

No. 12157

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

**Loan Agreement—*Livestock Project* (with schedules and
General Conditions Applicable to Loan and Guarantee
Agreements). Signed at Washington on 25 May 1972**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development
on 29 November 1972.*

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

**Contrat d'emprunt — *Projet relatif à l'élevage* (avec annexes
et Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 25 mai
1972**

Texte authentique : anglais.

*Enregistré par la Banque internationale pour la reconstruction et le
développement le 29 novembre 1972.*

LOAN AGREEMENT¹

AGREEMENT, dated May 25, 1972, 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 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) "beneficiary" means a privately controlled cooperative, corporation or association to which DBP or PDB proposes to make or has made a sub-loan;

(b) "cost of Investment Project" means (i) in respect of an Investment Project under Part A of the Project, the cost of goods and services required for such Investment Project but excluding the cost of land, and (ii) in respect of an Investment Project under Part B of the Project, the cost of goods and services including the cost of land required for such Investment Project.

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

(d) "Investment Project" means a specific investment project, as approved or to be approved by DBP pursuant to this Loan Agreement and the Subsidiary

¹ Came into force on 9 November 1972, upon notification by the Bank to the Government of the Philippines.

² See p. 151 of this volume.

Loan Agreement, to be carried out by a beneficiary and to be financed in part by means of a sub-loan;

(e) "PDB" means a private development bank or private development banks which propose to make or have made sub-loans to a beneficiary for an Investment Project;

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

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

(h) "sub-loan" means a loan made or proposed to be made by DBP or PDB in accordance with this Loan Agreement and the Subsidiary Loan Agreement to a beneficiary for an Investment Project.

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 seven million five hundred thousand dollars (\$7,500,000).

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. Except as the Bank shall otherwise agree, the goods and services (other than consultants' services) required for Part B of the Project 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, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1978 or such other date as shall be agreed between the Borrower and the Bank.

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

Section 2.06. The Borrower shall pay interest at the rate of seven and one-quarter per cent ($7\frac{1}{4}\%$) 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 January 15 and July 15 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.

Section 2.09. 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 2.10. 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 cause the Project to be carried out by DBP with due diligence and efficiency and in conformity with sound administrative, agricultural, engineering and financial practices, and shall provide DBP, or cause DBP to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Loan in the currency of the Borrower to DBP under a 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 relend the proceeds of the Loan in the currency of the Borrower to beneficiaries for Investment Projects either directly or by relending to PDB for further relending to beneficiaries;
- (b)* to establish and maintain a separate Project Account to be used exclusively for the Project; and
- (c)* to record in such Project Account all receipts and payments for or in connection with the Project, in accordance with sound accounting principles consistently applied, including the following:
 - (i)* amounts received from and 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 PDB;
 - (iv)* amounts provided by DBP or PDB from their own resources for Investment Projects as referred to in paragraph 6 of Schedule 5 to this Agreement; and
 - (v)* payments made for technical services and the administration of the Project.

Section 3.03. The Borrower shall cause DBP and each PDB to make all 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 as such Schedule may be amended from time to time.

Section 3.04. For the purposes of carrying out the Project, the Borrower shall cause DBP to establish and maintain within the Agriculture Department of DBP a Live-stock and Poultry Group satisfactory to the Bank, which Group shall be headed by a qualified and experienced senior officer to be appointed after consultation with the Bank.

Section 3.05. Except as the Bank shall otherwise agree:

- (a) In order to assist DBP in the carrying out of the Project, the Borrower shall cause DBP to employ in the Livestock and Poultry Group:
- (i) within seven months after the date of this Agreement a qualified and experienced pig and poultry production specialist and a qualified and experienced coconut/beef production specialist;
 - (ii) within 15 months after the date of this Agreement a qualified and experienced consultant on pig breeding and a qualified and experienced consultant on the use of sugar cane by-product for livestock production; and
 - (iii) a qualified and experienced Technical Specialist to assist the head of the Livestock and Poultry Group.
- (b) During the period before the proceeds of the Loan are fully committed as sub-loans, the appointment of the experts mentioned in sub-section (a) hereof and the terms and conditions of such appointment shall be subject to the prior approval of the Bank.
- (c) The Borrower shall cause DBP to employ from time to time qualified livestock technicians in the Live-stock and Poultry Group as shall be necessary to appraise and supervise Investment Projects.

