

October 24, 1997

EMBASSY OF THE REPUBLIC OF KOREA

Excellency,

I have the honor to propose the following understanding recently reached between the Government of the Republic of Korea and the Government of the Republic of the Philippines (hereinafter referred to as "the Contracting Parties") concerning a Korean loan to be extended to the Government of the Republic of the Philippines with a view to supporting the economic development of the Republic of the Philippines and promoting economic cooperation between the two countries.

1. The Government of the Republic of Korea shall extend to the Government of the Republic of the Philippines (hereinafter referred to as "the Borrower") a loan in Korean won up to the amount of Twenty-One Billion One Hundred Seventy-Two Million Won (W 21,172,000,000) (hereinafter referred to as "the Loan"), approximately equivalent to Twenty-Five Million US Dollars (US\$ 25,000,000) from the Economic Development Cooperation Fund (hereinafter referred to as "the EDCF") for the implementation of the Laguindingan International Airport Development Project (hereinafter referred to as "the Project").

2. (1) The Loan will be made available by a loan agreement (hereinafter referred to as "the Loan Agreement") to be concluded between the Borrower and the Export-Import Bank of Korea (hereinafter referred to as "the Bank") as the Government Agency for the EDCF.

(2) The terms and conditions of the Loan, as well as the procedures for its utilization, will be governed by the Loan Agreement which will contain, inter alia, the following principles:

(a) The interest rate will be two and a half percent (2.5%) per annum;

(b) The period of repayment will be thirty (30) years including a grace period often (10) years;

(c) The method of repayment will be semi-annual installments after the grace period;

(d) The payment of interest will be every six (6) months in arrears;

(e) The disbursement period will be forty-eight (48) months from the date of signing of the Loan Agreement or such other period as the Borrower and the Bank may agree;

(f) The service charge will be one-tenth of one percent (0.1 %) of the amount of each letter of commitment or the amount of each disbursement; and

(g) The loan denomination will be the Korean won.

3. The proceeds of the Loan will be used to cover payments to be made by the Project-executing agency of the Republic of the Philippines to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for procurement of goods and services required for the implementation of the Project.

4. With regard to the shipping and marine insurance of goods procured under the Loan, the Government of the Republic of the Philippines shall refrain from imposing any restrictions that may hinder fair and free competition between the shipping and marine insurance companies of the two countries.

5. The Government of the Republic of the Philippines shall endeavor to take necessary measures to facilitate the activities of the Korean nationals involved with the Project and assist them in obtaining such services and conveniences as may be required to carry out their mission in the Philippines.

6. The Government of the Republic of the Philippines shall exempt the Bank from any fiscal levy or tax imposed on and/or in connection with the Loan and interest accruing therefrom.

7. The Government of the Republic of the Philippines shall take necessary measures to ensure that the facilities constructed with the Loan be maintained and used for the best purposes prescribed in this Agreement.

8. The Contracting Parties shall, at the request of either party, consult each other on all matters concerning the implementation of the Loan Agreement and take necessary measures to ensure the most proper and effective utilization of the Loan in accordance with their respective laws and regulations.

9. This Agreement shall remain in force, unless otherwise agreed upon, for the period of repayment by the Borrower.

If the above provisions are acceptable to the Government of the Republic of the Philippines, I have further the honor to propose that the present Note and Your Excellency's Note in reply to that effect shall constitute an agreement between the two Governments on this matter, which shall enter into force on the date of Your Excellency's Note in reply.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

(Sgd.) **CHANG-CHON LEE**
Ambassador Extraordinary and
Plenipotentiary
of the Republic of Korea to the
Philippines

His Excellency
DOMINGO L SIAZON, JR
Secretary of Foreign Affairs of
the Republic of the Philippines
RECORD OF DISCUSSION

In connection with the Exchange of Notes between the Government of the Republic of Korea and the Government of the Republic of the Philippines concerning an EDCF