

No. 2468

GREECE
and
UNITED STATES OF AMERICA

Memorandum of understanding regarding drachma financing of capital goods procurement by the various Greek Ministries under the Greek Recovery Program. Signed at Athens, on 1 November 1948

Official text: English.

Registered by Greece on 28 January 1954.

GRÈCE
et
ÉTATS-UNIS D'AMÉRIQUE

Mémorandum d'accord relatif au financement en drachmes des achats de biens d'équipement effectués par les divers ministères du Gouvernement grec dans le cadre du programme de relèvement de la Grèce. Signé à Athènes, le 1^{er} novembre 1948

Texte officiel anglais.

Enregistré par la Grèce le 28 janvier 1954.

No. 2468. MEMORANDUM OF UNDERSTANDING¹ BETWEEN GREECE AND THE UNITED STATES OF AMERICA REGARDING DRACHMA FINANCING OF CAPITAL GOODS PROCUREMENT BY THE VARIOUS GREEK MINISTRIES UNDER THE GREEK RECOVERY PROGRAM. SIGNED AT ATHENS, ON 1 NOVEMBER 1948

Pursuant to the Economic Cooperation Agreement entered into on July 2 1948² this Memorandum of Understanding is entered into between the Special Mission for Economic Cooperation of the Economic Cooperation Administration, representing the United States of America (hereafter referred to as the ECA Mission), the Government of Greece, represented by the Ministries of Coordination and of Finance, and the Bank of Greece, represented by the Governor of the Bank.

I. PROBLEM AND OBJECTIVES

A. The Ministries having responsibilities for executing portions of the Greek Recovery Program must import certain required reconstruction goods through orderly procedures. In order to obtain foreign exchange for such importations, each Ministry must have available to it drachmae credits equivalent in value to the foreign exchange required in order that appropriate actions to make the exchange available may be taken at the Bank of Greece and by the Greek Government.

B. The objective of this Memorandum of Understanding is to set forth clearly the procedures under which the Ministries may proceed with the reconstruction goods imports contemplated under the Greek Recovery Program using the several sources of foreign exchange available.

II. SOURCES OF FINANCING

A. Foreign exchange for financing reconstruction goods imports for the Greek Recovery Program is being made available through the following four methods :

1. Allocation of dollars by the Economic Cooperation Administration (hereinafter referred to as the ECA) through issuance of procurement authori-

¹ Came into force on 1 November 1948, as from the date of signature, in accordance with article IV.

² United Nations, *Treaty Series*, Vol. 23, p. 43; Vol. 79, p. 298, and Vol. 132, p. 384.

zations by ECA. (The dollars can be made available through regular commercial banking channels or by direct purchases through the U. S. Government although such direct purchases will be used only in a few cases.)

2. Allocations of drawing rights under the Intra-European Payments Plan, against other participating countries under OEEC procedures. (At this date the plan has not been officially adopted and drawing rights are not available.)

3. Allocation of sterling exchange held by the Bank of Greece. (By Cabinet Decision, numbered 938 on 8 October 1948, the Greek Government has already agreed to use for imports requiring pounds sterling up to the equivalent of \$13,050,000 part of which will be available for reconstruction goods imports under the Recovery Program.)

4. Allocation of drachmae for payment within Greece for imports obtained against Clearing and Barter with other countries.

B. It is understood that, in accordance with the plans for reconstruction goods imports under the Greek Recovery Program for use by the various Ministries, as mutually agreed between the Greek Government and the ECA Mission, the drachma equivalent of the foreign exchange required in each transaction will be made available by the Bank of Greece to the Ministry concerned in connection with the opening of the credit for importation of the goods.

The Bank of Greece will debit such drachmae advances made to the Ministry to one of the following accounts to be established :

1. "Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through ECA aid."
2. "Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through Sterling."
3. "Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through Clearing and Barter."

C. The Ministry of Finance will issue general instructions to the Bank of Greece requesting that the debits be made automatically to the above three mentioned advances accounts for the various Ministries which present import licenses to the Bank, provided that such licenses have been duly issued by the Foreign Trade Administration and approved by the G.R.P. Coordinating Office and the ECA Mission as coming within the Program.

D. It is understood that in accordance with the ECA Agreement dated July 2, 1948, the Greek Government will deposit in the "Greek State-ECA

Drachma Account ” the full drachma equivalent of the ECA aid furnished as a grant to Greece. Accordingly, the Ministry of Finance will also instruct the Bank of Greece to automatically make credit deposits into the “ Greek State-ECA Drachma Account ” under established procedures and in amounts corresponding to the dollars involved in the procurement authorizations announced to the Bank of Greece, for the purchase of reconstruction goods.

It is understood that 95 percent of such drachma credits, representing the value of reconstruction goods being procured through ECA aid, shall remain blocked.

Upon approval by ECA Washington, this amount of blocked drachma shall be used exclusively for reducing the debit balances of the “ Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through ECA aid ”. Furthermore, to the extent that the United States Government requests the expenditure of the remaining 5 percent of such credit deposits, an equivalent amount of credit deposits in the “ Greek State-ECA Drachma Account ” will be blocked and be used only for reducing the debit balance of the Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through ECA Aid ”.

E. Arrangements for the liquidation of the debit account kept in the Bank of Greece under the title of “ Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through Sterling ”, will be made by mutual agreement of the parties signatory to this Memorandum of Understanding.