Section 3.06. In carrying out Part B 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) The Borrower shall require DBP and PDB 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.

(b) 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 B 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 B 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. The Borrower shall take all necessary measures to ensure that the feed grain required for the Project shall be made available to the beneficiaries at reasonable prices as needed.

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 its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and the Project Account for each fiscal year audited, in accordance with sound auditing principles consistently applied, by the Auditor General of the Borrower; (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements and the Project Account for such year as so audited and (B) the report

of such audit by said Auditor General, 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 accounts, the financial statements and 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 under Part B of the Project 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 cause DBP to ensure that the works and facilities included in the Project to be operated and maintained in accordance with sound agricultural, engineering and financial practices.

Article V. CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Bank shall co-operate 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 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 established the Livestock and Poultry Group referred to in Section 3.04 of this Agreement; and
- (c) DBP shall have employed the Technical Specialist referred to in Section 3.05 (a) (iii) of this Agreement in accordance with the provisions of Section 3.05 (b) of this Agreement.

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: namely, 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 September 26, 1972 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 EDUARDO Z. ROMUALDEZ
Authorized Representative

International Bank for Reconstruction and Development:

By MOHAMED SHOAIB
Vice President

SCHEDULE I

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. Sub-loans for equipment, material, supplies and working capital for development of farms and ranches included in Part A of the Project	6,000,000	60% of the amount disbursed under the sub-loans
II. Sub-loans for equipment, materials, supplies, working capital and civil works for slaughter-houses included in Part B of the Project	600,000	60% of the amount disbursed under the sub-loans
III. Technical assistance		
(a) international travel, remuneration and allowances for Technical Specialist and four experts, referred to in Section 3.05 of this Agreement	500,000	100% of total expenditures
(b) investigational equipment and materials and transport equipment	50,000	100% of foreign expenditures or 60% of total expenditures (representing the foreign expenditure component if the goods are produced in the territories of the Borrower)
IV. Unallocated	350,000	
	TOTAL	<u>7,500,000</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; and
- (c) if any contract for the procurement of any item included in Category II shall have been awarded according to procedures inconsistent with those set forth or referred to in Section 2.03 of this Agreement, or if the Bank shall have reasonably objected to any such contract on the ground that the procurement procedure followed is inconsistent with the procedures set forth or referred to in such Section 2.03, or if the terms and conditions of any such contract shall, without the Bank's prior concurrence, materially differ from those on the basis of which bids were asked, the Bank, without in any way restricting or limiting any right, power or remedy of the Bank under this Loan Agreement may, by notice to the Borrower, cancel such amount of the Loan and correspondingly reduce the amount allocated to the relevant Category, as the Bank shall reasonably determine to represent the portion of total expenditures under such contract which would have been eligible for financing out of the proceeds of the Loan, had the procurement procedures followed not been inconsistent with those set forth or referred to in such Section 2.03.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Categories I to III shall increase and no proceeds of the Loan are available for reallocation to such Categories, the Bank may, by notice to the Borrower, modify the percentage then applicable to such expenditures in order that further withdrawals under such Categories 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>
January 15, 1979	385,000	January 15, 1983	510,000
July 15, 1979	400,000	July 15, 1983	530,000
January 15, 1980	415,000	January 15, 1984	550,000
July 15, 1980	430,000	July 15, 1984	570,000
January 15, 1981	445,000	January 15, 1985	590,000
July 15, 1981	460,000	July 15, 1985	610,000
January 15, 1982	475,000	January 15, 1986	635,000
July 15, 1982	495,000		

* 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 1/4%
More than three years but not more than five years before maturity	2 1/2%
More than five years but not more than nine years before maturity	4%
More than nine years but not more than eleven years before maturity	6%
More than eleven years before maturity	7 1/4%

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's program for livestock development in the Philippines through lending to beneficiaries by DBP and consists of the following parts:

Part A. The development by the beneficiaries of integrated beef cattle and coconut farms, hill beef cattle ranches, pig breeding and fattening farms and poultry-broiler and egg farms.

