

No. 11616

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
ECUADOR**

Development Credit Agreement—*Third Livestock Development Project* (with schedules and General Conditions Applicable to Development Credit Agreements). Signed at Washington on 10 December 1970

Authentic text : English.

Registered by the International Development Association on 6 March 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
ÉQUATEUR**

Contrat de crédit de développement — *Troisième projet relatif au développement de l'élevage* (avec annexes et Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 10 décembre 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 6 mars 1972.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated December 10, 1970, between REPUBLIC OF ECUADOR (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the International Bank for Reconstruction and Development, by a loan agreement between the Bank, the Borrower and Banco Central del Ecuador (hereinafter called Banco Central) (*Livestock Development Project*) dated June 19, 1967,² made a loan to the Borrower for a livestock development project aimed at increasing beef production in selected areas in the territories of the Borrower (hereinafter called the "First Livestock Loan");

WHEREAS the Association, by a Development Credit Agreement between the Borrower, Banco Central and the Association (*Interim Second Livestock Development Project*), dated January 20, 1970,³ made a credit to the Borrower for the continuation of the project referred to above (hereinafter called the "Interim Second Livestock Credit");

WHEREAS the Borrower has requested the Association to provide further financial assistance for livestock development;

WHEREAS the Association is prepared to make a development credit to the Borrower, on the terms and conditions hereinafter set forth; and

WHEREAS Banco Central is willing to act as the *agente fiscal y fiduciario* of the Borrower for the purposes of this Credit;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,⁴ with the same force and effect as if they were fully set forth herein (said General Conditions

¹ Came into force on 30 September 1971, upon notification by the Association to the Government of Ecuador.

² United Nations, *Treaty Series*, vol. 615, p. 75.

³ *Ibid.*, vol. 742, p. 91.

⁴ See p. 326 of this volume.

Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Development Credit 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) “ Lending Program ” means Parts A and B of the Project described in Schedule 2 to this Development Credit Agreement;

(b) “ Third Livestock Project Account ” means the account referred to in Section 4.03 (i) of this Development Credit Agreement;

(c) “ Third Livestock Project Technical Services Account ” means the account referred to in Section 4.03 (ii) of this Development Credit Agreement;

(d) “ Participating Bank ” means any financial institution, acceptable to the Association, which shall have become a party to a Third Project Subsidiary Loan Agreement;

(e) “ Third Livestock Project Subsidiary Loan Agreement ” means the agreement that shall be entered into, on terms and conditions satisfactory to the Association, between the Borrower, represented by Banco Central as its *agente fiscal y fiduciario*, and a Participating Bank in accordance with Section 4.04 of this Development Credit Agreement, and shall include any amendments thereto made with the approval of the Association;

(f) “ Third Livestock Project Subsidiary Loan ” means the loan made or proposed to be made by the Borrower, represented by Banco Central as its *agente fiscal y fiduciario*, to a Participating Bank in accordance with a Third Livestock Project Subsidiary Loan Agreement;

(g) “ sub-loan ” means a loan made or proposed to be made by a Participating Bank to a rancher or a farmer in accordance with Part A of the Lending Program;

(h) “ rancher ” means a beef-cattle producer to which a Participating Bank proposes to make or has made a sub-loan;

(i) “ farmer ” means a dairy-farmer to which a Participating Bank proposes to make or has made a sub-loan;

(j) “ Technical Services Advance ” means the advance the Borrower shall cause Banco Central to make to the Third Livestock Project Technical Services Account in accordance with Section 4.13 of this Development Credit Agreement;

(k) "Investment Plan" means a program of development to be carried out by a rancher or a farmer for improving the physical resources of his beef ranch or dairy farm, including pasture establishment and renovation, fencing, water supply, stock handling facilities, dips, scales, machinery, functional buildings, purchase of livestock, and other related on-ranch or on-farm items, or any combination thereof, as approved by, or under the authority of, the Project Director; and

(l) "INIAP" means the Instituto Nacional de Investigaciones Agropecuarias of the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to ten million dollars (\$10,000,000).

