

No. 11433

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

**Loan Agreement—*Rice Processing and Storage Project*
(with annexed General Conditions Applicable to Loan and
Guarantee Agreements). Signed at Washington on 4 February
1971**

Authentic text : English.

*Registered by the International Bank for Reconstruction and Development
on 16 December 1971.*

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

**Contrat d'emprunt — *Projet relatif au traitement et au
stockage du riz* (avec, en annexe, les Conditions générales
applicables aux contrats d'emprunt et de garantie). Signé à
Washington le 4 février 1971**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développe-
ment le 16 décembre 1971.*

LOAN AGREEMENT¹

AGREEMENT, dated February 4, 1971, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) The Borrower has requested the Bank to assist in the financing of the Project described in Schedule 3 to this Agreement by making the Loan as hereinafter provided;

(B) In carrying out Part A of the Project, the Borrower will relend the equivalent of the proceeds of the Loan in the currency of the Borrower to the Development Bank of the Philippines (hereinafter called DBP) under a Subsidiary Loan Agreement to be entered into between the Borrower and DBP; and

WHEREAS the Bank has agreed, on the basis *inter alia* of the foregoing, to make the Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

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

(a) Section 5.01 is deleted.

(b) The words "or in the Loan Agreement for the purposes of Section 7.01 shall have occurred" in paragraph (i) of Section 6.02 are deleted.

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

(a) "DBP" means the Development Bank of the Philippines established under Republic Act 85 as amended of the Borrower;

¹ Came into force on 9 June 1971, upon notification by the Bank to the Government of the Philippines.

² See p. 182 of this volume.

(b) “Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and DBP pursuant to Section 3.01 (b) of this Agreement;

(c) “Project Account” means the account and sub-accounts DBP shall open on its books pursuant to Section 3.02 of this Agreement;

(d) “sub-loan” means a loan made or proposed to be made by DBP in accordance with this Loan Agreement and the Subsidiary Loan Agreement out of the proceeds of the Loan to a beneficiary for an Investment Project;

(e) “beneficiary” means a privately controlled cooperative, corporation or association to which DBP proposes to make or has made a sub-loan;

(f) “Investment Project” means a specific investment project, as approved by DBP pursuant to this Loan Agreement and the Subsidiary Loan Agreement, to be carried out by a beneficiary and to be financed in part by means of a sub-loan;

(g) “cost of Investment Project” means the cost for the acquisition and installation of fixed assets required for an Investment Project but excluding the cost of land and the working capital requirement; and

(h) “UPCA” means the University of the Philippines, College of Agriculture.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million three hundred thousand dollars (\$14,300,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. The Closing Date shall be June 30, 1975 or such other date as shall be agreed between the Borrower and the Bank.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of seven and one-quarter percent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. 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 2.09. The Secretary of Finance 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 III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out the Project or cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the equivalent of the proceeds of the Loan in the currency of the Borrower to DBP under Subsidiary Loan Agreement to be entered into between the Borrower and DBP, under terms and conditions acceptable to the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable DBP to perform all of its obligations under the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. The Borrower shall cause DBP :

- (a) to establish and maintain a separate Project Account to be used exclusively for Part A of the Project; and
- (b) to credit and debit to such Project Account, as the case may be, all receipts and payments for or in connection with Part A of the Project, in accordance with sound accounting principles consistently applied, including the following :
 - (i) amounts received from the payments made to the Borrower under the Subsidiary Loan Agreement;
 - (ii) amounts disbursed to and received from beneficiaries under sub-loans;
 - (iii) amounts disbursed to and received from beneficiaries under supplementary loans and working capital loans referred to in Section 3.11 of this Agreement;
 - (iv) payments made for the costs of consultants' services and the administration of Part A of this Project; and
 - (v) investments made in accordance with Section 4.05 of this Agreement.

Section 3.03. The Borrower shall cause DBP to make sub-loans on terms and conditions satisfactory to the Bank and in accordance with the Operating Policies and Procedures set forth in Schedule 5 to this Agreement.

