

**No. 19859**

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**UNITED STATES OF AMERICA  
and  
PHILIPPINES**

**Project Loan Agreement for crop protection (with annexes).  
Signed at Manila on 13 January 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 la protection des  
récoltes (avec annexes). Signé à Manille le 13 janvier  
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 CROP PROTECTION

Dated: January 13, 1978

A.I.D. Loan Number 492-I-045  
Project Number 492-0288

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<sup>1</sup> Came into force on 13 January 1978 by signature.

A.I.D. Loan No. 492-T-045  
A.I.D. Project No. 492-0288

PROJECT LOAN AGREEMENT dated January 13, 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, will consist of the development of an integrated crop protection capability in order to reduce losses due to crop pests and ultimately to increase the productivity and income of small farmers. The proceeds of the Loan will be used to assist in the strengthening of a National Crop Protection Center and seven Regional Crop Protection Centers to research, test and disseminate information on pest control techniques to small farmers. The Loan shall provide funding for training, equipment and technical services. 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.

*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 Five Million United States ("U.S.") Dollars (\$5,000,000.00) ("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 the Borrower for the Project will be not less than the equivalent of U.S. \$5,619,000.00, including costs borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project Assistance Completion Date" (PACD), which is September 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 disbursement, 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 semi-annually. 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 forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semi-annual 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 con-

tinuing 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 National Economic and Development Authority of 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) A copy of the Memorandum of Understanding between the National Crop Protection Center (NCPC) and the Bureau of Plant Industries (BPI), completed and signed;
- (d) An example of the contract to be used with individuals or firms for short and long term technical advisory services;
- (e) A training plan and schedule for all training to be financed under the Loan;
- (f) Preliminary plans and specifications, cost estimates and estimated time schedules for construction of the National Crop Protection Center;
- (g) A schedule for the completion of the Regional Crop Protection Centers;
- (h) A schedule for procurement of the technical advisory services;
- (i) The evaluation program referred to in Section 6.1; and
- (j) A schedule of commodity procurement activities.

*Section 5.2. DISBURSEMENT FOR PROCUREMENT OF EQUIPMENT.* Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, for procurement of certain highly specialized equipment listed in Attachment 1 of Annex I of this Agreement, the Borrower will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An executed contract for the services of a procurement specialist, as one of the short term consultants, for the procurement of specialized equipment; and
- (b) Technical specifications, prepared with the assistance of the procurement specialist, for such equipment.

*Section 5.3. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in Sections 5.1 and 5.2 have been met, it will promptly notify the Borrower.

*Section 5.4. TERMINAL DATES FOR CONDITIONS PRECEDENT.* (a) If all 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 Borrower.

(b) If all of the conditions specified in Section 5.2 have not been met within 18 months 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 cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

#### *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. INTERIM STAFF.* The Borrower covenants and agrees that an adequate number of qualified scientists and trainers from other Government of the Philippines entities will be made available on loan to the Project to effectively carry out the operations until the permanent staff are trained. The Borrower also covenants and agrees that enough fully qualified candidates shall be available or made available to fill participant training positions scheduled in the Project.

*Section 6.3. TRAINING SERVICE AGREEMENT.* The Borrower covenants and agrees that each participant financed with Loan funds shall execute an agree-

ment with the Borrower to serve the sponsoring agency or institution for a period of at least two times the length of training received.

#### 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 II, 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 cost 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 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 of 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 Letters 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

- (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.* 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 Loan Standard Provisions Annex” (Annex II) 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.

United States of America:

[Signed]

By: PETER M. CODY

Title: Director, U.S. Agency for International Development

Republic of the Philippines:

[Signed]

By: GERARDO P. SICAT

Title: Secretary of Economic Planning (Director General), National Economic and Development Authority

*Concur:*

[Signed]

By: ARTURO R. TANCO, Jr.

