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REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED LOAN  
TO SPAIN  
FOR A  
SECOND PORTS PROJECT

March 14, 1973

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CURRENCY EQUIVALENTS

(currency unit: peseta)

US\$1 = Ptas. 64.47

Pta. 1 = US\$0.0155

Ptas. 100 = US\$1.55

Fiscal Year = January 1 - December 31

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT  
TO THE EXECUTIVE DIRECTORS ON A  
PROPOSED LOAN TO SPAIN  
FOR A SECOND PORTS PROJECT

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1. I submit the following report and recommendation on a proposed loan to Spain for the equivalent of US\$50 million to help finance a second ports project.<sup>1/</sup>The loan would have a term of 17 years, including 4 years of grace, with interest at 7-1/4 percent per annum.

PART I - THE ECONOMY

2. An economic mission visited Spain in November/December 1970 and its report (R71-140), dated May 20, 1971, has been distributed to the Executive Directors. A Bank mission in November 1971 reviewed industrial sector policies and developments. Country data are presented in Annex II.

3. The gradual liberalization and outward orientation of Spanish economic policies during the last decade brought about unprecedented economic growth, involving a rapid rise in average living standards and Spain's transformation into a predominantly industrial country. During 1961-71, GNP expanded in real terms on average by 7.2 percent per year, with GNP per capita, expressed in 1970 dollars, increasing from about \$550 to \$1,050. Industry, the leading sector, grew on average by 9.4 percent during this period, one of the highest rates achieved among developing countries. Its share in GDP increased from 34 percent to 40 percent.

4. Real GNP grew, according to revised official data, by 4.6 percent in 1971, and by an estimated 7.5 percent in 1972. Thus, after two years of decelerated growth induced by a marked slackening in the expansion of manufacturing, Spain has regained in 1972 a pace of development comparable to that prevailing in the 1960's. The agricultural sector, which had led growth in 1971 with a rate of 6.1 percent, substantially above long-run trends, virtually stagnated in 1972, mainly due to unfavorable weather conditions. But the growth rate of industrial production accelerated from 4.7 percent in 1971 to about 11 percent in 1972, while the output in services sectors expanded by 7.5 percent, after about 5 percent in the previous year.

5. Spain's balance of payments has been improving markedly during the last two years. In 1971, commodity imports rose by only 5 percent, reflecting the slowdown in economic activity, and particularly in industry. Commodity exports, led by manufactured goods, increased by 21 percent. The strengthening of the trade balance was accompanied by further substantial increases in

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<sup>1/</sup> The project cost estimates and financing plan in this report and in the Appraisal Report are based on currency values ruling prior to the recent dollar devaluation. Although it is expected that there will be some increase in the current dollar equivalent of the project cost expressed in pesetas, it is not considered necessary to increase the amount of the Loan as negotiated.

earnings from tourism and workers' remittances, which led to a current account surplus of \$856 million in 1971. Due to the continuing strong inflow of foreign capital, including short-term funds, Spain's net foreign reserves rose by about \$1.5 billion to a total of \$3.2 billion at the end of 1971.

6. Although commodity imports, stimulated by the recent economic upturn, have been growing more rapidly since late 1971, Spain's balance of payments has further improved in 1972. This was mainly because the growth of commodity exports remained high with a rate of about 19 percent, while earnings from tourism (over \$2.4 billion net) reached a new peak due to a record inflow of over 31 million tourists, and workers' remittances and capital imports continued to show strong increases. At the end of 1972, Spain's net foreign reserves had risen to \$5.0 billion, equivalent to about 9 months of imports.

7. In 1971 there was a further acceleration of price and wage increases. Consumer prices went up by 9.7 percent during the year, compared to 6.8 percent during 1970. Notwithstanding the good harvest in that year, increases in food prices (12.6 percent during 1971) were particularly sharp. Wage increases, estimated at more than 14 percent for 1971, were higher than in 1970 and well above official guidelines and productivity gains. Inflationary pressures persisted in 1972, and the cost of living index in November was 7.9 percent above its November 1971 level.

#### Short-Term Economic Objectives

8. Government policies have given first priority to stimulating the economy and consequently containment of price and wage increases has remained difficult. The rediscount rate of the Bank of Spain was lowered three times during 1971 to 5 percent since October. Budgetary spending was accelerated and subsidies for the construction of apartments were increased. To encourage private investment, a tax rebate of up to 7 percent of investment cost was offered in December 1971 for all industrial investment leading to orders prior to July 1, 1972. As a result of the more expansionary fiscal policy, the Government budget (including extra budgetary Treasury operations) showed a deficit of about Ptas. 26 billion (\$370 million) in 1971, compared with a small surplus in 1970.

9. The 1972 budget continued to be expansionary. Total expenditure was forecast to increase by 13 percent over the initial 1971 appropriations. Capital expenditure were expected to increase by 28 percent, while current expenditures were expected to rise by 12 percent. Appropriations for education (14 percent of total budgeted expenditure) were well ahead of all other groups. Revenue was budgeted to accelerate but not beyond the increases in expenditure, and the budget deficit was expected to be of the same order of magnitude as that for 1971.

#### Medium-Term Economic Targets

10. The Third Development Plan (1972-75) aims at an average annual growth rate of 7 percent. Projected growth is somewhat lower than that achieved during 1961-70 (7.5 percent) but exceeds substantially the growth targets of previous plans. The Plan also aims to keep unemployment at its present low level of 2 percent of the labor force and to limit price increases to less than 4 percent. Contrary to previous plans it does not foresee constraints from the balance of payments. Imports of goods and services are

projected to rise on average by 11 percent per year in volume (15.5 percent in value), while the projected annual growth of exports of goods and services is 10 percent in volume (14 percent in value). The Plan implies a continuation of the rising trend of workers' remittances. These forecasts assume that world trade and economic development in other European countries will continue the trends of the past decade and that Spanish costs and prices can be kept in line with those abroad, thus preserving Spain's international competitiveness.

11. Plan policies are designed to support important structural reforms. Emphasis is given to the industrial sector in the expectation of further economic integration with the EEC, following a Preferential Trade Agreement concluded in 1970. Other major reform areas of the Third Plan are education and urban development. For the first time, Spanish planning also includes environmental and research objectives.

12. The Plan's public investment program envisages total expenditure of \$13.5 billion, of which \$11.6 billion is for fixed investment. Of the latter, 74 percent is allocated to five sectors: transport (25 percent), agriculture (15 percent), education (13 percent), urban development (11 percent), and housing (10 percent).

13. The budgetary situation can be expected to impose a constraint on the attainment of these targets unless tax policy and tax administration are considerably reformed and improved.

14. The share of foreign financing of the public investment programs envisaged for the Third Plan period is a relatively modest 4.8 percent. Of the total amount of \$647 million, \$259 million is for the transport sector, (of which \$174 million for railways), \$124 million for agriculture and irrigation, \$93 million for education, and \$15 million for research and development. INI (Instituto Nacional de Industria), whose activities extend to a large number of companies in virtually all major industries, expects to raise about \$155 million, largely through issues in the international capital markets.

