

**MANILA RACES TO FINALISE PIVOTAL DEBT CASE.**By **Chaitanya Kalbag**

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MANILA, Oct 22 - The Philippine Central Bank and creditors of a private fertiliser firm are racing to finalise a new compromise over a 56.5 million dollar debt that is holding up the country's recent debt rescheduling agreement, sources close to the talks said.

A senior foreign banker said resolution of the dispute would pave the way for the Philippines' 483 creditor banks to sign a July agreement that restructured 13.2 billion dollars of foreign debt. The rescheduling documents must be signed by November 15 to take legal effect.

It also rejected a complex formula pushed by former Finance Secretary Jaime Ongpin which said the government would allocate 450 million pesos to buy Central Bank debt paper on the secondary markets. The paper would ultimately be used to raise 44.5 million dollars to repay Planters Products' creditors, who agreed to waive 12.5 pct of principal in return.

The Senate panel proposed that the government, instead of directly dealing with Planters' creditors, should pay the company 397 million pesos to allow it the same access to financing envisioned by Ongpin so that Planters could settle directly with the foreign banks.

The panel said the Ongpin formula created a wrong precedent of the government assuming private-sector debt.

Marcelo Mirasol, acting president of Planters Products, said the 397 million pesos represented unpaid capital of Planters, amounting to 206 million pesos, plus compound interest.

A letter of undertaking signed in May 1985 by former Finance Minister Cesar Virata pledged the government's Fertiliser and Pesticide Authority would ensure the capital was fully paid by including a 10-peso surcharge in the cost of every bag of fertiliser sold in the country.

Mirasol said in view of the tight cash position of the government, Planters would waive about 1.6 billion pesos in fertiliser subsidies and compound interest owed since 1982.

"With the money we receive, we will purchase Central Bank promissory notes in the open market and eventually redeem Planters' promissory notes held by the banks," he said.

Mirasol said ownership of Planters would eventually be transferred to the farmer end-users.

Manila's 12-bank advisory committee had called for a fresh compromise on the Planters row after talks in New York with Philippine Finance Secretary-designate Vicente Jayme.

The advisory panel is chaired by Manufacturers Hanover Trust Co which has already signed the debt accord.

Barclays is one of the members of the advisory committee.

Mirasol said Central Bank Deputy Governor Gabriel Singson was heading negotiations on the firm's debt.

"All I can say is that we have been, for the last ten days or so, working on a solution to this problem that would be acceptable to all parties concerned, and we are very optimistic that we will arrive at such a solution very soon," Singson said. Talks were continuing with lawyers for the creditor banks, he said. The foreign banker said 19 Planters' creditors, who are led by Barclays Plc, were among 32 banks yet to sign the rescheduling agreement.

President Corazon Aquino has said her government would seek to seal the July agreement by next month's deadline.

Government figures show Manila stands to pay an extra 100 million dollars this year if lower interest rates stipulated in the debt accord are not implemented.





Mirasol said the compromise closely followed recommendations made by the Senate Blue Ribbon Committee in a report last month.

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