Section 3.04. For the purposes of carrying out Part A of the Project, the Borrower shall cause DBP to establish and maintain a Grain Processing Section, satisfactory to the Bank, under the office of the Chairman of the Board of Governors of DBP, which Section shall be headed by a qualified and experienced senior officer to be appointed after consultation with the Bank.

Section 3.05. In order to assist DBP in the carrying out of Part A of the Project, the Borrower shall cause DBP to employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.06. In carrying out Part A of the Project, the Borrower shall require DBP to cause the beneficiaries to employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

Section 3.07. (a) Except as the Bank shall otherwise agree, the goods and services (other than consultants' services) to be financed out of the proceeds of the Loan shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

(b) The Borrower shall require DBP to cause the beneficiaries to insure, or to make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the beneficiaries to replace or repair such goods.

(c) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.

Section 3.08. (a) The works and facilities included in Part A of the Project shall be constructed to design standards acceptable to the Bank. The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and work schedules for Part A of the Project, and any material modifications or amplifications thereof, in such detail as the Bank shall reasonably request.

(b) The Borrower shall cause DBP to : (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the Project Account, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.09. In carrying out Part B of the Project, the Borrower shall make arrangements, satisfactory to the Bank, with UPCA under which UPCA will (a) make available its facilities for the training of the beneficiaries' managerial, technical and operating personnel, and (b) prepare and implement a program, satisfactory to the Bank, for carrying out such training.

Section 3.10. Except as the Bank shall otherwise agree, the Borrower shall cause DBP to require the beneficiary to make a contribution to each Investment Project, in an amount equivalent to not less than seventy per cent (70%) but not more than ninety per cent (90%) of that part of the cost of the Investment Project which is not financed by a sub-loan, provided, however, DBP may require such contribution to be increased to more than 90% of such cost so as to cause the beneficiary to maintain adequate debt service coverage or sound debt-equity ratio.

Section 3.11. Except as the Bank shall otherwise agree :

- (a) If the amount of the sub-loan together with the contribution of the beneficiary referred to in Section 3.10 of this Agreement are not sufficient to finance the cost of the Investment Project, the Borrower shall cause DBP out of DBP's own resources to make a supplementary loan to the beneficiary so as to cover the total cost of such Investment Project;
- (b) The supplementary loan referred to in sub-section (a) hereof shall be made on the same terms and conditions of the sub-loan for such Investment Project; and
- (c) If the beneficiary cannot obtain sufficient working capital required for the Investment Project, the Borrower shall cause DBP out of DBP's own resources to make a working capital loan to the beneficiary on terms and conditions not less favorable than those of DBP's similar operations.

Article IV

OTHER COVENANTS

Section 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created, it 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 in the creation of any such lien express provision will be made to that effect.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

As used in this Section, the term " governmental assets " means assets of the Borrower or of any agency of the Borrower including the Central Bank of the Philippines or any institution performing the functions of a central bank for the Borrower.

(d) The Borrower 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 Borrower is unable within the limits of the laws in force in its territories to make this undertaking effective, the Borrower will give to the Bank an equivalent lien satisfactory to the Bank.

Section 4.02. (a) The Borrower shall cause DBP to maintain records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of DBP in respect of the Project.

(b) The Borrower shall cause DBP to : (i) have the Project Account for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank ; (ii) furnish to the Bank as soon as available, but in any case not later than three months after the end of each such year, (A) certified copies of the Project Account for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested ; and (iii) furnish to the Bank such other information concerning the Project Account and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.03. The Borrower shall require DBP to cause the beneficiaries to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with sound practice.

Section 4.04. The Borrower shall require DBP to cause the works and facilities included in the Project to be operated and maintained in accordance with sound agricultural, engineering and financial practices.

Section 4.05. Except as the Bank shall otherwise agree, the Borrower shall cause DBP to invest the proceeds of the repayments under the sub-loans, which are not currently required by DBP for the payment of debt service under the Subsidiary Loan Agreement or for the payment of administration costs of the Project, in securities issued or guaranteed by the Borrower.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by the Borrower and DBP of their obligations under the Subsidiary Loan Agreement, the administration, operations and financial condition of DBP, in respect of the Project, and other matters relating to the purposes of the Loan ; and

(b) 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition of DBP in respect of the Project.

