

**No. 17496**

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**UNITED STATES OF AMERICA  
and  
ISRAEL**

**Agreement relating to a loan for economic assistance (with exhibits). Signed at Washington on 5 December 1977**

*Authentic text: English.*

*Registered by the United States of America on 22 January 1979.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
ISRAËL**

**Accord de prêt pour une assistance économique (avec annexes). Signé à Washington le 5 décembre 1977**

*Texte authentique: anglais.*

*Enregistré par les États-Unis d'Amérique le 22 janvier 1979.*

# LOAN AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF ISRAEL AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA ACTING THROUGH THE AGENCY FOR INTERNA- TIONAL DEVELOPMENT

Date: December 5, 1977

Agreement No. 271-K-145

LOAN AGREEMENT dated the day of [December 5], 1977, between the GOVERNMENT OF ISRAEL (“Borrower”) and the GOVERNMENT OF THE UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“A.I.D.”).

## Article I. THE LOAN

*Section 1.01. THE LOAN.* In accordance with the Technical Cooperation Agreement between the United States of America and Israel<sup>2</sup> entered into force on February 26, 1951, and upon the terms and conditions stated herein, A.I.D. agrees to lend to the Borrower, pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed seventy-eight million United States dollars (\$78,000,000) (the “Loan”), to be made available for disbursement in four installments the first upon the signing of this Agreement in the amount of twenty-one million United States dollars (\$21,000,000) and, thereafter, on or about January 1, 1978, April 1, 1978, and July 1, 1978, in equal amounts of nineteen million United States dollars (\$19,000,000) each for the purpose of financing the foreign exchange costs of certain commodities, commodity-related services and other related expenditures to promote the economic and political stability of Israel. Such commodities, services and expenses authorized to be financed hereunder are hereinafter referred to as “Eligible Items”. The aggregate amount of disbursement under the Loan is hereinafter referred to as “Principal”.

## Article II. LOAN TERMS

*Section 2.01. INTEREST.* The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in section 6.03) and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

*Section 2.02. REPAYMENT.* The Borrower shall repay to A.I.D. the Principal within thirty (30) years from the date of the first disbursement hereunder in forty-one (41) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this section after the final disbursement under the Loan.

<sup>1</sup> Came into force on 5 December 1977 by signature.

<sup>2</sup> United Nations, *Treaty Series*, vol. 137, p. 57.

*Section 2.03.* APPLICATION, CURRENCY AND PLACE OF PAYMENT. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Office of Financial Management, Agency for International Development, Washington, D.C. 20623, U.S.A., and shall be deemed made when received by the Office of Financial Management.

*Section 2.04.* PREPAYMENT. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

*Section 2.05.* RENEGOTIATION OF THE TERMS OF THE LOAN. The Borrower agreed to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of Israel.

### *Article III.* CONDITIONS PRECEDENT TO DISBURSEMENT

*Section 3.01.* CONDITIONS PRECEDENT. Except as A.I.D. may otherwise agree in writing, prior to the issuance of the first disbursement authorization, the Borrower shall furnish in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Borrower's Ministry of Justice or other counsel satisfactory to A.I.D. that this Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower and constitutes a valid and legally binding obligation of the Borrower in accordance with its terms;
- (b) The name of the person or persons who will act as the representative or representatives of the Borrower pursuant to section 8.02 hereunder together with evidence of his or their authority and a specimen signature of each person certified as to its authenticity.

*Section 3.02.* TERMINAL DATE FOR MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. If all the conditions specified in section 3.01 shall not have been met within ninety (90) days after the date of this Agreement or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by giving written notice to the Borrower.

*Section 3.03.* NOTIFICATION OF MEETING CONDITIONS PRECEDENT TO DISBURSEMENT. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in section 3.01 have been met.

### *Article IV.* GENERAL COVENANTS

*Section 4.01.* COMMISSIONS, FEES, AND OTHER PAYMENTS. Borrower warrants and covenants that in connection with obtaining the assistance to be furnished hereunder or any action under this Agreement it has not paid and will not pay or agree to pay nor to the best of its knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments of any kind, except as regular compensation to Borrower's full-time officers and employees or as compensation for bona fide professional, technical, or other comparable services. Borrower shall promptly

report to A.I.D. any payment or agreement to pay for such bona fide professional, technical, or other comparable services to which it is a party or of which it has knowledge and if the amount of any such payment is deemed unreasonable by A.I.D., Borrower shall cause a reduction satisfactory to A.I.D. to be made therein.

