

No. 5837

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**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
ISRAEL**

**Loan Agreement—*Port Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 9 September 1960**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 25 August 1961.*

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**BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
ISRAËL**

**Contrat d'emprunt — *Projet portuaire* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 9 septembre 1960**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 25 août 1961.*

No. 5837. LOAN AGREEMENT<sup>1</sup> (*PORT PROJECT*) BETWEEN THE STATE OF ISRAEL AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 9 SEPTEMBER 1960

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AGREEMENT, dated September 9, 1960, between STATE OF ISRAEL (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

*Article 1*

LOAN REGULATIONS; SPECIAL DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated June 15, 1956,<sup>2</sup> subject, however, to the modifications thereof set forth in Schedule 3<sup>3</sup> to this Agreement (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

*Section 1.02.* Except where the context otherwise requires, the following terms have the following meanings wherever used in this Agreement or any Schedule thereto :

- (a) the term "Port Revenues" means all amounts which shall be received by the Borrower, the Authority, or the Bank of Israel or any other agency or instrumentality of the Borrower in currencies other than the currency of the Borrower for or in respect of the operation of the ports referred to in Section 5.09 (b) of this Agreement, or for, or in respect of, any services provided at such ports, including without limitation charges or fees for stevedoring and port dues, regardless of to whom they are payable or paid; and
- (b) the term " Authority " means the authority to be established by the Borrower pursuant to Section 5.09 of this Agreement.

<sup>1</sup> Came into force on 18 November 1960, upon notification by the Bank to the Government of Israel.

<sup>2</sup> See p. 24 of this volume.

<sup>3</sup> See p. 22 of this volume.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to twenty-seven million five hundred thousand dollars (\$27,500,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations; provided, however, that, except as the Borrower and the Bank may otherwise agree, no more than an amount equivalent to two million dollars (\$2,000,000) shall be withdrawn from the Loan Account until the Borrower shall have complied with the provisions of Section 5.09 of this Agreement.

*Section 2.03.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.04.* The Borrower shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.05.* Except as the Borrower and the Bank shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1 %) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.06.* Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

*Section 2.07.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1<sup>1</sup> to this Agreement.

*Section 2.08.* The obligation of the Borrower to pay the principal of, and interest and other charges on, the Loan and the Bonds, shall be general and not limited or restricted in any way to any particular fund or funds, or source or sources of payment by any other provisions of this Agreement or otherwise.

<sup>1</sup> See p. 20 of this volume.

*Article III*

## USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 2<sup>1</sup> to this Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the Borrower and the Bank, subject to modification by further agreement between them.

*Section 3.02.* The Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Borrower exclusively in the carrying out of the Project.

*Article IV*

## BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The Minister of Finance of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

*Article V*

## PARTICULAR COVENANTS

*Section 5.01.* (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) In the carrying out of the Project the Borrower shall employ or cause to be employed engineering consultants and, except as the Bank and the Borrower shall otherwise agree, the Borrower shall employ or cause to be employed contractors for the construction of the Project. The engineering consultants and the contractors, and the terms and conditions on which they are employed, shall be mutually satisfactory to the Borrower and the Bank.

(c) The Borrower shall cause to be furnished to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time request.

<sup>1</sup> See p. 22 of this volume.

(d) The Borrower shall cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, and to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Authority and, to the extent that they relate to the Project, of any other agency of the Borrower responsible for the construction or operation of the Project or any part thereof; shall enable the Bank's representatives to inspect the properties and operations of the Authority or of such agency, the sites, works and construction included in the Project, the goods and any relevant records and documents; and shall cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project, the goods, and the operations and financial condition of the Authority and, to the extent that they relate to the Project, of any other agency of the Borrower responsible for the construction or operation of the Project or any part thereof.

*Section 5.02.* (a) The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Borrower shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or the implementation of the arrangements provided for in Section 5.08.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Borrower for purposes related to the Loan.

*Section 5.03.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes or fees imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower.

*Section 5.04.* The Loan Agreement and the Bonds shall be free from any taxes or fees that shall be imposed under the laws of the Borrower or laws in effect in its territories or on in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries.

*Section 5.05.* The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Borrower or laws in effect in its territories.

*Section 5.06. (a)* The Borrower shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of the Borrower.

*(b)* The Borrower shall, in addition to the insurance provided for in subparagraph *(a)* of this Section, cause the Authority and any other agency of the Borrower responsible for the construction or operation of the Project to arrange for and to maintain such insurance, against such risks and in such amounts, as shall be consistent with sound port management practices.

