

# **FINANCING AGREEMENT BETWEEN THE EUROPEAN COMMUNITY AND THE REPUBLIC OF THE PHILIPPINES**

Financing Agreement N°  
ASIA/2004/16781

"Trade Related Technical Assistance"

## **FINANCING AGREEMENT**

### **Special Conditions**

The European Community, hereinafter referred to as "the Community",  
represented by the Commission of the European Communities,  
hereinafter referred to as "the Commission",

of the one part, and

The Republic of the Philippines represented by the Department of Foreign  
Affairs, hereinafter referred to as "the Beneficiary",

of the other part,

HAVE AGREED AS FOLLOWS:

### **ARTICLE 1 - NATURE AND PURPOSE OF THE OPERATION**

1.1. The Community shall contribute to the financing of the following  
programme:

ASIE/2004/16781

Trade Related Technical Assistance for the Philippines

hereinafter referred to as the programme, which is described in the  
Technical and Administrative Provisions in Annex II.

1.2 This programme will be implemented in accordance with the financing  
agreement and the annexes thereto: the General Conditions (Annex I)  
and the Technical and Administrative Provisions (Annex II).

### **ARTICLE 2 - THE COMMUNITY'S FINANCIAL CONTRIBUTION**

2.1 The total cost of the programme is estimated at 3.920.000 euro.

2.2 The Community undertakes to finance a maximum of 3.500.000  
euro. The breakdown of the Community's financial contribution into  
budget headings is shown in the budget included in the Technical and  
Administrative Provisions in Annex II.

### **ARTICLE 3 - THE BENEFICIARY'S CONTRIBUTION**

3.1 The Beneficiary shall contribute 420.000 euro to the programme.

3.2 Where some of the Beneficiary's contribution is not financial, the detailed arrangements shall be set out in the Technical and Administrative Provisions in Annex II to the financing agreement.

#### **ARTICLE 4 - PERIOD OF EXECUTION**

The period of execution of the financing agreement shall commence on the entry into force of the financing agreement and end at 31/12/2009. This period of execution shall comprise two phases : an operational implementation phase, which shall commence on the entry into force of the financing agreement and end at 31/12/2007. As from this date shall commence the closure phase, which shall end at the end of the period of execution.

#### **ARTICLE 5 - DEADLINE FOR THE SIGNATURE OF THE CONTRACTS IMPLEMENTING THE FINANCING AGREEMENT**

Contracts implementing the financing agreement shall be signed by 22/11/2007 at the latest. That deadline may not be extended.

#### **ARTICLE 6 - CRITERIA TO BE SATISFIED BY THE BENEFICIARY**

6.1 The tasks set out in the Technical and Administrative Provisions in Annex II are entrusted to the Beneficiary.

6.2 Accordingly, in so far as the corresponding implementing tasks have been entrusted to it, the Beneficiary undertakes to guarantee during the period of execution of the financing agreement referred to in Article 4 of these Special Conditions the maintenance of a system of managing the Community funds which satisfies the following criteria:

- effective segregation of the duties of authorising officer and accounting officer;
- existence of an effective system for internal control for decentralised management operations;
- procedures for the presentation of separate accounts showing the use made of Community funds;
- existence of a national institution for independent external auditing;
- procurement procedures referred to in Article 7 of the General Conditions.

6.3 The procedures of the system of management of Community funds by the Beneficiary, which have been the subject of a prior audit by the Commission, shall be documented and remain accessible to the Commission, which reserves the right to carry out documentary and on-the-spot checks to ensure that the criteria set out in this Article are respected during the period of execution of the financing agreement. The Commission must be informed of any substantial changes affecting these procedures.

6.4 Where appropriate, the Technical and Administrative Provisions in Annex II will set out the adversarial clearance-of-accounts procedure and set up financial correction mechanisms, in particular as regards recovery by means of offsetting.

## **ARTICLE 7 - ADDRESSES**

All communications concerning the implementation of this financing agreement shall be in writing, refer expressly to the programme and be sent to the following addresses:

a) for the Commission

The Delegation of the European Commission to the Philippines

Salustiana Dee Ty Tower  
7th floor, Paseo de Roxas 104,  
Legaspi Village, Makati,  
Metro Manila  
Philippines

b) for the Beneficiary

Department of Foreign Affairs

Office of the Secretary 1  
1/FDFA Building, 2  
330 Roxas Boulevard,  
Pasay City, Metro Manila  
Philippines

## **ARTICLE 8 - ANNEXES**

8.1 The following documents shall be annexed to this agreement and form an integral part thereof:

Annex I: General Conditions

Annex II: Technical and Administrative Provisions.

