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financial cooperation between Germany and the Philippines, DM 3,000,000 -- financing agreement for "fund for studies and experts", 12 may 1982.

Kreditanstalt
fur Wiederaufbau

[Kreditanstalt Wiederaufbau]

[PalmengartenstraBe 5-9]

[6000 Frankfurt am Main 1]

National Economic and
[PalmengartenstraBe 5-9]

Development Authority
[6000 Frankfurt am Main 1]

Padre Faura St. [Telefon (0611) 7431-1]

Metro Manila [Te!ex:41l352]

Republic of the Philippines [Telegrammadresse:]

[Kreditanstalt Frankfurtmain]

[IhreNachncht]
[Ihr Zeichen] [Bearbeiter] [Unser Zeichen] [Durchwahl] [Datum]

[your teller]
[your sign] [Office in charge] [Our sign] [extension] [date]

[votre lettre]

[votre reference] [employe competent] [notre reference] [extension] [date]

[sucarta]
[su referencia] [functionario encargado] [nuestra referencia] [extension] [fecha]

Dr. Kinnemann
Kin/Kel 2839 22 MAR 1982

Re: L III. b /

Financial Cooperation with the Philippines

DM 3,000,000.-- Financing Agreement for

"Fund for Studies and Experts", No. 81 70 276

Dear Sirs,

The Financing Agreement entered into between the Republic of the Philippines ("Recipient") and Kreditanstalt 'fur Wiederaufbau ("Kreditanstalt") on 12 MAY 1982 provides that the following be determined by separate agreement:

> Pursuant to Article 1.2
> the details of the Project as well as the
> goods and services to be financed from the
> Financial Contribution;
>
> pursuant to Article 3.1
> the disbursement procedure, in particular the
> evidence to be furnished by the Recipient for the
> disbursement of the Financial Contribution proving
> the use of the Financial Contribution for the purpose
> stipulated in the above Financing Agreement;
>
> pursuant to Article 7.2
> the details pertaining to Article 7.1
> (Execution of the Project).

[Deutsche Bundesbank Frankfurt (BL2 504 000 00) Girokonto 504 09100 Postscheckamt Frankfurt (BLZ 5001G060) Konto 49837609]
Therefore/ we propose that the following be agreed upon:

I. Details of the Project and of Services

> (1) The individual project studies, detailed engineering or advisory/consulting services {"Project Components") to be financed from the financial contribution shall be determined between the Recipient and Kreditanstalt.
>
> The Recipient shall submit to Kreditanstalt in due time for approval proposals for studies, detailed 'engineering or advisory/consulting services for investment measures considered to be of developmental priority.

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At the same time the Recipient shall inform Kreditanstalt who will be the project sponsor/executing agency responsible for the execution of the corresponding Project Component (ministry, legally independent institution a.o.) The approval for financing a Project Component does not Include any consent to cover the investment costs involved in the pertaining investment.

After Kreditanstalt has given its consent for financing a Project Component the details of the Project Component as well as the costs shall be determined by a Project Component Agreement between the Recipient and Kreditanstalt resp. - in case of a legally independent project sponsor - between the corresponding project sponsor and Kreditanstalt.

Should there be any indication of major changes in the measures or in the cost estimates of the Project Components Kreditanstalt shall be informed without delay. Implementation of such measures shall commence only on the basis of revised planning and after Kreditanstalt has given its consent.

The details of the consulting services shall be laid down in the consulting contracts to be concluded with the experts who shall be entrusted with the implementation of the Project Components.

(2) The details of the contributions possibly to be rendered by the Philippine side shall be agreed upon by Project Component Agreement.

(3) The list of goods and services to be financed from the financial contribution shall be prepared on the basis of the contracts concluded for such goods and services. Accordingly, Kreditanstalt shall be furnished with a copy of each contract.

Having checked the contracts, Kreditanstalt. shall transmit to the Recipient numbered letters stating the amounts which have been reserved for the financing from the financial contribution and send him the

"List of Goods and Services"
as supplemented from case to case (Annex 1). (4) When concluding contracts for goods and services to be financed from the financial contribution, the following principles shall be adhered to by the Recipient:
(a) The payment conditions of the contracts shall be in line with commercial practice.

(b) To safeguard the advance payments and the due implementation of the contracts, the contracts shall provide for appropriate advance payment and performance guarantees to be given by banks or insurance companies.

(c) As according to Article 1.4 of the Financing Agreement no import duties shall be financed from the financial contribution, such import duties, if part of the contract value, shall be stated separately in the contracts to be concluded for the goods and services and in the invoices.