#### External Assistance

15. The net inflow of medium- and long-term capital averaged \$573 million per year during 1967-70, with direct investment, private loans to enterprises and real estate purchases accounting for about 80 percent of the total. In 1971 the net inflow of medium- and long-term capital decreased to about \$500 million, reflecting both the slack economic climate in Spain (private loans to enterprises (net) were only \$208 million after \$332 million in 1970) and a considerable outflow of official capital for amortization payments. There has been a marked change in the Government's attitude toward borrowing in international capital markets. Gross official borrowing amounted to 25 million in 1969 and \$76 million in 1970, but jumped to over \$250 million in 1971.

16. From FY 1963 to 1972, World Bank lending to Spain amounted to \$377 million on a commitment basis, while disbursements reached \$154 million, corresponding to about 4 percent of total net inflows of medium- and long-term foreign capital during that period. Other important aid donors were the German Kreditanstalt fur Wiederaufbau, the French Government, and Eximbank. Kreditanstalt has been active mainly in irrigation and hydraulic works, lending to the Guadalhorce-Bembezor project (\$65 million, 1962) and the Tajo-Segura project (\$65 million, 1970). Germany also provided suppliers credits for the UNINSA steelworks (\$140 million, 1968) and for phosphate rock mining (\$17 million, 1969-70). The French Government helped to finance the HIFRENSA atomic power plant (\$90 million, 1967 and 1971). US Export-Import Bank financing amounted to over \$440 million during 1961-70, mainly for the purchase of equipment for iron and steel, aviation and power.

17. Total external public debt outstanding at the end of 1971 was \$2,036 million, of which \$670 million was undisbursed. Actual service payments on external public debt amounted to \$185 million in 1971, equal to 3.2 percent of earnings from exports and non-factor services in 1971. Including private debt service, the ratio was about 12 percent. Future debt service is expected to remain in the same order of magnitude, and Spain continues to be creditworthy for conventional borrowing in substantial amounts.

#### PART II - BANK GROUP OPERATIONS

18. The proposed loan, the Bank's eleventh operation in Spain and the second for ports, would bring total Bank lending to \$427 million. The amount outstanding and held by the Bank as of January 31, 1973 was \$342 million, of which \$175 million was undisbursed.

19. Five loans, totalling \$278 million, have previously been made in the transportation sector, one for highways (\$33 million), three for railways (\$205 million), and one for ports (\$40 million). The Highways Loan of 1963 (No. 360-SP) financed road improvement and made provision for a pilot highways maintenance programs, as a first step towards a nationwide maintenance system. The autonomous State Railways RENFE, recipient of three Bank loans in 1964 (No. 389-SP), 1967 (No. 507-SP) and 1971 (No. 772-SP), has been transformed from an obsolete enterprise into a reasonably modern and efficient railway system, that now compares more favorably with other European railways. The First Port Loan of 1965 (No. 429-SP) brought about major institutional and financial changes regarding financial viability, degree of port independence and preparation of port development plans.

20. Other Bank lending has been in agriculture (livestock: \$25 million and research: \$12 million), and education: \$62 million. Performance under Bank-financed projects has been generally satisfactory, although there have been some delays in execution and disbursements. Annex I contains statements of Bank loans and IFC investments of at January 31, 1973, and comments on the status of individual loans.

21. In recent years, lending to Spain has been guided by the fact that the country has reached a level of economic development which places it in the ranks of the relatively advanced countries seeking Bank funds, both in terms of income per head and degree of industrialization. The rationale for Bank lending has therefore rested largely on the need for an external catalyst to assist with development reforms, and the Bank has been able to help initiate significant changes in strategic sectors of the economy, such as transportation, agriculture, and education.

22. The proposed Second Ports Project would be the only operation for 1973.

23. The objectives of the Bank's modest program of proposed future lending to Spain will continue to be the promotion of more economic crops, improved management, and price and credit policies in agriculture; and support for further reforms in education. To these sectors, industry might be added in those cases where Bank lending would significantly help in rationalizing the structure of the sub-sectors selected and in improving financing mechanisms. An industrial sector mission visited Spain in November-December, 1971, and its findings are currently being discussed with the Spanish authorities.

24. IFC has made investments in three Spanish enterprises amounting in total to \$13.5 million (see Annex I, page 2). The loans to Fabrica Espanola Magnetos, S.A. (FEMSA), an automotive electrical equipment manufacturer, have been fully repaid and IFC sold its FEMSA share-holding in March 1972. IFC presently holds equity of approximately \$27,000 (cost) in Banco del Desarrollo Economico Espanol, S.A. (BANDESCO). A loan of \$7.2 million and equity investment of \$22.3 million were made in August 1971 to Industrias del Papel y de la Celulosa, S.A. (INPACSA), a pulp and paper manufacturer, but are not yet effective. Several other industrial projects are at an early stage of consideration.

### PART III - THE TRANSPORTATION SECTOR

25. Spain has an area of 505,000 sq. km and a population of 34 million. Mountainous terrain and the concentration of population and economic activities in widely separated areas in the north (Basque provinces), the northeast (Catalonia) and the center (Madrid) means that all forms of transport are faced with costly investments and comparatively long hauls. Nevertheless Spain has an extensive transportation system, the efficiency of which is comparable to that of most other European countries.

26. The contribution of transport to GDP in Spain is about 6 percent, and direct public investments for transport accounted for about 25 percent of total public investments in the recent Government's Development Plans. Within the sector, about 53 percent of the funds are allocated to highways, 29 percent to railways, 10 percent to airports and 8 percent to ports, which generally corresponds to needs of the economy.

27. The highways comprise about 79,000 km of national roads including 61,000 km of local roads. Substantial efforts are being made to improve road conditions and the Third Development Plan projects for 1972-75 the completion of 860 km of super-highways, and the upgrading of about 7,400 km of national roads, and 6,000 km of secondary roads.

28. RENFE, the autonomous state railways, operates about 13,700 route-km of broad gauge lines, of which about 3,100 km are electrified and 2,000 km have double tracks. Railway tracks are presently being prepared to allow speeds up to 140 km per hour. RENFE's Ten-Year Modernization Plan (1964-73) is progressing satisfactorily and in some respects exceeding the physical targets agreed upon with the Bank. RENFE is gradually becoming financially self-supporting.

29. With its long coastline on the Mediterranean and the Atlantic ocean, Spain has 30 major commercial ports, which handle almost all of Spain's imports and about 90 percent of its exports, in addition to about 200 minor commercial and fishing ports. During the last decade, total traffic through the Spanish ports grew at an annual rate of about 9 percent - increasing from 65 million tons in 1962 to 140 million tons in 1971. A major part of this growth is attributable to the rapid expansion of liquid bulk traffic, mainly petroleum products, which increased from 25 million tons to 81 million tons during the same period, i.e. by 14 percent per year. Total port traffic is expected to increase to 200 million tons in 1975 and to 285 million tons in 1980, at an average annual increase of about 8 percent; petroleum products account for about 60 million tons of the expected increase of 85 million tons. Coastal shipping plays an important role in Spain's transport system, carrying about 30 percent of internal and inter-island (Canaries and Baleares) freight traffic.

