

No. 2034

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

**Loan Agreement (with annexed Loan Regulations No. 1).
Signed at Washington, on 17 October 1949**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
13 January 1953.*

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

**Contrat d'emprunt (avec, en annexe, le Règlement n° 1 sur
les emprunts). Signé à Washington, le 17 octobre 1949**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 13 janvier 1953.*

No. 2034. LOAN AGREEMENT¹ BETWEEN THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 17 OCTOBER 1949

AGREEMENT, dated October 17, 1949, between FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA (hereinafter sometimes called the Borrower), party of the first part, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter sometimes called the Bank), party of the second part.

WHEREAS certain of the member countries of the Bank require additional timber to assist them in the reconstruction and development of their productive facilities and resources ;

WHEREAS the Borrower has requested a loan from the Bank in order to assist the Borrower in financing a project for the development of its timber resources ; and

WHEREAS, in order to assist the Borrower in financing said project and thereby also to assist others of its members in obtaining additional timber required by them for use in the reconstruction and development of their productive facilities and resources, the Bank has agreed to grant a loan to the Borrower in the amount hereinafter specified and on the terms and conditions hereinafter set forth ;

NOW, THEREFORE, the parties hereto hereby agree as follows :

Article I

DEFINITIONS

Wherever used in this Agreement or in any Schedule to this Agreement, unless the context shall otherwise require, the following terms shall have the respective meanings hereinafter in this Article set forth:

(1) The term this Agreement includes the respective Schedules² which are referred to herein and all of which are hereby incorporated herein referred to by their numbers.

(2) The term Loan means the loan provided for in this Agreement.

(3) The term Loan Account means the loan account to be opened as provided in Section 1 of Article IV of this Agreement.

¹ Came into force on 24 January 1950, upon notification by the Bank, in accordance with article X.

² See pp. 32, 34, 36 and 38 of this volume.

(4) The term United States means the United States of America.

(5) The term dollars and the sign \$ mean dollars in such coin or currency of the United States as at the time referred to shall be legal tender for the payment of public and private debts in the United States.

(6) The term goods means the equipment and supplies listed in Schedule 2 to this Agreement, as such Schedule may be modified from time to time by agreement in writing between the Bank and the Borrower, and whenever reference is made in this Agreement to the cost of any goods such cost shall be deemed to include the cost of importing such goods into the territories of the Borrower, but only to the extent that such cost shall be paid in currency other than currency of the Borrower.

(7) The term Closing Date means June 30, 1950, or such other date as shall be agreed upon in writing between the Bank and the Borrower as the closing date.

(8) The term Effective Date means the date on which this Agreement shall come into force and effect as provided in Article X of this Agreement.

(9) The term Timber Payments Agreements means the Timber Payments Agreements referred to in Section 2 of Article V of this Agreement.

(10) The term Importing Government means a Government which is obligated under a Timber Payments Agreement to cause dollars to be paid to or on the order of the Bank on account of the purchase price of Timber imported into its territories.

(11) The term Additional Equipment means the Additional Equipment referred to in Section 3 of Article VI of this Agreement.

(12) The term Project means the program prepared by the Borrower for the development of its timber resources, as more particularly set forth in Schedule 3 to this Agreement, as such Schedule shall be amended from time to time by agreement in writing between the Bank and the Borrower.

(13) The term Timber means sawn softwood and pitprops and such other forest products as shall be agreed upon in writing by the Bank and the Borrower.

Article II

THE LOAN

Section 1. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth, the sum of two million, seven hundred thousand dollars (\$2,700,000).

Section 2. The amount of the Loan may be withdrawn by the Borrower as provided in Article IV of this Agreement. The Borrower shall pay to the Bank a commitment charge at the rate of one and one-half per cent (1½ %) per annum on any amount of the Loan not so withdrawn for the period from the Effective Date to the respective dates on which the respective amounts shall be so withdrawn

or the Bank shall have incurred firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier.

Section 3. The Borrower shall pay interest at the rate of two per cent (2 %) per annum on the principal amount of the Loan outstanding and unpaid from the respective dates on which the respective amounts of the Loan shall be withdrawn by the Borrower as provided in Article IV of this Agreement or on which the Bank shall incur firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier.

