

No. 26920

**SPAIN
and
MOROCCO**

**Basic Agreement on economic and financial cooperation
(with annexes). Signed at Madrid on 29 June 1988**

Authentic texts: Spanish and Arabic.

Registered by Spain on 1 November 1989.

**ESPAGNE
et
MAROC**

**Accord cadre de coopération économique et financière (avec
annexes). Signé à Madrid le 29 juin 1988**

Textes authentiques : espagnol et arabe.

Enregistré par l'Espagne le 1^{er} novembre 1989.

[TRANSLATION — TRADUCTION]

BASIC AGREEMENT¹ ON ECONOMIC AND FINANCIAL COOPERATION BETWEEN THE KINGDOM OF SPAIN AND THE KINGDOM OF MOROCCO

The Kingdom of Spain and the Kingdom of Morocco,

Wishing to develop economic and financial cooperation between the two countries, with active participation by the public and private sectors,

Determined to take joint action to promote the development of the two countries through comprehensive, lasting and mutually beneficial cooperation,

Eager to promote investment and the establishment of enterprises in the two countries, to encourage all initiatives aimed at creating closer contacts between Spanish and Moroccan enterprises, to set up mixed investment companies and to promote small and medium-sized enterprises in the Kingdom of Morocco,

Convinced of the need to establish a stable framework of institutional relations to facilitate the implementation of an economic and financial cooperation programme for the period 1988-1992,

Decide to conclude the following Basic Agreement on Economic and Financial Cooperation:

Article I

An integrated programme of economic and financial cooperation shall be established for the period 1988-1992. The programme shall relate to:

- Financial resources to be made available by the Kingdom of Spain to the Kingdom of Morocco;
- Joint investment by Spanish and Moroccan enterprises and direct investment by Spanish enterprises in the Kingdom of Morocco.

Article II

The specific conditions governing economic and financial cooperation shall be established by means of contracts and agreements between the competent bodies in the two countries, taking into account their respective regulations.

The two Parties consider that such cooperation may, in particular, take the form of joint production of finished and semi-finished goods, technology transfer and any other type of production-oriented cooperation in Spain, the Kingdom of Morocco or third countries.

Article III

The two Parties decide to adopt appropriate measures to develop cooperation in other branches of the economy and to seize every available opportunity to enhance the potential of their respective economies.

¹ Came into force provisionally on 29 June 1988, the date of signature, and definitively on 27 September 1989, the date of the last of the notifications (of 18 and 27 September 1989) by which the Parties informed each other of the completion of their requisite internal formalities, in accordance with article XIV.

Article IV

For the purposes of this Agreement, the Kingdom of Spain shall make available to the Kingdom of Morocco credit facilities amounting to a total of 125,000 million pesetas.

These facilities shall take the form of credits from the Fondo de Ayuda al Desarrollo (FAD) amounting to 45,000 million pesetas and commercial loans on OECD Consensus terms amounting to 80,000 million pesetas.

Article V

These facilities shall be used to finance:

1. The purchase of Spanish goods and services;
2. The implementation of projects of common interest.

Article VI

The purchase of Spanish goods and services shall be financed in accordance with the following conditions:

(i) The Kingdom of Spain shall make available to the Kingdom of Morocco credits amounting to 50,000 million pesetas for the purchase of Spanish goods and services on the terms set out in annex I to this Agreement.

These facilities shall take the form of:

- FAD credits amounting to 10,000 million pesetas;
- Export credits up to a ceiling of 40,000 million pesetas.

(ii) If the sums mentioned in paragraph 1 of this article have been committed before 31 December 1992, the two Parties shall consider the possibility of making additional credits available to the Kingdom of Morocco for the purchase of Spanish goods and services.

(iii) The FAD credits shall be granted preferably in the form of a mixed-loan arrangement. The export credits shall be governed by the terms of the OECD Consensus or by those of other specific agreements or regulations established under the auspices of the above-mentioned body, taking into account the nature of the contracts and the corresponding period of amortization.

(iv) The financial agents for these FAD credits shall be, on the Spanish side, the Instituto de Crédito Oficial and, on the Moroccan side, the Banque al-Maghrib or any other body designated by the Ministry of Finance of the Kingdom of Morocco.

Article VII

The two Parties shall consider the most appropriate means of launching a programme for the development of small and medium-sized Moroccan enterprises in cooperation with Spanish enterprises.

