5,000 million by the end of 1980.
- 1.07 The public sector's and the guaranteed foreign debt was estimated at US\$5,000 at the end of 1979, of which US\$1,400 was owed by the Central Government and US\$3,600 million by the state enterprises. The total external indebtedness, included loans to the private sector, is estimated at US\$8,300 million, which is 20.5% more than in 1978. It is calculated that the total indebtedness should be about US\$10,600 million by the end of 1980. The service on the debt owed or guaranteed by the public sector is estimated at US\$1,300 million in 1978, which is about 28.2% of the exports of goods and services - substantially down from 34.8% in 1978. The service on the total debt, will, however, remain above 43% during 1980, which is very close to the peak of 44.2% reached in 1977, because of increased private sector indebtedness.

2. Situation in the sanitation sector

- 1.08 The statistical information on Chile shows that, while mortality from enteric diseases has declined over the past decade, morbidity from them has either risen or remains high. Since 1974 the morbidity from typhoid

and paratyphoid has increased appreciably and the mortality from them slightly, as they also did from dysenteries until 1976. 1/ This worsening situation is blamed in part on a lack of rural sanitation programs conducted by the health sector 2/ and to a lack of drinking water supplies in many localities and for the scattered rural population.

- 1.09 In late 1978, 83.4% of the urban population was supplied with drinking water through house connections and 61.2% had home sewerage facilities. Thus, the country compares favorably with other South American countries in respect of the coverage of the water supply service but not of that of sewer service. Meanwhile, in the rural area the situation was as follows in late 1978: 37.4% of the concentrated rural population 3/ was served by some water supply, while only 0.2% of it had public sewerage and 9.3% other sanitation systems. On June 30, 1980, as a result of the execution by SENDOS of the program of loan 499/SF-CH, the coverage increased to 44.6% of that concentrated rural population. 4/ As a proportion of the total rural population, however, the ratio is only 12.1%, which places Chile below most of the countries in the region in this regard. 5/ On June 30, 1980, the country had a rural population of about 2,165,000, of which 1,577,000 were scattered and 588,000 were clustered in rural localities. Of the latter, 262,000 (44.6%) are served by potable water supplies, which in turn yields the stated coverage of 12.1% of the total rural population.

1/ Morbidity (rates per 100,000): Typhoid and paratyphoid, 37.3 in 1973 to 108.2 in 1977, and dysenteries, 2.6 in 1973 to 6.2 in 1976.

2/ On February 2, 1978 the Bank approved loans 26/IC-CH (US\$8.0 million) and 342/OC-CH (US\$6.0 million) for the execution of a rural health program comprising the construction and outfitting of 7 health centers, 13 public clinics, and 195 rural health posts. The program is in execution and is 25% advanced. This effort of the Government of Chile to promote the health of the rural population is complemented by the drinking water programs carried out and by the present operation.

3/ Concentrated rural population: Classed by SENDOS as rural localities with between 150 and 3,000 inhabitants and at least 20 housing units per kilometer of street.

4/ This coverage is expected to reach 47.6% of the concentrated rural population by the end of the program of loan 499/SF-CH.

5/ Honduras 13%, Colombia 21%, Uruguay 24%, Panama 29%, Jamaica and Mexico 34%, Trinidad and Tobago 37%, Venezuela 60%, and Costa Rica 66%.

Source: World Bank/PAHO Cooperative Program, 1978.

3. Institutional framework

- 1.10 Up to the end of 1977 there was no authority to regulate the sanitation sector in Chile, and urban and rural drinking water supply and sewerage works were built by several diverse and poorly intercoordinated agencies. As a result of the administrative reform of the public sector in progress in the last few years, those agencies have been merged into one new one, the National Sanitation Works Service (SENDOS), created by Decree-Law No. 2050 of November 23, 1977.
- 1.11 This decree-law defines SENDOS as an autonomous public state agency with its own juristic personality and net worth distinct from the Treasury, established for an indefinite duration, geographically decentralized, and connected with the government through the Ministry of Public Works (MOP). It assigns to SENDOS the planning, control, study, design, construction, repair, upkeep, operation, improvement, financing and administration of drinking water supply and sewerage works and services, the treatment and disposal of industrial effluents in both urban and rural areas, and also the proposal to the Ministry of the rates to be paid by the users of those services.
- 1.12 SENDOS is managed by a National Directorate which oversees and controls the regional directorates. There are eleven of these regional directorates, each in one of the geopolitical regions into which the country is divided, except in Region V and the metropolitan area. The Directorates are the operational bodies that administer, run and maintain the urban services in their respective regions, and propose and carry out the plans and programs for the functioning of the service at the regional level.
- 1.13 The Regional Enterprises are autonomous establishments of which only two have been set up so far: the Metropolitan Sanitation Works Enterprise (EMOS) and the Valparaíso Sanitation Works Enterprise (ESVAL), which corresponds to Region V. These enterprises use all their own income for their own purposes. One of the purposes for which SENDOS was established is to convert all the regional directorates into autonomous enterprises so as to decentralize and make autonomous the management of urban water supplies at the regional level, following which SENDOS would remain only as the regulating and standard-setting agency for the sector. This reform project, for which the studies have already been started, ^{1/} does not include any change in the execution and supervision of rural water works, which will remain, as at present, the exclusive responsibility of SENDOS.

4. Government Programs for development of the sector

- 1.14 In keeping with the policy guidelines laid down by the Government in the Indicative Development Plan for 1979-1984, a series of programs have

^{1/} See paragraph 1.17, below.

been formulated for the improvement of urban water supply and sewerage services, macro and micrometering, and sanitation of marginal populations, one of which is the National Rural Drinking Water Supply Program. The goals set in these programs, and their priorities, are: (a) by 1982, to provide 100% of the urban households with indoor drinking-water connections and 70% of them with sewerage service, and drinking water supplies for 60% of the concentrated rural sector, 1/ and (b) by 1990, to bring sewerage services to 100% of the urban households and drinking water to 100% of the concentrated rural sector.

5. Rate policy in the sector

- 1.15 The Government's policy on drinking water rates is that they shall bring in enough income to enable the service to pay for itself. In the rural sector the rates are set by the Drinking Water Cooperatives and Committees, which administer the several systems in accordance with the current Regulations for rural services, which require that they shall earn enough income to pay for their own operation and maintenance. Actual rates differ from one community to another because each system has different operating costs. Working through the regional directorates, SENDOS sees to it that appropriate rates are charged. The aforementioned Regulations were approved by the Bank when they were put into effect for program 499/SF-CH.

6. Financing by international agencies

- 1.16 During the last decade the IDB has been the leading international agency financing the sanitation sector in Chile through programs for the construction of drinking water and sewerage systems. In the technical assistance field there is the Pan American Sanitary Bureau (PASB), which since 1965 has been operating a Sanitary Engineering Program (CHILE-2000).
- 1.17 The World Bank recently granted the Government of Chile a loan of up to US\$38 million for the execution of two subprojects: (i) an EMOS subproject (US\$27 million) for the expansion and improvement of the drinking water supply in the Metropolitan Area at a total cost estimated at US\$104.6 million, and (ii) a SENDOS subproject (US\$11 million) for a variety of programs for improving the quality of the water, measuring the production and consumption and detecting losses, at a total cost in the equivalent of US\$15 million. This subproject includes the equivalent of US\$650,000 in technical assistance for the studies and

1/ Attainment of this goal of 60% coverage of the rural sector by 1982 requires the execution of the proposed program (Stage III). However, it is not regarded as probable that this goal can be reached entirely in that year, by which only the first two years of the program will have passed; at the close of the program in 1984, however, the attained coverage will be greater - 65% (see paragraph 1.18).

implementation of the plan for the decentralization of SENDOS by converting the regional directorates into regional sanitation works enterprises.

B. Objectives and Description of the Program

- 1.18 The program consists in execution of the Third Stage of the National Drinking Water Program, and its principal objectives are as follows:
- a) To provide drinking water supplies for a rural population of about 101,000 people distributed among 220 localities of between 150 and 3,000 inhabitants throughout the country. The goal of the program is to extend the coverage from the present 47.6% ^{1/} of the concentrated rural sector to 65% by the end of 1984.
 - b) Through an appropriate promotional effort, to enlist the inhabitants of the 220 localities as active participants in all the phases of the program and subsequently in the administration of the systems.
- 1.19 The works to be executed are complete installations for the abstraction, transportation, storage, purification and distribution of water, together with house connections and meters. The water will be drawn from ground and surface sources that satisfy requirements as to quality and quantity depending on the estimated demand, to provide an average supply of 60 to 100 liters per inhabitant per day.
- 1.20 The operation also includes investments to find water sources (drilling) and the associated studies to prepare and keep on file an adequate number of projects for the future expansion of the services. In addition, 15,500 house meters and 275 production meters will be purchased to complete the systems built under loans 74/TF-CH and 499/SF-CH, in addition to 75 chlorinators for installation in the systems that remain to be set up under loan 74/TF-CH.

C. The Borrower and Executing Agency

- 1.21 The borrower would be the Republic of Chile and the proposed program would be executed by the National Sanitation Works Service (SENDOS) ^{2/} of the Ministry of Public Works, through its Rural Drinking Water Department (DAPRU), which is currently executing on the same basis the similar program financed by loan 499/SF-CH.