Section 4. The Borrower shall also pay to the Bank a commission at the rate of one per cent (1 %) per annum on the principal amount of the Loan outstanding and unpaid from the respective dates on which the respective amounts of the Loan shall be withdrawn by the Borrower as provided in Article IV of this Agreement or on which the Bank shall incur firm obligations to others than the Borrower to pay such amounts, whichever shall be the earlier.

Section 5. The amount of commitment charge, interest or commission which shall have accrued under this Agreement shall be computed on a daily basis, using a factor of 365 days per year.

Section 6. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement. The aggregate amount of interest, commission and commitment charges which shall have accrued on the Loan to any date on which repayment of an instalment of the principal of the Loan shall be due and payable pursuant to such amortization schedule shall be due and payable on such date.

Section 7. Except as shall be otherwise specified in this Agreement, the principal of, and interest, commission and commitment charges on, the Loan shall be paid at the office of the Bank in the City of New York, State of New York, United States, or at such other place or places as the Bank shall from time to time request in writing.

Article III

USE OF PROCEEDS OF THE LOAN

Section 1. The proceeds of the Loan shall be applied by the Borrower exclusively to the payment of the cost of purchasing and importing the goods into the territories of the Borrower.

Section 2. The goods purchased with the proceeds of the Loan shall be imported into the territories of the Borrower and shall there be used in the Project, and, until the Borrower shall have performed all obligations on its part under this Agreement, none of such goods shall be exported from the territories of the Borrower without the written consent of the Bank.

Article IV

WITHDRAWAL OF PROCEEDS OF THE LOAN

Section 1. The Bank shall open an account on its books in the name of the Borrower and shall credit to said account the amount of the Loan. The Borrower shall be entitled from time to time to withdraw from the Loan Account such amounts as shall be required by the Borrower in order to reimburse it for expenditures made or provided for by it subsequent to the Effective Date (except as shall be otherwise specifically provided by agreement in writing between the Bank and the Borrower) for the purpose of paying the cost of goods purchased in accordance with Article III of this Agreement. The Borrower shall also be entitled from time to time to withdraw from the Loan Account such amounts as shall from time to time be approved in writing by the Bank and as shall be reasonably required by the Borrower in order to enable it to pay or provide for payment of the cost of such goods not theretofore paid.

Section 2. Except as the Bank and the Borrower shall otherwise agree in writing, the Bank shall not be required to permit any withdrawal by the Borrower from the Loan Account until :

(1) The Timber Payments Agreements referred to in Section 2 of Article V of this Agreement have been duly executed and delivered by the Borrower and the respective Importing Governments ; and

(2) Evidence of the due authorization, execution and delivery of such Timber Payments Agreements satisfactory to the Bank has been furnished to it by the Borrower. As part of the evidence so to be furnished to the Bank, there shall be furnished opinions satisfactory to it of legal counsel acceptable to it that such Timber Payments Agreements have been duly authorized and executed as provided in Article V of this Agreement, and that each of such Timber Payments Agreements is valid and binding upon the parties thereto in accordance with its terms.

Section 3. (a) Whenever the Borrower shall desire to draw on the Loan Account, the Borrower shall deliver to the Bank an application in writing setting forth :

- (1) The amount which the Borrower so desires to withdraw from the Loan Account ;
- (2) A statement that said amount is required to reimburse the Borrower for, or to enable the Borrower to meet, expenditures made or provided for or to be made or provided for by it for the purpose of paying the cost of goods as therein set forth, which statement shall show in such reasonable detail as the Bank shall request, the cost of such goods, the date on which such goods were ordered and the dates on which payment for such goods was made or will be due, the names and addresses of the suppliers and purchasers of such goods, the estimated date of arrival

of such goods in the territories of the Borrower, and the known or intended destination and end-use of such goods in the Project ;

- (3) A statement that the Borrower has not theretofore withdrawn, or applied for the withdrawal, from the Loan Account of any amounts for the purpose of reimbursing the Borrower for or paying such expenditures, and the Borrower has not obtained and will not obtain funds for such purposes out of the proceeds of any other external loan, credit or grant available to it, other than a short-term loan or credit established in anticipation of the withdrawal applied for and to be repaid pro tanto with the funds to be withdrawn, which loan or credit shall be described in the application ;
- (4) A statement that such expenditures were or will be made for the purposes specified in Article III of this Agreement ; that the goods purchased or to be purchased by means of such expenditures are appropriate for such purposes ; and that the cost and terms of purchase thereof are not unreasonable ; and
- (5) A statement that at the date of the application there is no existing default in the performance of any of the obligations of the Borrower under this Agreement or of the Borrower or any Importing Government under a Timber Payments Agreement.

