

No. 9893

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

Guarantee Agreement—*Second Rural Credit Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements and Loan Agreement between the Bank and the Central Bank of the Philippines). Signed at Washington on 4 June 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 27 September 1969.

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

Contrat de garantie — *Deuxième projet relatif au crédit rural* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie et le Contrat d'emprunt entre la Banque et la Banque centrale des Philippines). Signé à Washington le 4 juin 1969

Texte authentique: anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 27 septembre 1969.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 4, 1969, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and the Central Bank of the Philippines (hereinafter called the Borrower), the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twelve million five hundred thousand dollars (\$12,500,000), on the terms and conditions set forth in the Loan Agreement,² but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

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

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

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

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

¹ Came into force on 14 August 1969, upon notification by the Bank to the Government of the Philippines.

² See p. 12 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes (a) to arrange to make available through the Borrower to the Rural Banks in its currency an amount equivalent to at least three million seven hundred fifty thousand dollars (\$3,750,000), or such other amounts to be agreed with the Bank, for assisting in carrying out Part A of the Project, on terms and conditions set forth in the Rules and Regulations, and (b) in addition, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

Article III

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

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central Bank.

The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank.

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

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

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

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

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

Section 3.05. The Guarantor shall not take any action which would adversely affect the competitive situation presently existing between commercial firms established or having sales outlets in its territories for the supplying of goods required for carrying out the Project.

Section 3.06. The Guarantor shall cause those of its agencies responsible for providing technical agricultural services to cooperate with the Borrower and with the Rural Banks to the extent necessary for diligent and efficient carrying out of the Project.

Section 3.07. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the implementation of the Project by the Rural Banks as provided in the Loan Agreement and in the Rules and Regulations and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Rural Banks so to implement the Project.

Article IV

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

Article V

Section 5.01. The Secretary of Finance of the Guarantor is designated for the purposes of Section 10.03 of the General Conditions.

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

For the Guarantor:

Secretary of Finance
Department of Finance
Manila, Philippines

Cable address:

Secfinance
Manila

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

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

Republic of the Philippines:

By Ernesto V. LAGDAMEO
Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series*,
Vol. 691, No. I-9892.]

LOAN AGREEMENT

AGREEMENT, dated June 4, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CENTRAL BANK OF THE PHILIPPINES (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,¹ with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) The term "Rules and Regulations" means the Revised Rules and Regulations governing Rural Banks dated 1968 as supplemented by the Rules and Regulations No. 2 dated April 29, 1969, governing Medium and Long-term Loans under the Central Bank-International Bank for Reconstruction and Development Loan Agreement, promulgated by the Borrower pursuant to Republic Act No. 720 of the Guarantor as amended by Republic Act No. 4199; such Rules and Regulations set forth the operating policies and procedures for the Project, including the terms and conditions of loans to be made by the Borrower to the Rural Banks and of loans to be made by the Rural Banks to the beneficiaries.

(b) The term "Rural Bank" means a rural bank established, organized and operated under Republic Act No. 720 of the Guarantor as amended by Republic Act No. 4199 and selected by the Borrower to participate in the Project in accordance with the Rules and Regulations.

(c) The term "beneficiary" means any individual farmer owning or cultivating as tenant or lessee not more than 50 hectares of land dedicated to agricultural production, or any person rendering direct agricultural production services to such farmer or any person engaging in poultry, swine or fish production, who has entered into arrangements with a Rural Bank for the financing of goods to be purchased out of the proceeds of the Loan.

(d) The term "First Loan" means the loan provided for under the loan agreement (*Rural Credit Project*) dated November 2, 1965,² between the Bank and the Borrower.

¹ See p. 12 of this volume.

² United Nations, *Treaty Series*, vol. 567, p. 3.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Loan Agreement set forth or referred to, an amount in various currencies equivalent to twelve million five hundred thousand dollars (\$12,500,000).

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

(b) The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Loan Agreement and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time by further agreement between the Bank and the Borrower.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account:

- (i) the equivalent of fifty-six per cent (56%) (or of such other percentage as may be established from time to time by agreement between the Bank and the Borrower) of such amounts as shall have been disbursed under medium and long-term loans made by the Rural Banks to the beneficiaries to finance the reasonable cost of goods required for carrying out Part A of the Project;
- (ii) such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) for such portion of the reasonable cost of vehicles purchased in the territories of the Guarantor for carrying out Part B of the Project, as the Bank shall from time to time determine and shall represent the C. I. F. (Manila) price of such vehicles.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account may be made on account of payments in the currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor.