This programme may seek to provide opportunities for technology transfer and for the establishment of mixed investment companies and to make available appropriate credit facilities on favourable terms and based on specific procedures.

The two Parties shall see to it that this programme is publicized among the economic agents of the two countries.

Article VIII

Projects of common interest shall be financed in accordance with the following conditions:

(i) The Kingdom of Spain shall make available to the Kingdom of Morocco a sum of 75,000 million pesetas for the funding of investment projects to be distributed as follows:

- FAD credits amounting to 35,000 million pesetas;
- Commercial loans up to a ceiling of 40,000 million pesetas.

Projects may be financed by the above-mentioned funds in any of the following ways:

- FAD credits;
- Mixed credits consisting of FAD and commercial credits;
- Pre-mixed credits (single credits) granted on terms resulting from the combination of a FAD credit and a commercial credit;
- Commercial credits in the form of credits to the purchaser on OECD Consensus terms.

(ii) (a) Annex II to this Agreement lays down the general financial conditions governing credits for projects eligible for financing and establishes the procedures for mobilizing and using such credits.

(b) Annex II also contains a list of projects of common interest and sets out the special conditions of financing and apportionment applicable to them.

(c) The list of projects eligible for financing may, on the proposal of either Party, be modified with a view to:

- Adjusting the financial arrangements and conditions stipulated for individual projects on the list;
- Including new projects considered to be of common interest, in which case the corresponding financial arrangements and conditions shall be specified.

(iii) The Kingdom of Spain shall also make available to the Kingdom of Morocco appropriate funds to enable Spanish enterprises to undertake studies of Moroccan public-sector projects.

(iv) The financial facilities provided for above shall be the subject of agreements concluded, as the case may be, between, on the Spanish side, the Instituto de Crédito Oficial and/or other financial institutions and, on the Moroccan side, the Ministry of Finance or any other beneficiary designated by the latter.

(v) The funding provided for in this article can be used jointly with other types of funding made available to the Kingdom of Morocco by foreign funding sources.

Article IX

The two Parties shall take the necessary steps to promote cooperation among their respective banking institutions, especially by granting commercial facilities conducive to increased trade between the two countries.

Article X

The Kingdom of Spain and the Kingdom of Morocco shall take the necessary steps to conclude an “agreement on mutual investment guarantees” under which Spanish and Moroccan companies shall enjoy, within an appropriate legal framework, the security and guarantees they need to plan their medium and long-term investment activities.

Article XI

The two Parties shall take the necessary steps to promote investment and the setting up of joint enterprises.

To this end, the authorities of the Kingdom of Morocco shall examine various financial arrangements for the promotion of investment by Spanish companies in the Kingdom of Morocco and the setting up of joint enterprises.

The authorities of the Kingdom of Spain shall encourage direct Spanish investment in the Kingdom of Morocco. In particular, the Instituto Español de Comercio Exterior (ICEX) shall draw up a special programme providing for:

- The dissemination among Spanish companies of information concerning investment opportunities, technology transfer and funding sources, and the organization of seminars and meetings between entrepreneurs;
- The establishment of contacts and the conclusion of cooperation agreements with competent Moroccan bodies with a view to taking joint steps to set up mixed investment companies. ICEX shall finance, under appropriate conditions, feasibility and pre-feasibility studies concerning the establishment of joint enterprises in the Kingdom of Morocco. Depending on the importance of the project, such funding may take the form of a donation.

Article XII

With a view to furthering and intensifying economic relations between the two countries, the two Parties agree to encourage:

- (i) Exchanges of businessmen’s missions between the two countries;
- (ii) Mutual participation in fairs and exhibitions organized in the two countries;
- (iii) Close cooperation between their respective export promotion agencies, that is to say the Centre marocain de promotion des exportations (CMPE) and the Instituto Español de Comercio Exterior (ICEX), on the basis of a cooperation and mutual assistance agreement to be concluded between the two agencies.

Article XIII

The two Parties agree to set up a joint follow-up committee, which shall meet alternately in the two capitals at least twice a year to consider all matters relating to the implementation of this Agreement.

Article XIV

This Agreement, including the annexes which form an integral part thereof, shall enter into force on the date on which the Parties inform each other that they have completed the requisite internal formalities and shall expire on 31 December 1992. This Agreement shall be implemented provisionally from the date on which it is signed.

Notwithstanding the foregoing, any credits available on 31 December 1992 shall continue to be used until such time as the operations for which funds were previously allocated have been fully executed.

