

CONFORMED COPY

LOAN NUMBER 1225 PH

LOAN AGREEMENT

(Second Livestock Project)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 8, 1976

Public Disclosure Authorized

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LOAN AGREEMENT

AGREEMENT, dated April 8, 1976, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

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 March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

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

(a) "DBP" means Development Bank of the Philippines, an agency of the Borrower;

(b) "Sub-loan" means a loan made or proposed to be made by DBP in carrying out Part A of the Project, and to be financed in part out of the proceeds of the Loan;

(c) "Subsidiary Loan Agreement" means the agreement referred to in Section 3.02 hereof; and

(d) "Prior Loan Agreement" means the loan agreement (Livestock Project) between the Borrower and the Bank dated May 25, 1972, as amended.

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 twenty million five hundred thousand dollars (\$20,500,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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 described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, the goods, works and services (other than consultants' services) for the Project to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be June 30, 1982 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ 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 eight and one-half per cent (8-1/2%) 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 February 15 and August 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.09. DBP is designated as representative of the Borrower for the purpose of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower shall carry out and shall cause DBP to carry out Parts A and B of the Project with due diligence and efficiency and in conformity with sound administrative, financial and livestock financing 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.

Section 3.02. (a) The Borrower shall relend to DBP the equivalent of \$19,800,000 out of the proceeds of the Loan under a Subsidiary Loan Agreement to be entered into between the Borrower and DBP, under terms and conditions satisfactory to the Bank that will include those set forth in paragraph A of Schedule 5 hereto.

(b) 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 any provision of the Subsidiary Loan Agreement.

(c) 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 3.03. The Borrower shall cause DBP:

(a) to make Sub-loans on terms and conditions satisfactory to the Bank and, except as the Bank shall otherwise agree, in accordance with the Lending Policies and Procedures set forth in paragraph B of Schedule 5 hereto, as such Schedule may be amended from time to time by agreement between the Bank and the Borrower, represented for these purposes by DBP;

(b) to establish and maintain a separate Project Account to be used exclusively for Parts A and B of the Project; and

(c) to record in such Project Account all receipts and payments for or in connection with such parts of 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 paid and received on account of Sub-loans; and

(iii) amounts paid for Part B of the Project and for the administration of Parts A and B of the Project.

Section 3.04. In order to assist DBP in financing livestock development, the Borrower shall cause DBP to employ, for a period of one year, starting not later than December 1, 1976 or such later

date as the Bank shall agree, one specialist each on cattle production and farm development monitoring; such specialists to have such qualifications, experience and terms and conditions of employment as shall be satisfactory to the Bank.

Section 3.05. The Borrower shall, within six months after the date of this Agreement or such longer period as the Bank shall agree, employ one consultant each on pig nutrition, poultry nutrition, use of by-products by ruminants, and backyard cattle raising systems, in order to assist in the carrying out of Parts C and D of the Project; such specialists to have such qualifications, experience and terms and conditions of employment as shall be satisfactory to the Bank.

Section 3.06. The Borrower shall increase the assistance it renders to DBP through its Bureau of Animal Industry regarding the provision of technical assistance to DBP borrowers for livestock purposes.

Section 3.07. (a) The Borrower shall cause a program of applied research on pig and poultry nutrition to be carried out under terms of reference satisfactory to the Bank, and shall assist in financing the execution of such program with a grant of not less than the equivalent of \$150,000 or such other amount as the Borrower and the Bank shall agree.

(b) The Borrower shall, within one year after the date of this Agreement, furnish or cause to be furnished to the Bank the proposed terms of reference for such program.

Section 3.08. The Borrower shall cause DBP to monitor annually, in accordance with monitoring methods satisfactory to the Bank, a randomly selected sample of sub-projects financed out of the proceeds of the Loan and of the loan made by the Bank to the Borrower pursuant to the Prior Loan Agreement.

Section 3.09. 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 3.10. (a) The Borrower shall furnish or cause to be furnished to the Bank, if requested, promptly upon their preparation, the plans, specifications, reports, and contract documents related to, and construction and procurement schedules for the slaughterhouses and the feed quality control laboratory included in, the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably specify.

(b) The Borrower shall, with respect to Parts C and D of the Project, and shall cause DBP, with respect to Parts A and B of the Project, to: (i) maintain records adequate to reflect the progress and cost of the Project 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 accredited representatives to visit the facilities and construction sites included in the Project and to examine 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 expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.11. The Borrower shall cause DBP to cause the beneficiaries of sub-loans for slaughterhouse construction 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.

ARTICLE IV

Financial 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 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, except as the Bank shall otherwise agree, if any such lien shall be created, it will ipso facto equally and ratably, and at no cost to the Bank, secure the payment of the principal of, and interest and other charges on, the Loan and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(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 appropriate accounting practices its operations and financial condition.

