BILATERAL

# AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES AND THE GOVERNMENT OF THE SWISS CONFEDERATION ON TRANSFER CREDITS

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In an endeavour to enable the Philippines to purchase Swiss capital goods and services for the economic development of the Philippines, the Government of the Philippines and the Government of the Swiss Confederation have agreed to facilitate the opening of transfer credits for the payment of certain supplies.

For this purpose the two Governments have reached agreement on the following arrangements:

- The provisions of this arrangement shall apply to Swiss supplies of capital goods and services for the economic development of the Philippines and for which, with due consideration to the development requirements, a long period of amortization is justified.

- The total amount of Swiss supplies of capital goods and services which may give rise to the granting of transfer credits shall be up to one hundred and twenty million Swiss francs.

- Transfer credits in the sense of this Agreement shall mean credits put at the disposal of the Government of the Philippines or an institution designated by the latter by the group of Swiss banks (hereafter called "the Swiss banks"). These transfer credits shall be used exclusively for the purpose of making available to the Government of the Philippines or an institution designated by the latter the amounts of Swiss francs to be paid by Philippine importers to specified Swiss suppliers or contractors at the time of shipment of such goods or rendition of services.

- A special agreement shall be concluded between the Swiss banks on the one hand and the Government of the Philippines or an agency designated by the latter on the other hand, on the opening of transfer credits in relation to the supplies of capital goods and services mentioned in paragraph 1.

- The transfer credits shall be utilized in relation to specific supply contracts. All supply contracts shall be subject to the approval by the competent Philippine and Swiss authorities.

- With regard to all transactions included in this Agreement and approved by the competent authorities of the two countries the Government of the Philippines undertake to make the contractual payments for interest and for reimbursement of capital, resulting from the granting of transfer credits, as provided by the Swiss banks, at maturity in effective free Swiss francs or its equivalent in any other freely convertible currency acceptable to the


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Swiss banks in the event of default by the designated agency, the Philippine National Bank.

- The Government of the Philippines shall exempt the Swiss banks from any Philippine fiscal levy or tax on and/or in connection with the transfer credits included in this Agreement and interest accruing thereon.

- Within its legal competence the Government of Switzerland shall facilitate the conclusion of supply contracts.

- The present arrangement shall in no way diminish the possibilities for supplies of Swiss capital goods and services to the Philippines under normal payment and transfer conditions outside the said arrangement.

- The Agreement shall come into force on the day when both Governments will have notified each other that the constitutional or legal requirements for the entry into force of the Agreement shall have been completed.

Either Contracting Government may at any time give notice to the other of its intention to terminate the Agreement and the Agreement shall terminate three months after the date of such notice. However, it will continue to have effect for all contracts concluded while it was in force until such contracts are fully carried out.

Done in duplicate in Berne, this 11th day of August, 1978, in English and German, both texts being equally authoritative, but in case of differences of interpretation the English text shall prevail.

(Sgd.)
For the Government of the
Republic of the Philippines (Sgd.)
For the Government of the
Swiss Confederation

Protocol of Application

The Agreement on transfer credits concluded between the Government of the Republic of the Philippines and the Government of the Swiss Confederation is supplemented by the following arrangements:

1.

The two Governments agree that the standard terms set out below shall apply to all supply contracts included in the Agreement:

a)

The Philippine buyer shall pay to the Swiss supplier, in effective free Swiss francs,

aa)

in the case of financing the supply of individual capital goods

(i)

five per cent of the total value of the supply contract immediately after having received confirmation that the


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supply contract has been approved by the competent Philippine and Swiss authorities mentioned in paragraph 4 of the present Protocol;

(ii)

ten per cent of the total value of each shipment against presentation of shipping documents;

(iii)

eighty-five per cent of the invoice value of each shipment against presentation of invoice and shipping documents;

bb)

in the case of project financing

(i)

five per cent of the total value of the supply contract immediately after having received confirmation that the supply contract has been approved by the competent Philippine and Swiss authorities mentioned in paragraph 4 of the present Protocol;

(ii)

ten per cent of the total value of each shipment against presentation of shipping documents;

(iii)

eighty-five per cent of the invoice value of each shipment against presentation of invoice and shipping documents;

cc)

in the case of financing the rendition of individual services:

(i)

twenty per cent of the total value of the supply contract immediately after having received confirmation that the supply contract has been approved by the competent Philippine and Swiss authorities mentioned in paragraph 4 of the present Protocol;

(ii)

eighty per cent of the total value of the supply contract according to the terms of the contract between the Swiss supplier and the Philippine buyer.

b)

The Government of the Philippines shall arrange to make available to the Philippine buyer the corresponding amount of Swiss francs at the current rage of exchange for making the payments referred to under lit. aa) i) and ii), lit. bb) i) and ii) and lit. cc) i) above.

c)

The payments mentioned under lit. aa) iii), lit. bb) iii) and lit.cc) ii) shall be made by direct debit to the advance account of the Government of the Philippines.

2.

Each transfer credit shall be repaid as follows:


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a)

in the case of the supply of individual capital goods as mentioned under paragraph 1, lit. a) aa)

- within a period of ten years, in equal and consecutive halfyearly instalments, the first one falling due and payable twelve months after shipment of the goods;

b)

in the case of project financing as mentioned under paragraph 1, lit. a) bb)

- within a period of ten years, in equal and consecutive halfyearly instalments, the first one falling due and payable six months after readiness for operation of the respective project;

c)

in the case of rendition of individual services as mentioned under paragraph 1, lit. a) cc)

- within a period of five years, in equal and consecutive halfyearly instalments, the first one falling due and payable six months after the day the service has been fulfilled.

d)

In the case mentioned under Paragraph 2, letters b) and c) above, the supply contract shall in addition specify a reasonable deadline, to be computed from the effectiveness of the supply contract, for the payment of the first instalment.

3.

In agreeing to include a specified supply in the Agreement, the competent authorities of both countries undertake to grant all the authorizations which may be necessary to execute the transactions.

4.

The competent authorities, mentioned in article 5 of the Agreement shall be the Federal Division of Commerce on the Swiss side and the Ministry of Finance on the Philippine side.

5.

Either authority may propose to the other, through the channel of the Swiss Embassy in Manila, that a specific supply of Swiss capital goods be included in the Agreement. This proposal together with the affirmative reply of the other authority shall be considered as constituting the agreement referred to in article 5 of the Agreement.

6.

All applications for the inclusion of supply contracts in the Agreement shall be submitted within thirty-six months after its coming into force to the competent Swiss authority mentioned in paragraph 4 above. In principle, the invoice value of any one supply contract shall not be less than five hundred thousand Swiss francs.

7.

a)

All payments of interest and reimbursement of capital of the transfer credit shall be made to the Swiss Bank Corporation in Zurich, acting on behalf of the Swiss banks

b)


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The Swiss Bank Corporation shall keep the accounts to be opened in the name of the Government of the Philippines or an institution designated by the latter for the execution of the Agreement and carry on all correspondence in connection therewith.

c)

All notifications by the Swiss banks in connection with the Agreement shall be deemed to have been duly given if addressed to the Ministry of Finance of the Philippines, Manila.

d)

All notifications and remittances by the Government of the Philippines or an institution designated by the latter shall be deemed to have been duly given if made to the Swiss Bank Corporation, Zurich.

Done in Berne, this 11th day of August, 1978, in two originals, in English and German, both texts being equally authoritative, but in case of differences of interpretation the English text shall prevail.

(Sgd.)
For the Government of the
Republic of the Philippines:

(Sgd.)
For the Government of the
Swiss Confederation

Entry into Force: August 11, 1978


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