

No. 8249

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
PHILIPPINES**

**Guarantee Agreement—*Rural Credit Project* (with annexed
Loan Regulations No. 4 and Loan Agreement between
the Bank and the Central Bank of the Philippines).
Signed at Washington, on 2 November 1965**

Official text : English.

*Registered by the International Bank for Reconstruction and Development on 12 July
1966*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
PHILIPPINES**

**Contrat de garantie — *Projet relatif au crédit rural* (avec, en
annexe, le Règlement n^o 4 sur les emprunts et le Contrat
d'emprunt entre la Banque et la Banque centrale des
Philippines). Signé à Washington, le 2 novembre 1965**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement le
12 juillet 1966*

No. 8249. GUARANTEE AGREEMENT¹ (*RURAL CREDIT PROJECT*) BETWEEN THE REPUBLIC OF THE PHILIPPINES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 2 NOVEMBER 1965

AGREEMENT, dated November 2, 1965, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and the Central Bank of the Philippines (hereinafter called the Borrower), which agreement and the schedule therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to five million dollars (\$5,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided ; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower ;

NOW THEREFORE the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,³ subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein. The terms defined in Section 1.02 of said Loan Agreement shall have the same meaning herein as if such Section were fully set forth herein.

¹ Came into force on 27 January 1966, upon notification by the Bank to the Government of the Philippines.

² See p. 12 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and further guarantees the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien created in the ordinary course of business on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including the Central Bank of the Philippines or any other institution performing the functions of a central bank.

The Guarantor further undertakes that, within the limits of the laws in force in its territories, it will make the foregoing undertaking effective with respect to liens on the assets of its political subdivisions and their agencies, and to the extent that the Guarantor is unable within the limits of the laws in force in its territories to make this undertaking effective, the Guarantor will give to the Bank an equivalent lien satisfactory to the Bank.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan shall be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such infor-

mation shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which shall arise that shall interfere with, or threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(c) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor for purposes related to the Loan.

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for and free from any taxes imposed under the laws of the Guarantor or laws in effect in its territories ; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Guarantee Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall cause those of its agencies responsible for providing technical agricultural services to cooperate with the Borrower and with Rural Banks to the extent necessary for diligent and efficient carrying out of the Project.

Section 3.07. The Guarantor covenants that it will not take or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take any action which would prevent or interfere with the implementation of the Project by the Rural Banks and with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Rural Banks to implement the Project and to enable the Borrower to perform such covenants, agreements and obligations.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Agreement and of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Secretary of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Central Bank of the Philippines

Manila, Philippines

Alternative address for cables and radiograms :

Philcenbank

Manila

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Alternative address for cables and radiograms :

Intbafrad

Washington, D.C.

Section 5.02. The Governor of the Central Bank of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 5.03. If the Loan Agreement terminates pursuant to Section 7.02 thereof, this Guarantee Agreement and all obligations of the parties hereunder shall terminate.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of the Philippines :

by Andres V. CASTILLO

Authorized Representative

International Bank for Reconstruction and Development :

by J. Burke KNAPP

Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.]

LOAN AGREEMENT
(RURAL CREDIT PROJECT)

AGREEMENT, dated November 2, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and CENTRAL BANK OF THE PHILIPPINES (hereinafter called the Borrower).

Article I

LOAN REGULATIONS ; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,¹ subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein :

- (a) Section 4.01 is deleted ;
- (b) Section 9.04 is deleted.

Section 1.02. Except where the context otherwise requires, the following terms have the following meanings wherever used in this Loan Agreement :

(a) The term "Rules and Regulations" means the Rules and Regulations governing Rural Banks as supplemented by the Rules and Regulations governing Medium and Long-term Loans under the Central Bank—International Bank for Reconstruction and Development Loan Agreement, promulgated by the Borrower pursuant to Republic Act No. 720 of the Guarantor as amended as of the Effective Date.

(b) The term "Rural Bank" means a rural bank established, organized and operated under Republic Act No. 720 of the Guarantor as amended as of the Effective Date and the Rules and Regulations.

(c) The term "beneficiary" means any individual farmer owning or cultivating as tenant or lessee not more than 50 hectares of land dedicated to agricultural production, or any farmers' cooperative institution, or any person rendering direct agricultural production services to such farmer or farmers' cooperative institution, that has entered into arrangements with a Rural Bank for the financing of goods to be purchased out of the proceeds of the Loan.

¹ See above.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, the Loan Agreement.

Section 2.03. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement and the Loan Regulations, to withdraw from the Loan Account such amounts as shall be the equivalent of amounts disbursed by the Borrower to Rural Banks for the purpose of re-lending to beneficiaries to assist in meeting expenditures for the reasonable cost of goods required to carry out the Project; provided, however, that no such withdrawals shall be made on account of (i) expenditures prior to the Effective Date and (ii) expenditures made in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in the Schedule to this Agreement.

Article III

DESCRIPTION OF THE PROJECT; USE OF PROCEEDS OF THE LOAN

Section 3.01. The Project is an agricultural credit operation designed to assist in financing agricultural development in the territories of the Guarantor over a period presently estimated to be two years from the Effective Date. It consists of medium and long-term loans to be made by the Borrower to Rural Banks for re-lending to beneficiaries for the purchase of farm machinery and the development of small private irrigation systems for the purpose of expanding and intensifying agricultural production.

