

No. 8264

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

Loan Agreement—*Ports Project* (with annexed Loan Regulations No. 3). Signed at Washington, on 29 September 1965

Official text: English.

Registered by the International Bank for Reconstruction and Development on 19 July 1966.

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

Contrat d'emprunt — *Projet de travaux portuaires* (avec, en annexe, le Règlement n° 3 sur les emprunts). Signé à Washington, le 29 septembre 1965

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 19 juillet 1966.

No. 8264. LOAN AGREEMENT¹ (*PORTS PROJECT*) BETWEEN SPAIN AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 29 SEPTEMBER 1965

AGREEMENT, dated September 29, 1965, between SPAIN (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

LOAN REGULATIONS; DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 3 of the Bank dated February 15, 1961,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 3 as so modified being hereinafter called the Loan Regulations):

(a) The second sentence of Section 3.02 of the Loan Regulations shall apply only to withdrawals in respect of expenditures in currencies other than the currency of the Borrower.

(b) Section 4.01 of the Loan Regulations shall be deleted.

(c) Section 9.04 of the Loan Regulations shall be deleted.

Section 1.02. Unless the context otherwise requires, the following terms, wherever used in the Loan Agreement, shall have the following meanings:

(a) The term "Project Ports" means the ports of Barcelona, Huelva, La Luz y Las Palmas and Pasajes.

(b) The term "Part B Ports" means the ports of Alicante, Almería, Avilés, Bilbao, Cádiz, Cartagena, Gijón-Musel, La Coruña, Málaga, Palma de Mallorca, Santander, Sevilla, Tarragona, Valencia, Vigo, Pontevedra and Villagarcía de Arosa, for which port equipment will be provided for use therein as described in Part B of the Project.

(c) The term "Principles of Autonomy" means such fundamental rules of port management and finances as shall be agreed between the Borrower and the Bank, and in the implementation of which legislation, in form and substance

¹ Came into force on 31 January 1966, upon notification by the Bank to the Government of Spain.

² See p. 74 of this volume.

satisfactory to the Borrower and the Bank, is to be enacted by the Borrower enabling it to entrust any of the ports of the Borrower with such powers and functions and to impose thereon such duties and liabilities, all as more fully provided in Section 5.08 of this Agreement.

(d) The term "Ports Finances Law" means the legislative measures, to be enacted by the Borrower as required by Section 7.01 of this Agreement, setting forth financial and other provisions (including provisions with respect to port rates) applicable to all the ports of the Borrower, as provided in Section 5.08 (c) of this Agreement.

(e) The term "Ports Development Plan" means the 1964-1967 port investment program of the Borrower for the modernization and development of all the ports of the Borrower established pursuant to Law No. 194 of December 28, 1963, together with any amendment or amendments of the Ports Development Plan.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to forty million dollars (\$40,000,000).

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, the Loan Agreement.

Section 2.03. (a) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall be entitled, subject to the provisions of the Loan Agreement, to withdraw from the Loan Account :

- (1) the equivalent of a percentage or percentages to be established from time to time by agreement between the Borrower and the Bank of such amounts as shall have been paid for the reasonable cost of construction required for carrying out the Project; and
- (2) such amounts as shall have been expended for the reasonable cost of equipment acquired for the Project and not included in the foregoing, and, if the Bank shall so agree, such amounts as shall be required by the Borrower to meet payments for such equipment;

provided, however, that no withdrawals shall be made on account of : (i) expenditures prior to April 1, 1964; or (ii) expenditures made in the territories of any

country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

(b) Notwithstanding any other provision of the Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of goods for the minerals pier and the petroleum pier described in Part A 2 (a) of the Project until firm arrangements, in form and substance satisfactory to the Borrower and the Bank, have been made in respect of the utilization of such piers and the other works and facilities related thereto by the principal prospective users of such piers, works and facilities; provided, however, that if evidence satisfactory to the Bank of such arrangements has not been furnished to it within nine months of the date of this Agreement, the Bank, at its option, may at any time thereafter by notice to the Borrower cancel an amount of the Loan not in excess of the equivalent of two million eight hundred and fifty thousand dollars (\$2,850,000).

