

**BILATERAL AGREEMENT OF THE REFINANCING OF THE DEBT
BETWEEN THE REPUBLIC OF THE PHILIPPINES AND INSTITUTO
DE CREDITO OFICIAL OF SPAIN**

The representatives of the creditor countries met in Paris on January 22, 1987, with the representatives of the Government of the Republic of the Philippines in order to examine the request for the refinancing of this country's external debt and agreed to recommend to their Governments the said refinancing subject to the terms and conditions set forth in the Agreed Minute signed in Paris on January 22, 1987.

The Institute de Credito Oficial, (hereinafter "ICO") designated as the Financial Agent for the Spanish Government, based on its guidelines and the Republic of the Philippines hereby conclude the following:

ARTICLE ONE

1. The object of present Agreement is to determine the terms for the repayment of the amounts of principal and interest due from January 1, 1987, to June 30, 1988 inclusive and not paid derived from the Technical Banking Agreement signed by ICO and the NATIONAL DEVELOPMENT COMPANY, both parties as financial agents on behalf of their respective Governments on December 4, 1981 and July 12, 1982.

2. The present Agreement does not modify the repayment schedule for the remaining debt of the Republic of the Philippines with "ICO", the terms and conditions of the two mentioned Technical Banking Agreements will remain in force.

ARTICLE TWO

The total sums to be refinanced amount to US dollars 576,243.53 (FIVE HUNDRED SEVENTY SIX THOUSAND TWO HUNDRED FORTY THREE AND FIFTY THREE) .which represents the 70% of the debt for interests that will be due during the period from January 1, 1987 to June 30, 1988 inclusive which amounts to US dollars 823,205.02 derived from the Technical Banking Agreements signed with the NATIONAL DEVELOPMENT COMPANY dated December 4, 1981 and July 12, 1982, according to the detail of Annex I attached hereto.

ARTICLE THREE

The amounts to be refinanced as aforementioned in Article Two above will bear interest at a rate per annum for the LIBOR quoted by Banco de España and Citibank, London for the relevant period, two business days before the commencement of the said relevant period.

The interest will be calculated on the basis of a year of 360 days from the original maturity date, according to the scheme set forth in Annex II.

2. The interests shall be paid by half yearly instalments on April the first and October the first of each year until the debt has been paid in full. The first payment shall be made on April 1st, 1988.

ARTICLE FOUR

The Republic of the Philippines according to the Agreed Minute"of the Club of Paris, Article II.2.A) and B) shall pay the amounts refinanced in instalments as described here below:

Number	Amount US \$	Maturity Date
01	57,624.35	01-04-93
02	57,624.35	01-10-93
03	57,624.35	01-04-94
04	57,624.35	01-10-94
05	57,624.35	01-04-95
06	57,624.35	01-10-95
07	57,624.35	01-04-96
08	57,624.35	01-10-96
09	57,624.35	01-04-97
10	57,624.38	01-10-97

TOTAL	576,243.53	

The above mentioned amounts shall be paid by the Republic of the Philippines through the Central Bank of the Philippines at value dates of maturity in US dollars to the Account number 904 "De Organismos" of the Banco de Espana, Madrid, in favour of INSTITUTO DE CREDITO OFICIAL.- FONDO DE AYUDA AL DESARROLLO.

ARTICLE FIVE

In the event of failure by the Republic of the Philippines to pay when due any of the above mentioned amounts, such amounts will bear accrued interest at a rate per annum of 1/2 per cent over the interest-rate provided by Article Three for the accounting period falling between the "30 days" after the corresponding value date and the effective payment date. The riod for late payment shall not exceed in any case, twelve months after which the provisions of Article Six shall be applied.

ARTICLE SIX

In the event of failure by the Republic of the Philippines to fulfill its obligations derived from the present Agreement, "ICO" shall be entitled after twelve months from the maturity date to denounce the present Agreement by default requesting the outstanding amounts together with accrued interest upon the date in which the cash payment shall be made. "ICO" shall communicate such decision by written notice, cable or telex at least 60 days prior to the date in which the cash payment shall be made.

ARTICLE SEVEN

1. The Central Bank of the Philippines and "ICO" agree on communicating with one another or holding meetings, should it be necessary, in order to solve any difficulty which might arise when performing the present Agreement.

In the case of any discrepancy between the parties on the interpretation of the present Agreement the Spanish version shall prevail.

ARTICLE EIGHT