

August 12, 1999

**AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
THE PHILIPPINES AND THE GOVERNMENT OF THE KINGDOM OF
NORWAY**

regarding

Financing of the Technical Assistance to the Philippine Petroleum Resource
Assessment Project

WHEREAS, the Government of the Kingdom of Norway ("Norway") has been requested by the Government of the Republic of the Philippines ("The Philippines") for financing of technical assistance to the Philippine Petroleum Resource Assessment Project ("the Project");

WHEREAS, Norway has decided to comply with the request;

NOW, THEREFORE, Philippines and the Norway have reached the following understanding which shall constitute an Agreement between the Parties:

ARTICLE I
Scope and Objectives

1. This Agreement sets forth the terms and procedures for Norway's financing of the technical assistance for the implementation of the Project as set out in the Project Profile attached to this Agreement as Annex I.

The Project is further outlined in the draft Project Document Philippine Petroleum Resource Assessment Project, dated 28 January 1998.

2. The Goals of the Project are: a) to achieve a better understanding of the Philippines' petroleum resource potential in order to define internal and external energy-related policies and strategies with the aim to ensure optimal resource management without damaging the environment; and b) to support the poverty alleviation program of the Philippine Government with the anticipated growth and diversification of energy-related industries which transfers to better socio economic conditions for the country particularly for the host government units that acquire direct financial benefit from the development and production of petroleum field."

3. The Objectives of the Project are:

- To develop a petroleum resource classification system;
- To establish an inventory of the Philippines petroleum resources;
- To enhance the technical capability of the Philippine Department of Energy's Oil and Gas Division in petroleum resource assessment.

ARTICLE II
Implementing Arrangements

1. Philippines and Norway shall co-operate fully and maintain all communication lines open to ensure that the objectives of the Project are successfully attained.

2. In matters relating to the implementation of this Agreement, the Department of Energy ("DOE") and the Norwegian Agency for Development Cooperation ("NORAD") shall be competent to represent the Philippines and Norway; respectively.
3. NORAD shall assist the DOE in selecting a consulting company ("Consultant"); subject to the Norwegian tender process and consistent with the Project's requirements.
4. A contract, approved by NORAD, shall be entered into by DOE with the selected Consultant for implementing the Project.

ARTICLE III

Contributions and Obligations of Norway

1. Norway shall, subject to Parliamentary appropriations, and on the terms and procedures set out or referred to herein, provide a financial grant not exceeding NOK 5,548,000 (Norwegian kroner five-million-five-hundred-and-forty-eight-thousand) ("the Grant"), to be used exclusively to finance the Project.

2. Norway reserves the right to withhold disbursements at any time in case i.a.:

- substantial deviations from agreed plans and budgets occur;
- resources to be allocated by the Philippines are not provided as agreed;
- the documentation specified in Article VI below is not delivered as agreed;
- the Project develops unfavorably in relation to the Goals and Objectives.

Before withholding any disbursement from the Grant, the Parties shall consult with each other with the view to reaching a solution on the matter and, if necessary, refer also to Article IX.

3. Any funds from the Grant not fully utilized for one activity may, upon previous written agreement between the Parties, be utilized for other requirements of the Project.

4. The Government of Norway recognizes that all data/information obtained and generated by the Project belongs to the Government of the Philippines taking into consideration the Confidentiality Agreement entered into between the Consultant and the DOE.

ARTICLE IV

Contributions and Obligations of the Philippines

The Philippines, through the DOE shall:

1. Have the overall responsibility for the planning, administration and implementation of the Project, including all categories of works, repair and maintenance of equipment, spare parts, goods and materials made available under this Agreement;
2. Provide the necessary manpower, petroleum-related data and office space and equipment as reflected in Annex 1 .