Section 2.04. Withdrawals from the Loan Account in respect of expenditures in the currency of the Borrower or for goods produced in (including services supplied from) the territories of the Borrower shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.07. 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 2.08. Interest and other charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.09. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule I to this Agreement.

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. 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. Except as the Borrower and the Bank shall otherwise agree, 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 *Ministro de Hacienda* 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) The Borrower shall at all times make available promptly as needed all sums which shall be required for the carrying out of the Project.

(c) Except as the Borrower and the Bank shall otherwise agree, the Borrower shall cause the works included in the Project to be carried out by contractors acceptable to the Borrower and the Bank employed under contracts satisfactory to the Borrower and the Bank.

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, the Borrower and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to: the performance by the Borrower of its obligations under the Loan Agreement, the ports of the Borrower, the administration, operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance thereof, and other matters relating to the purposes of the Loan.

(b) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning : the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, the ports of the Borrower, and the administration, operations and financial condition of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance thereof.

(c) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement. 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.

(d) 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 Borrower shall maintain records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, 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 Project Ports and the Part B Ports and of the agency or agencies of the Borrower responsible for the carrying out of the Project or any part thereof or the maintenance thereof, and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other port construction and maintenance works, equipment, properties and facilities of such Ports and any relevant records and documents.

Section 5.04. 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 assets of the Instituto Español de Moneda Extranjera and the Banco de España and any other institution performing the functions of a central bank for the Borrower.

Section 5.05. 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 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 5.06. The Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Borrower shall pay all such taxes, 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 5.07. 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 5.08. (a) The Borrower undertakes that, in order to implement the Principles of Autonomy, the Borrower will, not later than August 1, 1966 or such other date or dates as the Borrower and the Bank shall otherwise agree, enact all necessary legislation required to enable the Borrower to entrust any of the ports of the Borrower with such powers, functions and assets and to impose thereon such duties and liabilities as shall be consistent with the Principles of Autonomy and shall be necessary or advisable in order to permit any such port to carry on its operations in accordance with the Principles of Autonomy.

(b) The Borrower shall, not later than December 31, 1967 or such other date or dates as the Borrower and the Bank shall otherwise agree, take all such legislative and administrative measures pursuant to the Principles of Autonomy

and the legislation enacted in accordance therewith as required by paragraph (a) of this Section as shall be necessary or advisable to entrust at least one of the Project Ports with such powers, functions and assets and to impose thereon such duties and liabilities, any such measures and any substantial amendments thereto to be in form and substance satisfactory to the Borrower and the Bank.

(c) The Borrower undertakes that, except as the Borrower and the Bank shall otherwise agree, the Ports Finances Law shall be applicable to all the ports of the Borrower in respect of which the measures specified in paragraph (b) of this Section have not been taken; provided, however, that as soon as such measures shall have been taken in respect of any such port, the operations of any such port shall be carried on in accordance with such measures.

(d) As soon as the Borrower shall have taken the measures required by paragraph (b) of this Section in respect of one of the Project Ports or shall have taken similar measures in respect of one of the Part B Ports, the Borrower shall cause the transfer to such port of the port facilities (including the facilities in the Project relating to it) and the assets and liabilities relating to such port to be effected on such terms and conditions satisfactory to the Borrower and the Bank as will adequately protect the rights and interests of the Borrower and the Bank and enable the Borrower to cause such port to perform the obligations under the Loan Agreement relating to it.

Section 5.09. Subject to the provisions of Section 5.08 of this Agreement, the Borrower shall take or cause to be taken all such necessary or desirable steps (including, but without limitation, adjustments in rates) as shall be required to provide each of the Project Ports with operating revenues (excluding subsidies from the Borrower) sufficient, by such date or dates as shall be agreed upon between the Borrower and the Bank, to : (a) cover all operating expenses, including depreciation; (b) cover interest payments on debt; and (c) achieve a reasonable return on the value of net fixed assets.