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

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

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

- (i) the equivalent of seventy-five per cent (75%) (or of such other percentages as may be established from time to time by agreement between the Borrower and the Association) of such amounts as shall have been actually disbursed by Participating Banks on account of payments under sub-loans for financing the reasonable cost of goods or services included in Category I (a) of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;
- (ii) the equivalent of seventy per cent (70%) (or of such other percentages as may be established from time to time by agreement between the Borrower

and the Association) of such amounts as shall have been actually disbursed by Participating Banks on account of payments under sub-loans for financing the reasonable cost of goods or services included in Category I (b) of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement; and

- (iii) such amounts as shall have been paid (or if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;

provided that no withdrawal under sub-sections (i) and (ii) of this Section shall be made in respect of any sub-loan which, by itself or together with other sub-loans made to the same farmer or rancher, shall exceed the equivalent of one hundred thousand dollars (\$100,000), unless the prior approval of the Association shall have been obtained; and provided, further, that no withdrawal under sub-section (iii) of this Section shall be made in respect of sub-sections (a), (b) and (c) of Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement, except for the plant nutrition expert referred to in Section 4.10 (ii) of this Development Credit Agreement, the seed processing expert referred to in Section 4.11 (iv) of this Development Credit Agreement, and the management consultant referred to in Section 4.12 of this Development Credit Agreement, unless the programs under which withdrawal is requested shall have been reviewed by the Project Director and approved by the Association.

Section 2.04. No withdrawals from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or any of its political subdivisions on, or in connection with, the importation or supply of goods or services included in Category II of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement.

Section 2.05. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each April 15 and October 15 commencing on April 15, 1981, and ending on

October 15, 2020, each installment to and including the installment payable on October 15, 1990, to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with such procedures as are set forth in Schedule 3 to this Development Credit Agreement, or as they shall be modified from time to time by agreement between the Borrower and the Association.

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

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out or cause the Project to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, economic and agricultural practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall carry out or cause Part A of the Project to be carried out according to the operating policies and procedures set forth in Schedule 4 to this Development Credit Agreement, as they shall be amended from time to time by agreement between the Borrower and the Association.

(c) The Borrower shall cause the Participating Banks to be provided with such facilities as they shall require to carry out Part B of the Project, whenever the Participating Banks' own resources are inadequate.

Section 4.02. The Borrower shall : (i) enter into an agreement with Banco Central under terms and conditions satisfactory to the Association providing (a) for the withdrawal by Banco Central, as the *agente fiscal y fiduciario* of the

Borrower, of the proceeds of the Credit from the Credit Account in accordance with Section 2.03 (i) and (ii) of this Development Credit Agreement, and for the disbursement of the amounts so withdrawn through the Third Livestock Project Account in accordance with Third Livestock Project Subsidiary Loan Agreements; and (b) for the withdrawal by Banco Central, in such capacity, of such proceeds from the Credit Account in accordance with Section 2.03 (iii) of this Development Credit Agreement, and for the use of the amounts so withdrawn for expenditures under Parts C through E of the Project; (ii) exercise its rights pursuant to such agreement in such a manner as to protect the interests of the Borrower and the Association; and (iii) except as the Association shall otherwise agree, not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of such agreement.

Section 4.03. The Borrower shall cause Banco Central to :

- (i) open and maintain on its books a Third Livestock Project Account and the necessary sub-accounts, to be used exclusively for the purposes of the carrying out of Parts A and C through E of the Project;
- (ii) open and maintain on its books a Third Livestock Project Technical Services Account to which it shall credit the proceeds of the Technical Services Advance and the commission it shall receive on account of Third Livestock Project Subsidiary Loans, and from which it shall withdraw amounts required : (a) to pay local and office costs of the Project Director; (b) to pay salaries, local and office costs of the Deputy Project Director, the two Regional Technical Directors, two technical specialists, one administrative assistant and such other staff as the Borrower and the Association may agree from time to time; and (c) to defray the costs of the services provided by Banco Central for handling the Third Livestock Project Account and the Third Livestock Project Technical Services Account; and
- (iii) have the Third Livestock Project Account and the Third Livestock Project Technical Services Account audited annually by auditors acceptable to the Association and transmit to the Association, promptly after the completion of such audit and not later than three months after the close of Banco Central's corresponding financial year, certified copies of the financial statements relating to such accounts and a signed copy of the auditors' report.

Section 4.04. The Borrower, represented by Banco Central as its *agente fiscal y fiduciario*, shall enter into a Third Livestock Project Subsidiary Loan Agreement with each Participating Bank, under terms and conditions satisfactory

to the Association, including those set forth in Schedule 4 to this Development Credit Agreement, providing for the lending by the Borrower to the Participating Banks, out of the proceeds of the Credit, of such percentage of sub-loans made by any Participating Bank under the Lending Program as may be agreed to from time to time by the Association under Section 2.03 (i) and (ii) of this Development Credit Agreement. The Borrower shall exercise its rights and fulfill its obligations under the Third Livestock Project Subsidiary Loan Agreements in such a manner as to protect the interests of the Association, the Borrower and Banco Central. Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, assigning, abrogating or waiving any provision of any Third Livestock Project Subsidiary Loan Agreement.