Title: Secretary, Department of Agriculture

## ANNEX I

## DESCRIPTION OF PROJECT

A loan of up to Five Million U.S. Dollars (\$5,000,000.00) is provided to assist the Republic of the Philippines in the strengthening of a National Crop Protection Center and seven Regional Crop Protection Centers to research, test and disseminate information on pest control techniques to Filipino farmers, thereby contributing to self-sufficiency in food commodities and to increase small farmer income.

The Project will be implemented within the Republic of the Philippines by the National Crop Protection Center at the University of the Philippines at Los Banos (UPLB) in cooperation with the Bureau of Plant Industry (BPI) of the Department of Agriculture. The Director of the National Crop Protection Center will be the senior government official serving as the coordinator on behalf of the Borrower. In this capacity, the National Crop Protection Center will be the official channel for communications between A.I.D. and the implementing government agencies. NEDA will serve as the official Borrower's representative and will make interagency arrangements for the financing of local currency costs.

*A. GOP contributions**1. Physical Facilities*

The Borrower, through UPLB, will provide funds for the main training and research building of the National Center during the first year of the Project and construction contracts will be awarded within six months from execution of this Loan Agreement. Until completion of the permanent facilities, UPLB will provide temporary quarters for the National Center at the Rodent Research Center. Five of the Regional Centers are scheduled to have completed facilities during the first year of the Project. The final two Regional Centers have no existing physical facilities at present and it is planned that facilities at these will be funded and constructed by the Borrower through the BPI of the Department of Agriculture during the first and second years of the Project. Submission of adequate plans and commitments for infrastructure at the National Center and a schedule for completion of the Regional Centers are conditions precedent to disbursement in the Project Loan Agreement.

*2. Operation and Maintenance Budgets*

Provision of annual operation and maintenance budgets for the National Center will be the responsibility of the University of the Philippines, Los Banos (UPLB); and provision of operation and maintenance budgets for the Regional Centers will be the responsibility of the Bureau of Plant Industry (BPI) of the Department of Agriculture.

*3. Staffing*

The Borrower, through the University of the Philippines and the Department of Agriculture, will provide adequate manpower to meet supporting nonprofessional staff requirements of the Centers for all research, training and extension activities. In specialties where adequately trained personnel are currently available in the country and where their recruitment by the Centers would not jeopardize other country programs, qualified persons will be chosen from these pools and provided an opportunity for career positions at the Centers. In specialties where trained in-country personnel are currently available in adequate numbers for this program but permanent or full-time use of these individuals would jeopardize efforts in other programs, the Borrower will provide scientists and other professionals to the Centers on an interim basis. These scientists, drawn from academic and other government positions, will devote a reasonable portion of their time, estimated to be at least 60 working days per year, to Center activities and will serve as part-time staff members of the Centers. The provision of these scientists on an interim basis is a covenant of the Project Loan Agreement.

B. *The A.I.D. Loan will provide funding for:*

	<i>Estimated cost*</i>
Technical services in the area of crop protection . . . .	\$ 817,000
Training crop protection specialists at the M.S. and Ph.D. level . . . . .	1,313,000
Selective support of local conferences and attendance of staff at international conferences in pest management . . . . .	33,000
Training and research equipment for the National Center and for four of the Regional Centers . . . . .	2,479,531
and	
Selective research equipment for the remaining three Regional Centers . . . . .	357,469
TOTAL	\$5,000,000

\* Adjustments of line items of up to 15% is permitted provided the obligated total is not exceeded.

1. *Technical Services*

In essential specialty areas, where there is an inadequate pool of skilled, national personnel, \$817,000 (16.3 percent) of the loan funds will provide financing for short and long term technical assistance until national personnel have been trained. For the short-term consultants, the project loan funds will be used to cover international travel, per diem, and personnel compensation of the consultant; and in-country travel as necessary will be financed by the Borrower through UPLB. For the long-term consultants, personnel compensation and international travel (including consultation, education, emergency, initial and home leave) would come from project loan funds; residential rent, utilities, in-country travel and per diem while away from permanent station would be financed by the Borrower through UPLB. Expatriate consultants will be identified and hired by the National Center. As required by A.I.D. policy, these experts will be hired on a host-country contract basis. All contracting activities relating to the A.I.D. financed consultants will conform to A.I.D.'s Handbook No. 11 and will be the responsibility of the National Center.

