

**AGREEMENT BETWEEN THE GOVERNMENT OF THE PUBLIC OF
THE PHILIPPINES AND THE GOVERNMENT OF THE UNITED
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND ON
CERTAIN COMMERCIAL DEBTS**

The Government of the Republic of the Philippines (hereinafter referred to as 'the Government of the Philippines') and the Government of the United Kingdom of Great Britain and Northern Ireland (hereinafter referred to as 'the Government of the United Kingdom');

As a result of the Conference held in Paris on 20 December 1954 regarding the consolidation of Philippine debts at which the Government of the Philippines, the Government of the United Kingdom, certain other Governments, the International Monetary Fund, the International Bank for Reconstruction and Development, the Asian Development Bank, the Secretariat of the United Nations Conference on Trade and Development and the Organisation for Economic Co-operation and Development were represented;

Have agreed as follows:

ARTICLE 1

Definitions and Interpretation

(1) In this Agreement unless the contrary intention appears:

(a) 'the Central Bank' means the Central Bank of the Philippines acting for and on behalf of the Government of the Philippines in respect of the Public Sector Debts (obligations of the Government of the Philippines whether as primary debtor or as guarantor) and with the guarantee of the Government of the Philippines in respect of the Private Sector Debts (obligations other than Public Sector Debts);

(b) 'UK' means the United Kingdom of Great Britain and Northern Ireland and includes the Channel Islands and the Isle of Man;

(c) 'Contract' means a contract entered into before 1 April 1984 the parties to which include a Debtor and a Creditor and which is either for the sale of goods and/or services from outside the Philippines to a buyer in the Philippines or is in respect of the financing of such a sale and which in either case granted or allowed credit to the Debtor for a period exceeding one year;

(d) 'Creditor' means a persons or body of persons or corporation or carrying on business in the UK or any successor in title thereto;

(e) 'Currency of the Debt' means the currency specified in the relevant Contract as being, the currency in which that Debt is to be paid;

(f) 'Debt' means any debt to which by virtue, of the provisions of Article 2 and of the operation of the rules specified by Schedule 2, the provisions

of this Agreement apply;

(g) 'Debtor' means the Government of the Philippines (whether as primary debtor or as guarantor) or any person or body of persons or corporation resident or carrying on business in the Philippines or any successor in title thereto;

(h) 'the Department' means the Secretary of State of the Government of the United Kingdom acting through the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that government may subsequently nominate for the purposes hereof;

(i) 'Maturity' in relation to a Debt means the due date for the payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto;

(j) 'Recognised Bank' means a bank, including a bank participating in a lending syndicate or in a syndicate led by banks, which has received a guarantee issued by the Department in respect of loan or financial agreements;

(k) 'Transfer Scheme' means the Transfer Scheme specified by Schedule 1.

(2) All references to interest, including contractual interest shall be to interest accruing from day to day and calculated on the basis of actual days elapsed and a year of 365 days in the case of Debts specified in sterling, or of 360 days in the case of Debts specified in US Dollars.

(3) Where the context of this Agreement so allows words imploring the singular include the plural and vice-versa.

(4) Unless otherwise indicated reference to the specified Article or Schedule shall be contracted as a reference to that specified Article or Schedule to this Agreement.

(5) The heading to the Articles are for case of reference only and do not form part of this Agreement.

ARTICLE 2

The Debt

(1) The provisions of this Agreement shall subject to the provisions of paragraphs (2) and (3) of this Article and the rules specified in paragraph (1) of Schedule 2, apply to every Debt, whether of principal or of contractual interest accruing up to Maturity, owed by a debtor to a Creditor and which:

(a) arises under or in relation to a Contract or any agreement supplemental thereto;

(b) fell due or will fall due on or before 30 June 1986 and remains unpaid

(c) is guaranteed by the Department as to payment according to the terms of the contract; and

(d) is not expressed by the terms of the Contract to be payable in Philippines pesos.

(2) The provisions of this Agreement shall not apply to so much of any Debt as arises from an amount payable upon or as a condition of the formation of the Contract or upon or as a condition of the cancellation or termination of the Contract.

(3) Where the debt arises in respect of loans or financial agreements where the Creditor is a Recognized Bank, the Department and the Central Bank shall agree whether the provisions of the Agreement shall apply thereto or whether the Debts should be excluded therefrom. In respect of such Debts which are excluded the Department will procure a loan to be arranged to the Ministry of Finance of the Government of the Philippines provided for payments to be made in respect of such Debts.

ARTICLE 3

Payments in Philippine Pesos in Respect of Debts

(1) In addition to the Public Sector Debts which are the obligation of the Government of the Philippines, where Private Sector Debtors have made payments in Philippine pesos in respect of any Debt, then

(a) where the payments were made before entry into force of this Agreement upon such entry into force; and

(b) where the payments were made subsequently, upon such payments, the payment of such Debt shall become the obligation of Central Bank. The payment of all such Debt by the Central Bank to the Department shall be made in accordance with the provisions of Article 4.

(2) Regarding the Debt of the private sector, where private sector Debtors are unable to deposit Philippine pesos in respect of their Debts on the date of maturity they may be afforded up to a six months' extension from the date maturity in which to make such deposits. Interest at the rate specified in Article 5 shall be payable by the Debtor from the date of maturity until the date of deposit with the Central Bank until the date of transfer to the Department, as specified in paragraph (2) of Article 5, the Central Bank shall assume the responsibility for the payment of all interest due on such deposits at the rates specified in Article 5.

(3) For those private sector Debts featuring due dates up to six months- prior to 30 November 1985 and where Philippine pesos have still not been deposited with the Central Bank, the Central Bank shall endeavour to procure such deposits. Provided the deposits are made by 28 February 1986 that amount the Debt covered by such deposits may be included within this Agreement. To the extent that such deposits are not made by 23 February 1986, the outstanding balance of the debt in question will be excluded from this Agreement. The Central Bank shall provide to the Department a list of all cases where it is endeavouring to secure Philippine peso deposits on the basis described in this paragraph.

ARTICLE 4

Payments to Creditors