*Section 5.07.* It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Borrower" as used in this Section includes assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including the Bank of Israel.

*Section 5.08.* Except as the Borrower and the Bank shall otherwise agree :

(a) The Borrower shall make arrangements, satisfactory to the Bank, for setting aside part or all of the Port Revenues, as received by, or credited to or for the benefit of, the Borrower, the Authority or the Bank of Israel or otherwise, for the payment of the principal of, and interest and other charges on, the Loan and the Bonds. Such arrangements, when approved by the Bank, shall not be changed without the prior approval of the Bank.

(b) The Borrower agrees that it will not, without the consent of the Bank, take, or permit or consent to be taken, any action which could or might prevent or interfere with the implementation of the arrangements from time to time in effect and approved by the Bank pursuant to paragraph (a) of this Section or the payment in full from the Port Revenues of the principal of, and interest and other charges on, the Loan and the Bonds, as they become due, including without limitation any action which would result in the Port Revenues subject to such arrangements being insufficient during any semi-annual period ending with February 15 or August 15 in each year to pay the principal of, and interest and other charges on, the Loan and the Bonds coming due at the end of that period.

(c) The Borrower shall make appropriate modifications, satisfactory to the Bank, in the arrangements from time to time in effect and approved by the Bank pursuant to paragraph (a) of this Section promptly as and if required to ensure that in each semi-annual period ending with February 15 or August 15 in each year there will continue to be subject to such arrangements Port Revenues, and, to the extent which may be required, other revenues, in sufficient amounts to pay the principal, interest and other charges coming due on the Loan and the Bonds at the end of that period.

*Section 5.09.* The Borrower undertakes that it will :

(a) not later than April 1, 1961 establish or cause to be established a self-sustaining authority responsible for the construction, operation and development of port facilities in Israel which will (i) function under a charter and regulations in form and substance satisfactory to the Borrower and the Bank, and (ii) have such powers, management, resources and capital structure as, in the opinion of the Borrower and the Bank, are necessary to enable it to carry out its responsibilities efficiently; and

(b) promptly after its establishment, transfer to such authority the port properties and facilities at Haifa, Jaffa, Tel-Aviv, Eilat and Ashdod, such transfer to be made on such terms and conditions as, in the opinion of the Borrow-

er and the Bank, will enable such authority to carry out its responsibilities efficiently.

*Section 5.10.* The Borrower shall cause the Authority to operate its undertaking and to maintain, renew, repair and operate its facilities, machinery, equipment and property, including the Project, all in accordance with sound engineering, financial and port management standards and practices.

## Article VI

### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a) or paragraph (b) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if the event specified in paragraph (h) of Section 5.02 of the Loan Regulations shall occur, or (iii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

*Section 6.02.* The following event is hereby specified for the purposes of paragraph (h) of Section 5.02 of the Loan Regulations : the authority referred to in Section 5.09 of the Loan Agreement shall not have been established by the date therein set forth.

## Article VII

### EFFECTIVE DATE; MISCELLANEOUS

*Section 7.01.* The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (b) of the Loan Regulations : that the Borrower shall have made or caused to be made, and the Bank shall have approved, the arrangements provided for in Section 5.08 of this Agreement.

*Section 7.02.* The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank : that the arrangements approved by the Bank pursuant to Section 5.08 of this Agreement will, when put into effect in accordance with their terms, be valid.

*Section 7.03.* The Closing Date shall be March 31, 1965.

*Section 7.04.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Minister of Finance  
Jerusalem, Israel

Alternative address for cablegrams and radiograms :

Ozar  
Jerusalem

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 7.05.* The Minister of Finance of the Borrower is designated for the purposes of Section 8.03 of the Loan Regulations.