2. *Training*

In specialties where reliance on presently trained personnel by the Centers could strain country efforts in other programs, \$1,313,000 (26.3 percent) of the loan funds will provide for participant training at both the Ph.D. and M.S. levels. At the Ph.D. level, funds will be used for academic training (including miscellaneous costs) and travel within the U.S. Costs for transportation to and from the U.S. may be loan funded or provided by the Borrower. At the M.S. level, training will be conducted at the University of the Philippines at Los Banos, or other academic institutes within the country as appropriate, and loan funds will be used to cover the local costs of academic training. Recruitment of qualified candidates for these training programs is the responsibility of the National Center, in cooperation with the Regional Centers, and an assurance that enough fully qualified candidates are available is a covenant (Section 6.2) to the Project Loan Agreement.

The Centers will prepare detailed scopes of training for participant trainees according to program needs. Candidate trainees will be identified by the Centers and submitted to NEDA. NEDA will review the appropriateness of the training and the candidate and submit nominations to A.I.D. A.I.D. will review the nominations on technical grounds and accept or reject for participant training. The A.I.D. Training Office will assist in placement

of participants as requested. All trainees will begin academic work during the first two years of the Project. We anticipate that the average length of training at both the Ph.D. and M.S. levels will be three years.

### 3. Conference support

To provide cooperative and collaborative working relationships among researchers in the Philippines, between researchers in the Philippines and those of other countries in the area of crop protection, and between national research and extension programs in pest management, the Loan will provide \$33,000 (.66 percent) for attendance of national scientists at international conferences and to support national conferences in the area of pest management. For the international conferences, loan funds may be used to provide international travel and per diem costs for the scientists. For local conferences, loan funds may be used for supporting costs such as preparation of materials while the Borrower will provide for local travel, per diem and personal expenses of attendees. In-service training programs of the Centers will not be financed using loan funds. Attendance at international conferences will be eligible for support during the first four years of the Project. National conferences will also be eligible for loan support during the first four years of the Project.

### 4. Equipment

To assure that the Centers are adequately equipped, \$2,837,000 (56.7 percent) of the loan fund will be used for purchase of commodities. Commodity requirements were developed by the Borrower with the assistance of A.I.D. and specifications are already known for many of the items. Responsibility for completion of these specifications is that of the National Center in cooperation with the Crop Protection Division of the Bureau of Plant Industry. Procurement will be the responsibility of the National Center. In addition, a condition precedent to the Loan is agreement by the Borrower to hire a procurement specialist as one of the short-term consultants to assist in obtaining the following highly specialized equipment which will be purchased during the latter years of the Project:

	<i>Price</i>	<i>Qty.</i>	<i>Cost</i>
A. Nuclear Magnetic Resonance Spectrometer ...	25,000	1	25,000
B. Mass Spectrometer, with gas chromatograph Varian MAT III .....	180,000	1	180,000
C. Scanning Transmission Electron microscope ...	100,000	1	100,000
D. S.E.M. accessories, including ultra-microtome and tissue processor .....	69,000		69,000
SUB-TOTAL	374,000		374,000

Purchasing schedules will be based on the availability of adequate physical facilities and trained manpower to properly use and maintain the equipment, and in accordance with the schedule set forth as a condition precedent to disbursement.

Because the National Center is under the administrative responsibility of the University of the Philippines at Los Banos and the Regional Centers are under the administrative responsibility of the Bureau of Plant Industry, a condition precedent in the Project Loan Agreement is the signing of a memorandum of understanding between the University of the Philippines at Los Banos and the Bureau of Plant Industry which defines their cooperative roles in the administration and operation of the Centers.