30. Effective air services are provided between major cities and to the Spanish islands. Iberia Airlines also serves most of the major international flight routes. Planning for construction of a second airport in Madrid has started, and 2 airports will be added in the Canary Islands. Only one commercial pipeline of 267 km between Malaga and Puertollano is in operation. Another pipeline of 776 km, between Rota and Zaragoza, operates exclusively between a refinery and the Spanish-American military bases.

31. Traffic congestion in the main cities, especially Madrid and Barcelona, is a serious problem. During 1970 a Bank mission indicated the need for an overall urban development study of the Madrid region and for changes and improvements in the organization of the Ministry of Housing to make such a study useful.

32. Freight traffic in Spain grew rapidly between 1961 and 1970, from about 46 billion to about 88 billion ton-km, at an average annual rate of 7.5 percent. Passenger traffic grew even faster, more than tripling during the same period. Among the different mode, the shift to road transport and the decline in relative importance of railway transport and coastal shipping that began in the 1950's, continued during the past decade.

### Transport Coordination

33. Transport services in Spain are highly competitive. Shippers generally have a free choice in selecting the mode of transport and the carrier best suited to their needs. In the absence of a Ministry of Transport and the dispersion of responsibilities for the various ways of transportation among a number of Government agencies, transport coordination and planning in Spain, as in many countries, is exercised by the Government agencies in charge of their execution, and this system tends to ignore to some extent the comparison of alternatives and the inclusion of economic criteria in project evaluation. The Ministry of Public Works (MPW) is responsible for all investments in the State road network and commercial ports, as well as for administration of the latter. RENFE, the Spanish National Railways, formerly a department of the MPW, has been an autonomous public corporation since 1964. Coastal and merchant shipping are controlled by the Ministry of Commerce, and the Ministry of Air Transport is responsible for investments and operations for both civil and military aviation. Iberia and Aviaco, the two national airlines, have an autonomous status somewhat similar to RENFE.

34. Investment plans for the transport sector originate in the Government agencies responsible for the various modes and are discussed in inter-ministerial commissions and with the Government's Planning Board. The Government's Four-Year Development Plans include since 1964 a specific Ports Development Plan.

### Bank Sector Support

35. In its strategy for lending to Spain, the Bank concluded in the early nineteen sixties, that development of the transportation services would be vital to the pace and pattern of economic development and that, provided sufficient reforms would be initiated, the Bank would be prepared to help finance this sector to the extent possible. Subsequently, five loans have been made for the benefit of the transportation sector, amounting to about 75 percent of all Bank loans to Spain. Following is a summary of major reforms already achieved or underway in the Spanish transportation sector.

- (a) Nationwide road maintenance system, established following a 1963 Bank-financed pilot maintenance program for highways;
- (b) Modernization of the railways;
- (c) Transportation Coordination Committee at ministerial level, established in 1963 in the absence of a Ministry of Transport;
- (d) High Council of Land Transport (Consejo Superior de Transportes Terrestres or CSTT), established at the time of the first Railways Loan (1964), as a transport investment planning and coordination agency within the Ministry of Public Works; the CSTT

is executing the general transport policy studies, expected to be completed in 1973, covering such areas as (i) inter-regional flow of freight traffic, (ii) road costs and charges, (iii) economics of scale, (iv) public vs. private road transport, and (v) inter-urban market.

- (e) Ports Finance Law of 1966, following the First Ports Loan, which established the objective of financial viability for all ports and introduced a modern accounting and costing system.
- (f) Ports Autonomy Law, enacted in 1968, which improved overall port management and provided the guidelines for granting a substantial degree of management and financial autonomy to ports, followed by the Huelva Port Statute, which in 1969 established Huelva as the first autonomous port.
- (g) August, 1972 ports' tariff increases, which will enable all Spanish ports to improve their financial situation and achieve an adequate rate of return.
- (h) Ports Development Plans, institutionalized in 1964 as part of the Government's Four-Year Development Plans.
- (i) Evaluation Division, established in March 1972 in the Ports General Directorate, responsible for evaluation of projects.

#### PART IV - THE PROJECT

36. A detailed description of the proposed project is given in the report entitled "Appraisal of a Second Ports Project" (22a-SP), dated February 21, 1973, which is being distributed separately. A Loan and Project Summary is attached as Annex III. Three maps showing the location of project items are also attached.

#### History of the Project

37. The Bank's involvement in the modernization and expansion of Spanish ports began in 1965 with a \$40 million First Ports Loan (No. 429-SP) to assist in the preparation and implementation of the First and Second Ports Development Plans (1964-71). The loan helped (i) to finance the expansion and modernization of Huelva, La Luz y Las Palmas, Pasajes, and Barcelona, (ii) to improve management and finance practices, (iii) to enact three major port laws, and (iv) to make Huelva the first autonomous Spanish port. In spite of initial delays due to complicated contracting and procurement procedures, performance under this project has been on balance satisfactory and by the closing date, March 31, 1972 twice extended from the original closing date of September 30, 1969, all of the loan was disbursed, except for

US\$30,000 which has been cancelled. The Bank would have endorsed the project if the delay had been forecast during appraisal.

38. In conformity with the First Ports loan, the 1966 Ports Finances Law, and the 1968 Ports General Autonomy Law were passed to the Bank's satisfaction and Huelva was granted autonomy by a decree in 1969. The port is now governed by a Board of Directors with a broad representation of port users. Huelva's experience as an autonomous port has been marred by (i) inability to alter tariffs, raise salaries, and hire staff following the Government's general wage and price freeze during 1969-71; (ii) doubts concerning the extent of management's legal powers and duties; which were not resolved until ministerial approval of Internal Bylaws was obtained late in 1971; and (iii) almost complete dependence upon the Directorate General Ports and Marine Signals (DCPMS) for capital investment funds. DCPMS and some other major ports managements have yet to be convinced that autonomy is a desirable objective for Spanish ports. Given the improved conditions following the new Bylaws and the recent substantial tariff increases affecting revenues up to 1976, Huelva port management expects to be able to prove so. The Government and the Bank have agreed that by January of 1974, they will exchange views on the results achieved under the Ports Law at Huelva and the applicability elsewhere of the principles of autonomy.

39. The proposed Second Ports Project was identified in May 1970 when reviewing the draft Third Ports Development Plan for 1972-75. A feasibility report prepared by Metrarseis of Spain was submitted to the Bank in May 1972. A Bank appraisal mission visited Spain in May-June 1972. Negotiations were held in Madrid from December 12-15, 1972, and completed by correspondence in January 1973. The Spanish delegation was headed by Sr. Marciano Martinez-Catena, Director General of the Ports Directorate (Ministry of Public Works), and included representatives of the Ministries of Finance and Public Works.