Section 4.05. The Borrower shall : (i) cause Banco Central to maintain or cause to be maintained, records adequate to identify the goods financed out of the proceeds of the Credit, to disclose the use thereof in the Project, and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of Banco Central in respect of the Project and of the Third Livestock Project Account and the Third Livestock Project Technical Services Account ; and (ii) furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit, the goods financed out of such proceeds, the performance by Banco Central of its obligations under the agreement referred to in Section 4.02 of this Development Credit Agreement, the Third Livestock Project Subsidiary Loan Agreements, the Project, the Third Livestock Project Account and the Third Livestock Project Technical Services Account and the administration, operations and financial condition of the Borrower and Banco Central insofar as they may be pertinent to the execution of the Project.

Section 4.06. The Borrower shall establish a Project Commission and shall maintain it during the disbursement period of the Credit. Said Project Commission shall have such composition, organization, powers and functions as shall be satisfactory to the Association.

Section 4.07. The Borrower shall employ or cause to be employed :

(a) During a period of time of at least five years counted from the Effective Date, a qualified and experienced livestock expert internationally recruited, acceptable to the Association, on terms and conditions satisfactory to the Association, to be the Project Director ; and shall cause him to be supported by an

adequate number of qualified livestock technicians acceptable to, and upon terms and conditions satisfactory to, such Project Director;

(b) Unless the Borrower and the Association shall otherwise agree, within two years counted from the Effective Date, a qualified and experienced livestock expert, acceptable to the Association, Banco Central and the Project Director, to be the Deputy Project Director, for a period of time, on terms and conditions, and with such duties and authority as shall be satisfactory to the Project Director, in consultation with the Association and Banco Central;

(c) During a period of time of at least five and a half years counted from the Effective Date, two qualified and experienced livestock experts to be approved by the Project Director, in consultation with the Association and Banco Central, with such duties and responsibilities and on such terms and conditions as shall be satisfactory to Banco Central and the Project Director, to be Regional Technical Directors in the Coastal and Sierra Region, respectively; and

(d) During a period of at least five years counted from the Effective Date, two technical specialists and one administrative assistant, approved by the Project Director in consultation with Banco Central.

Section 4.08. The Borrower shall cause all cattle on Project farms and ranches to be routinely vaccinated against foot-and-mouth disease.

Section 4.09. The Borrower shall promptly make its best effort to obtain that the laws of the Republic be amended so that private commercial banks be enabled to participate in Part A of the Project, under the terms and conditions specified in paragraph C of Schedule 4 to this Development Credit Agreement.

Section 4.10. The Borrower shall cause INIAP : (a) to expand the tropical pasture/beef research unit and establish a ranch management training center at Pichilingue Experiment Station in Los Ríos Province with administrative and dormitory facilities for about twenty students, offering programs acceptable to the Association; (b) to employ (i) a plant nutrition expert to work principally in the Sierra Region for about two years, (ii) a beef cattle production specialist, (iii) a farm management specialist, and (iv) a dairy production specialist, all internationally recruited, acceptable to the Association, under terms and conditions, including terms of reference, satisfactory to the Association, within a year counted from the Effective Date, and (c) to establish a Research Planning Committee, with such composition, organization, powers and functions as shall be satisfactory to the Borrower and the Project Director, who shall be a member of such Committee.

Section 4.11. Unless the Association shall otherwise agree, the Borrower shall : (i) establish two seed testing laboratories, one in Quito and the other one in Quevedo ; (ii) construct a seed processing plant at each of these locations ; (iii) set up a separate section within the Department of Seed Certification of its Ministry of Agriculture to administer the operation of the seed processing plants ; (iv) employ a seed processing expert internationally recruited, acceptable to the Association, on terms and conditions, including terms of reference, satisfactory to the Association, within a year counted from the Effective Date, to assist in planning a seed production program, training the field staff and setting up the seed processing equipment required for the above-mentioned facilities ; and (v) present the seed production program to INIAP and the Project Director for approval before implementation.

Section 4.12. The Borrower shall cause Banco Nacional de Fomento to employ a management consultant of international reputation and acceptable to the Association, under terms and conditions, including terms of reference, satisfactory to the Association, within a year counted from the Effective Date, to assist Banco Nacional de Fomento in modernizing its lending operations and procedures.

Section 4.13. The Borrower shall cause Banco Central to make an advance to the Third Livestock Project Technical Services Account in Banco Central, in an amount adequate to meet the expenditure requirements from such Account, to be reimbursed only when and as accumulated receipts in such Account shall exceed disbursements.

