

No. 7476

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PHILIPPINES**

Guarantee Agreement—*Manila Water Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the National Waterworks and Sewerage Authority). Signed at Washington, on 22 July 1964

Official text: English.

Registered by the International Bank for Reconstruction and Development on 20 November 1964.

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PHILIPPINES**

Contrat de garantie — *Projet relatif à l'approvisionnement en eau de Manille* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la National Waterworks and Sewerage Authority). Signé à Washington, le 22 juillet 1964

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 20 novembre 1964.

No. 7476. GUARANTEE AGREEMENT¹ (*MANILA WATER PROJECT*) BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 22 JULY 1964

AGREEMENT, dated July 22, 1964, 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 National Waterworks and Sewerage Authority (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million two hundred thousand dollars (\$20,200,000) on the terms and conditions set forth in the Loan Agreement, but only on condition 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 so 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, 1961³ subject, however, to the modification thereof set forth in Section 1.02 of 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 Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 4 November 1964, upon notification by the Bank to the Government of the Philippines.

² See p. 184 of this volume.

³ See p. 182 of this volume.

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 interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes as follows :

(a) That, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for carrying out the Project, the Guarantor shall make arrangements, satisfactory to the Bank, promptly to provide the Borrower, or cause the Borrower to be provided, with such funds as are needed to meet such expenditures.

(b) That the Guarantor shall not require the Borrower to make any payments on account of amortization, interest or other charges with respect to any existing or future loans, advances or other monies provided by the Guarantor to the Borrower the proceeds of which were used for any of the outlying systems except where such payments can be made by the Borrower out of the revenues of the system or systems for which the proceeds of such loans, advances or other monies were used.

(c) That the Guarantor shall, at the earliest possible time, (i) enter into an agreement with the Borrower, and (ii) cause any of its political subdivisions or any of its agencies or any agency of any political subdivision, including government-owned or -controlled corporations, against which the Borrower presently has a delinquent claim for water supplied from the water system serving the Manila metropolitan area, to enter into an agreement with the Borrower, providing for payment or settlement of such claim.

Section 2.03. The Government of the Guarantor undertakes that it shall take all steps necessary (including if necessary the introduction of appropriate legislation) to indemnify the Borrower in full for all payments on account of compensation, damages, revenues, profits and the like, which the Borrower shall have made to any province, city or municipality and which have been claimed from the Borrower because it took over, pursuant to Republic Act No. 1383, the water or sewerage system of such province, city or municipality.

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 a lien 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 lien 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 agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank.

Section 3.02. (a) The Guarantor 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 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 Bonds 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, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

Section 3.07. The Guarantor shall, at a reasonable time prior to any appointment of a General Manager or Assistant General Manager of the Borrower, notify the Bank of any proposal to make such appointment and shall not make such appointment unless the qualifications and experience of the proposed candidate are satisfactory of the Bank.

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 purposes of Section 6.12 (b) of the Loan Regulations.