By the end of the Project, it is planned that the National Crop Protection Center and all seven of the Regional Crop Protection Centers will be fully organized and have completed physical facilities; core staff of training and research personnel will have completed formal academic training; cooperative and collaborative working relationships will be established between research, extension, the pesticide distribution system and government policy-making organizations and the Centers; the Center staff will be actively

engaged in training extension technicians and key farmers (such as Barangay Leaders) in latest pest management practices; and the Center staff will be actively engaged in conducting priority research according to the short and long-term crop protection needs of the country as determined and defined in the PCARR sponsored National Research Congress.

A detailed description of the planned costs is presented, according to project inputs, in the table set forth in Attachment 1 to Annex I. The table depicts the estimated costs to the Philippine government and disbursements from the Loan for activities under each of the Project inputs.

## Attachment 1

## SUMMARY COST ESTIMATE AND FINANCIAL PLAN, CROP PROTECTION\*

Project No. 492-0299-ASIA BUREAU CODE-04  
(\$000)

Components	FY 78			FY 79			FY 80		
	AID-FX	AID-LC	GOP-LC	AID-FX	AID-LC	GOP-LC	AID-FX	AID-LC	GOP-LC
U.S. technicians .....	26	—	4	183	—	37	242	—	54
Participants .....	—	—	—	119	67	3	348	119	—
Commodities .....	—	—	—	1 690	—	—	395	—	—
Others .....	—	—	1,297	2	6	1,099	2	6	878
SUB-TOTALS	26	—	1,301	1,994	73	1,139	987	125	932

Components	FY 81			FY 82			Totals**			Overall
	AID-FX	AID-LC	GOP-LC	AID-FX	AID-LC	GOP-LC	AID-FX	AID-LC	GOP-LC	
U.S. technicians .....	257	—	55	109	—	22	817	—	172	989
Participants .....	357	110	18	152	41	14	976	337	35	1,348
Commodities .....	211	—	—	541	—	—	2 837	—	—	2,837
Others .....	2	6	974	2	7	1,164	8	25	5,412	5,445
SUB-TOTALS	824	116	1,047	804	48	1,200	4,638	362	5,619	10,619

\* Figures presented include an AID-FX inflation factor of 6% and an AID-LC and GOP-LC inflation factor of 7%, compounded yearly; and, a contingency factor of 4%.

\*\* Adjustments of line item amounts and between years, of up to fifteen percent are permitted provided the obligated total is not exceeded.

## ANNEX II

## PROJECT LOAN STANDARD PROVISIONS ANNEX

*Definitions.* As used in this Annex, the "Agreement" refers to the Project Loan Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

*Article A.* PROJECT IMPLEMENTATION LETTERS

To assist Borrower in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex I.

*Article B.* GENERAL COVENANTS

*Section B.1.* CONSULTATION. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

*Section B.2.* EXECUTION OF PROJECT. The Borrower will:

- (a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

*Section B.3.* UTILIZATION OF GOODS AND SERVICES. (a) Any resources financed under the Loan will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project and thereafter will be used so as to further the objectives sought in carrying out the project.

(b) Goods or services financed under the Loan, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

*Section B.4.* TAXATION. (a) This Agreement and the Loan will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Borrower.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Loan, and any property or transactions relating to such contracts and (2) any commodity procurement transaction financed under the Loan are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the territory of the Borrower, the Borrower will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Loan.

*Section B.5. REPORTS, RECORDS, INSPECTIONS, AUDIT.* The Borrower will:

- (a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Loan.

*Section B.6. COMPLETENESS OF INFORMATION.* The Borrower confirms:

- (a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and discharge of responsibilities under this Agreement; and
- (b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

*Section B.7. OTHER PAYMENTS.* Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the country of the Borrower.