^{1/} This percentage includes the coverage that will be attained at the end of 1980 with completion of the program of loan 499/SF-CH.

^{2/} The identity, functions and constituent bodies of SENDOS are described in paragraphs 1.11 to 1.13, Section I-3 of this proposal.

- 1.22 SENDOS operates through five advisory units and six departments. The latter include the Rural Drinking Water Department (DAPRU), which would be the executing unit for the program. DAPRU has full responsibility for the execution and coordination of plans for drinking water supplies and sewerage for rural localities, and control of the operation of those services, in addition to providing administrative, accounting and technical advisory services to the community entities that operate them.
- 1.23 DAPRU consists of two subdepartments: (i) Special Programs, which evaluates and monitors the progress of rural drinking water programs, and (ii) Assistance and Supervision, which provides technical and community assistance at the regional level and coordinates with the other departments of SENDOS the studies and designs for, and the execution of the works. In September 1980 DAPRU had a staff of 110 people broken down as follows: (a) at the central level: 29 professionals and technicians, and 17 administrative and 19 general service personnel for a total of 65, and (b) at the regional level: 45 professionals and technicians.
- 1.24 One notable feature is the Drinking Water Committees. These are the community entities that will take delivery of, and administer, operate and maintain, the services built by SENDOS under the program. This is the kind of committee that has been functioning under the program financed by loan 499/SF-CH. It has its origin in Law No. 16880 of August 7, 1968 establishing the regime for "Neighborhood Boards and other Community Organizations."

D. Terms and Conditions of the Loan

- 1.25 The possible loan of the Bank would be made from the Ordinary Capital resources, would be in the equivalent of US\$19,900,000 (US\$14,900,000 in foreign exchange and the equivalent of US\$5,000,000 in Chilean pesos) and subject to the following terms and conditions: (i) amortization period: 30 years, (ii) first payment of amortization: in 4-1/2 years, (iii) disbursement period: 4 years, (iv) interest: 8.25% p.a. on the part in foreign exchange and 4% p.a. on the part in local currency, (v) credit fee: 1.25% p.a. on undisbursed portions of the part of the loan made in foreign exchange, and (vi) inspection and supervision: 1% of the total amount of the loan.
- 1.26 As indicated above, the amortization period proposed for this possible loan from the OC is 30 years. The reason for this is the policy rule established for financings of social projects with ordinary capital funds in document AB-462-2 of July 1965, which says that such financing operations shall be undertaken at favorable amortization terms. Precedents for this are loans 342/OC-CH and 26/IC-CH, granted on March 2, 1978 for Chile's Rural Health Program, for which the same amortization period was established.

II. COST AND FINANCING

A. Total Cost and Financing Plan

- 2.01 The total cost of the program is estimated at the equivalent of US\$33,200,000 as broken down in the following table by investment categories and possible sources of financing:

(Equivalents in US\$ thousands)

<u>Investment Category</u>	<u>Financing</u>			<u>Local Contri- bution</u>	<u>Total Cost</u>	<u>%</u>
	<u>Foreign Exchange</u>	<u>Local Cur- rency</u>	<u>IDB Sub- total</u>			
1. <u>Engineering and Adminis- tration</u>	-	-	-	3,920	3,920	11.8
1.1 Studies and designs	-	-	-	1,140	1,140	
1.2 Supervision	-	-	-	1,260	1,260	
1.2 Administration	-	-	-	1,520	1,520	
2. <u>Direct Costs</u>	12,395	4,215	16,610	6,720	23,330	70.3
2.1 Procurement of goods and execution of works	11,995	4,215	16,210	6,720	22,930	
2.2 Vehicles	400	-	400	-	400	
3. <u>Associated Costs</u>	-	400	400	2,300	2,700	8.1
3.1 Community promotion	-	-	-	590	590	
3.2 Lands and Rights-of- Way	-	-	-	110	110	
3.3 Drillings and studies	-	400	400	1,600	2,000	
4. <u>Financial Charges</u>	2,505	385	2,890	360	3,250	9.8
4.1 Interest	2,356	335	2,691	-	2,691	
4.2 Credit fee	-	-	-	360	360	
4.3 Inspection and Supervision	149	50	199	-	199	
Totals	14,900	5,000	19,900	13,300	33,200	100.0
Percentages	44.9	15.0	59.9	40.1	100.0	

- 2.02 The direct construction cost at prices of June 1980 has been estimated on the basis of the updated budgets of the 53 projects accepted as a representative sample, and of a comparison of prices. The cost escalation has been computed from the pace of investment shown in the timetable

for execution of the program at the rates given in document LO-6-Rev.4 of December 26, 1979.

- 2.03 The foreign exchange part of the loan was determined at US\$14,900,000 in keeping with the current policy laid down in document FP-33-1 for the "Urban Development and Social Infrastructure" of a Group B country, which is to compute it at up to 45% of the total cost of the program.

B. Utilization of the Loan Proceeds

- 2.04 The proceeds of the possible loan would finance 59.9% of the total cost of the program and be used to cover part of the costs of subcategory 2.1 Procurement of Goods and Execution of Works and the entire cost of vehicles, which are both in the category of Direct Costs (US\$16,610,000); part of the drilling and studies for the future expansion of the services, in the category of Associated Costs (US\$400,000); the entire amount of the interest on the Bank's loan during the period of execution of the program (US\$2,691,000), and the cost of the Bank's inspection and supervision (US\$199,000).

C. Crediting of Previous Expenditures

- 2.05 SENDOS has requested the crediting of expenditures made and to be made since the date of the loan application - 25 June 1980 - and prior to the signing of the possible contract, totaling the equivalent of US\$300,000 against the local contribution. These expenditures relate to studies and designs, some of them now in progress, for the preparation of more projects. It is recommended that they be credited to the local contribution to the program provided that they meet requirements substantially similar to those to be established in the eventual loan contract (see Recommendation 3).

III. EXECUTION OF THE PROGRAM

A. Institutional Aspects

- 3.01 As in the case of program 499/SF-CH, now in progress, execution would be the responsibility of SENDOS, and would be accomplished through its technical departments and operating machinery under the coordination of the program's executing unit, which is the Rural Drinking Water Department (DAPRU). This Department is a specialized technical unit experienced in the construction of rural drinking water services, and its organization, functions and personnel, described above, 1/ are considered capable of executing this Stage II in a satisfactory manner.

1/ DAPRU. See 1.22 and 1.23.

B. Technical and Operational Aspects

1. Design of subprojects for the program

- 3.02 SENDOS presented a representative sample of 66 projects for 74 localities, worked up to the final design stage. In the study made of them 13 did not meet the technical requirements, and the other 53, for 62 localities, were evaluated by the economic analysis criteria in use by the Bank ^{1/} and found acceptable from both the technical and economic standpoints. These projects, which represent 30% of the estimated total cost of the program, were designed to standards which have been reviewed by the Bank and are considered appropriate for the works involved.
- 3.03 The remaining 134 designs needed to complete the program will be prepared under contracts by local engineers and engineering firms experienced in this work. They are expected to be finished within the first two years following signature of the loan contract, which will allow a reasonable period of time for completion of the entire process of soliciting bids, organizing the community and launching the execution of the works, and so help complete them on schedule.

2. Criteria for the selection of localities under the program

- 3.04 Since the funds for investment in the construction of drinking water systems are limited and the number of localities without them is large, criteria have had to be established for selecting them so as to maximize the benefits from the existing resources. Thus, in addition to the general criteria by which SENDOS eliminates localities that lie outside the objectives of the program, it was also necessary to apply an economic selection criterion, which is discussed in paragraph 4.04 of this Proposal.
- 3.05 The localities will have to meet requirements of population (between 150 and 3,000 inhabitants) density of housing units (at least 20 per kilometer), the availability of energy, and accessibility. Following this preliminary selection, the draft projects would be worked up in enough detail to make a reasonable cost estimate, which would then be used to make the final selection on an economic basis by calculating the indexes of cost efficiency and incremental discounted cost. The annual investment amounts will be determined using an investment recovery factor of 12% and a service life of 20 years. Only those projects may be included in the program which show a cost efficiency factor of up to the equivalent of US\$26/inhabitant served in the design year, and whose present incremental cost is less than US\$3.24/m³ of water used, both indicators at prices of June 1980, unless SENDOS presents to the Bank studies, reports or other documentation to justify a project that does not meet these requirements and the Bank approves it (see Appendix 3-VI-6.01 and 6.02 - Annex A of the Contract).

^{1/} Cost-efficiency criteria and incremental discounted cost. See 4.04.

3. Community promotion

- 3.06 Once a system has been chosen, DAPRU will conduct a program of community promotion to motivate the prospective beneficiary populations to organize and collaborate. As a result of this promotion, and when the locality's Drinking Water Committee has been constituted, the agreement is signed by which SENDOS undertakes to execute the works and the Committee to administer the service in accordance with the Regulations. 1/

4. Execution of works: previous operations - bids

- 3.07 Before bids are solicited for execution of the works, it has been thought advisable to recommend that SENDOS be required to present to the Bank for each system certain information and documentation on the previous operations referred to in this chapter as a result of the technical and economic studies performed and the promotional work, as follows:

- (i) the general plans, specifications and budgets (see Recommendation 1(a));
- (ii) legal ownership or the requisite rights to the lands on which the works are to be built (see Recommendation 1(b));
- (iii) proof that the locality has been selected by the agreed method (see Recommendation 2(a));
- (iv) the studies showing that the volume and potability of the water are acceptable (see Recommendation 2(b));
- (v) evidence that the locality's Drinking Water Committee has been constituted (see Recommendation 2(c));
- (vi) a copy of the agreement for the construction and administration of the system, signed by SENDOS and the Committee concerned (see Recommendation 4(d)).