(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, the performance by the Borrower of its other obligations under the Loan Agreement or the performance by the Borrower and DBP of their obligations under the Subsidiary Loan Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. 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 imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

Section 6.02. The Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

Section 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations,

controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE BANK

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 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 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 the Loan Agreement or in the Bonds notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified, namely, a default shall have occurred in the performance of any obligation on the part of the Borrower or of DBP under the Subsidiary Loan Agreement.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely, the event specified in Section 7.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower and to DBP.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) The execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and DBP respectively have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) DBP shall have employed the consultants referred to in Section 3.05 of this Agreement; and
- (c) The Borrower shall have made the arrangements referred to in Section 3.09 of this Agreement with UPCA and UPCA shall have completed the preparation of the program referred to in subsection (b) thereof.

Section 8.02. The following is specified as an additional matter, within the

meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and DBP respectively, and constitutes a valid and binding obligation of the Borrower and DBP in accordance with its terms.

Section 8.03. The date May 10, 1971 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

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 Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of the Philippines :

By ERNESTO V. LAGDAMEO
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Equipment, vehicles, materials and supplies financed under sub-loans	10,700,000	100% of foreign expenditures or 60% of total expenditures (representing the estimated foreign expenditure component) if the goods are produced in the territories of the Borrower
II. Civil works financed under sub-loans	1,500,000	50% of total expenditures (representing the estimated foreign expenditure component)
III. Consulting services	800,000	100% of foreign expenditures
IV. Unallocated	1,300,000	
	TOTAL	
	<u>14,300,000</u>	

2. For the purposes of this Schedule :

- (a) the term "foreign expenditures" means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;
- (b) the term "local expenditures" means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and
- (c) the term "total expenditures" means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

- (a) expenditures prior to the date of this Agreement; and
- (b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Category II shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, by notice to the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

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>
July 15, 1975	270,000	January 15, 1983	465,000
January 15, 1976	280,000	July 15, 1983	480,000
July 15, 1976	290,000	January 15, 1984	495,000
January 15, 1977	300,000	July 15, 1984	515,000
July 15, 1977	315,000	January 15, 1985	535,000
January 15, 1978	325,000	July 15, 1985	555,000
July 15, 1978	335,000	January 15, 1986	575,000
January 15, 1979	350,000	July 15, 1986	595,000
July 15, 1979	360,000	January 15, 1987	615,000
January 15, 1980	375,000	July 15, 1987	640,000
July 15, 1980	385,000	January 15, 1988	660,000
January 15, 1981	400,000	July 15, 1988	685,000
July 15, 1981	415,000	January 15, 1989	710,000
January 15, 1982	430,000	July 15, 1989	735,000
July 15, 1982	445,000	January 15, 1990	765,000

* 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	1½%
More than three years but not more than six years before maturity	2 %
More than six years but not more than eleven years before maturity	3½%
More than eleven years but not more than fourteen years before maturity	5½%
More than fourteen years but not more than seventeen years before maturity	6½%
More than seventeen years before maturity	7½%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's lending program for grain processing and storage development and consists of the following :

Part A. The construction, equipping and operation of modern rice processing and storage facilities by the beneficiaries. Such facilities include :

- (a) bulk storage facilities (about 150,000 ton total capacity);
- (b) warehouses (about 24,000 ton total capacity);
- (c) paddy driers (about 225 ton/hour total capacity);
- (d) rice mills (about 60 ton/hour total capacity); and
- (e) other ancillary equipment and facilities.

Part B. The training of managerial, technical and operating personnel of Project facilities.

