

No. 19861

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**UNITED STATES OF AMERICA  
and  
PHILIPPINES**

**Project Loan Agreement for co-operative marketing (with  
annexes). Signed at Manila on 3 May 1978**

*Authentic text: English.*

*Registered by the United States of America on 10 June 1981.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
PHILIPPINES**

**Accord de prêt pour un projet relatif à des coopératives  
de commercialisation (avec annexes). Signé à Manille  
le 3 mai 1978**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 10 juin 1981.*

**PROJECT LOAN AGREEMENT<sup>1</sup> BETWEEN THE REPUBLIC OF  
THE PHILIPPINES AND THE UNITED STATES OF AMERICA  
FOR COOPERATIVE MARKETING**

Dated: May 3, 1978

A.I.D. Loan Number 492-T-051  
Project Number 492-0300

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<sup>1</sup> Came into force on 3 May 1978 by signature.

<sup>2</sup> For the text of the annex, see p. 3 of this volume.

*Annex I—Description of Project*

## Description of Project

## Financing of Goods and Services:

## A.I.D.

- (1) Technical Assistance
  - (a) Long-Term Advisors
  - (b) Short-Term Consultants
- (2) Commodities
- (3) Participant Training
- (4) Financial Category

## Host Country Contribution

- (1) In-Kind Support
- (2) Budgetary Support
- (3) Cooperative Equity
- (4) Loan and Trust Funds

Attachment 1. A.I.D. Financial Summary

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## Itemized Borrower Project Cost Estimates

1. Bureau of Cooperatives Development (BCOD)
  - A. In-kind Assistance
  - B. Budgetary Support
  - C. Loan Funds

## 2. Central Bank of the Philippines (CB)

- A. In-kind Assistance
- B. Budgetary Support
- C. CRB Trust Funds

## 3. Cooperative Foundation Philippines, Inc. (CFPI)

- A. In-kind Assistance
- B. Budgetary Support

## 4. Cooperative Marketing System of the Philippines (CMSP)

- A. In-kind Support
- B. Budgetary Support

## 5. National Economic and Development Authority (NEDA)

- A. Budgetary Support

## 6. Project Beneficiaries

- A. Equity Support

Attachment 3. Estimated Commodity Requirements for the Cooperative Marketing Project

PROJECT LOAN AGREEMENT dated May 3, 1978, between the REPUBLIC OF THE PHILIPPINES ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

*Article 1. THE AGREEMENT*

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

*Article 2. THE PROJECT*

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in Annex I, is an intensive effort to improve and facilitate the development of the cooperative marketing structure in the Philippines by providing about fifteen Area Marketing Cooperatives ("AMC's") access to adequate financing, managerial capabilities and technical expertise to meet the production, supply and marketing needs of their members, who represent about 90,000 small farmers. The A.I.D. Loan will provide local currency for a loan fund to provide loans to AMC's, a guarantee fund to guarantee portions of such loans and a trust fund to build equity in AMC's and will finance the foreign exchange costs of up to 96 person-months of advisory services and limited commodities required to implement the Project. Annex I, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex I may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement.

*Section 2.2. INCREMENTAL NATURE OF PROJECT.* (a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Borrower, may specify in Project Implementation Letters appropriate time periods for the utilization of funds loaned by A.I.D. under an individual increment of assistance.

### *Article 3. FINANCING*

*Section 3.1. THE LOAN.* To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed One Million Six Hundred Thousand United States ("U.S.") Dollars (\$1,600,000.00) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal".

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

*Section 3.2. BORROWER RESOURCES FOR THE PROJECT.* (a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of U.S. \$3,083,000.00, including costs borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project Assistance Completion Date" (PACD), which is June 30, 1982, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for dis-

bursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

#### *Article 4. LOAN TERMS*

*Section 4.1. INTEREST.* The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

*Section 4.2. REPAYMENT.* The Borrower will repay to A.I.D. the Principal within twenty (20) years from the date of the first disbursement of the Loan in twenty-one (21) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

*Section 4.3. APPLICATION, CURRENCY, AND PLACE OF PAYMENT.* All payments of interest and Principal hereunder will be made in U.S. dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523 U.S.A., and will be deemed made when received by the Office of Financial Management.