- 3.08 It has been provided that the works are to be executed under contracts let on the basis of public bidding procedures, as was done in the second stage (499/SF-CH). The works to be executed are as follows: (i) drilling of wells and intake works, and (ii) execution of the systems, which includes the building of storage ponds and pump sheds, the installation of pumping equipment and electric connections, the laying of pipes, and the placement of chlorinators, production meters, and household connections and meters. The program provides two bidding procedures, one for the aforementioned works and another for acquisition of the equipment

1/ See paragraph 3.12

and materials (motor pumps, chlorinators, meters, etc.), which SENDOS will provide for the works contractors. No works will be executed on force account. The bidding procedure has been decided (see Appendix 12 to the Project Report) and will be made an annex to the loan contract (see proposed resolution, paragraph 8(d)).

5. Investment calendar

- 3.09 The Bank's funds will be disbursed over a period of 4 years from the date of signature of the contracts. According to the preliminary PEP, the investment calendar for the program may be summarized as follows:

(In US\$ thousands or the equivalent)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Total</u>	<u>%</u>
<u>IDB/OC Loan</u>						
- Foreign exchange	2,908	4,315	3,720	3,957	14,900	44.9
- Local currency	456	1,490	1,521	1,533	5,000	15.0
Local contribution	<u>1,878</u>	<u>3,797</u>	<u>4,125</u>	<u>3,500</u>	<u>13,300</u>	<u>40.1</u>
Totals	5,243	9,602	9,366	8,990	33,200	100.0
	=====	=====	=====	=====	=====	=====
Percentages	15.8	28.9	28.2	27.1	100.0	

6. Physical commencement of the works

- 3.10 On the basis of the experience with program 499/SF-CH, SENDOS has requested consideration of three years as the term for beginning the physical execution of all the works. The justification for the recommendation made to this effect may be found in Section VI (see proposed resolution, paragraph 7).

7. Installation of meters

- 3.11 In the previous operation no provision was made for the acquisition and installation of household or production meters. In 1979 SENDOS adopted the policy of installing household meters on pumped rural water supplies so that the water could be used more economically, which constitutes an innovation, as no household meters are used in similar rural drinking water programs in other countries of the region. For this reason, the proposed operation also includes the procurement and installation of meters in the systems of loans 74/TF-CH and 499/SF-CH. This SENDOS initiative will not be made a technical requirement of the Bank for the program so that it will not become a precedent for future rural drinking water programs financed by the Bank.

8. Operation and maintenance of the services

- 3.12 As mentioned in paragraph 1.24 above, the services would be administered, operated and maintained by the Rural Drinking Water Committees.

These activities are regulated by the Regulations put into effect by SENDOS, and the technical standards are those established by the DAPRU, which are adequate and constitute general practice in sanitary engineering. It is recommended that this criterion be established (see recommendation 5(a)) as also the obligation to present, during the 10 years following delivery of the finished installations, an annual plan for their maintenance and a report on their management (see recommendation 5(b)).

C. Financial Aspects

- 3.13 The local contribution to the program will be made by the National Government in the form of yearly budgetary allocations. It is provided that 10% of the cost of the program is to be put up by the beneficiary communities; however, to avoid the problem of estimating that contribution in advance and verifying it afterwards, it is recommended that the Government assume the obligation of providing all the counterpart funds (US\$13,300,000) (see recommendation 8(b)). It is recommended that it be permissible to credit up to the equivalent of US\$2,300,000 of the community's contribution as part of that due from the Government, and to consider such amount as part of the investments financed, whenever the Government so requests and shows that such community contribution has actually been made (see Appendix 3 - IV, which is Annex A of the Contract).
- 3.14 Rates must be set which generate enough revenue to cover all the costs of operating the system, including those for administration, operation and maintenance and, as far as possible, depreciation. This rule, which is in line with the Bank's policy, accords with the rate system in effect for the systems build and meets the Government's general policy on rates (see proposed resolution, paragraph 8(c)).
- 3.15 To enable the Bank to ascertain the performance of the rate system imposed and the income statements of the systems under the program, it is recommended that every year starting in 1982 the Bank be supplied with information on the rate incomes, costs and accounts receivable broken down by the times they have been outstanding for each system (see recommendation 4).

IV. JUSTIFICATION OF THE PROGRAM

A. Technical and Administrative Justification

- 4.01 The 53 projects in the representative sample have been drawn up in accordance with the applicable current national standards, which conform to generally accepted principles of sanitary engineering and will apply to the other projects under the program. The physical execution of work could not be started without first determining and verifying the quantity and quality of the sources. The experience of SENDOS in the preparation of projects (499/SF-CH and the representative sample) warrants

the expectation that the others will be completed within the first two years after the loan contract becomes effective, and all the works under the program will be under way within the first three years. The public bidding procedures are two, one for each of two groups: (i) acquisition of equipment and materials, and (ii) execution of the works. No difficulty is expected to arise in the supplying of materials or manpower. The execution timetable is realistic and takes account of the characteristics of the works and of the programming of its construction by groups of system, on the strength of experience with the previous program. The project budget has been calculated on the basis of national prices and of comparisons with international indexes; the cost escalation was calculated in compliance with the Bank's instructions. The experienced technical staff of the regionally well decentralized DAPRU endows SENDOS with the technical and administrative capability needed to coordinate and supervise the execution of the works and conduct the requisite promotion in each community. The system of the Drinking Water Committees and the current Regulations for the administration, operation and maintenance of the services are adequate to assure the subsequent functioning of each of the systems.

- 4.02 In sum, after a careful evaluation of all the technical and administrative aspects, it has been concluded that the project would be feasible in both respects.

B. Financial Justification

- 4.03 The 4-year financial projection shows that the operation would earn an income sufficient to cover the costs needed to operate and maintain the systems in the regions. The Government's total contribution to SENDOS (US\$62.0 million) would be used to finance other SENDOS investments and its contribution to the program (US\$13.3 million, or 21% of that total). These contributions will peak in 1982 at the equivalent of US\$16.3 million, which will be 30% more than the amount actually provided to SENDOS in 1979. At the same time, however, that amount is a minimal proportion of the total National Budget, and amounted to 2% of the governments total investment outlays in 1979 and is 4% of the budget assigned to the Ministry of Public Works for 1980. Because of the foregoing, and bearing in mind the high priority that the government attaches to the execution of this program, it is considered that the local contribution to the program could be made without difficulty.

C. Socioeconomic Justification

1. Establishment of the economic criteria for the selection of localities for the program

- 4.04 To establish an economic selection criterion that projects must meet to be accepted for the program, two indicators of economic efficiency were devised: (i) cost efficiency, and (ii) incremental discounted cost, which correlate with the criterion of rate of economic return usually

applied by the Bank in the selection of projects, and, moreover, are easily calculated. 1/ To this end a cost-benefit analysis was made of the subprojects in the representative sample, 2/ and it was concluded that the necessary conditions for the benefits of a subproject to exceed its cost at present value would be: (a) that its cost-efficiency index be under US\$26/inhabitant, and (b) that its incremental discounted cost be less than US\$3.24 m³ of water used. It is recommended that these economic indicators be included among the general criteria for the selection of localities for the program. 3/

2. Paying capacity of beneficiaries

- 4.05 The analysis of the beneficiaries and their capacity to pay the resulting water rates is based chiefly on the data supplied by a socioeconomic survey conducted by SENDOS in August 1980. The rates to be charged in each locality will depend basically on the costs of operating and maintaining the system. A preliminary estimate places them in the range of US\$1.00 to 3.00 a month per family. 4/. To infer the paying capacity of potential beneficiaries under the program, these disbursements are compared with their monthly cash incomes, and it is found that 35% of the population in the lowest income bracket (up to 4,000 pesos a month) will have to disburse up to 3% of their income in payments for water, 39% of the beneficiaries up to 1.5% of their income, and the rest less than 1.5% of their monthly income. These percentages compare favorably with the recommendation of the Pan American Health Organization (PAHO/WHO) that expenditure for drinking water not exceed 3% of the income of low-income rural families.

3. Analysis of the distributive impact on low-income groups

- 4.06 This analysis was based on the subprojects of the representative sample and was done in the following three stages: (i) identification and description of the principal groups affected, (ii) estimation of the magnitude of the distributive impact on the identified groups, and (iii) a calculation of the coefficient of the distributive impact. Through analysis it was estimated that approximately 54.9% of the net economic benefits generated by the sample of subprojects would go to the groups classed as of low incomes. It is accordingly concluded that, of the possible Bank loan of US\$19,900,000, the equivalent of about US\$10,920,000 would go to the benefit of those low-income earners.

1/ For this calculation, see Appendix 21 of the Project Report.

2/ It covered a demand study and determination of the willingness to pay in order to measure the benefits of water supply. A detailed cost picture was calculated and a microeconomic simulation model was designed.