#### Project Description

40. The project would assist in the expansion and modernization of Spanish ports and in implementing the 1972-75 Ports Development Plan. It would (i) reinforce and consolidate the financial and institutional reforms initiated during the first Bank ports loan; (ii) assist the two project ports Huelva and La Luz y Las Palmas, and other main ports to meet traffic demands up to 1980; and (iii) allow better allocation of specialized zones in the project ports, and thereby permit their adequately planned future expansion.

41. In terms of total traffic, the ports of Huelva and La Luz y Las Palmas rank among the seven largest of Spain's 30 major ports. Development of Huelva and La Luz y Las Palmas has the same priority as other major ports, but these ports were selected for Bank financing because they are located in the least developed regions of Spain and are expected to have beneficial side effects in these regions. Work on other major ports is being financed by the Government without external assistance under the Third Development Plan.

42. The area which the Huelva port serves is limited, attributable to the Portuguese border being close to the west, the port of Sevilla to the east and the relatively poor road connection with the interior. Huelva port however, has better accessibility than the 90 km inland port of Sevilla, and is, therefore, more favorable for bulk cargo. While the hinterland is largely agricultural, mining, especially that of pyrites, is also important, as Spain possesses a large percentage of the world's known reserves. Manufacturing around Huelva comprises food and mineral processing, fertilizers, cellulose, textiles and chemicals. Huelva has become an important center of the chemical industry. The Rio Gulf refinery helped to increase port traffic by 22 percent annually between 1965 and 1971. Fisheries are of major importance, and most of the fish is moved fresh to Madrid, Sevilla, and Valencia; some is exported frozen. It is not expected that road and rail connections will be sufficiently improved in the near future to change appreciably the port's present service area, and Huelva will remain principally a bulk cargo and industrial port.

43. Under the 1964-67 Economic Development Plan, Huelva was selected as one of the first development areas ("Polos de Desarrollo") in Spain. Under this privileged status, subsidies and tax rebates are given to investors and many new factories have subsequently been established in the region. The main drawback of the port is the limited depth of 8 m below mean low water spring tides (MLWST) in the access channel, which needs to be deepened to 10.5 m to allow safe entrance of ships with bigger draft. In addition, the channel needs protection against heavy siltation caused by east-bound littoral currents and sand sedimentation.

44. The project at Huelva includes: (i) construction of a dike about 13 km long to prevent siltation in the access channel; (ii) construction of a 900 m wharf of five berths - one for phosphate, three for other minerals and one for general cargo; (iii) acquisition and utilization of quay cranes for general cargo and minerals, and installation of belt conveyor facilities for phosphates; (iv) acquisition and utilization of a suction-hopper dredger of about 3,000 m<sup>3</sup> capacity; (v) improvement of an access road to the new port facilities and construction of connecting roads and railways to serve the new industrial zone in the port area; (vi) deepening of the channel from about 8.0 m to about 10.5 m below mean low water spring tides; (vii) completion of a mineral berth and its mechanical handling equipment under the First Ports Project.

45. La Luz y Las Palmas is the major port of the Gran Canaria Island. Because of its favored location on the world shipping routes, and the available depth in the harbor of up to 19 m, it became a major bunkering station and safe deepwater anchorage. Passenger ships bring large numbers of tourists. With the growing size of oil tankers, the port also became an important trans-shipment center for oil products, where supertankers transfer their loads into smaller vessels for further distribution in Europe and Africa. Fisheries have always been valuable to the island's economy and to total port traffic. Fish is generally cleaned and frozen on board of Spanish and foreign fishing boats, operating at great distances from their home ports. Consequently, the port is increasingly being used for cold storage of fish or direct trans-shipment into refrigerated cargo vessels, as well as for bunkering and taking in supplies, changing of crews, and repairs.

46. The future of the port as a station on the main international shipping routes will largely depend on the adequacy of its facilities for servicing ships. So far, the port has offered good services as regards bunkering and shelter, but because it competes with other nearby ports, it will stay ahead only by continuing to provide adequate facilities.

47. The project at La Luz y Las Palmas includes: (i) extension of the eastern main breakwater by about 680 m and construction of two secondary breakwaters each about 780 m long to create a new basin; (ii) construction of two new petroleum piers for supertankers; (iii) procurement of a container crane; (iv) completion of a container berth about 500 m long and a general cargo wharf about 300 m long; (v) complementary work necessary to ensure adequate utilization of the Project, including bunker-oil pipeline duct; paving at new basin, at secondary breakwater and at container berth; water and electric supply; two transit sheds about 45 m x 240 m; and two 6t quay cranes for new general cargo wharf.

48. In addition, the project includes procurement of 58 new quay cranes to replace cranes which have exceeded their useful economic life at nine other main ports.

#### Project Execution

49. Responsibility for execution of the project will lie with the Directorate General Ports and Marine Signals (DGPMS), a department of the Ministry of Public Works which has jurisdiction over the operations of all Spanish ports, except for Huelva. It exercises its authority at each port through a port director, who besides being a member of the DGPMS staff is also the chief executive of a local "Junta de Obras y Servicios de Puerto" or JOSP. The JOSP has considerable financial control and power to initiate projects. Consultants will be employed to design and supervise construction of the Huelva dredge.

50. While substantial progress has been made in reforming the Spanish port system, further measures are required. In connection with the proposed loan, the Government has given assurances with respect to improving port operations, finances, management, planning, accounting, auditing and tariff policy. Agreement has also been reached on strengthening the High Council of Land Transport (CSTT), on a new work program on transport policy studies, and on the preparation of a basic Transport Law.

#### Project Cost and Financing

51. The proposed project constitutes a significant contribution to the Third Ports Development Plan, which envisages expenditures of about \$310 million for the period 1972-1975, the total estimated cost of the project is \$96.9 million, including a foreign exchange component of \$53 million, which would be met almost entirely by the proposed \$50 million Bank loan. The Government will transfer the proceeds of the loan to the ports in the form of equity and will provide, also as equity, all funds required to complete the

project, which are not generated internally by the ports themselves. During the construction period 1973-77 Huelva and La Luz y Las Palmas would contribute 26 percent of total investment costs, Government grants 34 percent, and the Bank loan 40 percent.

#### Financial Evaluation

52. In conformity with the First Ports Project, ports' tariffs are to be based on costs, and revenues are required to meet all operating costs, including maintenance and depreciation, and earn a reasonable return on net fixed assets. After meeting taxes and debt interest, net revenues are to be applied as follows: (i) the establishment of a working capital fund up to 10 percent of cash operating expenses; (ii) the establishment of a fund for exceptional repairs and contingencies; (iii) financing of new investments as fixed by the Government; and (iv) the balance to be paid into the Public Treasury. The financial objective in the First Ports Loan, a 5 percent rate of return under each of the project ports, was to be reached by 1973. The August 1972 increased tariff levels will enable Huelva to meet this target in 1974, and La Luz y Las Palmas will come close to it in 1977. After completion of the proposed project with related increases in fixed assets, the respective rates of return are expected to fall in 1978 to 4 percent at Huelva and 4.3 percent at La Luz y Las Palmas.

