

December 27, 1973

**EXCHANGE OF NOTES BETWEEN THE REPUBLIC OF THE
PHILIPPINES AND JAPAN FOR THE PROJECT LOAN EXTENDED BY
THE OVERSEAS ECONOMIC COOPERATION FUND OF JAPAN**

Note: The Agreement entered into force, December 27, 1973.

Reference: This Agreement is also published in XII DFA TS No. 1, p. 114.

December 27, 1973

Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and the Government of the Republic of the Philippines concerning Japanese assistance to be extended with a view to promoting the economic development efforts of the Republic of the Philippines:

1. A loan in Japanese Yen up to the amount of four billion seven hundred and twenty-nine million yen (Y4,729,000,000)(hereinafter referred to as "the Loan") will be extended to the Government of the Republic of the Philippines by the Overseas Economic Cooperation Fund (hereinafter referred to as "the Fund") to implement the projects listed in the Project List attached hereto in accordance with the relevant laws and regulations of Japan.

2. (1) The Loan will be made available by loan agreements to be concluded between the Government of the Republic of the Philippines and the Fund. The terms and conditions of the Loan as well as the procedures for its utilization will be governed by the said loan agreements which will contain, inter alia, the following principles:

(a) The repayment period will be eighteen (18) years after seven (7) years' grace.

(b) The rate of interest will be three and a quarter (3.25) per cent per annum.

(c) The closing date for disbursements of the Loan will be December 20, 1978.

(2) The loan agreement for each of the projects mentioned in paragraph 1, above will be concluded between the Government of the Republic of the Philippines and the Fund only when the two Governments and the Fund are satisfied of its feasibility.

3. (1) The loan will be made available to cover payments to be made by Philippine executing agencies to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of goods and services required for the implementation of the projects mentioned in paragraph 1 above, provided that such purchases are made in such eligible source countries for goods produced in the services supplied from those countries.

(2) The scope of eligible source countries mentioned in sub-paragraph (1) above will be agreed upon between the authorities concerned of the

two Governments.

4. The Government of the Republic of the Philippines will ensure that goods and services mentioned in paragraph 3. (1) above are procured in accordance with the guidelines for procurement of the Fund, which set forth, inter alia, the procedures of international tendering to be followed except where such procedures are inapplicable or inappropriate.

5. (1) the Government of the Republic of the Philippines shall exempt the Fund from all fiscal levies or taxes imposed in the Republic of the Philippines on and/or in connection with the Loan as well as interest accruing therefrom.

(2) The Government of the Republic of the Philippines shall assume all fiscal levies or taxes imposed in the Republic of the Philippines on Japanese firms and nationals operating as suppliers, contractors or consultants on and/or in connection with any income that may accrue from the supply of goods and services to be provided under the Loan.

6. With regard to the shipping and marine insurance of goods purchased under the Loan, the two Governments shall refrain, within the scope of relevant laws and regulations of their respective countries, from imposing any restrictions that may hinder fair and free competition between the shipping and marine insurance companies of the two countries.

7. (I) The Government of the Republic of the Philippines will, upon request, furnish the Government of Japan with reports on the progress of the projects mentioned in paragraph 1, above,

(2) The two Governments will jointly review from time to time, on basis of the reports mentioned in subparagraph (1) above, the progress of the implementation of the Loan and take, if necessary, appropriate measures to secure smooth and effective utilization of the Loan. The Fund will be invited to participate in such review.

8. The two Governments will consult with each other with respect to any matter that may arise from or in connection with this understanding.

27 December 1978

Excellency,

I have the honour to acknowledge the receipt of Your Excellency's Note of today's date, which reads as follows:

"Excellency,

I have the honour to confirm the following understanding recently reached between the representatives of the Government of Japan and the Government of the Republic of the Philippines concerning Japanese Assistance to be extended with a view to promoting the economic development efforts of the Republic of the Philippines:

1. A loan in Japanese Yen up to the amount of four billion seven hundred and twenty-nine million yen (Y4,729,000,000) (hereinafter referred to as "the Loan") will be extended to the Government of the Republic of the Philippines by the

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(a) The repayment period will be eighteen (18) years after years' grace.

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3. (1) The Loan will be made available to cover payments to be made by Philippine executing agencies to suppliers, contractors and/or consultants of eligible source countries under such contracts as may be entered into between them for purchases of goods and services required for the implementation of the projects mentioned in paragraph 1, above, provided that such purchases are made in such eligible source countries for goods produced in and services supplied from those countries.

I should be grateful if Your Excellency would confirm the foregoing understanding on behalf of the Government of the Republic of the Philippines.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

(Sgd.) **TOSHIO URABE**

Ambassador of Japan to the
Republic of the Philippines

His Excellency

CARLOS P. ROMULO

Secretary of Foreign Affairs
Republic of the Philippines
Manila

PROJECT LIST

1. Philippine National Railways Commuter Service Project, Phase II.
2. Regional Depots Projects in Tuguegarao, Legaspi, Tacloban and Davao.
3. Cubao, Shaw and Manila South Diversion Road Grade Separators Project.