3/ See paragraphs 3.04 and 3.05 for the selection of localities under the program.

4/ This estimate assumes a 5-member family and average per capita consumption as given by the demand curve, and comes to 40 to 120 Chilean pesos a month.

4. Evaluation of the impact

- 4.07 Three years after the last disbursement from the loan an analysis will be made of the impact of the program. This analysis will be similar to the "ex-ante" cost-benefit analysis, but will use data on actual consumption instead of projections (see recommendation 6). The information that will have to be collected on a statistically representative sample is described in Appendix 3, Section VII (Annex A of the Contract).

V. STATUS OF CURRENT PROGRAM 499/SF-CH

- 5.01 The two preceding rural drinking water programs were financed by the Bank with loans 74/TF-CH ^{1/} and 499/SF-CH. In the process of analyzing the latter loan it was found that the systems built with 74/TF-CH were in less than the requisite state of repair and the rate clause was not being fulfilled. Because of this, in the contract for loan 499/SF-CH a number of clauses on 74/TF-CH were included, which are also discussed in the present chapter.

1. Background and objectives

- 5.02 Loan 499/SF-CH was approved on December 22, 1976 in an amount in the equivalent of US\$7,500,000 (US\$3,300,000 in foreign exchange and the equivalent of US\$4,200,000 in Chilean pesos) to finance 60% of the total cost, estimated at the equivalent of US\$12,500,000. The borrower was the Republic of Chile and the executing agency the Public Works Administration of the MOP, which subsequently was succeeded by SENDOS. The disbursement period expires on March 7, 1981. The purpose of the loan is to finance the Rural Drinking Water Program (Stage II), for the supplying of household drinking water to 150 rural localities of between 200 and 2,000 inhabitants located in 7 of the 12 regions into which the country is divided.

2. Current status - scope of objectives and goals

- 5.03 The program is in the final stage of execution and has progressed normally. On September 30, 1980 it was 94% advanced overall. A total of 117 systems serving 129 localities had been built and put into operation, and 15 systems, to serve another 21 localities, were in different stages of execution. Altogether, 132 systems will be completed to supply 150 rural localities, and so completely attain the established goals. Since the 15 unfinished systems are small and 30% to 95% advanced in their physical execution, they will be completed and put into operation before December 31, 1980. Delays have held up the installation of chlorinators for disinfecting the water, and this outstanding operation will be carried out during the first half of 1981. ^{2/}

^{1/} Loan 74/TF-CH was repaid in its entirety in U.S. dollars.

^{2/} See paragraph 5.07.

3. Execution of the program

- 5.04 The borrower and executing agency have been complying satisfactorily with the clauses governing the Program. The conditions precedent to the first disbursement were fulfilled satisfactorily. Implementation of the program was facilitated by the establishment in November 1977 of SENDOS, which imparted dynamism to the operation through its Rural Drinking Water Department (DAPRU). On the whole, the program has advanced without being troubled by technical problems of any importance. Its salient technical and operational aspects are as follows.
- 5.05 Selection of localities for the program: SENDOS adapted to the criteria established in the selection methodology, notably the standards on numbers of inhabitants, minimum density of housing units per kilometer of street, capacity and quality of the water sources, design volumes, and cost-efficiency ratio.
- 5.06 Studies and designs: Thanks to the satisfactory work done on schedule by 30 locally hired engineering firm, SENDOS was able to meet the contractual requirement of having to hand the designs and water sources to be used before soliciting bids for the construction of each system.
- 5.07 Water disinfection: Since most of the systems obtain their water from deep wells, SENDOS concluded that this water was of such quality and potability as not to necessitate initially the installation of the disinfection equipment provided for under the program. However, because of the observation made by the Bank, SENDOS has moved to install them, to which end it issued an international invitation to bid for the delivery of 107 chlorinators, which it is receiving in partial deliveries from the supplier which will continue until February 1981; it is expected that the installation of this equipment will be concluded by June 1981.
- 5.08 Physical commencement of the works: At the request of SENDOS, the term for the physical commencement of the works, stipulated at two years in the loan contract, was extended by one year. The operations precedent to construction of the systems take much time - as much as 14 months ^{1/} - while the construction itself takes only 6 to 8 months, since these are small works of simple engineering. For this reason, apart from setting it in motion and acquiring the equipment, all that was accomplished during the first two years of the program was, chiefly, to build the systems of the representative sample for which all the preparatory work had been completed and to make headway in that for the other projects under the program. The remaining works were bid for during the third year and a start made on the physical construction of all of them before

^{1/} Hydrogeological studies, drillings, designs, permit processing and the international bidding procedures, studying of proposals, awards, auditing, and contracting.

expiration of the extended period for doing so, and these works should be completed before the end of the fourth year of implementation of the project. (See paragraph 5.03).

- 5.09 Lands and rights-of-way: No problems were encountered in acquiring the lands and rights-of-way needed for the program. In all cases possession was acquired and the requisite rights (authorizations and promises to sell or donate) before the works were commenced. It should be mentioned that the lands needed are of small area (15 m. x 15 m.) and very low value (averaging the equivalent of US\$300).

4. Financial aspects

- 5.10 The total cost of the program was initially set at US\$12.5 million. As of September 30, 1980 the updated cost of the program is the equivalent of US\$15.6 million, or 24.8% more than the original cost; this increase is expected to rise to 30% by the time program is completely executed. The cost increase is primarily an effect of the current exchange policy, which makes the exchange rate change less than the consumer price index (CPI) and materials price index (MPI). 1/ The investments made by SENDOS under the program up to June 30, 1980 total the equivalent of US\$13.9 million, 43% of which has been financed by the loan and 57% by the local contribution. The local contribution has been made good normally in keeping with the progress of the program.
- 5.11 As of October 1, 1980 the loan had been 91.2% disbursed. The situation is as follows:

(Equivalents in US\$)

	<u>Amount</u>	<u>%</u>
- Disbursed	6,838,971	91.2
- To be disbursed	661,029	8.8
Total	7,500,000	100.0
	=====	=====

5. Rates

- 5.12 The rates of almost all (96.4%) of the 83 systems built and in operation under loan 499/SF-CH comply with clause 6.05(i) of the contract in that they earn enough income to cover the administrative, operating and maintenance costs. The rates in effect range between the equivalents of about US\$1 and US\$3. 2/ The latest information on the operating income and expenditures of the individual systems is for a two-month period (March/April and/or May/June 1980) and is taken from the latest bimonthly report that each locality must present to SENDOS. In 11 of the 83

1/ The exchange rate of the US dollar has held unchanged since June 1979 at US\$1 = 39 Chilean pesos.

2/ Between, approximately, 40 and 120 Chilean pesos a month.

systems the income from billings has been insufficient to cover the operating costs for the two months covered. However, it must be pointed out that in 8 of those 11 localities the users have made additional contributions to cover the rate income deficits and, moreover, the payments that the communities contribute to SENDOS to finance 10% of the cost of each project. In the other three communities the deficits are trivial - the largest is in the equivalent of US\$25. Except in 7 cases, payments for the service are collected normally.

6. Fulfillment of conditions relating to loan 74/TF-CH

- 5.13 The execution of loan 499/SF-CH included compliance with conditions relating to the previous program financed with loan 74/TF-CH imposed upon the detection of problems of administrative disorganization in the cooperatives in charge of the 165 systems under program 74/TF-CH and their deterioration for lack of maintenance because of low service rate income and a lack of supervision. To ensure that those systems would generate sufficient income from rates, the borrower undertook to provide the additional funds needed to restore the systems to normal operation until they could become self-financing. In addition, clause 4.02(d) set a term of 30 months for the systems under loan 74/TF-CH to adjust to the general rate level required by clause 6.05(i) for the systems under loan 499/SF-CH.
- 5.14 When SENDOS was established 146 of the 165 systems built under loan 74/TF-CH ^{1/} were transferred to it and it began to exercise effective supervision over the cooperatives administering them, and technical control over their operation and maintenance and the updating of their service rates. Starting in 1979 it also proceeded to make at its own expense, repairs and renovations of obsolete equipment in order to raise the systems to perfect operating condition. Today the great majority of the systems have been restored to normal working order, and the cooperatives that administer them are still receiving the support and guidance of SENDOS. Work has already started on the reorganization of the 19 CORA systems recently incorporated into SENDOS. At the end of the 30-month term set in the aforementioned clause, SENDOS demonstrated that 139 of the 146 systems in its charge were paying for themselves (95%; 3 of these were rounding out the financing they needed with funds other than their income from rate billings), and on 7 of them recent information was lacking. In these circumstances the Bank considered that the contractual obligation could be taken as fulfilled.

^{1/} The remaining 19 services had been built by the Land Reform Corporation (CORA) through its Sanitary Engineering Bureau, which had been abolished. CORA, too, in disarray and in process of extinction, was unable to provide information on the systems or to transfer them formally to SENDOS. Moreover, those 19 systems were being operated by cooperatives over which CORA had no control whatever. After repeated requests by SENDOS, this situation was regularized at last with the final transfer of the systems to SENDOS in mid-1980.