SCHEDULE 4

PROCUREMENT

1. Goods and services (other than consultants' services) to be financed out of the proceeds of the Loan shall be procured by DBP as the authorized agent on behalf of the beneficiaries. DBP shall follow the following procedures for all contracts mentioned in this Schedule 4 :

(a) The size of each contract shall be large enough to attract bidders and, unless the Bank shall otherwise agree, the total numbers of contracts for civil works and for goods under Category I of Schedule 1 to this Agreement required for the carrying out of Part A of the Project shall be not more than 20.

(b) Preparation of all documents required for the bidding and technical evaluation of bids shall be carried out by the Grain Processing Section.

(c) Final decision on the award of contracts shall be made by the Board of Governors of DBP upon recommendation of the Grain Processing Section.

2. With respect to any contract for civil works or for goods under Category I of Schedule I to this Agreement estimated to cost \$60,000 equivalent or more :

(a) If bidders are required to pre-qualify, DBP shall, before qualification is invited, inform the Bank in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of pre-qualified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for pre-qualification, shall be furnished by DBP to the Bank for its comments before the applicants are notified and DBP shall make such additions or deletions from the said list as the Bank shall reasonably request.

(b) Before bids are invited, DBP shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification or addition to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, DBP shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report by DBP's consultants on the evaluation and comparison of the bids received, together with the recommendations for award of said consultants, and the reasons for the intended award. The Bank shall promptly inform DBP whether it has any objection to the intended award and shall state the reasons for any objection it may have.

(d) If the contract shall be awarded over the Bank's objection or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Loan.

(e) Copy of the contract shall be furnished to the Bank promptly after its execution.

3. Any contract for civil works or for goods under Category 1 of Schedule I to this Agreement estimated to cost less than £60,000 equivalent may be awarded after competitive bidding among locally established contractors or suppliers, provided, that, the aggregate of all such contracts shall not exceed \$1,000,000 equivalent. With respect to such contracts DBP shall, promptly after the contract is awarded, furnish to the Bank copy of the contract as well as copy of the record of public opening of the bids, the bid evaluation report and recommendations for the award of DBP's consultants and a statement of the reasons for any departure from such recommendations. The Bank shall promptly inform DBP if it finds that the award of the contract is not

consistent with the provisions of the Loan Agreement and, in such event, no expenditures under such contract shall be financed out of the proceeds of the Loan.

4. With respect to contracts for goods financed under Category 1 of Schedule 1 to this Agreement, for the purposes of evaluating bids, bid prices shall be determined in accordance with the following rules :

(a) For purposes of this paragraph 4, the following terms have the following meanings :

- (i) " Local Bid " means a bid submitted by a bidder, established in the territories of the Borrower, for such goods manufactured or processed in the territories of the Borrower;
- (ii) " Foreign Bid " means a bid other than a Local Bid; and
- (iii) " ex-factory price " means the price at factory exclusive of national and local sales tax due on the sales to a beneficiary.

(b) The bid price under a Local Bid shall be the sum of the following amounts :

- (i) the ex-factory price of such goods; and
- (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(c) The bid price under a Foreign Bid shall be the sum of the following amounts :

- (i) the c.i.f. (Manila) landed price of such goods net of any taxes on their importation;
- (ii) any such taxes, as generally apply to such goods if imported into the territories of the Borrower by non-exempt importers, or 15% of the amount specified in sub-paragraph (i) hereof, whichever shall be the lower; and
- (iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

SCHEDULE 5

OPERATING POLICIES AND PROCEDURES

Unless the Borrower and the Bank shall otherwise agree, the following operating policies and procedures shall apply to the carrying out of Part A of the Project :

1. *Sub-loan Applications*

1.1 Sub-loan applications shall be filed with DBP's branch nearest to the location proposed for the Investment Project.

1.2 The applications shall be sent to the Grain Processing Section for analysis and investigation. They shall include, among other things, sufficient information and the comments of the branch with regard to :

- (a) the applicant's past experience in grain milling and trading;
- (b) the status and size of his existing processing and storage facilities and operations;
- (c) the purpose of the sub-loan applied for; and
- (d) the collateral security offered.