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

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

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

Article III

USE OF PROCEEDS OF THE LOAN

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

Section 3.02. The Borrower shall cause: (i) the goods required for carrying out Part A of the Project to be procured through regular commercial channels from responsible suppliers with adequate service facilities, and (ii) the vehicles required for carrying out Part B of the Project to be procured on the basis of local competitive bidding in accordance with the procedures set forth in Schedule 4 to this Agreement.

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

Article IV

BONDS

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

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

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound agricultural, engineering and financial practices and in accordance with the Rules and Regulations.

Section 5.02. (a) The Borrower shall:

- (i) lend to the Rural Banks in the currency of the Guarantor the equivalent of the proceeds of the Loan to be withdrawn pursuant to Section 2.03(i) of this Agreement, and the proceeds of repayments which it receives from the Rural Banks under the First Loan and the Loan and which are not currently required to service the First Loan and the Loan, and
- (ii) administer and make available to the Rural Banks the funds referred to in Section 2.02 of the Guarantee Agreement,

for the purpose of relending by the Rural Banks to the beneficiaries in order to assist such beneficiaries in meeting expenditures for the reasonable cost of goods required for carrying out Part A of the Project, all the foregoing to be on the basis of arrangements satisfactory to the Bank made between the Borrower and each Rural Bank in accordance with the Rules and Regulations.

(b) The Borrower shall exercise its rights in relation to each Rural Bank in such manner as to protect the interests of the Bank and the Borrower and cause such Rural Bank to carry out its obligations under the Rules and Regulations and under the arrangements referred to in subsection (a) hereof.

(c) The Borrower shall cause each Rural Bank: (i) to carry on its operations and conduct its affairs in accordance with sound business practices, under the supervision of experienced and competent management, and to employ qualified personnel in adequate numbers; (ii) to cause the proceeds of the Loan or the equivalent thereof made available to such Rural Bank to be used exclusively in the carrying out of Part A of the Project; (iii) for each loan made by the Rural Bank to the beneficiary under Part A of the Project to provide financing out of its own resources in an amount not less than the equivalent of ten per cent (10%) (or of such other percentage as may be agreed from time to time between the Bank and the Borrower) of the total cost of the agricultural development plan of the beneficiary; (iv) to ensure the right of the Bank and the Borrower to inspect the Project, the operation thereof and any relevant records and documents; and (v) to ensure the right of the Bank and the Borrower to obtain all such information as they shall reasonably request relating to any of the foregoing.

Section 5.03. The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the

administration, operations and financial condition of the Borrower, and of the Rural Banks.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement, the administration, operations and financial condition of the Borrower and other matters relating to the purposes of the Loan.

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

Section 5.05. The Borrower undertakes that, except as the Bank shall otherwise agree, if the Borrower shall create any lien on any of its assets as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.06. Subject to the exemptions as shall be conferred by Sections 3.03 and 3.04 of the Guarantee Agreement¹ or otherwise, the Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Loan Agreement, the Guarantee Agreement or the Bonds.

¹ See p. 4 of this volume.

Section 5.08. Except as the Bank shall otherwise agree, in the carrying out of the Project, the Borrower shall:

- (a) within nine months after the date of this Agreement, assign, and thereafter maintain, an adequate number of qualified technical agricultural staff in the Project area to assist in the preparation of agricultural development plans of the beneficiaries to be financed by the Rural Banks under Part A of the Project and to supervise the implementation of the agricultural development plans;
- (b) within fifteen months after the date of this Agreement, assign, and thereafter maintain, a sufficient number of qualified loan officers to branch offices of the Borrower or other financial institutions to review, approve or reject loan applications submitted by the Rural Banks; and
- (c) make arrangements satisfactory to the Bank with those agencies of the Guarantor responsible for providing technical agricultural services for the provision to the beneficiaries of advice on farm management and the most advantageous use of credit facilities.

Section 5.09. The Borrower shall not amend the Rules and Regulations without the prior agreement of the Bank.