Section 5.10. The Borrower undertakes that it shall from time to time review the Ports Development Plan with a view to determining, in the light of port traffic development and other relevant circumstances prevailing at the time of any such review, the adequacy of its provisions in respect of the expansion and development of the Project Ports and shall afford the Bank all opportunity which is reasonably practicable in the circumstances to exchange views with it with respect to any action which is proposed to be taken in connection therewith.

Section 5.11. The Borrower shall cause the Project Ports and the Part B Ports at all times to carry on their operations and to maintain, renew, repair and operate their facilities, machinery and property (including the facilities in the

Project), in accordance with sound engineering, commercial, financial and port management standards and practices.

Section 5.12. (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) In addition, the Borrower shall, except as the Borrower and the Bank shall otherwise agree, cause the Project Ports and the Part B Ports to insure, with good and reputable insurers, or make adequate provision for insurance, against such risks and in such amounts as shall be consistent with sound port management and business practices.

Section 5.13. The Borrower shall cause the Project Ports to have their books of accounts audited annually by independent commercial accountants acceptable to the Bank, and shall promptly after their preparation and not later than four months after the close of the Project Ports's fiscal year transmit to the Bank certified copies of their financial statements (statements of revenues and expenses and related balance sheets) and signed copies of the accountants' general certifications and reports.

Section 5.14. The Borrower shall, with the assistance of experts acceptable to the Borrower and the Bank, cause studies to be carried out in respect of the handling of dry bulk cargo in such of the Project Ports and the Part B Ports as the Borrower and the Bank shall agree, and, to the extent feasible, put into practice the recommendations of such studies.

Section 5.15. The Borrower shall take all governmental and other measures required to permit suppliers of dredging services for the Project Ports using floating craft of foreign registry freely to compete for and be awarded contracts for such services in accordance with principles of international competitive bidding and such other procurement methods and procedures as shall be agreed between the Borrower and the Bank pursuant to Section 3.01 of this Agreement.

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 any event specified in paragraph (c) of Section 5.02 of the Loan Regulations or in Section 6.02 of this Agreement for the purposes

of paragraph (h) 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. For the purposes of Section 5.02 (h) of the Loan Regulations, the following additional event is specified : the Borrower shall, without the agreement of the Bank, have made a substantial amendment of, or repealed, or failed to enforce with respect to the Project Ports or the Part B Ports, the Ports Finances Law.

Article VII

EFFECTIVE DATE; TERMINATION

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 : the Ports Finances Law, in form and substance satisfactory to the Borrower and the Bank, has been enacted and has become effective.

Section 7.02. If the Loan Agreement shall not have come into force and effect by January 31, 1966, the Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower of such date.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be September 30, 1969, or such other date or dates as shall be agreed between the Borrower and the Bank as the Closing Date.

Section 8.02. The following addresses are specified for the purpose of Section 8.01 of the Loan Regulations :

For the Borrower :

Dirección General del Tesoro
Ministerio de Hacienda
Alcalá 11, Madrid 14, Spain

Alternative address for cablegrams and radiograms :

Financexterior
Madrid

For the Bank :

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 8.03. The *Ministro de Hacienda* of the Borrower is designated for the purposes of Section 8.03 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.