*Section 4.4. PREPAYMENT.* Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

*Section 4.5. RENEGOTIATION OF TERMS.* (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Republic of the Philippines, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed

upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Director-General, National Economic and Development Authority in the Republic of the Philippines.

*Section 4.6. TERMINATION ON FULL PAYMENT.* Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

#### *Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT*

*Section 5.1. FIRST DISBURSEMENT.* Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence of the establishment within the Central Bank of the Philippines ("CB") of a cooperative finance group to serve as the primary conduit for extending Project-financed loans through appointed Cooperative Rural Banks ("CRBs") to designated Area Marketing Cooperatives ("AMCs");
- (d) Evidence that the Borrower has granted special authority to participating CRBs to exceed the current lending limits, on a case-by-case basis to be determined by the Central Bank, to any one borrower of an amount equal to fifteen percent (15%) of a given CRB's unimpaired capital and surplus when the borrower is determined to be a qualifying AMC under the Project;
- (e) Detailed loan procedures governing the lending practices of institutions to be engaged in extending financial assistance to the Cooperative Marketing System of the Philippines ("CMSP") and AMCs targeted for support under the Project;
- (f) A loan commitment from an acceptable intermediate lending institution stipulating that institution's willingness to meet the borrowing requirements of the CMSP to be financed from Project Loan funds;
- (g) A detailed implementation plan providing for adequate interagency coordination within the Government of the Philippines during Project implementation and for certain critical changes in the organizational structures of, and operations within, the cooperative marketing system; and
- (h) The evaluation program referred to in Section 6.1.

*Section 5.2. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in Section 5.1 have been met, it will promptly notify the Borrower.

*Section 5.3. TERMINAL DATE FOR CONDITIONS PRECEDENT.* If all of the conditions specified in Section 5.1 have not been met within 120 days from the date

of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Borrower.

#### *Article 6. SPECIAL COVENANTS*

*Section 6.1. PROJECT EVALUATION.* The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

*Section 6.2. AUTHORITY OF THE COOPERATIVE FOUNDATION PHILIPPINES, INC.* The Borrower covenants and agrees that the Cooperative Foundation Philippines, Inc. shall be granted final authority as to the assignment or removal of any manager of a Project-supported AMC or CRB, regardless of the employer of the manager.

*Section 6.3. PURCHASE OF FACoMA FACILITIES AND EQUIPMENT.* The Borrower covenants and agrees that AMC's selected to participate in the Project shall have the first option to purchase from the Agricultural Credit Administration (ACA) foreclosed FaCoMa facilities and/or equipment which are currently being leased by the AMC, or vacant facilities and/or equipment within the said AMC's geographic area of coverage at a value not to exceed ACA's investment in said facilities and/or equipment.

#### *Article 7. PROCUREMENT SOURCE*

*Section 7.1. FOREIGN EXCHANGE COSTS.* Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

*Section 7.2. LOCAL CURRENCY COSTS.* Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of the Philippines ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

#### *Article 8. DISBURSEMENTS*

*Section 8.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS.* (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements for

funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

*Section 8.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS.* (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement hereunder may be obtained:

- (1) By acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S. Government; or
- (2) By A.I.D. (A) requesting the Borrower to make available the local currency for such costs, and (B) thereafter making available to the Borrower through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Borrower or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Borrower, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b)(1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b)(2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

*Section 8.3. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

*Section 8.4. RATE OF EXCHANGE.* Except as may be more specifically provided under Section 8.2, if funds provided under the Loan are introduced into the Republic of the Philippines by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will



make such arrangements as may be necessary so that such funds may be converted into currency of the Republic of the Philippines at the highest rate of exchange which, at the time the conversion is made, is not unlawful in the Republic of the Philippines.

*Section 8.5. DATE OF DISBURSEMENT.* Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2(b)(1); or (c) if local currency is obtained in accordance with Section 8.2(b)(2), on the date on which A.I.D. opens or amends the Special Letter of Credit there referred to.