- 5.15 On the date of the analysis of the operation recent bimonthly information was available only on the operating income and expenditures of 115 cooperatives, of which 114 (99.1%) are earning income from water sales and other sources sufficient to cover their operating costs. The only one not generating enough such income has a deficit of US\$35. The recent bimonthly data were unavailable for 31 of the systems. The 19 erstwhile CORA systems are disregarded here as being in process of reorganization and repair, which must be accomplished before they can be required to introduce self-financing water rates, as they are expected to do in the course of 1981.

7. Operation and maintenance of the rural water supply systems

- 5.16 The systems are operated and maintained either by cooperatives (loan 74/TF-CH) or by rural drinking water committees (loan 499/SF-CH). DAPRU, operating through the regional directorates, supervises their management in each locality, and there are visiting social workers and technicians who make the rounds of the localities to oversee the maintenance of the financial records on each system and how it is being operated and maintained. Every two months each locality draws up a report summarizing the highlights of the operation. The purpose of this bimonthly report is to enable SENDOS to intervene immediately by requiring a committee to raise its rates if they are too low or to assist with advice on cutting costs or the detection of shortcomings in the operation of the system.
- 5.17 The costs of maintaining the systems are met with revenues from water sales; when unusually large expenditures have to be incurred, the customers are billed for additional contributions. System maintenance is regarded as satisfactory, no problems having arisen in those built under loan 499/SF-CH. The rehabilitation of those built under loan 74/TF-CH imposed an unusual effort on SENDOS for, as has been mentioned, the great majority of them had deteriorated or were functioning poorly when they came under the agency's control.

8. Conclusion

- 5.18 The objectives and goals of program 499/SF-CH should be attained in their entirety and, if no unusual adverse circumstances arise, it is considered that the program should be carried out within the contractual 4-year term. There have been no negative institutional developments. The administrative, technical, operational and financial capacity of SENDOS is adequate and satisfactory, and its organization, powers and autonomy have enabled it to execute the program efficiently through DAPRU and without encountering any major technical problems. In keeping with the Government's general policy on rates, SENDOS sees to it that those charged in each system constructed are high enough to make it financially self-sufficient, as required in the rate clause of the loan contract. The experience acquired in the execution of this program has made it possible to recommend some measures that would help improve the execution of the program proposed for Stage III.

VI. SPECIAL ASPECTS

- 6.01 On the basis of its experience in the execution of the program for loan 499/SF-CH, SENDOS has requested that the term for starting all works under the program be set at three years instead of the two that the Bank customarily prescribes for general programs involving many different works. As mentioned in the evaluation of loan 499/SF-CH (see paragraph 5.08), in that case the contractual start-up period had to be extended by one year.
- 6.02 That situation arose because of the characteristics of the works to be built, which divided the work into two distinct stages: (i) tasks prior to the physical commencement of the works, consisting in performance of the hydrogeological studies and drillings to determine the water source; designing the systems and calculating the costs; the economic evaluation of the subprojects to establish their eligibility for the program; the bidding specifications and bases, internal and Bank approvals, international invitations to bid, study of the tenders, awarding the contracts, auditing controls, and signing of the contracts. This stage takes about 14 months owing to the fact that the works are scattered all over the country, and it must proceed hand in hand with the promotion and establishment of drinking water committees in all the localities, and (ii) the physical commencement of the works and construction process, which takes only 6 to 8 months owing to the simplicity and small scale of each system.
- 6.03 These previous operations resulted in loan 499/SF-CH, as they would do in the present operation, in the execution, during the first two years of execution, of little more than the works for the projects of the representative sample and the drilling, studies and designs for the other projects under the program. For the proposed operation SENDOS has drawn up a realistic program that allows four years for complete construction of the systems for the 220 localities involved, which will require that the third year be available for obtaining bids and starting the works for about 35% of the systems under the established timetable.
- 6.04 The one-year extension of the term ordinarily provided in projects financed by the Bank would in this case pose no impediment to completing the execution of the program within the contractual term of 4 years. Precedents for this are loans 609/SF-HA (approved in December 1979) and 587/SF-HO (approved in September 1979) for programs involving many different sanitation works in which the term for the physical commencement of all works was set at 3 years (see Proposed Resolution, paragraph 7).

PROPOSED RESOLUTION

CHILE. LOAN /OC-CH TO THE REPUBLIC OF CHILE
(Rural Potable Water Supply
Program - Third Stage)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile in order to grant it financing to cooperate in the execution of the third stage of the national rural potable water supply program. This financing shall be subject substantially to the following conditions:

1. Amount and currencies: Up to US\$19,900,000 or the equivalent in other currencies which are part of the ordinary capital resources of the Bank of which amount: (a) up to US\$14,900,000 or the equivalent in other currencies (except that of Chile) to pay for goods acquired through international competition in the member countries of the Bank and for such other purposes as may be specified in the loan contract, and (b) up to the equivalent of US\$5,000,000 in Chilean pesos to cover local expenses. Payments of amortization and interest shall be made in the currencies disbursed.
2. Source of funds: The ordinary capital resources of the Bank.
3. Guarantee: The general responsibility of the borrower.
4. Credit fee: 1-1/4% per annum on the undisbursed portion of the amount indicated in paragraph (a) of clause 1 of this resolution, commencing to accrue 60 days after the date of the contract and payable in dollars of the United States of America on the same dates as the interest.
5. Amortization: The borrower shall amortize the loan in a period of 30 years from the date of the contract, by means of semiannual, consecutive and, insofar as possible, equal installments. The first installment shall be paid six months after the scheduled date for the last disbursement of the financing.

6. Interest: 8-1/4% per annum on the amount indicated in paragraph (a) and 4% per annum on the amount indicated in paragraph (b) of clause 1 of this resolution (including the 1% special commission of the Bank in both cases), payable semiannually on principal amounts outstanding. The first payment shall be made six months after the date of the contract. At the request of the borrower, resources of the financing may be used to pay interest during the disbursement period.
7. Physical Initiation and Disbursement: The term for physical initiation of all projects shall expire three years after the effective date of the contract and the term for disbursement of the financing shall expire four years after that date. (Paragraphs 3.10 and 6.01)
8. Special conditions:
 - (a) The resources of the loan shall be utilized in their entirety by the Servicio Nacional de Obras Sanitarias (SENDOS). If modifications in the legal provisions or the basic regulations concerning SENDOS are approved which, in the opinion of the Bank, may substantially affect the program, the Bank may adopt such measures as it deems appropriate, in accordance with provisions to be set forth in the loan contract.
 - (b) The resources of the loan shall be used to participate in the execution of a program the cost of which is estimated at the equivalent of US\$33,200,000. Consequently, the loan contract shall contain appropriate provisions to ensure that such additional resources as may be necessary for the complete execution of the program shall be duly provided in an amount estimated at the equivalent of US\$13,300,000, in accordance with a schedule of investments satisfactory to the Bank. (Paragraph 3.13)
 - (c) The borrower shall demonstrate to the satisfaction of the Bank that it has assured that the income from the sale of water of each system financed with the loan is sufficient to at least cover all of the operating expenses of the system, including those related to administration, operations and maintenance, and to the degree possible, depreciation.
 - (d) In the acquisition of machinery, equipment and other goods related to the program and in the awarding of construction contracts, the system of public bids shall be followed in each case in which the value of such acquisition or contract exceeds the equivalent of US\$100,000. The bidding shall be subject to procedures to be included as an annex to the loan contract. (Paragraph 3.08)
 - (e) The Bank shall establish such inspection procedures as it deems necessary to ensure the satisfactory execution of the program,

and the borrower and SENDOS shall extend all cooperation required for the most effective accomplishment of this purpose. From the amount of the financing, the sum of US\$149,000 and the equivalent of US\$50,000 in Chilean pesos shall be allocated to the accounts of the Bank to meet expenses of general inspection and supervision.

RECOMMENDATIONS

- A. It is recommended that the following conditions, which shall be fulfilled to the satisfaction of the Bank, be included in the loan contract in addition to the conditions set forth in the proposed resolution:
1. Unless the Bank shall agree otherwise, prior to the call for bids for construction of the systems planned under the program, the borrower shall present to the Bank, through SENDOS, for each system:
 - (a) the general plans, specifications, budgets, specific bidding requirements and any other document needed for the call for bids, (paragraph 3.07(i)); and
 - (b) in the case of construction works, evidence that it has legal possession or holds the necessary rights over of the lands required for the respective construction works. (paragraph 3.07(ii))
 2. In addition to the requirements established in the foregoing recommendation and at the same time, the borrower shall present to the Bank, through SENDOS, for each system:
 - (a) proof that the community was selected through use of the method referred to in Section VI of Appendix 3 (The Program); (paragraph 3.07(iii))
 - (b) studies demonstrating that the flow and potability of the available water are acceptable; (paragraph 3.07 (iv))
 - (c) evidence that the Comité de Agua Potable of the community concerned has been established, (paragraph 3.07(v)) and
 - (d) a copy of the agreement on execution and administration of the system, signed by SENDOS and the corresponding Comité de Agua Potable. (paragraph 3.07(vi))
 3. The Bank may recognize, as part of the local contribution to the program, expenditures for studies and design preparation expenses incurred before the date of the resolution approving the loan and after June 25, 1980, in an amount up to the equivalent of US\$300,000, provided that requirements substantially similar to those set forth in the loan contract have been fulfilled. (paragraph 2.05)
 4. The borrower shall agree to supply annually to the Bank, through SENDOS, beginning on December 31, 1982, the following information on systems financed with the loan. (paragraph 3.15)

- (a) a statement of receipts and expenditures identifying at least the rate billing and the operating, maintenance and administration costs, and
- (b) accounts receivable at the end of the year concerned, classified by age as up to 60 days, 60 to 90 days and over 90 days.