(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 account referred to in Section 3.03(b) hereof) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than three months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of DBP and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions;

(a) that the execution and delivery of the Subsidiary Loan Agreement on behalf of the parties thereto have been duly authorized or ratified by all necessary governmental and corporate action; and

(b) that the Borrower, through its Bureau of Animal Industry, and DBP have entered into an agreement, on terms and conditions satisfactory to the Bank, pursuant to which the Borrower shall render the increased assistance provided for in Section 3.06 hereof.

Section 5.02. The following is specified as an additional matter, within the meaning of Section 12.02(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, and is legally binding upon the parties thereto in accordance with its terms.

Section 5.03. The date June 30, 1976, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 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 in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF THE PHILIPPINES

By /s/ Eduardo Z. Romualdez
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Bernard R. Bell
Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Sub-loans for pig, poultry, backyard cattle, and dairy farm development	10,500,000	50% of the amounts disbursed under Sub-loans
(2) Sub-loans for coconut/beef and hill beef farm development	4,000,000	54% of the amounts disbursed under Sub-loans
(3) Sub-loans for slaughterhouse construction	750,000	50% of the amounts disbursed under Sub-loans
(4) Consultants' services; equipment, livestock and materials for the research referred to in Section 3.07, and training outside the Philippines	500,000	100% of foreign expenditures or 60%

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(5) Equipment and material for a feed quality control laboratory	400,000	100% of foreign expenditures or 100% of ex-factory cost in the case of goods produced in the Philippines
(6) Unallocated	4,350,000	
	<hr/>	
	TOTAL	
	20,500,000	
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2. For the purposes of this Schedule the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above:

(a) no withdrawals shall be made in respect of (i) land acquisition and (ii) payments made for expenditures prior to the date of this Agreement, except withdrawals in respect of expenditures incurred after December 31, 1975, in an aggregate amount not exceeding the equivalent of \$1,500,000, and financed out of the proceeds of Sub-loans, provided, however, that such Sub-loans shall have been made pursuant to the provisions of the Prior Loan Agreement;

(b) the aggregate of all withdrawals on account of Sub-loans for farm development which, by themselves or together with any other outstanding loan made or any Loan proposed to be made by DBP to the same beneficiary for livestock, would exceed the equivalent of \$100,000, shall not, except as the Bank shall otherwise agree, exceed the equivalent of \$3,000,000; and

(c) the aggregate of all withdrawals on account of Sub-loans for pig and/or poultry development which, by themselves or together with any other outstanding loan made or any loan proposed to be made by DBP to the same beneficiary for livestock, would exceed the equivalent of \$100,000, shall not, except as the Bank shall otherwise agree, exceed the equivalent of \$500,000.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

The Project is part of the continued effort of the Borrower to increase domestic production of livestock, particularly of cattle and of smallholder pig and poultry enterprises. It consists of:

Part A: Lending Program

A program of credit to assist in the development of pig, poultry, and cattle enterprises, and in the establishment, replacement or upgrading of about 10 small municipal slaughterhouses.

Part B: Training Program

A program to offer formal training, including retraining, and on-the-job instruction on livestock development to an adequate number of staff members of the Development Bank of the Philippines.

Part C: Research Program

A program of investigation into: (i) pig and poultry nutrition; (ii) the use of by-products by ruminants; and (iii) backyard cattle raising systems.

Part D: Feed Quality Control Program

Establishment of a feed quality control system,
including construction and equipping of a feed quality
analysis laboratory.

* * * * *

Parts C and D of the Project are expected to be completed by
June 30, 1979.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
February 15, 1982	780,000
August 15, 1982	815,000
February 15, 1983	850,000
August 15, 1983	885,000
February 15, 1984	925,000
August 15, 1984	960,000
February 15, 1985	1,005,000
August 15, 1985	1,045,000
February 15, 1986	1,090,000
August 15, 1986	1,135,000
February 15, 1987	1,185,000
August 15, 1987	1,235,000
February 15, 1988	1,285,000
August 15, 1988	1,340,000
February 15, 1989	1,400,000
August 15, 1989	1,460,000
February 15, 1990	1,520,000
August 15, 1990	1,585,000

* 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

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:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1-1/2%
More than three years but not more than six years before maturity	2-3/4%
More than six years but not more than ten years before maturity	5-3/4%
More than ten years but not more than twelve years before maturity	7%
More than twelve years before maturity	8-1/2%

SCHEDULE 4

Procurement

A. International Competitive Bidding

The goods for the feed quality control laboratory included in Part D of the Project shall be procured under contracts to be awarded in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding.

B. Other Procurement Procedures

1. Slaughterhouse Construction

The materials and equipment required for each slaughterhouse included in Part A of the Project shall be procured and installed, and civil works therefor shall be carried out, under two contracts, respectively, to be awarded in accordance with the Guidelines, on the basis of competitive bidding, it being agreed that the Borrower undertakes to cause DBP to give notice thereof only by means of advertisements placed in at least one newspaper of general circulation in the Philippines.