#### *Article 9. MISCELLANEOUS*

*Section 9.1. COMMUNICATIONS.* Except as expressly provided in Section 4.3, any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower:

Mail Address:

National Economic and Development Authority  
P.O. Box 1116  
Manila, Philippines

Alternate address for cables:

NEDAPHIL

To A.I.D.:

Mail Address:

United States Agency for International Development  
c/o The American Embassy  
Manila, Philippines

Alternate address for cables:

USAID/AMEMB Manila

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

*Section 9.2. REPRESENTATIVES.* For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Director-General, National Economic and Development Authority and A.I.D. will be represented by the individual holding or acting in the office of the Director, United States A.I.D. Mission to the Philippines, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1. to revise elements of the amplified description in Annex I. The names of the representatives of the Borrower, with

specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

*Section 9.3. STANDARD PROVISIONS ANNEX.* A "Project Standard Provisions Annex" (Annex II)<sup>1</sup> is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

<p>Republic of the Philippines:</p> <p>By: [Signed]</p> <p>MANUEL S. ALBA</p> <p>Title: Acting Director-General, National Economic and Development Authority</p>	<p>United States of America:</p> <p>By: [Signed]</p> <p>PETER M. CODY</p> <p>Title: Director, U.S. Agency for International Development</p>
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## ANNEX I

### DESCRIPTION OF PROJECT

This Project will provide financing for an improved cooperative marketing system for essential agricultural commodities (i.e., rice, corn, vegetables, animal products and fish), produced by small farmers in the Philippines. Specifically the Cooperative Marketing Project is aimed at improving a nucleus of Area Marketing Cooperatives (AMCs), which will serve the basic production, supply and marketing needs of some 90,000 small farmers. Four Philippine institutions will be responsible for the overall implementation of the Cooperative Marketing Project. The implementing agencies of the Borrower are: the Central Bank of the Philippines (CB); the Bureau of Cooperatives Development (BCOD); the Cooperative Marketing System of the Philippines (CMSP); and the Cooperative Foundation Philippines, Inc. (CFPI), which shall serve as the Borrower's project management agency. A.I.D. and the National Economic and Development Authority (NEDA) will function to monitor project implementation.

Detailed A.I.D. and Borrower financial summaries are presented in Attachments 1 and 2 to this Annex. The anticipated total level of A.I.D. funding is \$6,000,000.00 with \$1,600,000.00 being obligated herein as a first increment. The additional increment(s), bringing the obligated total A.I.D. Loan to \$6,000,000.00, will be provided in accordance with Section 2.2, subject to the same terms and conditions contained in this Agreement. The Borrower's contribution over the life of the Project is anticipated to be not less than the equivalent of \$6,668,000.00, with the equivalent of \$3,083,000.00 obligated in this Agreement. Further Borrower increments will be provided at the time of the additional A.I.D. increment(s).

The Project will assist the cooperative institutions to overcome basic deficiencies in availability of financing, technical expertise and managerial capabilities. A wide-range of assistance will be provided, including investments for physical facilities; subordinate, term and seasonal loans for working capital; training for persons in positions of responsibility; and technical support.

<sup>1</sup> For the text of the annex, see p. 3 of this volume.

The Project will assist in the development of a cooperative finance system which addresses the financial needs of Area Marketing Cooperatives. Under the Project, approximately fifteen AMCs will receive loans through a cooperative finance system. This system will involve the establishment of a special group for cooperative finance under a department of the Central Bank of the Philippines (CB). Loans will be extended through already organized Cooperative Rural Banks (CRBs) to AMCs receiving support under the Project.

A.I.D.'s and Borrower's project assistance will be divided into two major categories, i.e., a Financial Category and a Support Fund Category. A.I.D.'s portion of the Financial Category (see Attachment 1) will be deposited in three separate accounts within the Central Bank: a Loan Fund, Guarantee Fund and Trust Fund. The Loan Fund, which will combine A.I.D. and Borrower monies will be the primary source of loans to the AMCs.

A portion of the Financial Category will be used to establish a Guarantee Fund for the cooperative finance system. This fund will guarantee loans made to AMCs. Borrowing AMCs will contribute directly in equity to this Guarantee Fund upon receipt of each separate loan until such time as the borrowing AMC has contributed an amount equivalent to 10% of its borrowings. Any default will be charged first against the given AMC's contribution to this fund. As borrowing AMCs contribute to building the Guarantee Fund, corresponding amounts of A.I.D.'s assistance to this fund will be retired and recycled into the Loan Fund.

