

September 01, 1995

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND AND THE GOVERNMENT OF THE
REPUBLIC OF THE PHILIPPINES CONCERNING CONCESSIONAL
FINANCING ARRANGEMENTS**

The Government of the United Kingdom of Great Britain and Northern Ireland ("the Government of the United Kingdom") and the Government of the Republic of the Philippines ("the Government of the Philippines");

Having regard to the friendly relations between them and in order to further develop and enhance their economic and technical cooperation;

Have reached the following understanding ("the Understanding"):

**SECTION 1
FINANCIAL ARRANGEMENTS**

1. The form of the financial support will be the provision of Grant funds ("the Grant") supplied through the Government of the United Kingdom's Overseas Development Administration ("ODA") under mixed credit arrangements (a "Mixed Credit") where a Grant provided by the Government of the United Kingdom is made available to make purchases in conjunction with a medium term loan ("a Loan") provided by a bank in the UK ("the Lending Bank") Mixed Credits are hereinafter also referred to as "the Project Funding".

2. Unless the Government of the United Kingdom notifies the Government of the Philippines otherwise in writing the Project Funding for which the Government of the United Kingdom will provide financial support will not in aggregate exceed £50,000,000 (fifty million pounds sterling).

3. In accordance with OECD rules, the agreement will end two years from the date of its signature. Before the expiry of the CFA, both Governments will discuss progress under the CFA, and the possibilities of future financing.

**SECTION 2
PROCEDURES AND PRACTICES**

1. The following procedures will be adopted in order to promote closer cooperation between the Governments of the Philippines and the United Kingdom and the effective use of the concessional financing available under this Understanding. The two Governments will meet at least once each year to consult with each other in order to identify and prioritise areas of consideration (both sectoral and spatial) under this Understanding, assess the suitability of individual projects for financial support and to discuss related matters. If the Government of the Philippines, through the Investment Coordination Committee of the National Economic Development Authority (NEDA) Board, considers at any time that a project merits priority for financial support under this Understanding, notwithstanding the status of negotiations between the Filipino purchaser and the United Kingdom supplier to whom Section 3, paragraph 2 applies ("the United Kingdom Supplier"), the

Government of the Philippines will endorse the project and request financial support pursuant to this Understanding through diplomatic channels. The Government of the United Kingdom may also at any time propose projects to the Government of the Philippines for possible funding under this Understanding subject to approval of the Investment Coordination Committee of the NED A Board. The meetings referred to above will also review progress on projects considered.

2. Save to the extent to which the Government of the United Kingdom notifies the Government of the Philippines otherwise in writing, Grant allocations made to any project within the scope of this Understanding will be formalised through Exchange of Notes between the Department of Foreign Affairs of the Government of the Philippines and the British Embassy in Manila acting on behalf of ODA.

3. If a project is approved by the two Governments following their respective rules and regulations, financial support will be made available in the form of Mixed Credit. The export credits under OECD conditions will be agreed and signed by banks in UK and, for the Philippine Government, the Department of Finance or the borrowing government-owned and controlled corporations, including Government Financial Institutions which will be involved in project implementation ("the Borrower").

4. Subject to the conditions of this Understanding being met and

(a) the contract between the Filipino purchaser and the United Kingdom Supplier ("the Contract") being in a form acceptable for Project Funding by the ODA and for support of the Government of the United Kingdom's Export Credits Guarantee Department ("ECGD") where appropriate, and likewise acceptable to the Borrower and other appropriate Filipino authority or authorities and being signed, and

(b) the Loan Agreement between the Borrower and the Lending Bank being signed,

the two Governments will exchange letters in a form designed to match the project requirements.

SECTION 3 TERMS AND CONDITIONS

1. Subject to the conditions in paragraphs 1 and 2 of Section 2, the concessionality of individual Mixed Credits to be provided under the Understanding will conform to the Organisation of Economic Cooperation and Development ("OECD") Consensus concerning Concessional Finance at the time the offer is made by the Government of the United Kingdom to the Government of the Philippines. The terms of ECGD support in Mixed Credits provided under this Understanding will also conform to the OECD Arrangement on Guidelines for Officially Supported Export Credits (including Tied Aid Financing). Any fiscal levies which are imposed in the Republic of the Philippines in respect of payments of interest and repayment of principal made in respect of the Loans provided under this Understanding will be paid by the appropriate borrowing entity of the Government of the Philippines, or arrangements will be made by the appropriate borrowing entity of the Government of the Philippines for the settlement of such levies.

2. Unless the Government of the United Kingdom otherwise accepts in writing, goods provided under any Contracts funded by the Mixed Credit will be produced in