

June 29, 1993

Secretary of Finance
Department of Finance
Manila
Philippines

Dear Sir:

Philippines: Extension of Closing Date for
Financial Sector Adjustment Loan Loan (FSAL)
(Loan No. 3049-PH)

Thank you for the letter of June 25, 1993 from Mr. Romeo L. Bernardo, Officer-in-Charge, Undersecretary of Finance, in which a further extension of the Closing Date for the above Loan from June 30, 1993 until November 30, 1993 was requested.

The Bank is very pleased to note that the new Central Monetary Authority (CMA) Act was enacted on June 10, 1993, and that it contains almost all the amendments required under Condition 1 of the second tranche release conditions (Schedule 4) to the Loan Agreement as well as provisions which will allow the Monetary Board to implement a financial restructuring of the central bank. We are pleased to note that the Government is in the process of preparing a list of assets and liabilities which can be transferred to the Banko Sentral and it will endeavour to constitute the restructuring committee by July 15, 1993. Timely completion of these critical steps should permit Government of the Philippines to restructure the central bank within the stipulated time period. Completion of financial restructuring of the central bank to the Bank's satisfaction will comply with the Condition 10 of the second tranche release conditions of the Loan Agreement.

Given the enactment of the CMA ACT and that the main objectives of the Loan continue to be achievable, the Bank agrees to extend the Closing Date of the above Loan to November 30, 1993 to permit the completion of the financial restructuring of the central bank to the Bank's satisfaction by November 30, 1993, and to allow the issues of the adequacy of PDIC's capital and intermediation costs to be addressed as part of the financial restructuring of the central bank.

Kindly confirm your agreement to the foregoing by signing and dating the form of confirmation set forth and returning this letter at your earliest convenience (but not later than June 30, 1993). A signed duplicate original of this letter is enclosed for your records. This letter becomes effective as of the date first above written once it has been fully executed by you and returned to us.

Sincerely yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Vineet Nayyar
Acting Director
Dept. I, East Asia and

Pacific Region

AGREED AND CONFIRMED:

REPUBLIC OF THE PHILIPPINES

By: Ernest C. Leung, Acting Secretary
Date: June 30, 1993

cc: Governor
Central Bank of Philippines
Manila Philippines

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25/F Pacific Star Building
Makati Avenue Cor. Sen. Gil Puyat Avenue
Manila, Philippines

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Cleared with and cc: Messrs. Foc (IEGEA)

cc: Messrs./Mmes. El Maaroufi (EAPVP); Madavo (o/r), Ahmed ~ALDR);
Ilcram, Kharas,
Ball~i~i (EALCO); Dalla (EALIE); Hassan (IEGEA); Abraham
(LOAAS);
Allen (RMP)
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