5. The borrower shall agree: (paragraph 3.12)

- (a) that works executed under the program will be administered, operated and maintained in accordance with generally accepted technical standards, and
- (b) to present to the Bank during the 10 years following receipt of all works and within the first quarter of each calendar year:
 - (i) an annual maintenance plan for all water supply systems under the program, and (ii) a detailed report on activities in the preceding year in the same field and on operating efficiency and state of conservation of the system at the end of the same preceding year.

6. Three years after the final disbursement of the financing, the borrower, through SENDOS, shall present to the Bank an evaluation report on the socio-economic effects of the program's subprojects, containing the information described in paragraph VII of Appendix 3 (The Program). (paragraph 4.07)

7. The financial statements of the program during its execution shall be presented annually to the Bank, certified by the Contraloría General de la República. The first financial statements will be those corresponding to the year in which the program execution begins.

B. The loan contract shall include an annex substantially similar in content to Appendix 3 (The Program).

THE PROGRAM
(Annex A to the Loan Contract)

I. Purposes

1.01 The basic purposes of the program are:

- (a) To supply drinking water to a rural population of approximately 101,000 inhabitants distributed among about 220 localities throughout the country. Each locality would have approximately 150 to 3,000 inhabitants.
- (b) To obtain from the inhabitants of the 220 localities, by means of suitable promotion, their active participation in all phases of the program, setting up community agencies for that purpose so that they can subsequently properly operate and adequately maintain the water supply services with regard to administrative, technical and financial aspects.

II. Description

2.01 The program consists of executing the third stage of the national rural potable water supply program and calls for planning, study and preparation of engineering projects; promotion and organization of communities; construction of the works necessary to install water supply services equipped with household connections and meters in 220 rural localities located throughout the country between Region I and Region XII, including the Metropolitan Region. It is expected that in order to supply service to 220 localities approximately 187 systems would have to be built. The exploitation of the services included in the program will be governed by the "Regulations for administration, operation and maintenance of rural water supply services" applicable to programs financed with Loans 74/TF-CH and 499/SF-CH.

The works will consist of construction of integral systems for intake, conduction, storage and distribution, with their respective household connections. The installation of hypochlorinators to disinfect the water should be carried out jointly with the rest of the works necessary for construction of each system.

To supplement the program described, the operation includes investments to determine water sources (drilling) and the corresponding studies in order to prepare and maintain in portfolio an adequate number of projects for future expansion of the service. It also includes the acquisition and placement of approximately 15,500 household meters and 275

production meters for localities with services partly financed by Loans 74/TF-CH and 499/SF-CH and approximately 75 hypochlorinators to complete installation in water supply systems constructed under the program partly financed with Loan 74/TF-CH.

III. Total Program Cost and Financing

- 3.01 The total cost of the program is estimated at the equivalent of US\$33,200.000, as shown in the following approximate breakdown by investment category and prospective financing:

(Equivalent in US\$ thousands)

Investment Category	Financing			Local Contribution	Total Cost	%
	Foreign Exchange	Local Currency	Loan Subtotal			
1. <u>Engineering and Administration</u>	-	-	-	3,920	3,920	11.8
1.1 Studies and designs	-	-	-	1,140	1,140	
1.2 Supervision	-	-	-	1,260	1,260	
1.3 Administration	-	-	-	1,520	1,520	
2. <u>Direct Costs</u>	12,395	4,215	16,610	6,720	23,330	70.3
2.1 Supply of goods and execution of works	11,995	4,215	16,210	6,720	22,930	
2.2 Vehicles	400	-	400	-	400	
3. <u>Associated Costs</u>	-	400	400	2,300	2,700	8.1
3.1 Community promotion	-	-	-	590	590	
3.2 Land and easements	-	-	-	110	110	
3.3 Drilling and studies	-	400	400	1,600	2,000	
4. <u>Finance Charges</u>	2,505	385	2,890	360	3,250	9.8
4.1 Interest	2,356	335	2,691	-	2,691	
4.2 Credit commission	-	-	-	360	360	
4.3 Inspection and supervision	149	50	199	-	199	
Total	14,900	5,000	19,900	13,300	33,200	100.0
Percentage	44.9	15.0	59.9	40.1	100.0	

IV. Community Contribution

- 4.01 In order to permit consideration of the contribution made in goods and cash by communities, the Bank will recognize up to a maximum equivalent to US\$2,300,000 from that source as eligible to be computed as part of the contribution corresponding to the borrower, provided that the latter so requests and demonstrates to the Bank that such contribution has been made, including it in the investments financed by the program. (Paragraph 3.13).

V. Bidding

- 5.01 When the goods and services acquired by means of bidding are to be financed in whole or in part with resources from the loan, the bidding procedures and specific requirements shall permit unrestricted participation by suppliers or contractors from Bank member countries. Consequently, no conditions precluding or restricting the supply of goods or the participation of contractors from those countries shall be included in such procedures or specific requirements.

VI. Method of Selecting Communities Benefiting from Program

- 6.01 The criteria for selection of communities benefiting from the program will be as follows: (paragraph 3.05).
- (i) Exclusively rural localities with between 150 and 3,000 inhabitants.
 - (ii) A minimum concentration of 20 housing units per kilometer of street, with favorable technical and promotional reports from the SENDOS regional offices.
 - (iii) Easy access by appropriate vehicles.
 - (iv) Supply of electric energy or inclusion in national electrification plans, with the exception of gravitational supply cases.
 - (v) Capacity and caliber of water sources, with priority assigned to those suited to supply by gravity.
 - (vi) Community interest in receiving the service and paying for it, as evaluated by community promoters.
- 6.02 Once a preliminary selection of communities has been made in accordance with the above criteria, the preprojects would be prepared in sufficient detail to permit a reasonable estimate of costs, which would serve as a basis for final selection of the projects applying a criterion of economic selection by calculating cost-efficiency and updated incremental cost indicators. Annual value of investment will be determined using a capital recovery factor of 12% and a useful life of 20 years. Only

those projects with 2 cost-efficiency factor per inhabitant served for the design year of up to the equivalent of US\$26/inhab. and an updated incremental cost of less than US\$3.24 per cubic meter of water consumed, both indicators at June 1980 prices, could be included in the program, unless the borrower, through SENDOS, should present to the Bank studies, reports or other documentation justifying a given project that failed to meet those requirements and the Bank should give its approval.

VII. Information included in Socioeconomic Evaluation Report

7.01 The information to be compiled in the representative statistical sample for this evaluation should contain data on: (paragraph 4.07).

a. Benefits

1. Number of and increase in connections.
2. Average monthly water consumption by users.
3. Rates paid.
4. Population benefited.
5. Other unquantifiable benefits.

b. Systems Costs

1. Annual investment per system.
2. Annual operation, administration and maintenance.

c. Beneficiaries

1. Income levels and distribution.

PROCEDIMIENTO DE LICITACIONES
(Agua Potable Rural - III Etapa)

De conformidad con lo establecido en la Parte Primera, Cláusula del presente Contrato de Préstamo (en adelante denominado "Contrato de Préstamo") las licitaciones se sujetarán al siguiente procedimiento de licitación (en adelante denominado el "Procedimiento"), que será utilizado por el Organismo Ejecutor a que se refiere la Cláusula de la Parte Primera del Contrato.

I. APLICACION

El Procedimiento se utilizará en la adquisición de maquinaria, equipos y otros bienes para el Programa definido en el presente Contrato de Préstamo, y en la ejecución de obras para dicho Programa, en los casos en que el valor de las adquisiciones y obras exceda el equivalente de cien mil dólares (US\$100.000).

Asimismo se utilizará este Procedimiento en el caso de que se declare caducado el contrato para la ejecución de una obra o la adquisición de bienes producto de una licitación anterior, salvo que las partes acuerden lo contrario.

Por tratarse de un financiamiento de fuente internacional, este procedimiento de licitaciones requerirá colocar a los proponentes extranjeros, originarios de países miembros del Banco de conformidad con lo que se establece en este Procedimiento, en un plano de igualdad frente a posibles proponentes nacionales, de suerte que en el caso de que surgiera contraposición con la legislación chilena, las bases especiales de licitación deberán ser aprobadas por Decreto del Presidente de la República. En lo no contemplado en este Procedimiento se regirá, con carácter supletorio, por la Ley 15.840 y por el Reglamento para Contratos de Obras Públicas y sus modificaciones. Se mantendrá en todo caso, el trato igualitario en materia de oportunidades tanto para nacionales como para extranjeros.

II. MODALIDADES DE LICITACION

(a) Licitación Pública Internacional

Se entenderá por Licitación Pública Internacional la que permita la libre concurrencia de bienes y servicios originarios de países miembros del Banco. Deberá utilizarse el sistema de Licitación Pública Internacional en cada caso en que la adquisición de bienes o la ejecución de obras se financie, total o parcialmente, con divisas del Préstamo del Banco.

