

July 26, 1961

**LOAN AGREEMENT (DREDGING PROJECT) BETWEEN THE
REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Note: The Agreement entered Into force, October 10, 1961.

Reference: This Agreement is also published in 414 UNTS, p. 253.

AGREEMENT, dated July 26, 1961, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter Galled the Bank).

ARTICLE I

LOAN REGULATIONS

SECTION 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961 (said Loan Regulations No. 3 being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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 eight million five hundred thousand dollars (\$8,500,000).

SECTION 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Regulations.

SECTION 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in or shall be cancelled pursuant to the Loan Regulations.

SECTION 2.04. The Borrower shall pay interest at the rate of five and three-fourths per cent ($5\frac{3}{4}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

SECTION 2.05. Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

SECTION 2.06. Interest and other charges shall be payable semi-annually on March 15 and September 15 in each year.

SECTION 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

ARTICLE III

USE OF PROCEEDS OF THE LOAN

SECTION 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2 to this Agreement. The specific goods to be financed out of the proceeds of the Loan shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

SECTION 3.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

ARTICLE IV

BONDS

SECTION 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

SECTION 4.02. The Governor of Central Bank of the Philippines and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of section 6.12 of the Loan Regulations.

ARTICLE V

PARTICULAR COVENANTS

SECTION 5.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Borrower shall at all times make available, promptly as needed, all sums which shall be required for the carrying out of the Project.

(c) Upon request from time to time by the Bank, the Borrower shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project including the Borrower's dredging program and any material modifications subsequently made therein, in such detail as the Bank shall request. Should it become necessary to make any substantial changes in the dredging program, the Borrower will consult with the Bank before these changes are made.

(d) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the agency or agencies responsible for the carrying out of the Project or any part thereof ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records

and documents; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, and the goods, and the operations and financial condition of the agency or agencies of the Borrower responsible for the Project or any part thereof.

SECTION 5.02. The Borrower shall cause the goods purchased with the proceeds of the Loan to be efficiently operated and adequately maintained and shall cause all necessary repairs thereof to be made, all in accordance with sound engineering practices.

SECTION 5.03. (a) The Borrower and the Bank shall cooperate 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 Borrower, such, information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

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

SECTION 5.04. 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. To that end, the Borrower undertakes that, except as the Bank otherwise agree, if any lien shall be created on any assets of the Borrower 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 lien created on property at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (h) 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 Borrower" as used in this section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including Central Bank of the Philippines or any other institution performing the functions of a central bank.

SECTION 5.05. 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 or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this section shall not apply to taxation of, or fees upon,

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 Borrower.

SECTION 5.06. The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

SECTION 5.07. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

SECTION 5.08. (a) The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against damage or loss during their construction outside of, and importation into, the territories of the Borrower; such insurance shall be consistent with sound commercial practice and shall be payable in the currency in which the cost of the goods insured thereunder shall be payable.

(b) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall, in addition to the insurance provided for in subparagraph (a) of this section, take out or cause to be taken out, and maintain or cause to be maintained, insurance with a commercial insurer on the floating equipment financed out of the proceeds of the Loan against such risks and in such amount, as shall be consistent with sound commercial practice; such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable.

ARTICLE VI

REMEDIES OF THE BANK

SECTION 6.01. (i) If any event specified in paragraph (a) or paragraph (b) of section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in the Loan Agreement or in the Bonds to the contrary notwithstanding.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. The Closing Date shall be August 31, 1963, or such other date as shall be agreed upon by the Borrower and the Bank.

SECTION 7.02. A date sixty days after the date of this Agreement is hereby specified for the purposes of section 9.04 of the Loan Regulations.

SECTION 7.03. The following addresses are specified for the purposes of section 8.01 of the Loan Regulations :

For the Borrower :

The Director of Public Works
Bureau of Public Works
Manila, Philippines

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D. C.

SECTION 7.04. The Director of Public Works of the Borrower 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 Loan 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 Florencio Moreno

Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF
Vice President

SCHEDULE 1

AMORTIZATION SCHEDULE

Date Payment Due	Payment of Principal (expressed in dollars)*	Date Payment Due	Payment of Principal (expressed in dollars)*
September 15, 1963	\$174,000	September 15, 1971	\$273,000
March 15, 1964	179,000	March 15, 1972	281,000
September 15, 1964	184,000	September 15, 1972	289,000
March 15, 1965	189,000	March 15, 1973	297,000
September 15,	194,000	September 15,	306,000