

When the two Governments deem it necessary, the Grant Aid may be used for the purchase of the products or services of a third country.

However the prime contractors, namely, consulting, contracting and procurement firms, are limited to "Japanese nationals". (The term "Japanese nationals" means persons of Japanese nationality or Japanese corporations controlled by persons of Japanese nationality.)

5) Necessity of the "Verification"

The Government of recipient country or its designated authority will conclude contracts denominated in Japanese yen with Japanese nationals. Those contracts shall be verified by the Government of Japan. This "Verification" is deemed necessary to secure accountability to Japanese taxpayers.

6) Undertakings required of the Government of the Recipient Country

In the implementation of the Grant Aid project, the recipient country is required to undertake such necessary measures as the following:

- (1) To secure land necessary for the sites of the Project and to clear, level and reclaim the land prior to commencement of the construction.
- (2) To provide facilities for distribution of electricity, water supply and drainage and other incidental facilities in and around the sites.
- (3) To secure buildings prior to the procurement in case the installation of the equipment.
- (4) To ensure all the expenses and prompt execution for unloading, customs clearance at the port of disembarkation and internal transportation of the products purchased under the Grant Aid.
- (5) To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which will be imposed in the recipient country with respect to the supply of the products and services under the Verified Contracts.

(6) To accord Japanese nationals whose services may be required in connection with the supply of the products and services under the Verified Contracts, such facilities as may be necessary for their entry into the recipient country and stay therein for the performance of their work.

(7) Proper Use

The recipient country is required to maintain and use facilities constructed and equipment purchased under the Grant Aid properly and effectively and to assign staff necessary for this operation and maintenance as well as to bear all the expenses other than those covered by the Grant Aid.

(8) Re-export

The products purchased under the Grand Aid should not be re-exported from the recipient country.

(9) Banking Arrangement (B/A)

- a) The Government of the recipient country or its designated authority should open an account in the name of the Government of the recipient country in a bank in Japan (hereinafter referred to as "the Bank"). The Government of Japan will execute the Grant Aid by making payments in Japanese yen to cover the obligations incurred by the Government of the recipient country or its designated authority under the verified contracts.
- b) The payments will be made when payment requests are presented by the Bank to the Government of Japan under an authorization to pay issued by the Government of the recipient country or its designated authority.

**Necessary measures to be taken by the Government of the Republic of the Philippines in case Japan's Grant Aid is extended**

1. To provide data and information necessary for the Project.
2. To secure the land necessary for the execution of the Project.
3. To clear the sites prior to the commencement of the construction, if required.
4. To bear commissions to the Japanese foreign exchange bank for its banking services based upon the Banking Arrangement, namely the advising commission of the "Authorization to Pay" and payment commission.
5. To ensure prompt unloading, tax exemption, customs clearance at the port of disembarkation in the Republic of the Philippines and prompt internal transportation of the materials and equipment for the Project purchased under the Grant Aid.
6. To exempt Japanese nationals from customs duties, internal taxes and other fiscal levies which will be imposed in the recipient country with respect to the supply of the products and services under the verified contracts.
7. To accord Japanese nationals whose services may be required in connection with the supply of products and the services under the verified contract such facilities as may be necessary for their entry into the Republic of the Philippines and stay therein for the performance of their work.
8. To provide necessary permissions, licenses and other authorizations for implementing the Project, if necessary.
9. To maintain and use properly and effectively the facilities constructed under the Project.
10. To coordinate and solve any issues related to the Project which may be raised from third parties or inhabitants in the Project area during implementation of the Project.