

No. 18141

**UNITED STATES OF AMERICA
and
PORTUGAL**

**Loan Agreement for balance of payments support. Signed
at Lisbon on 1 March 1978**

Authentic texts: English and Portuguese.

Registered by the United States of America on 5 December 1979.

**ÉTATS-UNIS D'AMÉRIQUE
et
PORTUGAL**

**Accord de prêt en vue d'une aide à la balance des paiements.
Signé à Lisbonne le 1^{er} mars 1978**

Textes authentiques : anglais et portugais.

Enregistré par les États-Unis d'Amérique le 5 décembre 1979.

LOAN AGREEMENT¹ BETWEEN PORTUGAL AND THE UNITED STATES OF AMERICA FOR BALANCE OF PAYMENTS SUPPORT

Dated: March 1, 1978

Loan Number: 150-K-013

BALANCE OF PAYMENTS AGREEMENT, dated the 1st day of March 1978, between the BANK OF PORTUGAL ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."), hereinafter referred to together as the "Parties" or separately as the "Party".

Article I. THE LOAN

A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend to the Borrower under the terms of this Agreement an amount not to exceed three hundred million United States dollars (Dols. 300,000,000) for Balance of Payments financing to support and promote the financial stability and economic recovery of Portugal. The aggregate amount of disbursements under the loan is referred to as "principal".

Article II. LOAN TERMS

Section 2.1. INTEREST. The Borrower will pay to A.I.D. interest which will accrue at the rate of 8.15 percent per annum following the date of the first disbursement hereunder on the outstanding balance of principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in section 4.3) of each respective disbursement, and will be payable semi-annually. The first payment of interest will 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 2.2. REPAYMENT. The Borrower will repay to A.I.D. the principal within ten (10) years from the date of the first disbursement of the loan in fifteen (15) approximately equal semi-annual installments of principal and interest. The first installment of principal will be payable two and one-half (2 1/2) years after the date on which the first interest payment is due in accordance with section 2.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this section after the final disbursement under the loan.

Section 2.3. APPLICATION, CURRENCY AND PLACE OF PAYMENT. All payments of interest and principal hereunder will be made in U.S. dollars and will 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, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

¹ Came into force on 1 March 1978 by signature.

Section 2.4. PREPAYMENT. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of principal in the inverse order of their maturity.

Section 2.5. TERMINATION ON FULL PAYMENT. Upon payment in full of the principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article III. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 3.1. FIRST DISBURSEMENT. Prior to the first disbursement under the loan, the Borrower will, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (A) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and executed on behalf of the Borrower, and that it constitutes a valid legally binding obligation of the Borrower in accordance with all of its terms;
- (B) A statement of the names of the persons holding or acting in the office of the Borrower specified in section 6.2;
- (C) A letter from the Managing Director of the International Monetary Fund (IMF) indicating that negotiations with the IMF regarding drawdown under the second IMF credit tranche for Portugal are proceeding in good faith.

Section 3.2. SECOND DISBURSEMENT. Prior to the second disbursement under the loan, the Borrower will, except as the parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D. a copy of the decision of the Executive Board of the IMF approving a second IMF credit tranche standby arrangement for Portugal.

Section 3.3. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in sections 3.1 and 3.2 have been met, it will promptly notify the Borrower.

Section 3.4. TERMINAL DATES FOR CONDITIONS PRECEDENT. (A) If all the conditions specified in section 3.1 have not been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

(B) If all the conditions specified in section 3.2 have not been met within two hundred and seventy (270) days from the date of this Agreement, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may issue a notice in writing to the Borrower to terminate this Agreement. In the event of such notice, the authorized amount of the loan shall be reduced to the amount actually disbursed by A.I.D., which amount, unless otherwise agreed to in writing by A.I.D., shall become due and payable to A.I.D., together with any accrued interest, within one hundred and twenty (120) days from receipt by the Borrower of A.I.D.'s notice to terminate. Upon receipt by A.I.D. of payment in full, this Agreement and all obligations of the parties hereunder will terminate.

Article IV. DISBURSEMENTS

Section 4.1. SCHEDULE OF DISBURSEMENTS. The proceeds of the loan will be made available in two (2) disbursements. The first disbursement will be two hundred million United States dollars (Dols. 200,000,000). The second disbursement will be one hundred million United States dollars (Dols. 100,000,000) and shall be made one hundred and twenty (120) days from the date on which the condition precedent of section 3.2 has been met, unless A.I.D. agrees otherwise.

Section 4.2. DEPOSIT OF DISBURSEMENTS. After satisfaction of conditions precedent, A.I.D. will deposit the proceeds of the loan, in accordance with the schedule in section 4.1, in a bank in the United States or Portugal designated in writing by the Borrower.

Section 4.3. DATE OF DISBURSEMENT. Disbursements by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the bank to be named in section 4.2.

Article V. USE OF FUNDS

Section 5.1. The Borrower agrees that the proceeds of the loan will be used for balance of payments financing and will not be used for financing military requirements of any kind, including the procurement of commodities or services for military purposes.

Article VI. MISCELLANEOUS

Section 6.1. COMMUNICATIONS. The Borrower undertakes to provide to A.I.D. the same information concerning the balance of payments and other economic and financial data that it provides to the IMF in order to assess Portugal's progress under the IMF standby arrangement. Any notice, request, document or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered in duplicate to such party at the following address:

To the Borrower:

Mail Address:

Banco de Portugal
Rua do Comércio, 148
Lisboa 2

Alternate Address for Telegrams:

BANGAL LISBON

Address for Telex:

16771 BAGAL P
16554 BAGAL P

To A.I.D.:

Mail Address:

A.I.D. Representative
Embassy of the United States of America
Lisbon, Portugal

Alternate Address for Telex:

12528

All such communications will be in English, unless the parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 6.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Borrower will be represented by two members of the Board of Directors of the Bank of Portugal and A.I.D. will be represented by the Secretary of State or his designee, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 6.3. LANGUAGE OF AGREEMENT. This Agreement is prepared in both English and Portuguese. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Bank of Portugal:

By: {Signed}

Name: DR. JOSÉ DA SILVA LOPES

Title: Governor

By: {Signed}

Name: DR. WALTER P. MARQUES

Title: Director

United States of America:

By: {Signed}

Name: HERBERT S. OKUN

Title: Chargé d'affaires *ad interim*