(b) If such application shall be to withdraw from the Loan Account amounts for the purpose of enabling the Borrower to meet the cost of goods not theretofore paid, it shall also set forth :

- (6) A statement of the arrangements under which the amount to be withdrawn from the Loan Account on such application will be applied to the payment of the cost of such goods ; and
- (7) An agreement by the Borrower that it will apply or cause to be applied the amount to be withdrawn from the Loan Account on such application only to the payment when and as due of the cost of such goods and that, as promptly as possible thereafter, the Borrower will furnish to the Bank proof satisfactory to the Bank that such amount has been so applied.

Section 4. (a) Each application under this Article shall be in writing in the English language and shall be signed on behalf of the Borrower by its representative or representatives duly authorized for the purpose. Each such application shall be executed and delivered to the Bank in triplicate as the Bank shall from time to time direct. Except as otherwise agreed in writing between the Bank and the Borrower, each such application (except the final application) shall be for an amount of not less than \$50,000. Such applications shall be serially numbered.

(b) The Borrower will furnish to the Bank, upon request, original or duplicate receipted bills or invoices or other documents sufficient to show that the expenditures covered by the application have been made for the goods specified therein.

Section 5. Each application and the accompanying documents must be sufficient to satisfy the Bank that the amount to be withdrawn from the Loan Account is to be used only for the purposes specified in Article III of this Agreement. The Borrower shall furnish to the Bank any and all such further documents and other evidence in support of the application as the Bank shall at any time or from time to time reasonably request and whether before or after the Bank shall permit any withdrawal requested in the application. All applications and other documents delivered to the Bank under this Article shall be in form and substance satisfactory to the Bank.

Section 6. If the Bank is satisfied that the application fully complies with the provisions of this Agreement and that the Borrower is entitled under this Agreement to withdraw from the Loan Account the amount applied for, the Bank will promptly pay such amount to or on the order of the Borrower.

Section 7. The Borrower may at its option by written notice to the Bank cancel all or any part of the Loan which the Borrower shall not have withdrawn prior to such notice. If the Borrower shall not on or before the Closing Date have withdrawn from the Loan Account the full amount of the Loan, the amount of the Loan not so withdrawn shall be canceled. Subject to the provisions of Section 9 (b) of this Article, upon the cancelation of any part of the Loan as provided in this Section or in Section 9 of this Article the obligation of the Borrower to pay the commitment charge provided for in Section 2 of Article II of this Agreement on such part of the Loan shall cease.

Section 8. If any of the events hereinafter described shall have happened and be continuing, the Bank may, at its option, suspend the right of the Borrower to make withdrawals from the Loan Account, to wit :

- (a) An Event of Default shall have happened and be existing under this Agreement.
- (b) Any condition shall exist which shall make it improbable that the Borrower will be able to perform its obligations under this Agreement or under a Timber Payments Agreement or that an Importing Government will be able to perform its obligations under a Timber Payments Agreement.
- (c) The Borrower shall have ceased to be a member of the International Monetary Fund or shall have become or been declared ineligible to use the resources thereof, or shall have been suspended from membership in or have ceased to be a member of the Bank.
- (d) The Bank shall have suspended operations either temporarily or permanently as provided in Section 5 of Article VI of its Articles of Agreement.¹

¹ United Nations, *Treaty Series*, Vol. 2, p. 134 ; Vol. 19, p. 300, and Vol. 141, p. 356.

The Bank may exercise its option to suspend such right to withdraw by notice to the Borrower of its election to exercise such option. Upon the giving of such notice the right of the Borrower to withdraw from the Loan Account shall forthwith be suspended and shall continue to be suspended until the event which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the Bank has lifted such suspension, whichever is the earlier.

