

June 17, 1988

**CREDIT 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 and the Government of the Republic of Italy, in the spirit of friendship and economic cooperation between the two countries, have agreed upon the followings:

ARTICLE 1

The Government of the Republic of Italy shall extend to the Government of the Republic of the Philippines a financial credit in the amount of up to 85,000,000 US dollars (eighty-five million US dollars) to be utilized for the development of irrigation in the Philippines, within the framework of the Italian participation in cooperation schemes and programmes to be agreed between the two Governments.

ARTICLE 2

The credit shall be granted in order to finance the supplies of Italian goods and/or services made by Italian firms for the foreign exchange cost of the Balog-Balog Multipurpose Project, 10% (ten per cent) of the credit can be used for local costs; the Italian Authorities will consider the further extension of such percentage to 15% (fifteen per cent).

ARTICLE 3

The credit referred to in Article 1 shall be granted at the following conditions:

- reimbursements in 20 (twenty) half-yearly consecutive equal principal instalments, the first of which falling due 126 (one hundred twenty-six) months from the date of effectiveness of the financial convention referred to in the following article;
- interest rate of nominal annual 1.50% (one point fifty per cent), payable at the end of each period of six months from the date of each drawdown.

ARTICLE 4

The technical arrangements and other conditions governing the above-mentioned credit will be established under a separate financial convention between Mediocredito Centrale, acting on authorization of the Italian Government, and the Administrator of the National Irrigation Administration, acting in the name and on behalf of the Government of the Republic of the Philippines.

ARTICLE 5

All differences arising from the interpretation and application of the present agreement shall be settled through diplomatic channels.

ARTICLE 6

This agreement shall come into force on the day of its signature and it shall remain in force until the last payment to Mediocredito Centrale, due under previous Article