Section 3.02. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures

for procurement of such goods shall be determined by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.03. Except as the Bank shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

Section 3.04. Pursuant to the second sentence of Section 3.02 of the Loan Regulations, the Bank and the Borrower agree that any withdrawals on account of expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor shall be made in such currency or currencies as the Bank shall reasonably elect.

Article IV

BONDS

Section 4.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 4.02. The Governor of the Borrower, and such person or persons as he shall appoint in writing, are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound agricultural, engineering and financial practices.

Section 5.02. (a) The Borrower shall lend to Rural Banks out of the proceeds of the Loan, for the purpose of relending by Rural Banks to beneficiaries, an amount not exceeding the equivalent of a percentage, to be agreed between the Bank and the Borrower, of the aggregate of expenditures by beneficiaries on goods for carrying out the Project, all on the basis of arrangements between the Borrower and each Rural Bank made in accordance with the Rules and Regulations and satisfactory to the Bank.

(b) The operating policies and procedures for the carrying out of the Project, including the terms and conditions of loans by the Borrower to Rural Banks and of loans by Rural Banks to beneficiaries, shall be established by agreement from time to time between the Bank and the Borrower.

(c) The Borrower shall exercise its rights in relation to each Rural Bank in such manner as to protect the interests of the Bank and the Borrower and cause such Rural Bank to carry out its obligations under the Rules and Regulations.

(d) The Borrower shall cause each Rural Bank : (i) to carry on its operations and conduct its affairs in accordance with sound business practices, under the supervision of experienced and competent management, and to employ qualified personnel in adequate numbers ; (ii) to cause the proceeds of the Loan or the equivalent thereof made available to such Rural Bank to be used exclusively in the carrying out of the Project ; (iii) except as the Bank and the Borrower shall otherwise agree, to provide financing out of its own resources in an amount not less than the equivalent of a percentage to be agreed from time to time between the Bank and the Borrower of the total cost of the goods to be purchased by a beneficiary for the purposes of the Project ; (iv) to ensure the right of the Bank and the Borrower to inspect the Project, the operation thereof, and the operations and financial conditions of such Rural Bank and any relevant records and documents ; and (v) to ensure the right of the Bank and the Borrower to obtain all such information as they shall reasonably request relating to any of the foregoing and to the operations, administration and financial condition of such Rural Bank.

Section 5.03. The Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operation and financial condition of the Borrower ; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents ; and shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the administration, operation and financial condition of the Borrower, and of the Rural Banks.

Section 5.04. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

(b) The Bank and the Borrower shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

Section 5.05. The Borrower undertakes that, except as the Bank shall otherwise agree, if the Borrower shall create any lien on any of its assets as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 5.06. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement¹ or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.07. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 5.08. The Borrower shall, to the extent necessary to ensure full implementation of the operating policies and procedures established pursuant to Section 5.02 (b) of this Agreement and, in general, the diligent and efficient carrying out of the Project :

- (a) maintain at all times the strength of its technical agricultural staff; and
- (b) make arrangements satisfactory to the Bank with those agencies of the Guarantor responsible for providing technical agricultural services for the provision to beneficiaries of advice on farm management and the most advantageous use of credit facilities.

Article VI

REMEDIES OF THE BANK

Section 6.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e), paragraph (f) or paragraph (j) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in the Loan Agreement or in the Bonds to the contrary notwithstanding.

Section 6.02. The following is hereby specified as an additional event for the purposes of Section 5.02 (j) of the Loan Regulations :

Republic Act No. 720 of the Guarantor as amended as of the Effective Date, or the Rules and Regulations shall have been suspended, terminated or repealed, or amended so as to affect in any manner, in the reasonable opinion of the Bank, the ability of the

¹ See p. 4 of this volume.

Borrower to carry out the covenants and agreements set forth in the Loan Agreement, without the prior agreement of the Bank.

Article VII

EFFECTIVE DATE ; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 9.01 (c) of the Loan Regulations :

The Rules and Regulations in form and substance satisfactory to the Bank have come into force and effect.

Section 7.02. If the Loan Agreement shall not have come into force and effect by January 31, 1966, the Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be June 30, 1968 or such other date as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purpose of Section 8.01 of the Loan Regulations :

For the Borrower :

Central Bank of the Philippines
Manila, Philippines

Alternative address for cables and radiograms :

Philcenbank
Manila

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cables and radiograms :

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

by J. Burke KNAPP
Vice President

Central Bank of the Philippines :

by Andres V. CASTILLO
Authorized Representative

SCHEDULE

AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars)*</i>
December 1, 1968	\$205,000	December 1, 1973	\$265,000
June 1, 1969	210,000	June 1, 1974	275,000
December 1, 1969	215,000	December 1, 1974	280,000
June 1, 1970	220,000	June 1, 1975	290,000
December 1, 1970	225,000	December 1, 1975	300,000
June 1, 1971	235,000	June 1, 1976	305,000
December 1, 1971	240,000	December 1, 1976	315,000
June 1, 1972	245,000	June 1, 1977	325,000
December 1, 1972	255,000	December 1, 1977	335,000
June 1, 1973	260,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on prepayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than two years before maturity	1/2 %
More than two years but not more than four years before maturity	2 %
More than four years but not more than eight years before maturity	3 1/2 %
More than eight years but not more than ten years before maturity	4 1/2 %
More than ten years before maturity	5 1/2 %