

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
GOVERNMENT OF CANADA AND THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES FOR CANADIAN FERTILIZER
ASSISTANCE**

The Government of Canada (herein called "CANADA") and the Government of the Republic of the Philippines (hereinafter called "PHILIPPINES"), desiring to record an understanding concerning the provisions of Canadian fertilizer assistance in order to assist the Philippines with its balance of payments and budget deficit and to support its increased agricultural production hereby agree as follows:

**ARTICLE I
NATURE OF THE MEMORANDUM OF UNDERSTANDING**

SECTION 1.01

This Memorandum of Understanding does not constitute an international treaty: it is intended only to set out the responsibilities of the two Governments in relation to the Project.

**ARTICLE II
RESPONSIBLE AUTHORITIES**

SECTION 2.01

CANADA designates the Canadian International Development Agency (hereinafter called "CIDA") as the agency responsible for the implementation of its obligations under this Memorandum of Understanding.

SECTION 2.02

PHILIPPINES designates the National Economic Development Authority (hereinafter called "NEDA") as the agency responsible for the implementation of its obligation under this Memorandum of Understanding.

**ARTICLE III
THE PROJECT**

SECTION 3.01

CANADA and PHILIPPINES shall participate in a Project to provide Canadian muriate of potash to the Philippines (hereinafter called the "Project"). The objectives of the Project are to:

- a) maintain increased availability of potash to agricultural producers;
- b) increase foreign exchange revenue for the Philippines through the export sale of fertilizer; and
- c) generate peso proceeds for budgetary support.

ARTICLE IV PLAN OF OPERATION

SECTION 4.01

For implementation of the Project, CANADA and PHILIPPINES will develop a Plan of Operation which will constitute an operational document between NEDA and CIDA. The Plan of Operation will be completed and signed within ninety (90) days from the date of this Memorandum of Understanding, and, when duly signed on behalf of CANADA and PHILIPPINES, will be attached hereto as Annex A and will contain, inter alia, the following:

4.01.1 a detailed description of the Project including identification of Project staff and their responsibilities;

4.01.2 an outline of the methods and means to be used to carry out the Project;

4.01.3 the reporting requirements for the Project;

4.01.4 the resources required for the Project;

4.01.5 a detailed statement of additional obligations, duties and responsibilities of CANADA and PHILIPPINES together with their contributions; and

4.01.6 arrangement for general budget support.

ARTICLE V CONTRIBUTION OF CANADA

SECTION 5.01

The contribution of CANADA shall consist of the provision of funds for the procurement of Canadian muriate of potash by PHILIPPINES and the delivery of said potash to Philippine ports as set forth in the Plan of Operation and in Annex C. The total value of CANADA'S contribution shall not exceed TEN MILLION CANADIAN DOLLARS (Cdn.\$10,000,000) .

ARTICLE VI CONTRIBUTION OF PHILIPPINES

SECTION 6.01

The contribution of PHILIPPINES shall be in kind as set forth in the Plan of Operation and in Annex B.

ARTICLE VII OTHER OBLIGATIONS OF PHILIPPINES

SECTION 7.01

PHILIPPINES shall use the funds contributed by CANADA for the procurement of Canadian muriate of potash according to the procedures specified in the Plan of Operation.

SECTION 7.02

PHILIPPINES shall make available to the agricultural sector in the Philippines a portion of the Canadian muriate of potash acquired pursuant to this Memorandum of Understanding, as specified in the Plan of Operation.

SECTION 7.03

PHILIPPINES may arrange for a further portion of the Canadian muriate of potash acquired pursuant to this Memorandum of Understanding to be converted into fertilizer and sold for export.

SECTION 7.04

If the Philippines at anytime undertakes to assume any financial obligations of Planters Products, Inc. (PPI) under any Agreement to which PPI is a party, the Philippines will repay the amounts owing to Canpotex. under a potash sales agreement between PPI and Canpotex,

ARTICLE VIII

DEFINITIONS OF CANADIAN FIRMS AND PERSONNEL

SECTION 8.01

For the purpose of this Memorandum of Understanding:

(a) "Canadian firm" means Canadian institutions or firms or other non-Philippine firms or institutions established under any law other than those of the Philippines designated by Canada as engaged in the project;

(b) "Canadian personnel" means Canadian or non-Philippine nationals who are working in the Philippines on the project designated by Canada, and

(c) "Dependant" means:

(i) the spouse of a member of the Canadian personnel, including a person of the opposite sex with whom the member of the Canadian personnel has lived and publicly represented as his/her spouse for a period of not less than one year before the commencement of his/her period of service in the Philippines;

(ii) a child of the member of the Canadian personnel, or his/her spouse who is;

1. under twenty-one years of age and dependent on the member of the Canadian personnel or his/her spouse for support; or

2. twenty-one years of age or older and dependent on the member of the Canadian personnel or his/her spouse for support by reason of mental or physical incapacity.

ARTICLE IX INDEMNITY

SECTION 9.01

PHILIPPINES shall indemnify and save harmless CANADA, Canadian firms and Canadian personnel from civil liability, for acts or omissions occurring in the course of the performance of their duties in the execution of the Project except for acts arising from gross negligence or willful misconduct of Canadian firms or Canadian personnel.

ARTICLE X TAX AND OTHER EXEMPTIONS

SECTION 10.01

PHILIPPINES shall ensure that development aid funds provided under this Memorandum of Understanding are not used to pay any taxes, fee, customs duties or any other levies and charges imposed directly or indirectly by PHILIPPINES on any goods, materials, equipment, vehicles and services purchased or acquired for, or related to, the execution of the Project.

SECTION 10.02

PHILIPPINES shall exempt Canadian firms and Canadian personnel and their dependants from taxes imposed on income, on the condition such income arises outside of the Philippines or from Canadian aid funds as provided in this Memorandum of Understanding. In addition, PHILIPPINES shall exempt Canadian firms and Canadian personnel, including their dependants, from any obligation to present written declarations in relation to this exemption. Philippine nationals shall not be entitled to this exemption.

SECTION 10.03

PHILIPPINES shall exempt Canadian firms and Canadian personnel from, or bear the costs of, customs and excise duties, sales taxes and other charges of similar nature on all goods, materials, equipment, vehicles and services and on any other goods or services acquired in or imported into the Philippines directly related to the execution of the Project. Resale of any goods, materials, equipment or vehicles acquired under this section to non-exempt buyers will be subject to normal taxes and duties as provided for by the existing laws of the Philippines.

SECTION 10.04

PHILIPPINES shall exempt Canadian personnel from the payment of customs duties, excise duties and sales taxes in respect to bona fide personal effects and essential basic household equipment brought into, or purchased, in the Philippines for their own use or the use of their dependants. Canadian personnel may purchase duty free, locally manufactured/ assembled items provided that such purchases shall be made from the manufacturers and paid for in Canadian or U.S. currency and delivery shall be made from bonded warehouse and provided, further, that resale of any of the personal effects and household equipment to non-exempt buyers will be subject to normal tax and duties as provided for by existing tax laws of the Philippines. In the event of theft, fire or other destruction, the exemptions under this section may be re-exercised at any time during the assignment of the Canadian personnel.