

February 15, 1963

GUARANTEE AGREEMENT (DEVELOPMENT CORPORATION PROJECT) BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Note: The Agreement entered into force, July 13, 1953.

Reference: This Agreement is also published in 478 UNTS. p. 161.

AGREEMENT, dated February 15, 1963, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Philippine National Bank (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000) on the terms and conditions set forth in the Loan Agreement, "but only on conditions that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows;

ARTICLE I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in Schedule 1 to the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

ARTICLE II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interests on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

ARTICLE III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of alien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any Hen created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including Central Bank of the Philippines or any other institution performing the functions of a central bank.

Section 3.02. (a) The Guarantor and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bond shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06 The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, or by the Corporation of any of the covenants, agreements and obligations of the Corporation in the Project Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower and the Corporation respectively to perform such covenants, agreements and obligation.

ARTICLE IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purpose of Section 6.12(e) of the Loan Regulations.

ARTICLE V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Guarantor:

Central Bank of the Philippines
Manila
Philippines

Alternative address for telegrams, cables and radiograms:

Philcenbank
Manila
Philippines

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington 25, D.C.
United States of America

Alternatives address for telegrams, cables and radiograms:

Intbafrad
Washington, D.C.

Section 5.02. The Governor of the Central Bank of the Philippines is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of the Philippines:

By Amelito R. MUTUC
Authorized Representative

International Bank for Reconstruction and Development:

By George D. WOODS
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS NO. 4, DATED 15 FEBRUARY 1961

**REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK OF
BORROWERS OTHER THAN MEMBER GOVERNMENTS**

[Not published herein. See United Nations, Treaty Series, Vol. 400 p. 212.]

LOAN AGREEMENT

(DEVELOPMENT CORPORATION PROJECT)

AGREEMENT, dated February 15, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and PHILIPPINE NATIONAL BANK (hereinafter called the Borrower), a company organized and existing under the laws of the Republic of the Philippines hereinafter called the Guarantor).

WHEREAS the Private Development Corporation of the Philippines (hereinafter called the Corporation), a company organized and existing under the laws of the Guarantor, has been incorporated to assist privately controlled industrial and other productive enterprises in the Philippines by providing capital for such enterprises in the form of credits or share participations;

WHEREAS the Agency for International Development, an agency of the United States of America (hereinafter called AID), has agreed to make a loan to the Corporation in an aggregate principal amount of 1*27,500,000,

WHEREAS the Bank has been requested to make a loan to the Borrower the proceeds of which the Borrower intends to relend to the Corporation upon terms satisfactory to the Bank;

NOW THEREFORE the parties hereto hereby agree as follows;

ARTICLE I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in Schedule 1 to this Agreement (said Loan Regulations No. 4 as so modified bc.ng hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Agreement or any Schedule thereto:

(a) the term "AID Agreement" shall mean the agreement to be entered into between AID and the Corporation, providing for a loan by AID to the Corporation in an

aggregate principal amount of twenty seven million five hundred thousand pesos (P27,500,000), and shall include such changes in such agreement as may from time to time be agreed by the parties thereto and the Bank,

(b) the term "Subsidiary Loan Agreement" shall mean the agreement to be entered into between the Borrower and the Corporation under which the Borrower shall relend the proceeds of the Loan to the Corporation and shall include such changes therein as may from time to time be agreed by the parties thereto and the Bank;

(c) the term "Project Agreement" shall mean the Project Agreement (Development Corporation Project} to be entered into between the Bank and the Corporation and shall include such changes therein as may from time to time be agreed by the Bank and the Corporation;

(d) the term "Investment Enterprise" shall mean an enterprise to which the Corporation shall grant a credit in accordance with and as provided in Section 3.01 of this Agreement;

(e) the term "Investment Project" shall mean a specific investment project to be carried out by an Investment Enterprise in respect of which amounts shall be credited to the Loan Account pursuant to Section 2.02(&) of this Agreement;

(f) the term "pesos" and the symbol "P" shall mean currency of the Guarantor; and

(g) the term "foreign currency" shall mean any currency other than currency of the Guarantor.

ARTICLE II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. (a) The Bank shall open a Loan Account on its books in the name of the Borrower. The amount of the Loan shall be credited to the Loan Account in installments as provided in paragraph (b) of this Section.

(b) Investment Projects may be submitted to the Bank either pursuant to Section 2.03 (b) of the Project Agreement for approval, or pursuant to Section 2.03 (r) of the Project Agreement for credit to the Loan Account.

(i) When an Investment Project submitted pursuant to Section 2.03 (b) of the Project Agreement shall have been so approved by the Bank, there shall be credited to the Loan Account, in respect of the estimated foreign currency cost of such Investment Project, such part of the Loan as the Corporation shall request and as the Bank shall have approved.

(ii) When an Investment Project shall have been submitted to the Bank pursuant to Section 2,03 (c) of the Project Agreement, there shall be credited to the Loan Account, in respect of the estimated foreign currency costs of such Investment Project, such part of the Loan as the Corporation shall request, provided, however, that (a) the amount so credited shall not exceed with respect to any one Investment Project