*Section 4.02. MARINE INSURANCE.* If, in connection with the placement of marine insurance on shipments eligible for reimbursement hereunder, Borrower, by statute, decree, rule or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, during the continuance of such discrimination commodities otherwise eligible for reimbursement thereunder shall not be so reimbursed unless they have been insured against marine risk in the United States with a company or companies authorized to do a marine insurance business in any State of the United States.

*Section 4.03. OCEAN SHIPMENT.* (a) At least 50% of the gross tonnage of all commodities (computed separately for dry bulk carriers, dry cargo liners and tankers) for which reimbursement is requested, which may be transported on ocean vessels shall have been transported on privately owned U.S. flag commercial vessels.

(b) Reimbursement will not be made for commodities which have been transported on any ocean vessel which A.I.D. has designated as ineligible.

*Section 4.04. U.S. TREASURY DEPARTMENT REGULATIONS.* Procurement transactions shall comply with the requirements of the Foreign Assets Control Regulation and Cuban Assets Control Regulation of the U.S. Treasury Department.

#### *Article V. PROCUREMENT, UTILIZATION AND ELIGIBILITY OF COMMODITIES*

*Section 5.01. SOURCE REQUIREMENT.* The authorized A.I.D. geographic code for purposes of determining eligible items is code 000 (United States) as defined in the A.I.D. Geographic Code Book. Eligible items shall meet the "source" requirements set forth in A.I.D. Regulation 1, section 201.11(b). "Source" is defined in A.I.D. Regulation 1, section 201.01(q).

*Section 5.02. DATE OF PROCUREMENT.* No commodities or commodity-related services may be financed hereunder for which delivery to the importer or his agent was made prior to the eligibility date, which shall be October 1, 1977.

*Section 5.03. ELIGIBLE ITEMS.* Unless otherwise agreed by A.I.D. in writing, eligible items for financing under this Loan shall consist of new and unused commodities listed as eligible in the A.I.D. commodity eligibility listing dated December 16, 1974, as amended (provided as an attachment of the Commodity Procurement Instruction transmitted with the first of the Implementation Letters which shall be issued to the Borrower) and of those commodity-related services as defined in paragraphs (i), (l), (o) of section 201.01 of A.I.D. Regulation 1. A.I.D. may decline to finance any specific commodity or commodity-related services when in its judgment such financing would be inconsistent with the purposes of this Loan or the Foreign Assistance Act of 1961, as amended.

*Section 5.04. UTILIZATION OF COMMODITIES.* Borrower shall use its best efforts to prevent the use of commodities financed under this Agreement to promote or assist any project or activity associated with or financed by any

country not included in code 935 of the A.I.D. Geographic Code Book as in effect at the time of such projected use, except with the prior written consent of A.I.D. Borrower shall use its best efforts to restrict the purchase of eligible items to purchases for use within the geographic areas which were subject to State of Israel Administration prior to June 5, 1967.

*Section 5.05. MINIMUM VALUE OF TRANSACTIONS.* Except where authorized by A.I.D. in writing, no transaction financed under this Agreement shall be in an amount less than five thousand dollars (\$5,000). Individual procurements of less than five thousand dollars may be combined and treated as one transaction to satisfy this requirement if they involve procurements from the same supplier and total of such procurements equals or exceeds five thousand dollars and the documentation is submitted simultaneously. The supplier must identify each transaction by separate invoice number and date in the "Certificate to A.I.D." attached to this Agreement or in AID Form 282.

*Section 5.06. PRICES, COMMISSIONS.* Reimbursement will not be made for purchase of any commodity purchased at prices higher than the market price prevailing in the United States at the time of purchase, adjusted for differences in the cost of transportation to destination, quality and terms of payment.

*Section 5.07. ELIGIBLE SUPPLIERS.* Commodities financed under this Loan shall be purchased from the eligible suppliers as described in paragraph (j), section 201.11 of A.I.D. Regulation 1.

*Section 5.08. EFFECTIVE USE OF COMMODITIES.* The Borrower shall ensure that the eligible items financed under this Agreement shall be effectively used for the purpose for which the assistance is made available. Such effective use shall include the prompt processing of commodity imports through customs at ports of entry and the removal from customs of such commodities by the importer.