Section 4.14. (a) The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to : the performance by the Borrower of its obligations under this Development Credit Agreement, the expenditure of the proceeds of the Credit, the Project, the Project Commission, the agreement referred to in Section 4.02 of this Development Credit Agreement, the Third Livestock Project Account, the Third Livestock Project Technical Services Account, the administration and operations of Banco Central in respect of the Project, and of any agency or agencies of the Borrower assisting the Borrower in the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which

interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof or the performance by the Borrower of its obligations under or pursuant to this Development Credit Agreement.

(c) The Borrower shall afford all reasonable opportunity for representatives of the Association to inspect the Project and any documents and records relating thereto and to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.15. Except as the Association shall otherwise agree, the Borrower undertakes to insure or cause to be insured the imported goods to be financed out of the proceeds of the Credit against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower to replace or repair such goods.

Section 4.16. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.17. This Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.18. The Borrower shall promptly issue or cause to be issued such authorizations and permits in respect of the importation of goods and services as shall be required for the carrying out of the Project.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

- (a) the agreement referred to in Section 4.02 of this Development Credit Agreement shall have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the Commission referred to in Section 4.06 of this Development Credit Agreement shall have been established;
- (c) the Project Director referred to in Section 4.07 (a) of this Development Credit Agreement shall have been employed;
- (d) the Technical Services Advance, in an amount adequate to meet the expenditures requirements from the Third Livestock Project Technical Services Account for the first year of the Project shall have been made; and
- (e) at least one Third Livestock Project Subsidiary Loan Agreement shall have been duly signed and shall have become effective.

Section 6.02. The following is specified as an additional matter within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association : (i) that the agreement referred to in Section 4.02 of this Development Credit Agreement has been duly and validly executed by the Borrower and Banco Central and has become effective in accordance with its terms; and (ii) that the agreement referred to in Section 6.01 (e) of this Development Credit Agreement has been duly and validly executed by the parties thereto and has become effective in accordance with its terms.

Section 6.03. The date of April 30, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.01, 4.03, 4.05, 4.06, 4.10 and 4.11 of this Development Credit Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date 16 years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1976, or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The *Ministro de Agricultura y Ganadería* of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions :

For the Borrower :

Ministerio de Agricultura y Ganadería
Quito, Ecuador

Cable address :

Minagricultura
Quito

For the Association :

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address :

Indevas
Washington, D.C.

IN WITNESS WHEREOF, the Borrower and the Association, acting through their representatives thereunto duly authorized, have caused this Development Credit 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 Ecuador :

By CARLOS MANTILLA ORTEGA
Authorized Representative

International Development Association :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. (a) Long-term loans for investments in beef ranch develop- ment	} 8,000,000
(b) Long-term loans for investments in dairy farm development	

	<i>Amounts Expressed in Dollar Equivalent</i>
II. Technical Services :	
(a) INIAP—Research and Training	900,000
(b) Seed Improvement Scheme	300,000
(c) Banco Nacional de Fomento	200,000
(d) Project Administration, including salary, family and housing allowances, and international travel of the Project Director; international travel of the Regional Technical Directors and livestock technicians; office equipment and vehicles	200,000
III. Unallocated	400,000
TOTAL	<u>10,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in Category II shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category III.

2. If the estimate of the cost of the items included in Category II shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category III.

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project is the second stage of a livestock development program of the Borrower and consists of :

Part A: The extension through Participating Banks of long-term sub-loans to :

- (i) beef-cattle ranchers for the development of beef-cattle breeding/fattening ranches, primarily in the Coastal Region; and
- (ii) dairy-farmers for the development of dairy farms, primarily in the Sierra Region.

Part B: The extension by Participating Banks of short-term loans (up to two years) to beef-cattle ranchers benefiting from loans included in Part A (i) of the Project for the purchase of feeder steers, and to ranchers and farmers for other working capital needs.

Part C: The expansion of the tropical pasture and beef research unit and the establishment of a ranch management training center at the Pichilingue Experiment Station within INIAP.

Part D: The establishment of an improved pasture seed production and certification program.

Part E: The improvement of the financial and lending operations and procedures of the Banco Nacional de Desarrollo.

Part F: The provision of technical services for the administration and execution of the Project.

SCHEDULE 3

PROCUREMENT

1. Goods and services required to carry out the Project shall be procured through regular commercial channels from responsible suppliers; and

2. Vehicles to be financed under Category II (*d*) of the allocation of the proceeds of the Credit shall be procured on the basis of local competitive bidding, from suppliers with efficient servicing facilities and sufficient spare parts stocks located and available within the territory of the Borrowers.