A.I.D. loan disbursements will also be utilized to expand the equity base of some fifteen AMCs through a special Trust Fund. This Trust Fund will invest, in the form of preferred stock, in borrowing AMCs to a level wherein invested Trust funds together with the AMCs' equity equal at least 50% of the proposed loan(s) to the AMCs. These preferred stock investments will be retired over a period of approximately ten years. Monies returned to the Trust Fund may either be reinvested in other AMCs or transferred to the Loan Fund.

In addition to the Financial Category under the Project, there will be a Support Category. Funds in this category will be used to finance technical assistance and commodities.

Specifically, the Project will finance the following goods and services:

*A.I.D.*

(1) *Technical Assistance*

Identification and contracting of all long and short-term expatriate consultants under the Project will be the responsibility of the Borrower.

(a) Long-Term Advisors

1. Senior Cooperative Marketing Specialist—1 person for 36 months
2. Cooperative Finance Specialist—1 person for 36 months

(b) Short-Term Consultants

Short-term consultants will be employed to assist the efforts of the long-term advisors and to provide technical expertise in certain specialized job areas. A total of 24 months of short-term services will be funded under the Project in the following four technical fields:

1. Cooperative Finance Management Consultant
2. Cooperative Marketing Information Systems Specialist
3. Central Cooperative Marketing and Supply Team
4. Central Cooperative Marketing and Supply Specialist

(2) *Commodities*

A number of commodities will be financed under the Project for AMCs, CRBs and implementing agencies. An illustrative list of projected commodity requirements is included as Attachment 3. Where possible, these commodities will be acquired through excess property.

(3) *Participant Training*

108 months of non-degree participant training relating to this Project for selected cooperative leaders will be financed under the Integrated Agricultural Production and Marketing Project (A.I.D. Project No. 492-0302).

(4) *Financial Category*

A.I.D. funds will be provided for the purpose of institutionalizing a cooperative finance system. A portion of these funds will be used to establish a Cooperative Finance Guarantee Fund. Loan funds released to the Central Bank will also be used for the purpose of expanding the equity through a Special Trust Fund arrangement in some fifteen Area Marketing Cooperatives and strengthening these AMCs by providing them access to short, medium and long-term financing for working capital, equipment and facility needs. In addition to AMC development, limited loan funds will be provided for the purpose of establishing a central cooperative marketing and supply distribution outlet.

*Host Country Contribution*(1) *In-Kind Support*

All implementing agencies will provide non-cash inputs to the Project. The Central Bank of the Philippines (CB) will provide office space and existing staff for the establishment and operation of a cooperative finance section. The Bureau of Cooperatives Development (BCOD) will provide management information services. BCOD will also provide existing central and field level staff assistance and training materials and facilities. The Cooperative Marketing System of the Philippines (CMSP) and the Cooperative Foundation Philippines, Inc. (CFPI) will provide office space and equipment, manpower and other resources. CFPI will also provide office space and secretarial services for A.I.D. loan-financed short-term consultants.

(2) *Budgetary Support*

The implementing agencies of the Borrower will provide certain monetary inputs. CB will budget for the costs of six professionals to manage the centrally created Cooperative Finance System. CB will further budget for the training of these individuals as well as for training key AMC and CRB staff members. This training will cover financial record-keeping systems and loan management. The BCOD will provide funds for intensified education and training campaigns as well as for other socio-economic development activities in the some 1,500 *Samahang Nayan* representing the membership of the fifteen Project-targeted AMCs. The BCOD will also fund the host-country training of some thirty-seven participants.