## Article VI. PROCEDURES

*Section 6.01. DISBURSEMENTS.* To obtain disbursements hereunder, Borrower may from time to time submit to A.I.D. or its designee, documentation of the foreign exchange costs of and importation of eligible items. Such documentation shall consist of:

- (a) Supplier's invoice with evidence of payment;
- (b) Bill of Lading, or delivery receipt, or such other document evidencing delivery and which is acceptable to A.I.D.;
- (c) (1) A "Certificate to A.I.D.", a copy of which is attached hereto as Exhibit A, or "Certificate to A.I.D. for Agricultural Commodities" which is hereto attached as Exhibit B, executed by the supplier; or (2) A.I.D. Form 282 Supplier's Certificate, executed by the supplier.

Such documentation shall be reviewed by A.I.D. prior to making disbursement hereunder.

*Section 6.02. ADDITIONAL INFORMATION.* Should A.I.D. require any information in addition to that submitted under section 6.01 above concerning the purchase price or other information relevant to any given transaction, the Borrower agrees to secure such information and furnish the same to A.I.D.

*Section 6.03. DATE OF DISBURSEMENT.* Disbursements by A.I.D. shall be deemed to occur on the date on which A.I.D. makes a disbursement to the Borrower, to its designee or to a banking institution pursuant to a Letter of Commitment.

*Section 6.04. TERMINAL DATE OF DISBURSEMENT.* Except as A.I.D. may otherwise agree in writing, no disbursements shall be made against documentation received after October 1, 1979.

#### *Article VII. CANCELLATION AND SUSPENSION*

*Section 7.01. CANCELLATION BY BORROWER.* The Borrower may, by prior written notice to A.I.D., cancel any part of the Loan which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or which has not than been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

*Section 7.02. EVENTS OF DEFAULT: ACCELERATION.* If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement,
- (b) The Borrower shall have failed to comply with any other provision of this Agreement,
- (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies,

then A.I.D., at its option, may give the Borrower notice that all or any part of the unpaid Principal shall be due and payable sixty (60) days thereafter and, unless the event of default is cured within such sixty (60) days, (i) such unpaid Principal and any accrued interest hereunder shall be due and payable immediately and (ii) the amount of any subsequent disbursements made under then outstanding Disbursement Authorizations shall become due and payable as soon as made.

*Section 7.03. SUSPENSION OF DISBURSEMENT.* In the event that at any time:

- (a) An event of default has occurred,
- (b) An event occurs that A.I.D. determine makes it improbable either that the purposes of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement,
- (c) Any disbursement would be in violation of the legislation governing A.I.D., or
- (d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies,

then A.I.D., at its option, may (i) suspend or cancel any outstanding Disbursement Authorization to the extent that A.I.D. has not made direct reimbursement to the Borrower, giving notice to the Borrower promptly thereafter; (ii) decline to make disbursements other than under outstanding

Letters of Commitment; (iii) decline to issue additional Disbursement Authorization; and (iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D., if the goods are from a source outside Israel, in a deliverable state, and have not been offloaded in ports of entry of Israel. Any disbursement made under the Loan with respect to such transferred goods shall be deducted from Principal in the manner of prepayment of Principal.

*Section 7.04. CANCELLATION BY A.I.D.* Following any suspension of disbursements pursuant to section 7.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

*Section 7.05. CONTINUED EFFECTIVENESS OF AGREEMENT.* Notwithstanding any cancellation, suspension of disbursement or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect (as to any funds disbursed under this Loan) until the repayment in full of all Principal and any accrued interest hereunder.

*Section 7.06. REFUNDS.* If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with this Agreement, or is a violation of U.S. law, or that the commodities financed under this Agreement are not financed or used in accordance with the terms of this Agreement, A.I.D. may at its option, either (1) authorize the Borrower to present valid documentation to cover the amount found to be ineligible or (2) require the Borrower to pay to A.I.D., within 90 days of receipt of notification by A.I.D., an amount not to exceed the amount of ineligible disbursements. Except as A.I.D. may otherwise agree in writing, refunds paid by the Borrower to A.I.D. resulting from violations of the terms of this Agreement shall be considered as a reduction in the amount of A.I.D.'s obligation under the Agreement and shall not be available for reuse under the Agreement.