SCHEDULE 4

OPERATING POLICIES AND PROCEDURES

A. Participating Banks shall make sub-loans only on the basis of Investment Plans. No more than 40% of the proceeds of each sub-loan shall be used for purchasing breeding cattle, unless the Project Director shall approve that up to 50% of such proceeds be used for said purpose.

B. Participating Banks shall process all applications for sub-loans in accordance with their normal administrative and financial procedures and shall accept as securities real estate mortgages and, if needed, chattel mortgages on livestock and equipment. For the purposes of evaluating the collateral offered to them, they shall take into account the increased real estate value resulting from farm/ranch improvements to be financed out of the proceeds of the sub-loan. The Participating Banks shall be entitled to reject the application of any rancher or farmer on the ground of credit worthiness, but shall not modify the Investment Plan on the terms and conditions of the sub-loans.

C. Participating Banks shall make sub-loans under the following terms :

- (i) sub-loans for Part A (i) of the Project : in an amount of about eighty per cent (80%) of the total on-ranch investment as described in the applicable Investment Plan, for a term ranging from not less than eight to not more than twelve years, including a grace period ranging from not less than three to not more than five years, at 12% per annum; and
- (ii) sub-loans for Part A (ii) of the Project : in an amount of about sixty-five per cent (65%) of the total on-farm investment as described in the applicable Investment Plan, for a term ranging from not less than seven to not more than nine years,

including a grace period ranging from not less than two to not more than three years, at 12% per annum.

D. Participating Banks shall provide funds from their own resources to ranchers or farmers who shall have received a long term sub-loan, for working capital requirements and the purchase of feeder steers, in such amount, terms and timing as set forth in the applicable Investment Plan.

E. Banco Central, acting as *agente fiscal y fiduciario* of the Borrower, shall grant Third Livestock Project Subsidiary Loans to the Participating Banks to reimburse them the following percentages of sub-loans made and disbursed by them, under the following terms :

- (a) 75% of amounts disbursed under sub-loans for Part A (i) of the Project, for a term ranging from not less than nine to not more than thirteen years, with a grace period of three to five years, and a six and one-half per cent rate of interest per annum;
- (b) 70% of amounts disbursed under sub-loans for Part A (ii) of the Project, for a term ranging from not less than eight to not more than ten years, with a grace period of two to three years, and a six and one-half per cent rate of interest per annum.

All such loans shall carry a commission fee of 1½% per year payable to Banco Central.

SCHEDULE 5

DUTIES, RESPONSIBILITIES AND AUTHORITIES OF THE PROJECT DIRECTOR

The Project Director, who shall be responsible to the Project Commission, shall have the responsibility for implementation and execution of the Third Livestock Development Project and shall have the following specific duties and powers :

- (a) advising the Project Commission on major policy decisions in respect of the Project;
- (b) executing the Project in accordance with policies and procedures agreed to by the Project Commission;
- (c) cooperating with the management of Participating Banks towards accomplishing Project objectives;
- (d) approving secondment of such staff to his office as he considers necessary to carry out Project activities;
- (e) training of the Deputy Project Director and the Regional Technical Directors and other Project staff as may be necessary for fulfilment of the Project objectives;
- (f) approving or disapproving of all ranch/farm Investment Plans prepared and appraised under the Lending Program;

- (g) following-up, supervising and giving technical assistance as he may deem necessary to ensure success of each ranch/farm Investment Plan financed under the Project;
- (h) advising Participating Banks to suspend and, where appropriate, premature sub-loans under the Lending Program whenever he finds that the ranch/farm Investment Plan for which the particular sub-loan has been granted is not carried out in accordance with the terms of the respective sub-loan agreement. He shall inform the Participating Bank if and when the situation has been satisfactorily rectified;
- (i) establishing and maintaining farm records for sample ranch/farms as needed for Project evaluation;
- (j) making recommendations to the proper authorities in Participating Banks with respect to :
 - (i) remuneration for livestock technicians and other compensation necessary to attract the most qualified personnel available; and
 - (ii) the recruitment, suspension or removal of livestock technicians;
- (k) preparing the annual budget for the offices of the Project Director and Regional Technical Directors financed by the Project Technical Services Account;
- (l) preparing quarterly and annual progress reports for submission to the Project Commission for transmittal to the Association; and
- (m) approving in consultation with the Association the programs for, and assisting in the execution of, the tropical pasture/beef unit and ranch management center (INIAP) and the improved seed production scheme (Department of Seed Certification).

The Deputy Project Director and the Regional Project Directors shall have such duties and powers as the Project Director shall reasonably impose on and delegate to them.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 703, p. 244.*]