53. The present analysis indicates that should further investments be required in 1978 and immediately thereafter, a financial rate of return of 5% on net fixed assets would be insufficient and that further tariff increases would be necessary. During negotiations it was agreed that all necessary steps will be taken to enable the following financial rates of return to be achieved:

- (i) at Huelva not less than 3.5% in 1973, 5% in 1974 and 1975 and 5.5% in 1976;
- (ii) at La Luz y Las Palmas not less than 3.5% each year to and including 1975, 4% in 1976 and 5% in 1977; and
- (iii) thereafter, such rates as shall be determined in consultation with the Bank not later than June 30, 1976.

54. In order to comply with the rate of return covenant, it was also agreed that the Borrower would, not later than January 1, 1977, introduce at the Project Ports, and at the Ports of Barcelona and Pasajes, new tariffs, complying with the Finances and Ports Laws, based on the costs of providing individual services and facilities and taking into account the desirability of (i) recovering at least the economic costs and (ii) ensuring that, so far as is reasonable and practicable, the economic savings and benefits otherwise accruing outside the Borrower's economy are recovered by the Borrower including the savings and benefits enjoyed by foreign ships.

55. Up to 1977, the net revenues will be almost entirely absorbed in financing the project. During negotiations an assurance was obtained that each of the ports of the Borrower would be allowed to retain all moneys set aside pursuant to the Finances Law in its working capital and its repairs and contingencies funds and to use such moneys as needed for purposes of carrying out the project in respect of each such port and other planned expansion thereof.

#### Procurement

56. Contracts for civil works and equipment for the project would be awarded in accordance with the Bank's guidelines for international competitive bidding. Although Spain has a well developed and competitive construction industry, it is expected that several foreign firms would submit bids for the civil works, which total about US\$60 million, including contingencies. Equipment is also expected to attract considerable international bidding. The Government has confirmed that the preferential agreement between Spain and the European Economic Community (E.E.C.) does not cover materials or equipment likely to be procured from E.E.C. for project execution. Consequently such materials and equipment would be subject to the same import duties as those from other countries. In comparison of bids for equipment, domestic suppliers will be allowed a preferential margin of 15 percent of the CIF bid price or the applicable customs duties, whichever is the lower.

57. Imports into Spain are subject to a compensatory tax, the "Impuesto de Compensacion de Gravamenes Interiores" (ICGI), designed to equalize fiscal treatment, and hence competition, between foreign and domestic suppliers. This tax is equal to the indirect tax levied on the local production of such items manufactured in Spain. The ICGI has been accepted by the General Agreement on Tariffs and Trade (GATT) as a means of minimizing distortions and discrimination in international trade and is not regarded by GATT as a protective device. The ICGI has been taken into account in bid evaluation under all previous Bank loans for transportation. Accordingly, for purposes of equipment bid comparison the CIF price of the foreign supplier would be further adjusted by adding the applicable ICGI rate (which is about 12% for cranes and dredgers).

#### Disbursements

58. The loan would be disbursed against 45 percent of total expenditures for civil works, which represents their estimated foreign exchange component. For equipment, disbursements would be 100 percent of foreign expenditures if a foreign bid wins the award or 100 percent of ex-factory cost (less local taxes) in case of a successful local bid. Disbursements for consultant services would be on the basis of 100 percent of foreign expenditures. It is possible that local manufacturers will bid successfully for 9 and 12 ton cranes, in which case the loan would finance up to about US\$3 million in local expenditures.

### Economic Justification

59. Economic analysis shows the project to be well justified, with an economic return on the entire project of 21 percent. The investments for the port of Huelva in the sea dike, deeper channel, dredger, new wharves, cargo handling equipment and improved road access to the port, are required to accommodate the forecast 12 percent annual growth in dry bulk and general cargo, including transfer of some cargo-handling from private to public port facilities. This growth reflects the successful and continuing Government initiatives to attract industry and general activity to the region. An analysis of total project costs in Huelva and savings in shipping costs with larger ships and less waiting time, together with savings on dredging costs over a period of 30 years yield an economic return of 16 percent.

60. In La Luz y Las Palmas, general cargo traffic is forecast to increase at 7 percent annually, and existing general cargo facilities are calculated to provide service up to 1974 without excessive ship waiting time. Government-financed general cargo wharves which are now being constructed will be available in 1974, and together with the proposed project will provide sufficient capacity beyond 1980, at which time about 30 percent of general cargo traffic or about 1 million tons will be containerized. Taking as benefits the savings in ship waiting time for general cargo over a 30-year period shows an economic return of 31 percent.

61. The investment in 58 replacement quay cranes in 9 different ports yields an estimated economic return of 18 percent over a 20-year period.

### Ecology, Urban Development, and Employment

62. The proposed project is not expected to have adverse effects on the ecological conditions of the areas concerned. However, the Government has accepted the Bank's recommendation that it employ well qualified Spanish consultants to study this matter more thoroughly. The Government would implement all reasonable measures that may be suggested by the consultants.

63. The expansion of Huelva and La Luz y Las Palmas ports conform with the urban development schemes planned for both cities. The new Huelva dike is expected to create a sand beach of about 10 km long which would promote tourism. The project will provide additional regular employment in cargo-handling operations at these ports in the same rate as that of the traffic increase.

### PART V - LEGAL ISSUES AND AUTHORITY

64. The draft Loan Agreement between the Bank and Spain, the Report of the Committee provided for in Article III, Section 4 (iii) of the

Articles of Agreement and the text of a resolution approving the proposed loan are being distributed to the Executive Directors separately. The draft agreement generally conforms to the normal pattern for loans for ports projects.

65. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

66. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara  
President

Attachments  
March 14, 1973



## COUNTRY DATA - SPAIN

<u>AREA</u>	<u>POPULATION</u>	<u>DENSITY</u>
504,750 km <sup>2/</sup>	34.0 million (mid-1971)	67 per km <sup>2/</sup>
	Rate of Growth: 1.1% (from 1961 to 1971)	171 per km <sup>2/</sup> of arable land

POPULATION CHARACTERISTICS (1966-70)

Crude Birth Rate (per 1,000)	20.2
Crude Death Rate (per 1,000)	8.7
Infant Mortality (per 1,000 live births)	24.3

HEALTH (1970)

Population per physician	770
Population per hospital bed	185

INCOME DISTRIBUTION

% of national income, lowest quintile	..
highest quintile	..

DISTRIBUTION OF LAND OWNERSHIP

% owned by top 10% of owners	..
% owned by smallest 10% of owners	..