2. *Review of Sub-loan Applications*

2.1 All applications shall be reviewed by the Grain Processing Section with regard to :

- (a) prior grain processing and trading experience of the applicant;
- (b) managerial competence of the applicant;
- (c) technical capacity of, and the arrangements for training of, managerial, technical and operating personnel of the applicant; and
- (d) credit standing of the applicant.

3. *Feasibility Studies*

3.1 Applications selected by the Grain Processing Section will be subject to feasibility studies. The standard form of such feasibility studies shall be approved by the Bank.

3.2 No sub-loans shall be made unless based on the study prepared by the Grain Processing Section demonstrating its feasibility from technical, economic, financial, managerial and training standpoints.

3.3 Among other things, the study shall :

- (a) ascertain whether facilities should be constructed at the locations proposed by applicants; the need for facilities in each area shall be established after review of communications facilities, available utilities, paddy supply sources and sub-soil features;
- (b) check whether the total plant of the applicant as set up or expanded by the Project would be technically the most efficient for his requirements;
- (c) provide an estimate of the cash flow, debt equity ratio, debt service coverage, financial return of the Investment Project and its working capital requirements;
- (d) review technical staff requirements; and
- (e) propose technical modifications and amendments arising from the study as well as recommendations for training of managerial, supervisory and operating personnel.

3.4 Each feasibility study shall be promptly submitted to the Bank for comment.

4. *Use of Consultants*

4.1 The Grain Processing Section shall rely on the consultants for :

- (a) recommendations on the selection of beneficiaries, on the basis of information submitted by applicants and DBP branches;
- (b) preparation of feasibility studies as described above;
- (c) discussions with beneficiaries on technical requirements, layout of installations and recommendations for training;
- (d) preparation of detailed drawings, bulking of Investment Projects and drawing up of specifications and other bid documents;
- (e) technical evaluation of bids received and drafting of contract documents; and

(f) supervision of construction and rendering technical advice to the beneficiaries during initial operations and installations.

5. *Sub-loan Approval*

5.1 Sub-loan approval shall be the responsibility of the Board of Governors of DBP acting on the recommendation of the Grain Processing Section.

5.2 No Investment Project requiring a sub-loan exceeding the equivalent of \$250,000, or which together with any other sub-loan made to the same beneficiary and outstanding shall exceed such amount, shall be approved unless the Bank shall have given its prior consent.

6. *Design Standards and Specifications*

6.1 Detailed designs and drawings shall be undertaken only for such Investment Projects the feasibility of which has been established by the Grain Processing Section.

6.2 In order to foster effective competition for procurement, the Grain Processing Section shall endeavor to bulk Investment Projects so as to arrive at a relatively low number of standard design types.

6.3 Detailed specifications for bidding shall be drawn up only for such approved Investment Projects and according to design concepts satisfactory to the beneficiaries.

7. *Terms and Conditions of Sub-loans*

7.1 The sub-loans shall finance exclusively the foreign exchange cost component of the Investment Projects.

7.2 DBP shall agree with the Bank on a standard form of sub-loan agreement to be used for Investment Projects. The sub-loan agreement shall provide, among other things, for the following:

- (a) an interest rate of eleven per cent (11%) a year on the amount withdrawn and outstanding;
- (b) a 14-year term, counted from the date of disbursement, including a grace period covering the construction period, of approximately one year;
- (c) repayment of the sub-loan in local currency;
- (d) that the beneficiary shall not bear any foreign exchange risk;
- (e) that all procurement of goods and services financed by the sub-loans be made pursuant to the procedures set forth in Section 3.07 (a) of the Loan Agreement;
- (f) that the proceeds of the sub-loans be used exclusively in the carrying out of the Investment Project;
- (g) that authorized representatives of DBP, the Borrower and the Bank shall have the right to inspect the facilities financed by the sub-loan, the operations thereof and any relevant records and documents;
- (h) that the beneficiary shall defray, from its own funds, the subsistence cost of its personnel during the training period at UPCA; and

- (i) a covenant empowering DBP to act as agent for the beneficiary in respect to procurement up to a specified maximum sum.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

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