The two Parties may agree, until 30 September 1992 at the latest, to extend the period of availability of sums not committed at the close of the period established by this Agreement.

DONE at Madrid on 29 June 1988, in the Spanish and Arabic languages, both texts being equally authentic.

For the Kingdom of Spain:

[Signed]

FRANCISCO FERNÁNDEZ ORDÓÑEZ
Minister
for Foreign Affairs

For the Kingdom of Morocco:

[Signed]

ABDELLATIF FILALI
Minister
for Foreign Affairs

ANNEX I

PURCHASE OF SPANISH GOODS AND SERVICES

In pursuance of article VI of this Basic Agreement, the Kingdom of Spain shall make available to the Kingdom of Morocco credits amounting to 50,000 million pesetas, of which 10,000 million pesetas shall be in the form of FAD credits and 40,000 million pesetas in the form of commercial loans on OECD Consensus terms.

These credits shall be used in the following ways:

1. *Credit line for current trading in capital goods and services*

A credit facility shall be established in the form of a mixed loan for export contracts relating to the goods and services set out in the following list. The amount of such contracts shall be not less than 10 million pesetas and not more than 150 million pesetas.

1. Hotel equipment
2. Agricultural machinery (including tractors)
3. Civil industrial vehicles
4. Industrial engines and utility vehicles
5. Parts for industrial and utility vehicles
6. Lifts and hoisting engines
7. Machine tools
8. Textile machinery
9. Internal combustion and other engines
10. Electrical devices for telephone systems
11. Electrical engines and generators
12. Computer equipment
13. Industrial cooling equipment
14. Hospital equipment
15. Rolling-stock

This credit facility shall be activated through the signing of two credit agreements, both valid for one year. The agreements shall be extendable and the amount thereof may be increased.

The first of these agreements, relating to FAD credit, shall be signed by the Instituto de Crédito Oficial on the Spanish side and by the Ministry of Finance or any other body designated by the latter on the Moroccan side.

The second of these agreements shall be signed by one or more credit institutions on the Spanish side and by the Ministry of Finance or any other body designated by the latter on the Moroccan side.

The amounts of the two credits, the special conditions applying to them and the arrangements for their joint use shall be established as and when appropriate.

2. *Credit line for operations and projects of major significance in terms of their nature and volume*

The Instituto de Crédito Oficial on the Spanish side and the Ministry of Finance or any other body designated by the latter on the Moroccan side shall sign an FAD credit agreement.

This funding may be used for the items specified in the list set out under section I and for any other item which, as a capital good, may be the subject of an agreement between the two Parties.

The FAD credit line may be mobilized together with credits on OECD terms.

These OECD credits, drawn from the ceiling provided for under section 3 below, shall be the subject of agreements between Spanish financial institutions and Moroccan importers.

3. *Credits on OECD Consensus terms for the financing of Spanish goods and services*

A credit ceiling amounting to 40,000 million pesetas shall be made available to Morocco on OECD Consensus terms.

These OECD credits shall be the subject of agreements between Spanish financial institutions and Moroccan importers.

ANNEX II

PROJECTS

In accordance with the provisions of article VIII, this annex relates to the financing of projects of interest to both Parties.

A. *Form of credits*

The credits may be in any of the following forms:

1. *Simple FAD credit*

This type of credit shall be used solely and exceptionally when the two Parties so decide in the light of the characteristics of a particular project.

2. *Mixed credits*

Mixed credits shall be those normally used to finance projects on the terms set out below.

3. *Pre-mixed credits*

At the request of the Moroccan Party, the Spanish Party shall examine the possibility of financing the project in question by means of a single pre-mixed credit.

For the purpose of the credits mentioned in the foregoing paragraphs, the Spanish Party shall abide by international legislation concerning concessionary tied assistance loans.

4. *Credits on OECD Consensus terms*

B. *Terms of mixed credits*

Mixed credits shall consist of an FAD credit together with other credits on OECD Consensus terms.

B.1 *Terms of FAD credits*

The minimum terms applicable to FAD offers of credit are set out below. These terms are as follows:

- Mixing ratio: 45 per cent on exported Spanish goods and services
- Period of amortization: 20 years
- Period of grace (included in the amortization period): 10 years
- Interest rate: 2 per cent

Any change in the above-mentioned variables may be offset in such a way as to maintain, as a minimum, the overall concessionary terms applying to the credit.