(d) It shall be ensured that the goods and services to be financed from the financial contribution are insured adequately and to the customary extent against transport risks so that their replacement or repair is possible. Such insurance shall be taken out in a freely convertible currency as far as foreign exchange costs accruing to the Recipient shall be financed.

(e) It shall be ensured that all contracts for services, if payable from the financial contribution, contain a provision to the effect that any reimbursements, insurance, guarantee or similar claimable payments shall be made for the account of the Recipient to Kreditanstalt into its account No. 504 091 00 with Deutsche Bundesbank, Frankfurt am Main, with Kreditanstalt crediting him with the amounts. If such payments are made in local currency they shall be transferred to a special account of the Recipient in Manila; such account may be operated only with the consent of Kreditanstalt. Such funds may be re-utilized in accord with Kreditanstalt for the execution of the Project.

II. Disbursement Procedure

The disbursement procedure is governed by the "Guidelines for the Disbursement of Funds of German

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Financial Co-operation with Developing Countries by Kreditanstalt fur Wiederaufbau", which constitute an integral part of this Agreement.

III. Implementation of the Project

(1) For the implementation of the Project the project sponsors/ executing agencies of the individual Project Components are responsible.

The time-table and the cost and financing schedule required for the proper technical and financial execution of the corresponding Project Component shall be prepared as soon as possible after it has been decided to finance the respective Project Component from the financial contribution and shall be forwarded to Kreditanstalt. Such schedule shall show the presumable timing and coordination of the individual measures as laid down in the Terms of Reference and the resulting financial requirements, by dates and amounts. As far as any deviation from such schedule becomes necessary in the course of the implementation of the Project Components Kreditanstalt shall be furnished with the revised schedule.

(2) The contracts concerning the preparation of the individual studies, the detailed engineering services or advisory/consulting services shall be awarded to independent qualified Consulting Engineers domiciled in the Federal Republic of Germany including the Land Berlin in the course of public competition. For this purpose, the project sponsors/executing agencies shall publish a corresponding notice at least in the "Nachrichten fur Aussenhandel" (NfA) of the
Bundesstelle fur Aussenhandelsinformation
Blaubach 13
D - 5000 K o 1 n
FEDERAL REPUBLIC OF GERMANY

under the heading "Finanzielle Zusammenarbeit der Bundes-republik Deutschland" (Financial Cooperation of the Federal Republic of Germany). Publication in the NfA is free of charge. From among the applications of the Consulting Engineers interested (long-list), the project sponsors/ executing agencies shall preselect the Consulting Engineers particularly qualified for executing the Project Component (short-list), with the preselection requiring the approval of Kreditanstalt. Accordingly, the project sponsors/executing agencies shall furnish Kreditanstalt with an evaluation report on the preselection together with all other relevant documents as requested by Kreditanstalt. Sufficient time allowed, the Consulting Engineers selected shall be invited to submit their tenders of services and price quotations separately.

The final selection shall depend on the quality of the tenders of services; only if the tenders are of equal quality shall the price quotations be decisive. Kreditanstalt reserves- the right to approve the proposal to award the contract. Accordingly, it shall be furnished with an evaluation report on the final selection together with any documents as requested by it. Furthermore, the engagement of the Consulting Engineers selected shall require the prior approval of Kreditanstalt. Accordingly, it shall be furnished in due course with the draft of the consulting contract.

(3) The project sponsors/executing agencies shall cause the Consulting Engineers in charge of implementing the Project Components to report to Kreditanstalt quarterly on the progress of the corresponding study or advisory services until completion of the corresponding study or advisory services. Such reports shall cover the points stated in the list attached hereto (Memo for Progress Reports, Annex 2).

(4) Please send all documents we need for preparing the comments and approvals agreed upon above so early as to give us sufficient time for their examination.

(5) Further details of the implementation of the Project shall be determined by the respective Project Component

Agreements.

IV. The above stipulations may at any time be amended or modified by mutual consent if this should appear useful for the execution of the Project or the implementation of the Financing Agreement. In addition, the provisions of Article 6.2 and 8 of the Financing Agreement shall apply to this agreement accordingly.

We enclose herewith one copy each of the present letter in German and English asking you to be so kind as to forward them in due course to the Consulting Engineers.

Please confirm your approval of the above agreement by signing in a legally binding form and returning the enclosed copies in German and in English.

Yours faithfully,

KREDITANSTALT FUR WIEDERADFBAU

Encls.

[Standard form for reservation]
[of partial financial contribution]
[amounts by addition]
[to the "List of Goods and Services"]
[Memo for Progress Reports]

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DEVELOPMENT AUTHORITY

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