(b) Licitación Pública Nacional

Se entenderá por Licitación Pública Nacional, la Licitación Pública que se restrinja a bienes o servicios de origen nacional y cuya adquisición se financie exclusiva y totalmente con el aporte local o con la parte en pesos chilenos del financiamiento del Banco.

III. PROCEDIMIENTO A SEGUIR EN LAS LICITACIONES PUBLICAS INTERNACIONALES Y NACIONALES COMPRENDIDAS EN EL PROYECTO

(a) Precalificación

Se procederá a la precalificación de las firmas interesadas en los casos de licitaciones para la ejecución de obras, pudiéndose utilizar también el mismo sistema en otros casos en que el Prestatario y el Banco así lo acuerden. La precalificación se verificará en un plazo que armonice con el calendario de inversiones acordado entre el Prestatario y el Banco para el Proyecto y de acuerdo con lo dispuesto en el párrafo III (d) de este Procedimiento.

(b) Convocatoria Licitación

- (i) los avisos de convocatoria contendrán los elementos y características esenciales de la respectiva licitación, indicación de que la adquisición o contratación se financia total o parcialmente por el Banco Interamericano de Desarrollo, la fuente de los recursos, e indicación de que la licitación se limita a bienes y servicios procedentes u originarios de países miembros del Banco;
- (ii) se enviarán al Banco para su conformidad los textos de la convocatoria y de los documentos de licitación incluyendo los correspondientes a los instructivos para proponentes, planos, especificaciones y proyecto de contrato y demás documentos de la licitación;
- (iii) producido el acuerdo entre el Prestatario y el Banco respecto de los documentos de licitación indicados en el párrafo anterior, se procederá a la publicación de la convocatoria en dos o más de los periódicos de amplia circulación en Santiago durante tres o más días alternados, en forma que la última publicación se realice con una anticipación no inferior a 45 días calendario de la fecha que se señala para la apertura de las ofertas en dicha convocatoria.

Simultáneamente, se cursará copia de la convocatoria a las Representaciones Diplomáticas--o en su defecto los Consulados--de los países miembros del Banco y a las firmas que hayan sido precalificadas para la licitación.

En los casos de licitación pública nacional, podrá reducirse a dos el número de días de publicación, a uno el número de periódicos, a 30 días calendario el plazo para la presentación de ofertas y se omitirá el envío de la convocatoria a las Representaciones Diplomáticas;

- (iv) si se tratare de construcción de obras y si con anterioridad se hubiere procedido a la precalificación de empresas constructoras, de acuerdo a lo establecido en el párrafo III (a) de este Procedimiento, la presentación de ofertas deberá circunscribirse a las firmas ya precalificadas.

(c) Apertura de las ofertas

- (i) las ofertas y demás documentos exigidos a los proponentes se presentarán en sobre cerrado. El Representante del Organismo Ejecutor designado para el efecto, firmará el recibo anotando la hora y fecha de entrega de las propuestas. Serán rechazadas las ofertas que se reciban después de la hora indicada para la apertura de las propuestas, así como, en licitaciones para ejecución de obras, las presentadas por firmas que no estén precalificadas;
- (ii) el proponente incluirá con su propuesta las garantías exigidas en los documentos de licitación para asegurar la firma del contrato correspondiente, si resultare favorecida;
- (iii) el Representante del Organismo Ejecutor se reunirá en acto público con los representantes de los proponentes a la hora y fecha de vencimiento del plazo para la presentación de las ofertas señalado en la convocatoria. A partir de dicha hora los proponentes no podrán retirar las propuestas ni hacer cambios o arreglos en las mismas, ni se admitirá aclaraciones sobre las mismas no solicitadas por el Organismo Ejecutor. El representante de éste procederá a la revisión de los documentos presentados y las garantías, devolviéndose inmediatamente los sobres de las ofertas cuyas garantías no cumplan lo exigido;
- (iv) el Representante del Organismo Ejecutor abrirá los sobres leyendo los nombres de los proponentes y los precios globales de las ofertas y de las alternativas, de habérselas pedido. Los proponentes tendrán derecho a tomar los datos principales de las ofertas, entre ellos: su valor total, plazos y otros datos que serán determinados en el acto por el Representante del Organismo Ejecutor.

- (v) terminada la apertura de la última propuesta, el funcionario del Organismo Ejecutor que se designe elaborará el Acta correspondiente en la que se consignarán las observaciones y reservas hechas por los proponentes, antes de la apertura del primer sobre como durante la apertura de los mismos, así como los comentarios que el Representante del Organismo Ejecutor y los proponentes deseen hacer. Leída el Acta, se invitará a los proponentes a firmarla. La rúbrica de las propuestas la hará el o los representantes que los proponentes elijan, o de lo contrario, el representante de ellos que designe el funcionario del Organismo Ejecutor, quien deberá foliar y rubricar todas las hojas de las diversas propuestas así como los planos y demás documentos. Los proponentes podrán presentar además, por escrito, observaciones de forma, dentro de los 3 días hábiles siguientes al acto de apertura;
- (vi) el Organismo Ejecutor se reservará el derecho de admitir aquellas ofertas que presenten defecto de forma, omisiones o errores evidentes, siempre que éstos no alteren el tratamiento igualitario de los proponentes ni la correcta evaluación de las propuestas. El Organismo Ejecutor podrá solicitar por escrito, con posterioridad al acto de apertura, las aclaraciones o informaciones que considere oportunas, que no violen o modifiquen las bases de licitación ni el principio de igualdad entre los proponentes ni que signifiquen alteración de la oferta. Las respuestas serán presentadas por escrito y se limitarán a los puntos solicitados;
- (vii) concluida la apertura y el estudio de las propuestas, el Organismo Ejecutor preparará un cuadro comparativo de todas las ofertas y un informe razonado de los aspectos técnicos, financieros, legales y administrativos de las mismas. Copia del cuadro y del informe se enviarán al Banco junto con la opinión del Organismo Ejecutor con respecto a la propuesta que se considere más ventajosa, a fin de que el Banco pueda emitir su parecer;
- (viii) si el Organismo Ejecutor considerare: (a) adjudicar la licitación a un postor diferente al recomendado en el informe que hubiere merecido la conformidad del Organismo Ejecutor y del Banco; o (b) introducir otros cambios sustanciales en el informe, se procederá nuevamente a obtener la aceptación del Banco transmitiéndole las razones que tiene el Organismo Ejecutor para hacer los cambios, y
- (ix) una vez que el Organismo Ejecutor y el Banco estén de acuerdo en lo que se refiere al adjudicatario, se adjudicará la licitación y el resultado será comunicado por escrito, dentro de los 10 días hábiles siguientes, a todos los proponentes en el domicilio que hayan señalado y se enviará al Banco, para su conformidad, el proyecto de contrato negociado

que el Organismo Ejecutor se propone firmar con el adjudicatario. Una vez celebrado dicho contrato se enviará copia del mismo al Banco.

(d) Precalificación

El Organismo Ejecutor efectuará las precalificaciones de las firmas constructoras como condición previa a la iniciación de la licitación de la construcción de obras. La precalificación se efectuará de acuerdo con las siguientes normas:

- (i) se efectuará una precalificación específica para cada licitación o grupos de licitaciones que vayan a realizarse dentro del Programa, de conformidad con la información requerida por el párrafo IV de este procedimiento;
- (ii) el llamado de precalificación, que deberá contener la información indicada en el párrafo (b)(i) anterior, así como el formulario, las instrucciones para los interesados y el método de precalificación que se proponga utilizar, requerirán la conformidad del Banco antes de ser hechos públicos;
- (iii) el llamado será publicado en la prensa local y comunicado a las Representaciones Diplomáticas de los países miembros del Banco, en la forma indicada en el párrafo (b)(iii), para la convocatoria a licitación, pudiéndose reducir a 2 el número de publicaciones en la prensa y a no menos de 30 días calendario el plazo entre la última publicación y la fecha de entrega de los formularios por los interesados;
- (iv) el informe técnico de la precalificación y criterio del Organismo Ejecutor sobre las firmas que deben calificarse y las que no deben calificarse con las razones habidas para esto último, se enviarán al Banco, a fin de que éste exprese su conformidad o sus reservas al respecto;
- (v) encontrándose conformes el Organismo Ejecutor y el Banco con respecto al resultado de la precalificación, el Organismo Ejecutor aprobará el informe definitivo acordado y se notificarán los resultados a las firmas calificadas y a las que no resultaren calificadas, y
- (vi) una vez precalificada una firma no podrá ser descalificada para la licitación correspondiente, salvo por haberse hecho la precalificación sobre información incorrecta presentada por la firma o por circunstancias sobrevinientes después de la fecha de precalificación.