The number of participants, fields of training and number of months of training for each group follows:

<i>Agency</i>	<i>Field of Training</i>	<i>Participants</i>	<i>Man-Months of Training</i>
AMC	Coop. Management .....	15	15
CRB	Finance Management .....	8	8
CMSP	Central Coop. Mktg. and Supply .....	10	10
CFPI	Market Information System .....	4	4
	TOTAL	37	37

The BCOD will also provide funding for technical assistance and the conduct of research studies to be performed by CFPI and other professional firms in areas of market analysis, management and finance as well as in other relevant fields to be identified. In addition to this, the BCOD will provide administrative funds for activities relating to cooperative marketing development and salary assistance to staff members of the National Cooperative Systems. CMSP will provide funding in support of salaries and administration for a central cooperative marketing and supply center. CFPI will provide administrative and other budgetary support in areas of marketing information systems development, cooperative auditing systems development and project management and evaluation. NEDA will provide budgetary support for housing, utilities and operational travel for both long and short-term technical assistance provided under the project.

### (3) *Cooperative Equity*

Project beneficiaries, the members of *Samahang Nayon* belonging to project-targeted AMCs and CRBs, have and will continue to contribute substantially toward the equity growth of a strong cooperative marketing and finance structure. At present this equity investment in the twenty-three AMCs and CRBs identified for program development is equal to some 18% of the projected A.I.D. Loan portion. This amount, already considerable, is expected to more than double within the project life span. (See Attachment 2, item 3.)

### (4) *Loan and Trust Funds*

The Borrower's contribution to the Loan and Trust Funds is shown in item 4 of Attachment 2.

## *Annex I—Attachment 1*

### A.I.D. FINANCIAL SUMMARY

#### *Cooperative Marketing Project, No. 492-0300* (Expressed in US \$000)

	<i>Yr. 1</i>	<i>Yr. 2</i>	<i>Yr. 3</i>	<i>Total</i>	<i>Percent grand total</i>
<i>Support category</i>					
1. Technical assistance long-term .....	94	102	104	300	5.0
2. Technical assistance short-term .....	66	21	13	100	1.6
3. Commodities .....	25	42	13	80	1.3
Sub-total	185	165	130	480	8.0
% Sub-total	38.5	34.4	27.1	100.0	
<i>Financial category loan funds</i>					
4. AMC development loans .....	1,167	1,200	633	3,000	50.0
5. Central coop. mktg. and supply loan .....	—	675	—	675	11.2
6. AMC trust fund .....	275	412	413	1,100	18.3
7. Guarantee fund .....	745	—	—	745	12.5
Sub-total	2,187	2,287	1,046	5,520	92.0
% Sub-total	39.6	41.4	19.0	100.0	
GRAND TOTAL	2,372	2,452	1,176	6,000	100.0
% GRAND TOTAL	39.5	40.9	19.6	100.0	

## Annex I — Attachment 2

## BORROWER FINANCIAL SUMMARY

Cooperative Marketing Project, No. 492-0300  
(Expressed in U.S. \$000)

	Yr. 1	Yr. 2	Yr. 3	Total	Percent grand total
1. In-kind support .....	189	186	188	563	8.4
2. Budgetary support .....	474	431	423	1,328	19.9
3. Cooperative equity .....	1,387	416	541	2,344	35.2
4. Loan and trust funds .....	1,033	900	500	2,433	36.5
GRAND TOTAL	3,083	1,933	1,652	6,668	100.0
% GRAND TOTAL	46.2	29.0	24.8	100.0	

## ITEMIZED BORROWER PROJECT COST ESTIMATES

	Yr. 1 (P000)	Yr. 2 (P000)	Yr. 3 (P000)	Total	
				(P000)	(\$000)
1. Bureau of Cooperatives Development (BCOD)					
A. In-kind assistance:					
1) 75% salary of 15 CDOs .....	34	67	101	202	27
2) 50% salary of 15 MDOs .....	19	38	53	110	15
3) 100% salary of 5 Central Office professionals .....	60	60	60	180	24
4) Administration .....	45	45	45	135	18
Sub-total	158	210	259	627	84
B. Budgetary support:					
1) Training and dev. (SN) .....	1,035	835	735	2,605	348
2) Research and tech. asst. .....	300	300	400	1,000	133
3) MIS .....	200	200	200	600	80
4) Management Development .....	150	150	150	450	60
5) International travel: U.S. or 3rd country travel .....	15	15	15	45	6
Sub-total	1,700	1,500	1,500	4,700	627
C. Loan funds:					
1) Administered by CB through CFG loan fund .....	3,750	3,750	3,750	11,250	1,500
Sub-total	3,750	3,750	3,750	11,250	1,500
TOTAL	5,608	5,460	5,509	16,577	2,211
2. Central Bank of the Philippines (CB)					
A. In-kind assistance:					
1) Staff support: 6 Professionals, 10 Clerical .....	277	278	278	833	111
2) Office space .....	15	15	15	45	6
3) Administration and contingency .....	37	38	38	113	15
Sub-total	329	331	331	991	132