Part B. The development by the beneficiaries of three slaughterhouses.

Part C. Technical services for the improvement of livestock production.

The Project is expected to be completed by June 30, 1978.

SCHEDULE 4

PROCUREMENT

With respect to the execution of Part B of the Project, the procurement and installation of equipment and the civil works required therefor shall be let as one contract for each slaughterhouse. The Borrower shall cause DBP to follow the following procedures:

(a) Preparation of all documents required for the bidding and technical evaluation of bids shall be carried out by the consultant mentioned in paragraph 2.2 of Schedule 5 to this Agreement.

(b) 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.

(c) 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, and shall make such modifications in the said documents 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. Advertisement of the invitation to prequalify and to bid shall be in accordance with the first two sentences of Section 1.2 of the Guidelines referred to in Section 2.03 of this Agreement.

(d) 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.

(e) 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.

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

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 Parts A and B of the Project:

1. *Sub-loan Applications for Farm/Ranch Development (Part A of the Project)*

1.1 Sub-loan applications shall be filed with DPB's head or branch offices or with a PDB office in the project areas referred to in sub-paragraphs 9.1 to 9.4 hereof.

1.2 Sub-loan applications shall be screened by DBP or PDB with regard to creditworthiness and ability of applicants to satisfy collateral requirements.

1.3 Acceptable sub-loan applications shall be submitted to the Livestock and Poultry Group for the preparation of a detailed Investment Project.

2. *Sub-loan Applications for Slaughterhouse Development (Part B of the Project)*

2.1 Sub-loan applications shall be filed with DBP head or branch offices in the Project areas referred to in paragraph 9.5 hereof and reviewed with regard to:

- (a) ownership, organizational and financial structure of the applicant;
- (b) managerial competence of the applicant;
- (c) technical capacity of technical personnel of the applicant; and
- (d) creditworthiness of the applicant.

2.2 The applicant shall employ a consultant approved by DBP for the preparation of a detailed Investment Project.

3. *Approval of Investment Projects for Farm/Ranch Development (Part A of the Project)*

3.1 Investment Projects involving beef production shall be reviewed by the Technical Specialist and by the Coconut/Beef Production Specialist; Investment Projects involving pig and poultry production shall be reviewed by the Technical Specialist and by the Pig/Poultry Production Specialist.

3.2 Only Investment Projects reviewed and recommended by the Technical Specialist shall be submitted for sub-loan approval.

4. *Approval of Investment Projects for Slaughterhouses (Part B of the Project)*

4.1 Investment Projects including financial plans prepared by the consultant referred to in paragraph 2.2 shall be submitted to DBP for approval.

5. *Sub-loan Approvals*

5.1 Any sub-loan, the amount of which exceeds the equivalent of \$50,000, or any sub-loan, the amount of which together with the outstanding amount of any other sub-loan made to the same beneficiary exceeds the equivalent of \$50,000, shall not be approved by DBP unless the Bank shall have given its prior approval.

5.2 All sub-loans for a slaughterhouse development shall not be approved by DBP unless the Bank shall have given its prior approval.

6. Financing Investment Projects

A. Part A of the Project

6.1 DBP and PDB shall ensure that beneficiaries under Part A of the Project other than a major beneficiary (as defined in sub-paragraph 6.2 hereof) shall on average contribute 10% (in cash or in kind) of the total cost of the Investment Projects, and that about 40% of such cost will be provided out of the resources of DBP or PDB and the remaining 50% out of the proceeds of the Loan.

