

No. 12016

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
PHILIPPINES**

**Development Credit Agreement—*Fifth Power Project* (with
General Conditions Applicable to Development Credit
Agreements). Signed at Washington on 3 April 1972**

Authentic text: English.

*Registered by the International Development Association on 26 September
1972.*

**ASSOCIATION INTERNATIONALE DE
DÉVELOPPEMENT
et
PHILIPPINES**

**Contrat de crédit de développement — *Cinquième projet re-
latif à l'énergie électrique* (avec Conditions générales
applicables aux contrats de crédit de développement).
Signé à Washington le 3 avril 1972**

Texte authentique : anglais.

*Enregistré par l'Association internationale de développement le 26 sep-
tembre 1972.*

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated April 3, 1972, between REPUBLIC OF THE PHILIPPINES (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS (A) The Borrower has requested the Association to assist in the financing of the foreign exchange cost of the Project by extending the Credit as hereinafter provided;

(B) The National Power Corporation (hereinafter called NPC) has also requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith² between the Bank and NPC (hereinafter called the Loan Agreement) the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to twenty-two million dollars (\$22,000,000) (hereinafter called the Loan) on the terms and conditions set forth in the Loan Agreement;

(C) The Borrower and the Association intend, to the extent practicable, that the proceeds of the Credit provided for in this Agreement on account of expenditures on the Project be disbursed before disbursements thereon of the proceeds of the Loan provided for in the Loan Agreement are made;

WHEREAS the Association has agreed, on the basis *inter alia* of the foregoing, to extend the Credit to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the following

¹ Came into force on 30 June 1972, upon notification by the Association to the Government of the Philippines.

² See foot-note 2, p. 138 of this volume.

³ See p. 164 of this volume.

modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

- (a) Section 5.01 is deleted;
 - (b) Section 6.02 (h) is deleted and Section 6.02 (i) becomes 6.02 (h);
- and
- (c) Paragraph 9 of Section 2.01 is amended to read as follows:

“The term Project means the project for which the Credit is granted, as described in the Loan Agreement dated _____, 1972 between the Bank and the National Power Corporation and as the description thereof shall be amended from time to time by agreement between the Bank and the National Power Corporation.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth and the term “Loan Agreement” means the agreement of even date herewith between the Bank and NPC for the purpose of the Project, as such agreement may be amended from time to time; and such term includes the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, as made applicable to such agreement, all agreements supplemental to the Loan Agreement and all schedules to the Loan Agreement.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to ten million dollars (\$10,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to the Loan Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Credit shall be procured pursuant to the provisions set forth or referred to in Section 2.03 of the Loan Agreement.

Section 2.04. The Closing Date shall be June 30, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each March 1 and September 1 commencing September 1, 1982 and ending March 1, 2022, each installment to and including the installment payable on March 1, 1992 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}$ %) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

Article III

EXECUTION OF THE PROJECT AND COMPLIANCE OF OBLIGATIONS

Section 3.01. (a) The Borrower shall cause NPC to carry out the Project with due diligence and efficiency and in conformity with sound engineering, financial and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall relend the proceeds of the Credit to NPC under the Subsidiary Loan Agreement to be entered into between the Borrower and NPC under terms and conditions which shall have been approved by the Association.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and

the Association and to accomplish the purposes of the Credit, and except as the Association shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

(d) The Borrower shall take and shall cause all its agencies to take all action which shall be necessary on their part to enable NPC to perform all of its obligations under the Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Section 3.02. (a) The Borrower shall duly perform its obligations under the Guarantee Agreement.

(b) The Borrower shall cause NPC to perform all of its obligations under the Loan Agreement.

Article IV

CONSULTATION, INFORMATION AND INSPECTION

Section 4.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the performance by NPC of its obligations under the Subsidiary Loan Agreement, the administration, operations and financial condition, resources and expenditures of NPC and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 4.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition, resources and expenditures of NPC and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service thereof, or the performance by either of them of its obligations under the Development Credit Agreement or the performance by NPC of its obligations under the Subsidiary Loan Agreement.

Section 4.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all plants, installations, sites, works, buildings, property and equipment of NPC and any relevant records and documents and to visit any part of the territories of the Borrower for purposes related to the Credit.

Article V

TAXES AND RESTRICTIONS

Section 5.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 5.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VI

REMEDIES OF THE ASSOCIATION

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 6.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

- (a) a default shall have occurred in the performance of any covenant or agreement under the Loan Agreement on the part of NPC, or under the Guarantee Agreement on the part of the Borrower or under the Subsidiary Loan Agreement on the part of the parties thereto;
- (b) the right of the Borrower to withdraw the proceeds of the Loan under the Loan Agreement shall have been suspended; and
- (c) the outstanding principal of the Loan under the Loan Agreement shall have been declared, or shall become, due and payable in advance of the agreed maturity thereof in accordance with the terms of the said Agreement.

Section 6.03. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) the event specified in Section 6.02 (a) or (b) of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower; and
- (b) any event specified in Section 6.02 (c) of this Agreement shall occur.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions, namely, that the conditions precedent to the effectiveness of the Loan Agreement shall have been fulfilled subject only to the effectiveness of the Development Credit Agreement.

Section 7.02. The date July 1, 1972 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 7.03. The obligations of the Borrower under Section 4.02 (a) of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty years after the date of this Agreement, whichever shall be the earlier.

Article VIII

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 8.01. The Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Secretary of Finance
Department of Finance
Manila, Philippines

Cable address:

Secfinance
Manila, Philippines

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Indevas
Washington, D.C.

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

Republic of the Philippines:

By CESAR VIRATA
Authorized Representative

International Development Association:

By MOHAMED SHOAIB
Vice President

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]