IV. CONDICIONES GENERALES

- (a) Toda modificación o ampliación de las bases y especificaciones de la licitación o de variación de la fecha de presentación de ofertas, deberá contar con la previa conformidad del Organismo Ejecutor y del Banco y, será comunicada a todos los interesados que hayan retirado los documentos de licitación. En caso de que la modificación o ampliación fuere sustancial, a juicio del Organismo Ejecutor y del Banco, deberán mediar no menos de 30 días calendarios entre la comunicación a los interesados y la fecha de apertura de las ofertas.
- (b) Cualquier consulta fundamentada dirigida al Organismo Ejecutor por parte de los interesados sobre la interpretación de los documentos de licitación, que no comportara modificación o ampliación de las bases y especificación de licitación, será resuelta dentro de un plazo de 15 días de recibida la comunicación y puesta en conocimiento de los demás interesados y del Banco. La consulta y respuesta no producirán efecto suspensivo sobre el plazo de presentación de las ofertas.
- (c) Cuando el Organismo Ejecutor considere necesario desechar todas las propuestas presentadas a cualquier licitación comprendida dentro del Programa, se comunicará dicha opinión al Banco antes de hacer la correspondiente declaratoria a fin de que éste pueda manifestar su parecer al respecto. Este derecho del Organismo Ejecutor se hará constar expresamente en las bases y en la convocatoria a licitación.

En este caso, salvo acuerdo en contrario de las partes, se efectuará una nueva licitación que se ajustará a las disposiciones establecidas en el Procedimiento. Asimismo, se efectuará una nueva licitación en los casos en que se declare nula cualquier licitación realizada o en vías de realización.

- (d) En la evaluación y adjudicación de las ofertas que se reciban como consecuencia de una licitación internacional para la adquisición de bienes, (maquinaria, equipo, materiales, etc.), podrá reconocerse a los bienes de origen chileno o de origen en países pertenecientes a la Asociación Latinoamericana de Libre Comercio (ALALC) 1/ un margen de preferencia conforme a las siguientes normas:

- (i) Margen de Preferencia Nacional

- (1) se considerará que un bien es originario de Chile cuando el costo de los materiales, mano de obra y servicios chilenos empleados en su fabricación represente por lo menos 40% del costo total del bien;

1/ Esta referencia y las que aparecen a continuación se entenderán hechas a la Asociación Latinoamericana de Integración (ALADI) cuando entre en vigor el Tratado de Montevideo del 12 de agosto de 1980.

- (2) a los efectos de la comparación de propuestas, se tendrá como precio de la oferta de productos de origen chileno, el precio de entrega del producto puesto al pie de la obra, una vez deducido lo siguiente: los derechos de importación pagados sobre materias primas principales o sobre componentes manufacturados, y los impuestos nacionales sobre ventas, al consumo y al valor agregado, incorporados al costo del artículo ofertado. El oferente deberá proporcionar la prueba documentada de las cantidades que deben deducirse, con el solo objeto de facilitar el cotejo de propuestas;
- (3) también a los efectos de esa comparación, se tendrá como precio de la oferta de productos de origen extranjero, el precio CIF del mismo producto (excluidos derechos de importación, consulares y portuarios), al cual deberá sumarse el importe de los gastos siguientes: los de manipuleo en puerto, y los de transporte local, desde el puerto o lugar fronterizo de entrada hasta el pie de la obra;
- (4) para efectuar cotejo de precios entre ofertas de origen nacional y extranjero se estará a lo siguiente:
 - (aa) los costos expresados en moneda extranjera se convertirán a su equivalente en pesos chilenos para lo cual se utilizará el tipo de cambio aplicado por el Banco en sus contratos; y
 - (bb) al precio de las ofertas de productos extranjeros, calculados conforme se estipula en el inciso (3), y expresados en el equivalente en pesos chilenos se sumará un margen de preferencia del 15% o el derecho aduanero real, según cual sea menor.

(ii) Margen de Preferencia Regional

- (1) Se considerará que un bien es originario de un país miembro de la ALALC cuando: (aa) se lo produzca en dicho país y cumpla con los requisitos establecidos en los instrumentos jurídicos que gobiernan esa Asociación en cuanto a origen y otras materias vinculadas con los programas de liberación del comercio regional, y (bb) el valor local añadido en el país miembro de origen, no sea inferior al 40% del costo total del bien.

- (2) Para efectuar el cotejo de precios entre ofertas de bienes originarios de países de la ALALC y las de bienes originarios de otros países extranjeros elegibles, se estará a lo siguiente:
 - (aa) también se convertirán a su equivalente en pesos chilenos los precios expresados en moneda extranjera, sobre la misma base de cálculo establecida en el inciso (i)(4)(aa) anterior, y
 - (bb) se sumará a las ofertas de bienes originarios de países que no sean parte de la ALALC, y expresados en el equivalente de pesos chilenos un margen del 15%, o bien la diferencia entre los derechos de importación aplicables a bienes originarios de países que integran esa Asociación y los derechos aplicables a bienes originarios de países extranjeros elegibles que no sean parte de la ALALC, según cual sea menor.
- (e) El origen de un bien o artículo "producido" es el país en el cual, por conducto de actividades de manufactura, elaboración o montaje, se crea otro artículo comercialmente reconocido que difiere de manera sustancial en sus características básicas, propósito o utilidades de cualquiera de sus componentes importados. La nacionalidad de la firma que produce o vende los bienes o equipo carece de significación para determinar el origen de esos bienes y equipo.
- (f) En el caso de las licitaciones para contratar la construcción de obras, las firmas que deseen participar deberán suministrar igualmente la siguiente información:
 - (i) Clase de sociedad junto con los estatutos y otros documentos relativos a su constitución;
 - (ii) Indicación de si la empresa es filial o subsidiaria de cualquier otra institución;
 - (iii) En caso de consorcios, el nombre de cada uno de los componentes con copia de los estatutos o del instrumento que sirvió de base para el establecimiento del consorcio. Cada miembro del consorcio deberá llenar por separado, el cuestionario respectivo, estableciendo que la responsabilidad de cada uno de los miembros del consorcio, será indivisible y solidaria.
 - (iv) La empresa o compañía debe indicar donde fue constituida y legalmente organizada; la sede principal de sus negocios; determinación de que más del 50% de las acciones pertenece

a ciudadanos de país miembro del Banco y señalamiento de que la compañía, como un todo, es parte integrante de la economía de uno de dichos países. Para estos efectos se deberá demostrar:

- (aa) que la empresa dicha está constituida u organizada en un país miembro del Banco;
- (bb) que el asiento principal de sus negocios está ubicado en un país miembro del Banco de cuya economía la empresa debe ser parte integral;
- (cc) que sea de propiedad en más de 50% de una firma o firmas o ciudadanos residentes auténticos de un país miembro del Banco;
- (dd) que no exista un arreglo en virtud del cual una parte sustancial de las utilidades netas u otros beneficios tangibles de la firma pasen o sean pagados a personas que no sean ciudadanos o residentes auténticos de países miembros del Banco; y
- (ee) que no menos del 80% de todas las personas que prestarán servicios en virtud del contrato sean ciudadanos de un país miembro del Banco. A los fines de este cálculo respecto de una firma de un país distinto del emplazamiento de la construcción, no se tendrán en cuenta los ciudadanos o residentes permanentes del país en el cual se ejecutará la construcción.

Los requisitos de nacionalidad se aplicarán también a las empresas que realicen partes de los trabajos pertinentes en virtud de subcontratos con un contratista calificado y a todos los integrantes de una empresa conjunta o consorcio.

- (v) Expresión de que no ha celebrado acuerdo en virtud del cual una parte sustancial de sus ganancias o beneficios pase a personal o entidades que no sean nacionales de un país elegible;
- (vi) Debe establecerse que los consorcios que incluyen uno o más miembros que no sean elegibles por razón de nacionalidad, no serán calificados como elegibles;
- (vii) Si el oferente se propone celebrar subcontratos, los subcontratistas deberán ser elegibles por razones de nacionalidad de acuerdo con las reglas establecidas en este Procedimiento;

- (viii) Manifestación de que por lo menos el 80% de todas las personas que presten servicios conforme al contrato de construcción han de ser residentes "bonafide" de los países miembros del Banco.
 - (ix) Antecedentes técnicos acerca de la empresa o sociedad, con detalles acerca del personal y equipos especializados de que dispone, así como su experiencia en la construcción de obras similares a las del Programa; y
 - (x) Otros antecedentes que permitan apreciar la idoneidad y solvencia del proponente, tales como: Certificado (s) de cumplimiento en la prestación de servicios u obras, copia del último balance o certificado de solvencia emitido por una entidad bancaria, certificado (s) de idoneidad emitido por la Cámara de Comercio u otra entidad similar del país de procedencia.
- (g) No se exigirá a los proveedores extranjeros que no tengan domicilio o representantes en Chile la inscripción en el registro de proveedores como requisito para que puedan presentar ofertas.
- (h) A solicitud del Prestatario, por intermedio del Organismo Ejecutor, el Banco podrá aceptar que las licitaciones para ejecución de obras se hagan mediante el sistema de doble sobre; en estos casos el sobre No. 1 debe contener los antecedentes de las firmas, requeridas en el párrafo IV (e) precedente, para los efectos de evaluar su capacidad jurídica, técnica y financiera para construir la respectiva obra, y el sobre No. 2 debe contener la oferta y la garantía de mantenimiento de la misma. El sobre No. 2 será abierto en reunión posterior a la de apertura del sobre No. 1 a la cual el Organismo Ejecutor convocará sólo a quienes resulten precalificados con base al sobre No. 1. La reunión para la apertura del sobre No. 2 se hará por lo menos una semana después del día de la apertura del sobre No. 1.
- (i) El Banco se reserva el derecho de abstenerse de financiar cualquier adjudicación en la cual nos se haya observado este Procedimiento.