6.2 DBP and PDB shall ensure that any major beneficiaries under Part A of the Project shall on an average contribute at least 50% (in cash or in kind) of the cost of the Investment Projects, and that about 20% of such cost will be provided out of the resources of DBP or PDB and the remaining 30% out of the proceeds of the Loan. A major beneficiary is defined to mean a beneficiary having at the time of loan application any of the following size of enterprise:

- (a) over 50 ha of coconuts;
- (b) over 50 breeding sows;
- (c) over 60,000 broiler output per year;
- (d) over 10,000 laying hen capacity; or

for hill beef ranches Investment Projects requiring a sub-loan in excess of U.S. \$50,000 equivalent.

B. Part B of the Project

6.3 DBP shall ensure that beneficiaries under Part B of the Project shall contribute at least 30% (in cash or in kind) of the cost of the Investment Projects and that about 30% of such cost shall be provided out of the resources of DBP and the remaining 40% out of the proceeds of the Loan.

7. Terms and Conditions of Sub-Loans

7.1 DBP shall submit to the Bank for approval a standard form of sub-loan agreement to be used for Investment Projects and a standard form of the agreement between DBP and PDB to be used under this Project.

The sub-loan agreements shall include, among other things, the following matters:

- (a) an interest rate of 12% a year on the amount withdrawn and outstanding for all sub-loans and for sub-loans granted to major beneficiaries, a one-time service fee of 2% on the total amount of the sub-loan granted;
- (b) that the repayment terms shall reflect the payment ability of the beneficiary and the cash flow position of an Investment Project and, in general, shall be as follows:

Enterprise	Term	Grace
	Total	Period
		Years
(i) integrated coconut/beef cattle farms	7 to 10	3 to 4
(ii) hill beef cattle ranches	8 to 11	4 to 5
(iii) pig farms	7 to 10	2 to 3
(iv) poultry farms	5 to 8	1 to 2
(v) slaughterhouses	10	4

- (c) that the payments under the sub-loans shall be in the currency of the Borrower;
- (d) that the beneficiary shall not bear any foreign exchange risk;
- (e) that the proceeds of the sub-loans be used exclusively in the carrying out of the Investment Project;

- (f) that authorized representatives of DBP, PDB, the Borrower and the Bank shall have the right to inspect the Investment Projects, the facilities financed by the sub-loans, the operations thereof and any relevant records and documents; and
- (g) a covenant empowering DBP to act as agent for the beneficiary under Part B of the Project in respect to procurement up to a specified maximum sum.

8. *Collateral*

8.1 The amount of a sub-loan shall not exceed 80% of the market value of the real estate to be mortgaged, including the values ascribed to the new fixed assets under the Investment Project, or 65% of the market value of appropriate chattels.

9. *Project Areas*

A. *Part A of the Project*

Farm/ranch development shall be carried out in the following areas:

9.1 Integrated coconut/beef cattle farms—south Mindanao region covering the coconut belt around Davao Gulf in the provinces of Davao City, Davao del Sur, Davao del Norte and Davao Oriental; and northern Mindanao region covering the province of Misamis Oriental.

9.2 Hill beef cattle breeding ranches—on Mindoro and Masbate Islands.

9.3 Pig breeding/fattening farms—central Luzon and southern Tagalog regions covering the provinces of Cavite, Batangas, Laguna, Rizal, Bulacan, Pampanga, Tarlac, Pangasinan and Nueva Ecija; and south Mindanao region covering southern Cotabato province.

9.4 Poultry-broiler and egg farms—central Luzon and southern Tagalog regions covering the provinces of Cavite, Batangas, Laguna, Rizal, Bulacan, Pampanga, Tarlac, Pangasinan and Nueva Ecija.

B. *Part B of the Project*

Development of slaughterhouses shall be carried out in the following area:

9.5 On Mindanao Island— one each near Davao City, General Santos and Cagayan de Oro.

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.*]