FAD credit may be used for the following purposes:

1. Financing of Spanish goods and services.
2. Financing of the down payment on the value of the contract.
3. Financing of a portion of local costs.
4. Financing of part of the CESCE premium.

B.2 *Terms of credits under the OECD Consensus*

Accompanying credits on OECD terms, which give rise to a corresponding mixed credit, shall be used to finance items 1, 3 and 4 under section B.1 above.

The period of amortization of such credits used to finance Moroccan public-sector projects shall include a period of grace of ten years with effect from the date of provisional receipt of the project.

The interest rate shall be the minimum applied under the OECD Consensus and the credit shall be insured in accordance with the credit insurance conditions laid down by CESCE.

Financing of studies

At the request of the Moroccan Party, the Spanish Party may consider the possibility of financing studies by Spanish enterprises for the Moroccan public sector in accordance with the credit conditions set out under headings 1 and 2 of section A.

If the mixed credit formula is used to finance a study, the period of amortization of the commercial credit granted on OECD terms shall be five years with effect from the date of receipt of the corresponding study.

C. *Pre-mixed credits*

If the project offer is made on the basis of the pre-mixed or single credit formula, the period of amortization of the credit shall be more than 12 years.

D. *Financing of OECD Consensus terms*

All projects shall be eligible for financing on OECD terms, subject to the limits and overall amounts specified in this Agreement.

Goods and services and the CESCE premium shall be financed on OECD terms, and the terms on which local costs are financed shall depend on the volume and characteristics of the project in question.

E. *Guarantees*

The guarantees required in respect of all the foregoing items shall be either those provided by Moroccan private banks acceptable to CESCE or endorsement by the Ministry of Finance or competent Moroccan public bodies.

F. *List of projects*

Projects and studies eligible for financing by the credits provided for above shall be determined on a case-by-case basis, by common consent and on the proposal of one or other of the two Parties.

The final apportionment of projects and credits opened under this Agreement shall be decided through an exchange of letters between the Ministry of Finance of the Kingdom of Morocco and the Commercial Attaché of the Spanish Embassy in Rabat, acting on instructions from the competent Spanish authorities. The form, terms and amounts of the credits made available to finance individual projects or studies shall be determined through this exchange of letters.

The following is the agreed list of projects eligible for financing in accordance with annex II.

Company of Petroleum of the Kingdom of Morocco

1. Crude oil and petrol storage centre in Mohammedia

Office of phosphates of the Kingdom of Morocco

1. Sulphuric acid production units
2. Phosphoric acid production units
3. Sacking workshop
4. Fertilizer storage and conditioning facilities for the factories of Sidi Slimane and Fez
5. Sidi Chennane: Sundry items of equipment
6. Equipment for El Jorf Lasfar plant
7. Overhaul of the basic facilities for reactivating and feeding the furnaces at Beni Idir factory

National office of postal services and telecommunications

1. Packet switching
2. Telephone exchanges
3. Telephone facilities for rural areas

Ministry of Health

1. Hospital and ambulance equipment

Ministry of Public Works (Ministry of Equipment)

1. Smir Dam
2. Hachef Dam

National office of drinking water

1. Water purification plant in Smir
2. Enlargement of the water purification plant in Agadir

National office of electricity

1. Renovation of the Im Fout hydroelectric power station
2. Construction of five 225 kW substations and thirteen 60 kW substations
3. Ait Messaoud hydro-electric power station: one alternator
Sidi Driss hydro-electric power station: one alternator
Mjara hydro-electric power stations: three alternators
4. Tan-Tan gas turbine
5. Mohammedia gas turbine
6. El Jorf Lasfar power station
7. Dechr a Eloued hydro-electric factory
8. Electrical equipment

National interprofessional office of cereals and legumes

1. Construction of a harbour silo in the port of Tangier
2. Construction of a harbour in the port of Nador
3. Construction of a harbour silo in the port of Agadir

National office of railroads

1. Repairs to security installations in the Casablanca triangle, main station
2. Expansion of the signal installations in Casablanca, main station
3. Installation of a dual-line luminous automatic block from Nouasseur to Casablanca, main station
4. Security installations
5. Renovation of overhead power cables

Coalmines of Morocco (Charbonnages du Maroc)

1. Arches
2. Conveyor belts
3. Mining equipment
4. Miscellaneous equipment

Miscellaneous projects

1. Rural electrification
2. Harbour equipment
3. Equipment for Rabat Hospital
4. Mjara project

The last project shall be maintained if Spanish enterprises participate in the consortium responsible for its implementation.