*Section 7.06.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

State of Israel :

By Avraham HARMAN  
Authorized Representative

International Bank for Reconstruction and Development :

By W. A. B. ILIFF  
Vice-President

# SCHEDULE 1

## AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
August 15, 1965 . . . . .	\$360,000	February 15, 1976 . . . . .	\$653,000
February 15, 1966 . . . . .	370,000	August 15, 1976 . . . . .	671,000
August 15, 1966 . . . . .	381,000	February 15, 1977 . . . . .	691,000
February 15, 1967 . . . . .	392,000	August 15, 1977 . . . . .	711,000
August 15, 1967 . . . . .	403,000	February 15, 1978 . . . . .	731,000
February 15, 1968 . . . . .	415,000	August 15, 1978 . . . . .	752,000
August 15, 1968 . . . . .	427,000	February 15, 1979 . . . . .	774,000
February 15, 1969 . . . . .	439,000	August 15, 1979 . . . . .	796,000
August 15, 1969 . . . . .	452,000	February 15, 1980 . . . . .	819,000
February 15, 1970 . . . . .	464,000	August 15, 1980 . . . . .	842,000
August 15, 1970 . . . . .	478,000	February 15, 1981 . . . . .	867,000
February 15, 1971 . . . . .	492,000	August 15, 1981 . . . . .	891,000
August 15, 1971 . . . . .	506,000	February 15, 1982 . . . . .	917,000
February 15, 1972 . . . . .	520,000	August 15, 1982 . . . . .	943,000
August 15, 1972 . . . . .	535,000	February 15, 1983 . . . . .	971,000
February 15, 1973 . . . . .	551,000	August 15, 1983 . . . . .	998,000
August 15, 1973 . . . . .	566,000	February 15, 1984 . . . . .	1,027,000
February 15, 1974 . . . . .	583,000	August 15, 1984 . . . . .	1,057,000
August 15, 1974 . . . . .	599,000	February 15, 1985 . . . . .	1,087,000
February 15, 1975 . . . . .	617,000	August 15, 1985 . . . . .	1,118,000
August 15, 1975 . . . . .	634,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

## PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity . . . . .	½ of 1%
More than 3 years but not more than 6 years before maturity . . . . .	1%
More than 6 years but not more than 11 years before maturity . . . . .	1¾%
More than 11 years but not more than 16 years before maturity . . . . .	2½%
More than 16 years but not more than 21 years before maturity . . . . .	3½%
More than 21 years but not more than 23 years before maturity . . . . .	4¾%
More than 23 years before maturity . . . . .	5¾%

## SCHEDULE 2

## DESCRIPTION OF PROJECT

The Project consists of the construction of a new port at Ashdod. It includes :

- (a) a main breakwater about 2,300 meters and a lee breakwater about 900 meters in length;
- (b) dredging within the port area, including the dredging of a turning circle and dredging alongside the wharves to provide depths of about 10 meters;
- (c) wharves totaling about 940 meters in length;
- (d) transit sheds for citrus fruit and general cargo;
- (e) paved areas of adequate size for open storage of goods;
- (f) railway sidings and yards, and connections between the port and the main line of the Israeli railway system, and between the main line and a quarrying site about 45 km. north of the port;
- (g) roads including an overpass over the railway tracks within the port area;
- (h) administrative, customs and ancillary buildings, workshops, a lighthouse and beacons;
- (i) water supply, electricity, sewage and communications services; and
- (j) floating equipment, portal cranes, cargo handling equipment and miscellaneous facilities, supplies and equipment.

## SCHEDULE 3

## MODIFICATIONS OF LOAN REGULATIONS No. 3

For the purposes of this Agreement the provisions of Loan Regulations No. 3 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

(a) Section 2.02 is deleted.

(b) The second sentence of Section 3.01 is amended to read as follows :

“ The proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for; except that with respect to goods paid for in the currency of the Borrower or acquired from sources within the territories of the Borrower such withdrawals may, to the extent that the Bank shall so elect, be made in any convertible currency selected by the Bank. ”

(c) Section 3.05 is amended by the addition of the following sentence :

“ If a withdrawal is applied for on account of expenditures in the currency of the Borrower, the value of such currency in terms of the currency or currencies to be withdrawn shall be as reasonably determined by the Bank. ”

(d) The second sentence of Section 4.01 is amended to read as follows :

“ Except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of (a) expenditures prior to the Effective

Date or (b) expenditures in the territories of any country (other than Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories or (c) expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower in excess of the rates and the amounts agreed from time to time between the Borrower and the Bank.”

(e) The first five lines of Section 5.02 shall read as follows :

“SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account : ”

(f) The last paragraph of Section 5.02 shall read as follows :

“ The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section. ”

(g) Section 9.03 shall read as follows :

“SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower notice of its acceptance of the evidence required by Section 9.01. ”

(h) Paragraph 13 of Section 10.01 shall read as follows :

“ 13. The term ‘ external debt ’ means any debt payable in any medium other than currency of the Borrower, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 280, p. 302.*]