2. Farm Development

Goods and services for farm development shall be procured through regular commercial channels.

3. Other

Vehicles, materials and equipment required by the Borrower or DBP to carry out the Project shall be procured under the Borrower's or DBP's normal procedures.

C. Review of Decisions regarding Slaughterhouse Procurement by Bank

1. Review of prequalification procedures. The Borrower shall cause DBP, before qualification is invited regarding slaughterhouse construction, to inform the Bank in detail of the procedure to be followed and to introduce such modifications in said procedure as the Bank shall reasonably request.

2. Review of invitation to bid and of proposed awards and final contracts:

(a) Before bids are invited, the Borrower shall cause DBP to furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and to make such modifications in the said documents or procedures as the Bank shall reasonably request.

Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall cause DBP, before a final decision on the award is made, to inform the Bank of the name of the bidder to which the contract is intended to be awarded and to furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform DBP and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

D. Information

Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

SCHEDULE 5

Lending Policies and Procedures

A. Subsidiary Loan Agreement

Repayment: 14-1/2 years, including 5-1/2 years of
grace
Rate of interest: 8-1/2% per annum on outstanding amounts
Exchange risk: the Borrower shall bear it.

B. Lending Program under Part A

1. Area

DBP may make Sub-loans to finance investments in any area of the Philippines where it has qualified live-stock staff available, subject to the location of the investment projects being appropriate in accordance with sound environmental, technical and investment criteria.

2. Farm Development

It is expected that Sub-loans for farm development will finance, mainly, equipment, livestock, materials, supplies, and incremental working capital.

3. Slaughterhouse Development

It is expected that Sub-loans will be made to establish, replace or upgrade about ten small municipal slaughterhouses located in smaller cities with a capacity normally not exceeding a daily throughput of 20 cattle and 100 pigs. Sub-loans will finance mainly site development (and land acquisition in cases other than those where slaughterhouses are replaced or upgraded), construction of buildings, utility services, equipment and meat transport facilities.

DBP will furnish to the Bank model designs for slaughterhouses, for the Bank's approval. Sub-loans will only be made, and disbursed, to finance slaughterhouses, constructed in accordance with designs substantially in accordance with the models approved by the Bank, and they will include adequate facilities for handling of waste products and effluents.

4. Contribution (in cash or kind) of Sub-loan Beneficiaries

Sub-loans to major beneficiaries will be in an amount not exceeding 75% of the estimated cost of the respective farm development or slaughterhouse construction, as the case may be, when (i) the projected size of the beneficiary's enterprise after farm development completion shall exceed the size set forth below, or

(ii) the beneficiary shall, on account of all of its assets, be reasonably deemed by DBP to be able to contribute at least 25% to the proposed investment.

<u>Type of Farm Development</u>	<u>Estimated Size of Enterprise, after Development</u>
Piggeries	70 breeding sow capacity
Broilers	15,000 broiler capacity
Layers	8,000 laying hen capacity
Integrated Coconut/Cattle	50 breeding cows
Hill Beef Cattle	165 breeding cows

It is expected that other beneficiaries will, on average, contribute 10% to the estimated cost of developments.

The cost of land will only be taken into account in estimating the beneficiary's contribution in the case of slaughterhouse construction other than for replacement or upgrading of existing slaughterhouses.

5. Sub-loan Terms

Repayment terms will be based mainly on the ability of the beneficiary to service the Sub-loans from the proceeds of the investments. Normally they will not exceed the following:

	<u>Repayment</u> <u>Term</u> ----- Years -----	<u>Grace</u> <u>Period</u> -----
Pigs	10	3
Poultry	8	2
Hill Cattle	13	5
Integrated Coconut/ Beef Cattle	10	4
Integrated Coconut/ Dairy/Beef Cattle	10	4
Backyard Cattle	10	4
Slaughterhouses	10	4

Sub-loans will bear interest at the rate of 14% per annum on outstanding amounts, except that Sub-loans secured by land and all Sub-loans in a principal amount of 5,000 pesos or less shall bear interest at the rate of 12% per annum on outstanding amounts. Major beneficiaries, i.e., those required to contribute not less than 25% to the cost of their subproject, will also be required to pay a 2% one-time service fee.

6. Bank Approval

All Sub-loans for slaughterhouse construction, and all Sub-loans which by themselves or together with any other outstanding loan of DBP to the same beneficiary for livestock financed out of the proceeds of any loan made by the Bank to the Borrower would exceed the equivalent of \$200,000, will require the prior approval of the Bank.

7. Sub-loan Agreements

Sub-loans will be made pursuant to written agreements that will conform substantially to the form of loan agreement agreed upon by the Bank and the DBP, and, except as the Bank shall otherwise agree, DBP shall not amend any substantial provision thereof.