*Section B.8. INFORMATION AND MARKING.* The Borrower will give appropriate publicity to the Loan and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

### *Article C. PROCUREMENT PROVISIONS*

*Section C.1. SPECIAL RULES.* (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Borrower will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Loan will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

*Section C.2. ELIGIBILITY DATE.* No goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

*Section C.3. PLANS, SPECIFICATIONS, AND CONTRACTS.* In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Borrower will furnish to A.I.D. upon preparation:

- (1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Loan, including documentation relating to the prequalification and selection of contractors



and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation; and

- (2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Loan, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Loan will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Loan for engineerings and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

*Section C.4. REASONABLE PRICE.* No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Loan. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

*Section C.5. NOTIFICATION TO POTENTIAL SUPPLIERS.* To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

*Section C.6. SHIPPING.* (a) Goods which are to be transported to the territory of the Borrower may not be financed under the Loan if transported either:

- (1) On an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment;
- (2) On an ocean vessel which A.I.D., by written notice to the Borrower has designated as ineligible; or
- (3) Under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, if such goods or persons are carried:

- (1) On an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or
- (2) On an ocean vessel which A.I.D., by written notice to the Borrower, has designated as ineligible; or
- (3) Under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels:

- (1) At least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels; and

- (2) At least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Borrower on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to any cargo transported from U.S. ports and also any cargo transported from non-U.S. ports, computed separately.

*Section C.7. INSURANCE.* (a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Borrower may be financed as a Foreign Exchange Cost under this Agreement provided:

- (1) Such insurance is placed at the lowest available competitive rate; and
- (2) Claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Borrower (or government of Borrower), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Borrower financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Borrower will insure, or cause to be insured, goods financed under the Loan imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Borrower under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

*Section C.8. U.S. GOVERNMENT-OWNED EXCESS PROPERTY.* The Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

#### *Article D. TERMINATION; REMEDIES*

*Section D.1. CANCELLATION BY BORROWER.* The Borrower may, by giving A.I.D. 30 days written notice, cancel any part of the Loan which has not been disbursed or committed for disbursement to third parties.

*Section D.2. EVENTS OF DEFAULT; ACCELERATION.* It will be an "Event of Default" if Borrower shall have failed:

- (a) To pay when due any interest or installment of Principal required under this Agreement, or
- (b) To comply with any other provision of this Agreement, or
- (c) To pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may give the Borrower notice that all or any part of the unpaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:
  - (1) Such unpaid Principal and accrued interest hereunder will be due and payable immediately; and

- (2) The amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

*Section D.3. SUSPENSION.* If at any time:

- (a) An Event of Default has occurred; or
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (d) The Borrower shall have failed to pay when due any interest, installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

then A.I.D. may:

- (1) Suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Borrower;
- (2) Decline to issue additional commitment documents or to make disbursements other than under existing ones; and
- (3) At A.I.D.'s expense, direct that title to goods financed under the Loan be transferred to A.I.D. if the goods are from a source outside Borrower's country, are in a deliverable state and have not been off-loaded in ports of entry of Borrower's country. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

*Section D.4. CANCELLATION BY A.I.D.* If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed or irrevocably committed to third parties.

*Section D.5. CONTINUED EFFECTIVENESS OF AGREEMENT.* Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

*Section D.6. REFUNDS.* (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement in United States Dollars to A.I.D. within sixty (60) days after receipt of a request therefor. The right to require such a refund of a disbursement will continue, notwithstanding any other provisions of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

(b) (1) Any refund under the preceding subsection, or

(2) Any refund to A.I.D. from a contractor, supplier, bank, or other third party with respect to goods or services financed under the Loan, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will:

A. Be made available first for the cost of goods and services required for the Project, to the extent justified; and

- B. The remainder, if any, will be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder.

*Section D.7. NONWAIVER OF REMEDIES.* No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

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