

September 10, 1987

**FINANCIAL AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF THE
REPUBLIC OF ITALY**

The Government of the Republic of the Philippines (hereinafter referred to as "Philippines Government of the Republic of Italy (hereinafter referred to as "Italian Government")), in the spirit of friendship and economic cooperation existing between the two countries:

with a view to implementing the Agreed Minute of the rescheduling of the foreign debt of the Philippines, signed in Paris on 22nd January, 1987;

for the purpose of allowing the repayment of the commercial and financial debts for both principal and contractual interest due to Italy from the Philippine Government or one of its agencies, organizations or institutions, or covered by a guarantee of payment of the Philippine Government or one of its agencies, organizations or institutions within the period 1st January, 1987- 30th June, 1988, and not paid, relating to contracts for the supply of goods and/or services and/or the execution of works as well as to financial conventions concluded before 1st April, 1984 - with an original maturity of more than one year- covered by Italian State insurance guarantee provided for under the Italian Law and amounting to U.S. Dollars 29.388.250(principal U.S. \$19.055.157,49 - contractual interest U.S.\$10.333.02,51) and Italian Liras 2.270.212.530 (principal Lit. 2.132.017.342 - contractual interest Lit. 138.195.188);

hereby agree upon the following:

ARTICLE I

For the purposes specified in the preamble and in particular in order to allow the settlement of 100% of the principal and 70% of the contractual interest of the debts indicated in the said preamble, the Italian government – in accordance with the Law no. 227 of 24th May, 1977 and subsequent amendments, integrations and enforcement extensive regulations – will make possible the granting of a financial credit up to a ceiling of US \$ 28.500.000 to the Philippine government, with the Central Bank of the Philippines (hereinafter referred to as "Bank") acting as its fiscal agent. This credit shall also be inclusive of the amount in U.S. Dollars required to repay 100% of the principal and 70% of the contractual interest of the debts in Italian Liras mentioned in the preamble at the exchange rate applying at the time the credit is drawn.

Should be aforesaid amount in the U.S. Dollars, because of fluctuations in the rate of exchange between Italian Liras and US Dollars, be insufficient to fully cover repayment of 100% of the principal and 70% of the contractual interest of the debts in US Dollars and in Italian Liras specified in the preamble, the balance thus calculated shall be paid by the "Bank", acting as fiscal agent of the Philippine government.

ARTICLE II

1) The credit referred to in Article I shall benefit from guarantees provided under the aforementioned Italian Law.

The payment of the insurance premium, calculated by Sezione Speciale per l'Assicurazione del Credito all'Esportazione (herein referred to as 'SACE') in accordance with its internal procedures, will be effected by the 'Bank', acting as fiscal agent of the Philippine government.

2) The interest accruing on the aforesaid credit may be adjusted half-yearly according to the cost of funding increased by the spread agreed between the Bank, acting as fiscal agent of the Philippine government, and the credit institutions taking part in the operation.

The interest shall accrue from each date of utilization of the funds by the 'Bank' and shall be paid in half-yearly instalments, the first of which falling due on 1st April or 1st October immediately following each date of utilization.

3) The 'Bank', acting as fiscal agent of the Philippine government, shall issue freely negotiable promissory notes covering the credit.

4) Banking and drawing procedures to be followed shall be established in the financial convention to be agreed upon by the above mentioned credit institutions and the 'Bank' acting as fiscal agent of the Philippine government.

5) The Philippine Government will consult the Italian Government with respect to the credit institutions appointed to intervene in the financial credit.

ARTICLE III

The credit mentioned in Article I shall be repaid in 10 equal and successive half-yearly instalments, the first of which shall fall due on 1st April, 1993 and the last on 1st October, 1997.

ARTICLE IV

1) The credit specified in Article I shall be utilized for the payment in Italy to the creditors concerned of 100% of the principal and 70% of the contractual interest of the debts indicated in the preamble to the present Agreement

The aforesaid debts are detailed in the annexes to the present Agreement. The amounts indicated could be revised by mutual consent between the two parties

2) It is understood that debt service due as a result of the reorganization under the 20th December, 1984 Agreed Minute and the Financial Agreement dated 10th June, 1985, is not affected by the present Agreement.

ARTICLE V

The remaining 30% of contractual interest of the debts referred to in the preamble, will be transferred to the creditors concerned – in the currencies established in the contracts or in the financial conventions – according to the original schedule. As regards the 30% of contractual interest already due and not paid as at the date of the present Agreement, it will be transferred as soon as possible and in any case not later than 31st October, 1987.

ARTICLE VI