Spain :

By Juan José ESPINOSA
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
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>
December 1, 1969	\$795,000	December 1, 1977	\$1,230,000
June 1, 1970	820,000	June 1, 1978	1,260,000
December 1, 1970	840,000	December 1, 1978	1,295,000
June 1, 1971	865,000	June 1, 1979	1,330,000
December 1, 1971	885,000	December 1, 1979	1,370,000
June 1, 1972	910,000	June 1, 1980	1,405,000
December 1, 1972	935,000	December 1, 1980	1,445,000
June 1, 1973	960,000	June 1, 1981	1,485,000
December 1, 1973	990,000	December 1, 1981	1,525,000
June 1, 1974	1,015,000	June 1, 1982	1,570,000
December 1, 1974	1,045,000	December 1, 1982	1,610,000
June 1, 1975	1,070,000	June 1, 1983	1,655,000
December 1, 1975	1,100,000	December 1, 1983	1,700,000
June 1, 1976	1,130,000	June 1, 1984	1,750,000
December 1, 1976	1,165,000	December 1, 1984	1,795,000
June 1, 1977	1,195,000	June 1, 1985	1,855,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity	½ of 1%
More than three years but not more than six years before maturity	1 ½%
More than six years but not more than eleven years before maturity	2 ½%
More than eleven years but not more than sixteen years before maturity	3 ½%
More than sixteen years but not more than eighteen years before maturity	4 ½%
More than eighteen years before maturity	5 ½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project is part of the Borrower's program for modernization and development of the ports of Spain.

The Project includes the following items :

Part A: At the Project Ports

1. *Barcelona*

(a) Construction of a marginal wharf about 770 meters long and of the substructure of a breakwater extension about 883 meters long. Widening of a finger pier about 419 meters long. Remodeling and mechanization of the Costa wharf coal reception area. Provision of slipway cradles and passenger gangways. Various minor works in the port area, including roads, pavings, railways, transit sheds and passenger terminals.

(b) Provision of special coal handling cranes, portal cranes and other port operating equipment.

2. *Huelva*

(a) Construction of a minerals pier (including handling facilities and shore equipment), a petroleum pier, part of a general cargo wharf about 500 meters long, and road and rail approaches to the foregoing. Conversion of the Levante quay for fishing industry purposes and construction of buildings and various minor works thereat. Construction of a fishing industry pier at Punta Umbría and a pilotage pier.

(b) Provision of miscellaneous port operating equipment.

3. *La Luz y Las Palmas*

(a) Dredging of the harbor. Construction of marginal wharves about 300 meters and 825 meters long, respectively, together with transit and passenger sheds. Construction of parts of the main and secondary breakwaters for a new basin, and an approach road to it. Various minor works in the port area, including buildings, reconstruction of sheds and lighthouse repairs.

(b) Provision of machine tools.

4. *Pasajes*

(a) Improvement of the entrance channel to permit the passage of vessels with a length, beam and draught of 170 meters, 24 meters and 9 meters, respectively. Dredging and rock removal within the harbor. Construction of marginal wharves, about 297 meters and 360 meters long, respectively. Reconstruction of a marginal wharf about 365 meters long. Remodeling and mechanization of the coal reception area. Various minor works in the port area, including transit sheds, building, pavings, road and rail access improvements, and a footbridge.

(b) Provision of conveyor equipment for bulk cargo loading, portal cranes and other port operating equipment.

Part B: At the Part B Ports

Provision of portal cranes, port operating equipment and conveyor equipment for bulk cargo handling for use in the Part B Ports.

Part C: General

Provision of floating and port operating equipment, and navigational aids for general use in the ports of the Borrower.

Part D: Other Works at the Project Ports

1. *Barcelona*

Completion of the 883-meter long breakwater extension.

2. *Huelva*

Improvement of the entrance channel. Completion of the 500-meter general cargo wharf.

3. *La Luz y Las Palmas*

Completion of the main and secondary breakwaters for the new basin and modification of the existing breakwater. Construction of a wharf about 750 meters long for the fishing industry with related buildings and approaches.

* * *

Parts A, B and C of the Project are scheduled to be completed by December 31, 1968.

Part D of the Project will not be financed out of the proceeds of the Loan.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 3, DATED 15 FEBRUARY 1961

LOAN REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK
TO MEMBER GOVERNMENTS

[Not published herein. See *United Nations, Treaty Series, Vol. 414, p. 268.*]