F. To the extent that the various Ministries obtain reconstruction goods needed in the Recovery Program through Clearing and Barter transactions and subject to approval in each instance by the ECA Mission, an allocation of drachma equivalent to the value of such imports will be made from the “ Greek State-ECA Drachma Account ” (from the drachma proceeds arising from sales of current requirements goods) to liquidate an equal amount of drachma debits made to the “ Greek State-Advances Account in Drachma for Procurement of Reconstruction Goods through Clearing and Barter ”.

III. PROCEDURES

A. Drachma financing for the procurements of reconstruction goods against dollars allocated to Greece by the ECA through issuance of procurement authorizations.

1. The Bank of Greece, on receipt of a communication by a Bank in the U.S.A. that it has accepted the terms of a procurement authorization of the U.S. Government for the purchase in the U.S. by the Greek Government and for its own account of certain goods, shall credit an account to be known as "Greek State-ECA Drachma Account", under a special sub-account.

2. The credit will be effected for drachma equivalent of the amount of dollars of the said procurement authorization, converted at the official rate of exchange of the dollar (Drs. 5.000 per dollar).

3. After the decision for the procurement is reached, according to the procedure to be established by the ECA Mission and the GRPCO, and the necessary import licence obtained, the Ministry concerned will transmit the appropriate documents to the Bank of Greece (Department of Guaranteed Credits) and shall give their instructions for the opening of the credit.

4. The Bank of Greece on receipt of such documents will proceed with the opening of the relative letter of credit.

5. On the same day that the credit is opened, the "Greek State-ECA Drachma Account" will be credited with the current drachma equivalent of the exchange certificates on the day of opening the credit, and the "Greek State-Advances Account in Drachma for Procurement of Reconstruction Goods through ECA Aid" will be debited with the full amount of drachmae corresponding to the official dollar rate increased by the current rate of exchange certificates.

6. The Greek State will be debited in a special account under the title "Greek-State-Account of expenses for the opening of credits" for the purchase of Reconstruction Goods, with any expenses which may arise from the opening of credits (e. g., interest, commission of the Bank, telegraph expenses, etc.), as well as with any commission which may be paid to the supplier within Greece in drachma. Such expenses shall be paid to the Bank of Greece after the opening of the credit by the appropriate Ministry, from the credits of the Reconstruction Program for local expenses in drachmae.

B. Drachma financing for the procurement of reconstruction goods through drawing rights against other participating countries allocated to Greece under the OEEC Intra-European Payments Plan procedures.

Procedures will be developed when the details of the Intra-European Payment Plan are known, and will be agreed to as a supplement to this Memorandum of Understanding.

C. Drachmae financing for the procurement of reconstruction goods against Sterling balances held by Greece and allocated for this purpose.

1. After decision for the procurement is reached, according to the procedure to be established by the ECA Mission and the GRPCO, and the necessary import license obtained, the Ministry concerned will transmit the appropriate documents to the Bank of Greece (Department of Guaranteed Credits) and will give their instructions for the opening of the credit.

2. The Bank of Greece, on receipt of such documents will proceed with the opening of the relative letter of credit.

3. On the day that the credit is opened, the "Greek State-Advances Account in Drachma for procurement of Reconstruction Goods through Sterling" will be debited with the total drachma equivalent of the Sterling involved, including the value of the exchange certificates as of that day. Any expenses that may result from the opening of a credit, shall be debited to the Account mentioned in paragraph A 6 above.

D. Drachma financing for the procurement of reconstruction goods obtained against Clearing and Barter transactions with other countries.

1. After decision for the procurement is reached according to the procedure to be established by the ECA Mission and the GRPCO, and the necessary import license obtained, the Ministry concerned will transmit the appropriate documents to the Bank of Greece (Department of Guaranteed Credits) and give their instructions for opening the relative credit.

2. The Bank of Greece on receipt of such documents will proceed to the opening of the credit through Clearing or Barter, by debiting the "Greek State-Advances Account in Drachma for Procurement of Reconstruction Goods through Clearing and Barter" with the drachmae necessary for the opening of the credit, including the relative expenses and the eventual commission of the supplier.

3. The ECA Mission, subject to ECA approval, will make a general allocation of drachma deposits arising from the importation of current requirements goods into Greece through ECA aid for liquidating such debits made to the "Greek State-Advances Account in Drachmae for Procurement of Reconstruction Goods through Clearing and Barter". From time to time, the ECA Mission will approve the transfer of credits from the "Greek-State-ECA Drachma Account" to the Advance Account referred to immediately above to reduce its debit balance.

4. To the extent that foreign exchange made available by ECA for reconstruction goods imports is not used because such imports are obtained through clearing and barter transactions and if ECA makes such exchange available for importing current requirements, the drachma proceeds arising from sale of such current requirement goods will be made available through the "Greek State-ECA Drachma Account" for financing local costs of reconstruction projects in accordance with established procedure.

IV. EFFECTIVE DATE AND SIGNATURES

This Memorandum of Understanding shall be considered as effective from the date hereof and shall continue in force until a date to be agreed upon by the parties hereto.

The English text of this Memorandum of Understanding shall be the official text.

IN WITNESS WHEREOF the parties hereto have caused this Memorandum of Understanding to be executed in triplicate, in the English and Greek languages.

IN Athens on this 1st day of November 1948.

For the Government of the United States :
Henry F. GRADY
Chief of ECA Mission

For the Government of Greece :
S. STEPHANOPOULOS
Minister of Coordination

S. STEPHANOPOULOS
Minister of Finance

For the Bank of Greece :
G. MANTZAVINOS
Governor