*Section 7.07. EXPENSES OF COLLECTION.* All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D., by reason of the occurrence of any of the events specified in section 7.02, may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

*Section 7.08. NONWAIVER OF REMEDIES.* No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

### Article VIII. MISCELLANEOUS

*Section 8.01. REPORTS.* The Borrower shall furnish A.I.D. with such information and reports relating to this Loan and permit such inspection, review of records, or audit, as A.I.D. may reasonably request.

*Section 8.02. USE OF REPRESENTATIVES.* (a) All actions required or permitted to be performed or taken under this Agreement by Borrower or A.I.D. may be performed by their respective duly authorized representatives.

(b) The Borrower hereby designates the Economic Minister, Embassy of Israel, as its representative with the authority to designate in writing other

representatives of Borrower in its dealings with A.I.D. Borrower's representatives designated pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree on behalf of Borrower to any modification of this Agreement which does not substantially increase Borrower's obligations hereunder. Until receipt by A.I.D. of written notice of revocation by Borrower of the authority of any of its representatives, A.I.D. may accept the signature of such representatives on any instrument as conclusive evidence that any action effected by such instrument is authorized by Borrower.

*Section 8.03. COMMUNICATIONS.* Any notice, request, or other communication or any document given, made or sent by Borrower or A.I.D. pursuant to this Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the Party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable, or radiogram to such Party at the following address:

To Borrower:

Economic Minister  
Embassy of Israel  
641 Lexington Avenue  
New York, New York 10022

To A.I.D.:

Director  
Office of Commodity Management  
Agency for International Development  
Department of State  
Washington, D.C. 20523

Other addresses may be substituted for the above upon giving of notice as provided herein. All communications or documents submitted to A.I.D. hereunder shall be in English and all technical and engineering specifications therein shall be in terms of U.S. standards, except as A.I.D. may otherwise agree in writing.

Government of Israel:

*By:* [Signed—Signé]<sup>1</sup>  
*Title:* Economic Counselor  
*Date:* Dec. 5, 1977

United States of America:

*By:* [Signed—Signé]<sup>2</sup>  
*Title:* Acting Assistant Administrator  
*Date:* Dec. 5, 1977

<sup>1</sup> Signed by E. Raff—Signé par E. Raff.

<sup>2</sup> Signed by Alfred D. White—Signé par Alfred D. White.



[EXHIBIT A]

CERTIFICATE TO A.I.D. FOR COMMODITIES OTHER THAN AGRICULTURAL

Invoice Number/s:

Invoice Date/s:

The undersigned, an official of . . . . .  
(Company)

authorized to execute this certificate, hereby certifies to the Agency for International Development (A.I.D.), an agency of the United States, that:

1. The commodities identified in the attached invoice/s, referenced above, are accurately described therein, are new and unused, and do not contain any rebuilt or rehabilitated components, and have not been declared surplus by a U.S. Government agency; and
2. Such commodities have been mined, grown, or through manufacturing, processing or assembly produced in the United States; and
3. Upon the request of A.I.D., information will be promptly furnished to A.I.D. in such form as A.I.D. may request, concerning the prices charged in the attached invoice/s or the prices charged in other sales of the same or similar commodities.

The undersigned acknowledges that A.I.D., in reliance upon the truth, accuracy, and undertakings of this certification, may reimburse the Government of Israel with A.I.D. funds for payments made to the supplier in connection with the purchase of the commodities identified in the attached invoice/s referenced above.

Signature . . . . .  
 Title . . . . .  
 Date . . . . .

EXHIBIT B

CERTIFICATE TO A.I.D. FOR AGRICULTURAL COMMODITIES

Invoice Number/s:

Invoice Date/s:

The undersigned, an official of . . . . .  
(Company)

authorized to execute this certificate, hereby certifies to the Agency for International Development (A.I.D.), an agency of the United States Government, that:

1. The commodities identified in the attached invoice/s referenced above are accurately described therein, and their quality and specifications are in conformance with the requirements of the governing contract;
2. Such commodities have been grown or raised in the United States or have been processed from agricultural commodities grown or raised in the United States;
3. Upon the request of A.I.D., information will be promptly furnished to A.I.D. in such form as A.I.D. may request, concerning the prices charged in the attached invoice/s or the prices charged in other sales of the same or similar commodities.

The undersigned acknowledges that A.I.D., in reliance upon the truth, accuracy and undertakings of this certification, may reimburse the Government of Israel with A.I.D. funds for payments made to the supplier in connection with the purchase of the commodities identified in the attached invoice/s referenced above.

Signature .....  
Title .....  
Date .....

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