ACCESS TO PIPED WATER

% of population - urban	..
- rural	..

ACCESS TO ELECTRICITY

% of population - urban	} nearly 100%
- rural	

NUTRITION (1970)

Per capita protein intake	30,660 g
Per capita meat consumption	44,700 g

EDUCATION

Adult literacy rate %	1968	94.3 %
Primary school enrollment %	1970	91.0 %

GNP PER CAPITA in 1971<sup>1/</sup>: US \$ 1,050

GROSS NATIONAL PRODUCT IN 1971<sup>2/</sup>ANNUAL RATE OF GROWTH (% , constant prices)

	US \$ Mln.	%	1960-65	1965-70	1971
GNP at Market Prices	36,302	100.0	7.6	6.2	4.6
Gross Domestic Investment	7,736	21.3	15.4	6.3	-1.4
Gross National Saving	8,592	23.7	14.0	7.0	19.9
Current Account Balance	856	2.4	.	.	.
Exports of Goods, NFS	5,835	16.1	20.3	15.4	19.9
Imports of Goods, NFS	5,605	15.4	23.4	12.8	6.6

OUTPUT, LABOR FORCE AND PRODUCTIVITY IN 1971

	Value Added <sup>3/</sup>		Labor Force		V. A. Per Worker	
	US \$ Mln.	%	Mln.	%	US \$	%
Agriculture	4,472	12.1	3.65	28.5	1,225	42.4
Industry	14,904	40.4	4.78	37.4	3,118	108.0
Services	17,533	47.5	4.36	34.1	4,021	139.3
Unallocated	.	.	.	.	.	.
Total/Average	36,909	100.0	12.79	100.0	2,886	100.0

GOVERNMENT FINANCE

	General Government			Central Government		
	(Ptas. Bln.)	% of GDP		(Ptas. Bln.)	% of GDP	
	1970	1970	1968-70	1971	1971	1969-7
Current Receipts	527.6	23.3	22.8	347.0	13.6	14.0
Current Expenditure	430.9	19.0	18.3	254.3	10.0	10.6
Current Surplus	96.7	4.3	4.5	92.7	3.6	3.4
Capital Expenditures	89.0	3.9	3.9	106.0	4.2	3.7
External Assistance (net)	--	--	0.1	2.2	0.1	0.1

<sup>1/</sup> The Per Capita GNP estimate is at 1970 market prices, calculated by the same conversion technique as the 1972 World Atlas. All other conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

<sup>2/</sup> Preliminary

<sup>3/</sup> Bank estimates

.. not available  
 . not applicable

COUNTRY DATA - SPAIN

MONEY, CREDIT and PRICES	1965	1969	1970	1971	June 1971	June 1972
	(Billion Ptas.outstanding end period)					
Money and Quasi Money	910.7	1,695.6	1,951.4	2,419.1	2,096.3	2,600.2
Bank Credit to Public Sector	132.6	215.3	238.5	266.7	227.6	279.7
Bank Credit to Private Sector	739.3	1,521.5	1,748.2	2,062.7	1,870.1	2,217.4

(Percentages or Index Numbers)

Money and Quasi Money as % of GDP	75.3	77.1	77.9	83.1	.	.
General Price Index (1963 = 100) <sup>3/</sup>	116.0	141.3	149.9	161.3	.	.
Annual percentage changes in:						
General Price Index <sup>3/</sup>	+ 9.8	+ 3.5	+ 6.1	+ 7.6 <sup>2/</sup>	.	.
Bank credit to Public Sector	+ 6.5	+ 8.5	+ 10.8	+ 11.8	+ 7.7	+ 22.9
Bank credit to Private Sector	+ 26.7	+ 21.7	+ 14.9	+ 18.0	+ 16.0	+ 18.6

BALANCE OF PAYMENTS

	1969	1970 <sup>2/</sup>	1971 <sup>2/</sup>
	(Millions US \$)		
Exports of Goods, NFS	3,867	4,865	5,835
Imports of Goods, NFS	4,626	5,278	5,605
Resource Gap (deficit = -)	- 769	- 413	230
Interest Payments (net)	-166	- 174	- 148
Workers' Remittances (net)	400	467	548
Other Factor Payments (net)	9	7	7
Net Transfers	132	192	219
Balance on Current Account	- 324	79	856
Direct Foreign Investment	187	178	176
Net MLT Borrowing	202	359	37
Disbursements	(228)	(441)	(259)
Amortization	( 26)	( 82)	(222)
Subtotal	389	537	213
Capital Grants	--	--	---
Other Capital (net)	117	131	286
Other items n.e.i	-373	150	107
Change in Reserves	-261	897	1,462
Gross Reserves (end year)	1,262	1,817	3,209
Net Reserves (end year)	833	1,730	3,192

MERCHANDISE EXPORTS (AVERAGE 1969-71)

	US \$ Mln	%
Investment Goods for the Transport Sector	185.4	7.7
Investment Goods for Industry	207.0	8.6
Apparel and Footwear	197.4	8.2
Books	68.4	2.8
Cars and Motorcycles	38.8	1.6
Foodstuffs	788.2	32.7
All other commodities	924.2	38.4
Total	2,409.4	100.0

EXTERNAL DEBT, DECEMBER 31, 1971

	US \$ Mln
Public Debt, incl. guaranteed	2,036
Non-Guaranteed Private Debt	..
Total outstanding & Disbursed	..
DEBT SERVICE RATIO for 1971 <sup>1/</sup>	%
Public Debt, incl. guaranteed	3.2
Non-Guaranteed Private Debt	8.9
Total outstanding & Disbursed	12.1

RATE OF EXCHANGE

Through - 1971	
US \$ 1.00 = Ptas. 71	
Ptas. 100 = US \$ 1.4285	
Since - 1971	
US \$ 1.00 = Ptas. 64.4737	
Ptas. 100 = US \$ 1.55	

IBRD/IDA LENDING, September 1972 (Million US \$):

	IBRD	IDA
Outstanding & Disbursed	191.3	.
Undisbursed	135.5	.
Outstanding incl. Undisbursed	326.8	.

<sup>1/</sup> Ratio of Debt Service to Exports of Goods and Non-Factor Services.