8.2 In the event of a conflict between the provisions of the Annexes and those of the Special Conditions of the financing agreement, the provisions of the Special Conditions shall take precedence. In the event of a conflict between the provisions of Annex I and those of Annex II, the provisions of Annex I shall take precedence.

## **ARTICLE 9 - OTHER SPECIAL CONDITIONS APPLYING TO THE PROGRAMME**

9.1 Following the establishment of the Programme Task Force by the Beneficiary, the transfer of funds for decentralised payments under the Programme can be done only on the basis of a positive assessment by the Commission of the compliance with the Technical and Administrative Provisions in Annex II with regard to the segregation of duties of the Authorising Officer and Accounting Officer, the internal control and the

procedures for the presentation of separate accounts showing the use made of Community funds.

9.2 When the criteria for decentralisation agreed in the financing agreement (ref: article 6.2 above) are no longer met, the Commission may decide to undertake the management of the operations concerned in a centralised manner. This decision should be made by the relevant geographical Director in EC Headquarters.

## **ARTICLE 10 - ENTRY INTO FORCE OF THE FINANCING AGREEMENT**

The financing agreement shall enter into force on the date on which it is signed by the last party.

Done at Brussels in three original copies in the English language, two copies being handed to the Commission and one to the Beneficiary.

FOR THE COMMISSION  
(Sgd.) **MR ERICH W. MULLER**  
DirectorAsia Directorate  
EuropeAid Cooperation Office

FOR THE BENEFICIARY  
(Sgd.) **MR. ALBERTO G. ROMULO**  
Secretary  
Department of Foreign Affairs  
Government of the Philippines

Date: Feb. 2, 2005

Date: May 26, 2005

## **ANNEX I - GENERAL CONDITIONS**

### **TITLE I - PROJECT/PROGRAMME FINANCING**

#### **ARTICLE 1 - GENERAL PRINCIPLE**

1.1 The Community's financial contribution shall be limited to the amount specified in the financing agreement.

1.2 The provision of the Community financing shall be subject to fulfilment of the Beneficiary's obligations under this financing agreement.

#### **ARTICLE 2 - COST OVERRUNS AND COVERING THEM**

2.1 Individual overruns of the budget headings of the financing agreement shall be dealt with by reallocating funds within the overall budget, in accordance with Article 20 of these General Conditions.

2.2 Wherever there is a risk of overrunning the global amount set in the financing agreement, the Beneficiary shall immediately inform the Commission and seek its prior approval for the corrective measures planned to cover the overrun, proposing either to scale down the project/programme or to draw on its own or other non-Community resources.

2.3 If the project/programme cannot be scaled down, or if the overrun cannot be covered either by the Beneficiary's own resources or other

resources, the Commission may, exceptionally, at the Beneficiary's duly substantiated request, grant additional Community financing. Should it so agree, the excess costs shall be financed, without prejudice to the relevant Community rules and procedures, by the release of an additional financial contribution to be set by the Commission.

## **TITLE II - IMPLEMENTATION**

### **ARTICLE 3 - GENERAL PRINCIPLE**

3.1 The project/programme shall be implemented under the responsibility of the Beneficiary with the approval of the Commission.

3.2 The Commission shall be represented in the State of the Beneficiary by its Head of Delegation.

### **ARTICLE 4 - PERIOD OF EXECUTION**

4.1 The financing agreement shall lay down a period of execution, which shall commence on the entry into force of the financing agreement and end on the date specified to this end in Article 4 of the Special Conditions.

4.2 This period of execution shall comprise two phases:

- an operational implementation phase, in which the principal activities are carried out. This phase shall commence on the entry into force of the financing agreement and end at the latest 24 months before the end of the period of execution;
- a closure phase, during which final audits and evaluation are carried out and contracts for the implementation of the financing agreement are technically and financially closed. This phase shall commence on the date of end of the operational implementation phase and end at the latest 24 months after this date.

4.3 Costs related to the principal activities shall be eligible for Community financing only if they have been incurred during the operational implementation-phase. Costs related to final audits and evaluation and closure activities shall be eligible up to the end of the closure phase.

4.4 Any balance remaining from the Community contribution will be automatically cancelled six months after the end of the period of execution.

4.5 In exceptional and duly substantiated cases, a request may be made for the extension of the operational implementation phase and correlatively of the period of execution. If the extension is requested by the Beneficiary, the request must be made at least three months before the end of the operational implementation phase and approved by the Commission before that latter date.

4.6 In exceptional and duly substantiated cases, and after the end of the operational implementation phase, a request may be made for the