

November 29, 1985

**AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
THE PHILIPPINES WITH THE CENTRAL BANK OF THE
PHILIPPINES AS THE BORROWER AND THE GOVERNMENT OF
THE SWISS CONFEDERATION ON THE RESCHEDULING OF
PHILIPPINE DEBTS**

The Government of the Republic of the Philippines and the Government of the Swiss Confederation,

in an endeavour to act in accordance with the recommendations adopted during the meeting of the "Club de Paris" held on December 20, 1984, between representatives of the Philippine Government and representatives of certain creditor countries, including Switzerland,

have agreed on the following provisions:

ARTICLE 1

The Central Bank of the Philippines (hereafter "Borrower") agrees to pay debts mentioned in this Agreement, and such obligations of the Borrower shall be unconditionally guaranteed by the Government of the Republic of the Philippines.

ARTICLE 2

1. The present Agreement shall apply to the following Philippine debts in principal and interest resulting from commercial loans guaranteed by the Swiss Confederation with an original maturity of more than one year, and contracted prior to April 1, 1984, inclusive of

a) arrears on December 31, 1984, and

b) maturities falling due between January 1, 1985, and June 30, 1986.

2. The total amount of these maturities shall not exceed 25 million Swiss Francs. The maturities falling under this Agreement are specified in a separate list constituting an integral part of this Agreement.

ARTICLE 3

The Philippine debts specified in Article 2 shall be paid as follows:

1. Regarding the amounts in principal and interest falling due on December 31, 1984, and not paid:

25 % on June 15, 1985

25 % on December 15, 1985

50 % on June 15, 1986.

2. a) Regarding the amounts in principal and interest falling due between January 1, 1985, and June 30, 1986, and not paid:

100 % of the amounts in principal and 60 % of the amounts in interest in 10 consecutive half-yearly payments, the first falling due on March 15, 1991, and the last on September 15, 1995.

b) The payment of the remaining 40% due in interest after the following maturity schedule:

- one third after the original maturity
- one third on September 15, 1986
- one third on September 15, 1987.

ARTICLE 4

The Borrower shall assume all the financial obligations deriving from the present Agreement as long as the original debtor is a public sector entity or has a guarantee from the Government of the Philippines or a financial public institution or corporation.

The Government of the Philippines, through the Borrower, shall enjoin private debtors to make deposits with the Central Bank of the Philippines in local currency equivalent to the amounts due by these debtors, according to original contractual obligations. The Borrower shall assume all the obligations related to the consolidation of the amounts due by private debtors, as long as the original maturities due have been paid in local currency. In case the original private debtor makes partial deposits in local currency, the Borrower will be liable only for the corresponding amounts. If the private debtor has not paid the maturities due in local currency, the Borrower is relieved of the corresponding obligation.

The Government of the Philippines shall guarantee all financial obligations assumed by the Borrower under the present Article.

ARTICLE 5

The Philippine Government shall pay interest on the outstanding debts. This interest shall be calculated from the date of the contractual maturity of these debts up to the date of their payment on the basis of 360 days/year and shall be paid to the Swiss bank to be specified on June 30 and December 31 of each year, for the first time on December 31, 1985. The accounting shall be made in the form of a current account every six months.

The rate of interest shall be 7 % per year.

ARTICLE 6

The payments foreseen in this Agreement shall be made in freely convertible Swiss francs by the Borrower to a Swiss bank which is to be specified.

ARTICLE 7

The payment obligation of the Borrower under this Agreement substitutes the payment obligation of original debtors. Other rights and obligations of individual creditors and debtors under their original contracts remain unaffected.

ARTICLE 8

The Philippine Government shall undertake to grant Switzerland a treatment not less favourable than that granted to any other creditor country for the consolidation or rescheduling of debts of comparable terms.

ARTICLE 9

The present Agreement shall enter into force on the date of its signature.

In witness whereof the undersigned plenipotentiaries, duly authorized, have signed the present Agreement.

Done in two copies in Manila, on 29 November 1985, in English and French.

For the Government of the
Republic of the Philippines:
(Sgd.)

For the Government of the
Swiss Confederation:
(Sgd.)

For the Central Bank of the
Philippines:
(Sgd.)

Ref: 521.61 - RD/am

His Excellency
Prime Minister C. Virata
Ministry of Finance of the
Republic of the Philippines

Manila

Dear Mr. Prime Minister

Referring to the discussions held between officials of Switzerland and the Philippines on the rescheduling of the Philippine debts I would like, on behalf of my authorities to add the following precision to the Agreement on this matter signed on November 29, 1985.

"For the debts of the private sector included in the amounts mentioned in article 2 which are not covered by a payment guarantee issued by a Philippine public body, a curing period of up to three months from the signing date of this agreement for those payments that fell due before the signing date and from the original date of maturity for those