<sup>2/</sup> Preliminary

<sup>3/</sup> GDP deflator

. . not available

. . not applicable

THE STATUS OF BANK GROUP OPERATIONS IN SPAIN

A. STATEMENT OF BANK LOANS  
(as of February 28, 1973)

<u>Loan or Credit Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	US\$ million	
				<u>Amount (less cancellations) Bank</u>	<u>Undisbursed</u>
Four loans fully disbursed				187.1	--
633-SP	1969	Spain	Livestock	25.0	22.2
699-SP	1970	Spain	Education I	12.0	12.0
768-SP	1971	Spain	Agricultural Research	12.7	12.0
772-SP	1971	RENFE	Railways III	90.0	78.4
832-SP	1972	Spain	Education II	50.0	50.0
				<hr/>	<hr/>
			Total (less cancellations) of which has been repaid	376.8 <u>27.0</u>	174.6
			Total now outstanding	349.8	
			Amount sold of which has been repaid	7.6 <u>2.9</u>	
			Total now held by Bank	<u>342.2</u>	
			Total undisbursed		<u>174.6</u> =====

B. STATEMENT OF IFC INVESTMENTS  
(as of February 28, 1973)

<u>Year</u>	<u>Obligor</u>	<u>Type of Business</u>	<u>Amount in US\$ million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1962, '65 '67	Fabrica Espanola Magnetos, S.A.	Automotive parts	2.50	0.86	3.36
1963, '65	Banco del Desarrollo Economico Espanol, S.A. (Bandesco)	Development Bank	-	0.59	0.59
1972*	Industrias del Papel y de la Celulosa, S.A.	Pulp and paper	<u>7.20</u>	<u>2.36</u>	<u>9.56</u>
	Total gross commitments		9.70	3.81	13.51
	less cancellations, terminations, repay- ments and sales		<u>2.50</u>	<u>1.45</u>	<u>3.95</u>
	Total commitments now held by IFC		7.20	2.36	9.56
	Total undisbursed		<u>7.20</u>	<u>2.36</u>	<u>9.56</u>

\* Not yet effective

C. PROJECT EXECUTION AND DISBURSEMENTS<sup>1/</sup>

Disbursements on several loans have been proceeding at a somewhat slower pace than originally scheduled, but have been accelerating during the past year. The four loans for Highways, Railways I and II, and Ports I have now been fully disbursed. In September, 1972 a mission visited Spain to discuss ways to reduce the time for submission of withdrawal requests to the Bank under all outstanding projects, and concluded that the rate of disbursements will improve in the near future.

<sup>1/</sup> These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

\$25 million Livestock Development Loan (No. 633-SP) of July, 1969

Disbursements under this loan were \$2.8 million as of January 31, 1973. As of October 31, 1972, the project authorities had committed 45 percent of total loan funds, and completed 494 farm plans. A further 294 plans are in the final stages of preparation committing a further 24 percent. In most cases the use of loan funds to execute farm development plans are spread over three years, leading to an inevitable delay between commitment and disbursement. Other factors in the slow rate of disbursement have been initial delays in organizing the project unit and an unprecedented drought affecting one of the two project areas in early 1971. Implementation of the project is now proceeding satisfactorily.

\$12.7 million Agricultural Research Loan (No. 768-SP) of June 28, 1971

This loan became effective in November 1, 1971. The project is still in the early stages of implementation, but recruiting of staff for the various research centers has almost been completed. Disbursements as of January 31, 1973 were \$675,038.

\$90.0 million Third Railways Loan (No. 772-SP) of June 30, 1971

This loan became effective on December 29, 1971 and \$11.6 million had been withdrawn as of January 31, 1973.

\$12.0 million First Education Loan (No. 699-SP) of June 30, 1970

Initially, the First Education Loan experienced administrative and legal difficulties in establishing a Project Unit in the Ministry of Education, but these have now been overcome. Disbursements of about \$2 million are expected by April, 1973.

\$50 million Second Education Loan (No. 832-SP) of June 21, 1972

This project became effective on January 3, 1973. Delays were experienced by the Spanish authorities in completing arrangements to expand the Project Unit of the First Education Loan and establish a new Project Sub-Unit at the Polytechnic University in Barcelona.



SPAIN - SECOND PORTS PROJECT

Loan and Project Summary

I. Loan Summary

Borrower: Spain

Amount: US\$50 million equivalent in various currencies. The proposed loan almost fully covers the project's estimated foreign exchange component.

Purpose: US\$28 million to assist in the expansion of the port of Huelva, US\$ 11 million for the port of La Luz y Las Palmas, and US\$11 million for cranes in 9 main ports.

Amortization: Repayable in 17 years, including a 4-year period of grace, through semi-annual installments beginning February 15, 1977 and ending August 15, 1989.

Interest Rate: 7-1/4 percent per annum.

Commitment Charge: 3/4 of 1 percent

II. Project Summary

Project  
Description

The project would assist in the expansion of Spanish ports and in implementing the 1972-75 Ports Development Plan. It would (i) reinforce and consolidate the financial and institutional reforms achieved during the first Bank ports loan; (ii) assist the 2 project ports Huelva and La Luz y Las Palmas, and other main ports to meet traffic demands up to 1980; (iii) allow better allocation of specialized zones, and permit their adequately planned future expansion. The project includes:

a. At Huelva Port

(i) Construction of a dike about 13 km long to prevent siltation in the access channel; (ii) construction of a 900 m wharf of five berths -

one for phosphate, three for other minerals and one for general cargo; (iii) acquisition and utilization of quay cranes for general cargo and minerals, and installation of belt conveyor facilities for phosphates; (iv) acquisition and utilization of a suction-hopper dredger of about 3,000 m<sup>3</sup> capacity; and (v) improvement of an access road to the new port facilities and construction of connecting roads and railways to serve the new industrial zone in the port area; (vi) deepening of the channel from about 8.0 m to about 10.5 m below mean low water spring tides; and (vii) completion of a mineral berth and its mechanical handling equipment under the First Ports Project.

b. At La Luz y Las Palmas

(i) extension of the eastern main breakwater by about 680 m and construction of two secondary breakwaters each about 780 m long to create a new basin; (ii) construction of two new petroleum piers for supertankers; (iii) procurement of a container crane; (iv) completion of a container berth about 500 m long and a general cargo wharf about 300 m long; (v) complementary work necessary to ensure adequate utilization of the Project and includes: bunker-oil pipeline duct; oaving at new basin, at secondary breakwater and at container berth; water supply; electric supply; two transit sheds about 45 m x 240 m and two 6t quay cranes for new general cargo wharf.

c. At nine other main ports

Procurement of 58 new quay cranes to replace 58 obsolete cranes.

Project

Administration:

The Ports Directorate in the Ministry of Public Works will be responsible for the design and execution of the project.

Consultants:

Naval architect consultants will be selected to prepare tender documents for the Huelva dredger and will supervise its construction.

