

May 16, 2000

**UNDERSTANDING ON THE COOPERATION IN THE FIELD OF  
AGRICULTURE, IRRIGATION AND OTHER RELATED AREAS  
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE  
PHILIPPINES AND THE GOVERNMENT OF THE PEOPLE'S  
REPUBLIC OF CHINA**

The Government of the Republic of the Philippines and the Government of the People's Republic of China (hereinafter referred to as the "Contracting Parties").

Desiring to further enhance the existing friendly relations between the Republic of the Philippines (the "Philippines") and the People's Republic of China ("PRC") on the basis of the principles of equity, mutual benefit and mutual respect;

Recognizing the importance of agriculture in national development and in the improvement of the standard of living of the people in each country;

Pursuing the Agreement on Cooperation in the Field of Agriculture signed by the Secretary of Agriculture of the Philippines and the Minister of Agriculture of PRC in Beijing, China, in September 1999, and the Memorandum of Understanding between the Department of Agriculture and the China National Constructional and Agricultural Machinery Import and Export Corporation (CAMC) last February 2000;

Cognizant of the need to undertake collaborative endeavors in agriculture and related fields to modernize agriculture into a technology-based industry, with farmers having access to assets, technologies, resources and services;

Desiring to promote and foster cooperation and unity between the Philippines and PRC in the field of agricultural modernization and development, thereby securing improvement in the efficiency of the production and distribution of all food and agricultural products;

Acknowledging the importance of efficient, affordable and appropriate irrigation systems, agricultural mechanization, post-harvest facilities and training in securing agricultural development;

HAVE AGREED AS FOLLOWS:

**ARTICLE 1  
GENERAL PROVISIONS**

The Contracting Parties shall promote technical, economic and trade cooperation in the field of agriculture in light of laws and relevant regulations of their respective countries.

**ARTICLE 2  
AREAS OF COOPERATION**

1. The scope of cooperation shall include the areas of irrigation, post-harvest facilities and agricultural services.
2. Irrigation.

2.1. The rehabilitation of irrigation facilities and the provision of small electric plants are essential in ensuring agricultural development.

2.2. The China National Constructional and Agricultural Machinery Import and Export Corporation ("CAMC"), a wholly owned subsidiary of the Government of the People's Republic of China, shall establish and rehabilitate irrigation facilities on areas to be agreed upon by the Department of Agriculture ("DA")-National Irrigation Administration ("NIA") of the Philippines.

2.3. The initial project to be undertaken pursuant to this Understanding shall be the Banaoang Irrigation Project, located at Bantay, Ilocos Sur, which shall be the subject of a separate Memorandum of Agreement.

2.4. The Irrigation Project/s undertaken pursuant to this Understanding shall be implemented by CAMC on a Build and Transfer ("BT") basis, with CAMC providing technical training as well as continuing support and service for the efficient operation of the completed project/s.

2.5. The Chinese side intends to provide an export credit facility in an aggregate amount not exceeding Fifty Million U.S. Dollars (US\$50,000,000.00) to support CAMC to implement the Irrigation Projects and the Service Centers as mentioned above, subject to terms and conditions as may be mutually agreed upon.

2.6. DA-NIA shall repay the amount due to CAMC according to the terms and conditions agreed upon, with the Philippine National Government to guarantee payment of the loans in case of default or non-payment by DA-NIA.

### 3. Post-Harvest and Service Centers.

3.1. Post-Harvest and Service Centers (the "Centers") shall be established in different locations around the Philippines as may be determined by the DA. Initial post-harvest projects to be undertaken pursuant to this Understanding may include:

3.1.1. Farmers service center to be located in the North Cotabato River Basin in Mindanao to provide complete facilities for land preparation, post-harvest transport, storage, primary and downstream processing and packaging;

3.1.2. Rehabilitation/replacement of rice-milling facilities in Davao Provinces, South Cotabato, Sultan Kudarat and North Cotabato Province;

3.1.3. Food storage and processing terminal complex in Mindanao;

3.1.4. Mango processing facilities in Isabela, Luzon; and

3.1.5. Cold chain systems and cold storage facilities for fish, vegetables and fruits.