Article VI

REMEDIES OF THE BANK

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

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified:

Republic Act No. 720 of the Guarantor as amended by Republic Act No. 4199 shall have been suspended, terminated or repealed, or amended, without the prior agreement of the Bank, so as to affect in any manner the ability of the Borrower to carry out the covenants and agreements set forth in the Loan Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional matter within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

The Rules and Regulations have been duly authorized or ratified by all necessary governmental and corporate action and have come into force and effect.

Section 7.02. The date of September 1, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

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

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

For the Bank:

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

Cable address:

Intbafrad
Washington, D. C.

For the Borrower:

Central Bank of the Philippines
Manila, Philippines

Cable address:

Philcenbank
Manila

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

International Bank for Reconstruction and Development:

By J. Burke KNAPP

Vice President

Central Bank of the Philippines:

By Amado R. BRINAS

Authorized Representative

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. <i>Medium and long-term loans by the Rural Banks to the beneficiaries for :</i>	
A. <i>Farm Development</i>	9,750,000
(i) Farm machinery and implements, including tillers, 4-wheel tractors and accessories, irrigation pumps, equipment for spraying, dusting, harvesting operations, and spare parts thereof	
(ii) Construction of and equipment for on-farm storage and processing facilities, wells and distribution works	
B. <i>Livestock Development</i>	1,300,000
Construction of and equipment for poultry and swine farms and provision of production stock	
C. <i>Fisheries Development</i>	1,300,000
Fishing boats of up to 5 tons, and fishing equipment, and construction of fishponds	
II. <i>Technical Services</i>	150,000
50 Service Vehicles	
	TOTAL 12,500,000

SCHEDULE 2

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
June 1, 1973	425,000	December 1, 1978	605,000
December 1, 1973	440,000	June 1, 1979	625,000
June 1, 1974	450,000	December 1, 1979	645,000
December 1, 1974	465,000	June 1, 1980	665,000
June 1, 1975	480,000	December 1, 1980	685,000
December 1, 1975	500,000	June 1, 1981	710,000
June 1, 1976	515,000	December 1, 1981	730,000
December 1, 1976	530,000	June 1, 1982	755,000
June 1, 1977	550,000	December 1, 1982	780,000
December 1, 1977	565,000	June 1, 1983	795,000
June 1, 1978	585,000		

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

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1 %
More than three years but not more than six years before maturity	2½ %
More than six years but not more than ten years before maturity	3½ %
More than ten years but not more than twelve years before maturity	5½ %
More than twelve years before maturity	6½ %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the continuation of the Borrower's agricultural credit program designed to provide medium and long-term loans through the Rural Banks to the beneficiaries for agricultural development and consists of the following two Parts:

A. *Agricultural Development*

An agricultural credit operation consisting of medium and long-term loans to be made by the Borrower to the Rural Banks for relending to the beneficiaries to assist in financing the implementation of agricultural development plans of the beneficiaries. The medium and long-term loans will be used by the beneficiaries for the procurement of farm machinery and production, processing and storage facilities, the development of small irrigation systems and the development of poultry, swine and fish production. Loans under the agricultural credit operation to be made from repayments received from the Rural Banks under the First Loan and the Loan and which are not required to service the First Loan and the Loan, shall be continued for a period of fourteen years from the date of this Agreement.

B. *Technical Services*

The provision of technical services by the Borrower to assist the beneficiaries in the preparation of agricultural development plans and in the improvement of farm management and agricultural practices and to assist the Rural Banks in the improvement of the credit operations.

SCHEDULE 4

PROCUREMENT

The following procedures shall be applicable to the procurement of vehicles required for carrying out Part B of the Project:

1. Invitations to bid shall be published in major local newspapers and all locally established suppliers of vehicles shall be allowed to participate in bidding.

2. Vehicles shall be procured on a time schedule to be agreed with the Bank. In order to foster widespread competition, the size of each contract shall be large enough to attract bidders. Unless the Bank shall otherwise agree, procurement of all vehicles shall be made under no more than five contracts.

3. Before inviting tenders, copies of proposed bid invitation documents, description of tendering procedures and specifications will be submitted to the Bank for its approval.

4. Prior to award of contracts, the Borrower shall submit to the Bank a summary of the bids received, an analysis report (including a breakdown of total cost in C.I.F. price, taxes and duties, and other costs) and a justification for the proposed award of contract together with a copy of the minutes of the public opening of the tenders.