ESTIMATED COST AND  
CATEGORIES OF EXPENDITURES

	US\$ Million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
<u>A. Civil Works</u>			
1. <u>At Huelva</u>			
(i) Dike	9.72	8.17	17.89
(ii) Five deep-water berths	6.52	5.40	11.92
(iii) Access road	0.43	0.36	0.79
(iv) Railways and roads	0.63	0.53	1.16
	<u>17.30</u>	<u>14.46</u>	<u>31.76</u>
2. <u>At La Luz y las Palmas</u>			
(i) Breakwaters	8.40	7.00	15.40
(ii) Petroleum piers	0.70	0.58	1.28
	<u>9.10</u>	<u>7.58</u>	<u>16.68</u>
Sub-Total: Civil Works	<u>26.40</u>	<u>22.04</u>	<u>48.44</u>
<u>B. Equipment</u>			
(i) Huelva cranes	0.60	2.62	3.22
(ii) Huelva dredger	0.92	4.01	4.93
(iii) La Luz y Las Palmas container crane	0.22	0.98	1.20
(iv) Cranes for general usage	2.05	8.70	10.75
	<u>3.78</u>	<u>16.30</u>	<u>20.08</u>
Sub-Total: Equipment	<u>3.78</u>	<u>16.30</u>	<u>20.08</u>
<u>C. Consultants' Services</u>	-	0.31	0.31
<u>D. Contingencies</u>			
(i) Physical	3.73	3.78	7.51
(ii) Price	5.57	7.57	13.14
	<u>9.30</u>	<u>11.35</u>	<u>20.65</u>
Sub-Total: Contingencies	<u>9.30</u>	<u>11.35</u>	<u>20.65</u>
Sub-Total: A, B, C & D	<u>39.48</u>	<u>50.00</u>	<u>89.48</u>
<u>E. Complementary Work Totally     Financed by Government</u>			
(i) At Huelva	0.68	1.28	1.96
(ii) At La Luz y Las Palmas	3.75	1.72	5.47
	<u>4.42</u>	<u>3.00</u>	<u>7.42</u>
Total E	<u>4.42</u>	<u>3.00</u>	<u>7.42</u>
Total Project Cost	<u>43.90</u>	<u>53.00</u>	<u>96.90</u>

FINANCING PLAN

	US\$ million		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
Bank Loan	--	50	50
Ports Generated Funds	25	--	25
Government	19	3	22
	<u>          </u>	<u>          </u>	<u>          </u>
Total Project Cost	44	53	97
	<u>          </u>	<u>          </u>	<u>          </u>

PROCUREMENT

Contracts for civil works and equipment would be awarded after international competitive bidding in accordance with the Bank's Guidelines for Procurement. In the comparison of bids for equipment, local bids will be allowed a preferential margin by adding to foreign bids 15% of the CIF bid price or the applicable customs duties, whichever is the lower. In addition, for purposes of equipment bid comparison, the CIF bid of foreign suppliers would be adjusted by adding the applicable amount of the "Impuesto de Compensacion de Gravamenes Interiores".

Economic Rate of Return: Estimated at 21 percent.

ESTIMATED DISBURSEMENTS

FY	US\$ million					<u>Cumulative Total</u>
	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	
	5	13	16	12	4	50

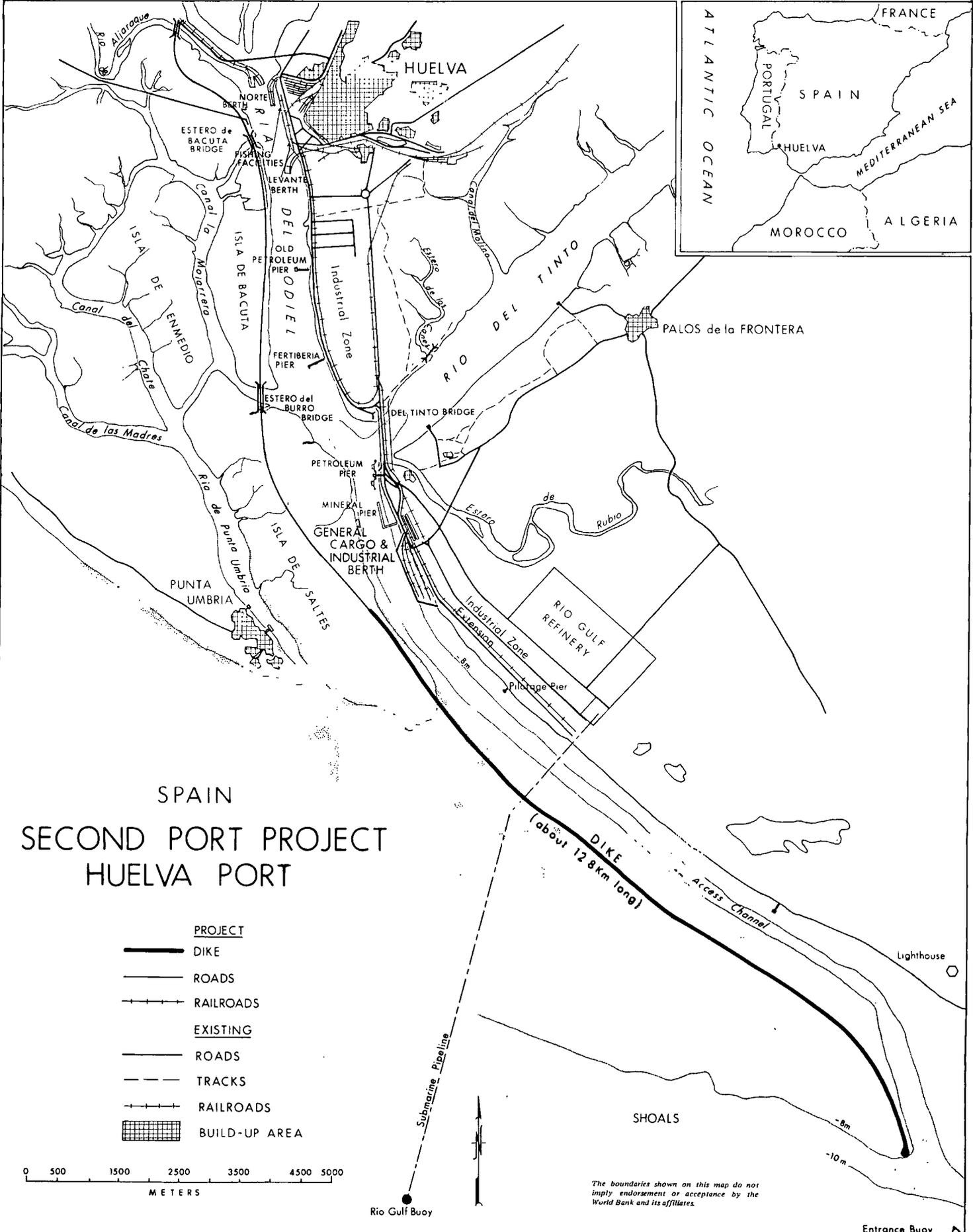
Estimated Project Completion Date: December 31, 1977

Apraisal Report: Report No. 22a, dated February 21, 1973,  
Transportation Projects Division, EMENA Regional Office

March 14, 1973

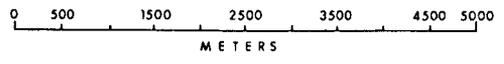






SPAIN  
SECOND PORT PROJECT  
HUELVA PORT

- PROJECT
- DIKE
  - ROADS
  - RAILROADS
- EXISTING
- ROADS
  - TRACKS
  - RAILROADS
  - ▣ BUILD-UP AREA



The boundaries shown on this map do not imply endorsement or acceptance by the World Bank and its affiliates.