	Yr. 1 (P000)	Yr. 2 (P000)	Yr. 3 (P000)	Total	
				(P000)	(\$000)
<b>B. Budgetary support:</b>					
1) In-country training 7 Central Staff and 15 CRB Staff .....	37	38	38	113	15
2) International travel: U.S. or 3rd country travel .....	45	—	—	45	6
Sub-total	82	38	38	158	21
<b>C. CRB Trust Funds:</b>					
1) Administered by CB through DBP ..	4,000	3,000	—	7,000	933
Sub-total	4,000	3,000	—	7,000	933
TOTAL	4,411	3,369	369	8,149	1,086
<b>3. Cooperative Foundation Philippines, Inc. (CFPI)</b>					
<b>A. In-kind assistance:</b>					
1) Salaries, administration and contingency .....	250	250	250	750	100
Sub-total	250	250	250	750	100
<b>B. Budgetary support:</b>					
1) Cooperative training (CETF source) .....	500	500	500	1,500	200
Sub-total	500	500	500	1,500	200
TOTAL	750	750	750	2,250	300
<b>4. Cooperative Marketing System of the Philippines (CMSP)</b>					
<b>A. In-kind support:</b>					
1) Salaries, administration and contingency .....	187	188	188	563	75
Sub-total	187	188	188	563	75
<b>B. Budgetary support:</b>					
1) Source MTAP .....	1,200	1,200	1,200	3,600	480
Sub-total	1,200	1,200	1,200	3,600	480
TOTAL	1,387	1,388	1,388	4,163	555
<b>5. National Economic and Development Authority (NEDA)</b>					
<b>A. Budgetary support:</b>					
1) Technical assistance support .....	270	270	225	765	102
2) Commodity support .....	225	150	150	525	70
Sub-total	495	420	375	1,290	172
TOTAL	495	420	375	1,290	172

	Yr. 1 (P000)	Yr. 2 (P000)	Yr. 3 (P000)	Total	
				(P000)	(\$000)
6. <i>Project beneficiaries</i>					
A. Equity support:					
1) Current equity in targeted AMCs and CRBs .....	8,005	—	—	8,005	1,067
2) Projected equity growth in project targeted AMCs and CRBs .....	2,400	3,120	4,058	9,578	1,277
Sub-total	<u>10,405</u>	<u>3,120</u>	<u>4,058</u>	<u>17,583</u>	<u>2,344</u>
TOTAL	10,405	3,120	4,058	17,583	2,344
GRAND TOTAL IN-KIND	924	979	1,028	2,931	391
GRAND TOTAL BUDGETARY AND EQUITY	22,132	13,528	11,421	47,081	6,277
GRAND TOTAL ALL SUPPORT	23,056	14,507	12,449	50,012	6,668

*Annex I—Attachment 3*

ESTIMATED COMMODITY REQUIREMENTS

*Cooperative Marketing Project\**

<i>Commodity</i>	<i>Specification</i>	<i>No.</i>
1. Jeeps	1/4 ton	48
2. Trucks	3/4 ton	60
3. Trucks	2-1/2 ton	15
4. Trailer	1 ton cap.	30
5. Scales	Platform (500-kilo)	20
6. Scales	Platform (250-kilo)	10
7. Fork Lift	5-ton cap.	3
8. Grain Sacks	Hemp	100,000
9. Bag Closers	Electric	15
10. Typewriter	Electric and manual	60
11. Safe	Floor	15
12. Desks	Steel	40
13. File cabinets	Steel	40
14. Adding Machines	Manual and electric	20
15. Calculator	Manual and electric	20
16. Slide Projector	Automatic, Kodak or equivalent	5
17. Radio	Single side band	25

\* To be acquired through excess property if available. The above list represents only a tentative listing of the types of commodities to be procured under the project and is not inclusive in nature.