If the Borrower's right to withdraw from the Loan Account shall be so suspended for a period of 30 days, then at the expiration of such 30 days, unless the Bank and the Borrower shall otherwise agree in writing, the amount of the Loan not theretofore withdrawn shall be deemed to be canceled pursuant to Section 9 of this Article.

Section 9. (a) Except as hereinafter in this Section provided, if any of the events described in Section 8 of this Article shall have happened and be continuing, the Bank may, at any time, at its option, by notice to the Borrower, terminate any and all obligations of the Bank to permit further withdrawals by the Borrower from the Loan Account and, upon the giving of such notice, the amount of the Loan not theretofore withdrawn shall be canceled.

(b) If subsequent to the Effective Date and prior to the date of such termination the Borrower, with the written approval of the Bank, shall have incurred any binding obligation to apply any of the proceeds of the Loan not theretofore withdrawn by the Borrower to the purchase of goods as provided in this Agreement, the Bank shall, notwithstanding such termination, in so far as shall not be inconsistent with any other provisions of this Agreement and upon receiving assurances satisfactory to the Bank that the amounts so to be withdrawn will be applied to the satisfaction of such obligation on the part of the Borrower, permit the withdrawal from the Loan Account, upon compliance with the provisions of this Agreement, of such amounts as shall be necessary in order to enable the Borrower to satisfy such obligation on its part. The commitment charge specified in Section 2 of Article II of this Agreement shall continue to accrue on amounts subject to withdrawal under this Section.

Section 10. Notwithstanding any suspension or cancelation pursuant to the provisions of this Article, all the provisions of this Agreement shall continue in full force and effect except as in this Article specifically provided.

Article V

EXPORT OF TIMBER

Section 1. The Borrower has represented to the Bank that, providing the Borrower can obtain the goods listed in Schedule 2 to this Agreement and the Additional Equipment listed in Schedule 6 to this Agreement upon the dates indicated in such Schedules, respectively, for the delivery of such goods and Additional Equipment, the Borrower intends to export to the countries specified

in Schedule 4 to this Agreement during the periods therein specified the amounts of Timber therein specified. The Borrower, therefore, agrees that it will export or cause to be exported Timber in accordance with said Schedule 4 provided that a reasonable market price can be obtained therefor. Since it is the purpose of the Loan to assist the Borrower in the financing of its program for the development of its Timber resources and to enable the Borrower to export additional amounts of Timber to the countries specified in said Schedule 4, the agreement of the Borrower hereinbefore set forth shall continue in effect for the periods specified in said Schedule whether or not any part of the Loan shall be outstanding and unpaid during any part of said periods. Should the Borrower for reasons beyond its control be unable to obtain substantial delivery of the goods listed in said Schedule 2 and the Additional Equipment listed in said Schedule 6 upon approximately the respective dates specified therein for such deliveries, the Borrower and the Bank agree to consult for the purpose of making such reasonable adjustments in said Schedule 4 as the facts shall warrant.

Section 2. Except as the Bank and the Borrower shall otherwise agree in writing, the Borrower shall enter into Timber Payments Agreements with the Governments of the countries specified in Schedule 5 to this Agreement, or the Governments of such other country or countries as the Bank shall in writing approve, providing for the payment of dollars to or on the order of the Bank on account of the purchase price of Timber which shall be imported from the territories of the Borrower into the territories of such countries. Each such Timber Payments Agreement shall contain provisions, which shall be expressly stated to be for the benefit of the Bank, whereby

(a) The Borrower shall agree that during each period specified therein it will export or cause to be exported to the territories of the Importing Government a quantity of Timber the aggregate purchase price of which shall be at least equal or equivalent (at a rate of exchange specified in or determined in accordance with the Timber Payments Agreement) to the amount of dollars therein specified for said period ;

(b) The Importing Government shall agree (i) that, during each period specified therein, it will cause to be imported into its territories from the territories of the Borrower a quantity of Timber the aggregate purchase price of which shall be at least equal or equivalent (at a rate of exchange specified in or determined in accordance with the Timber Payments Agreement) to the amount of dollars therein specified for said period ; and (ii) that it will cause said amount of dollars to be paid to or on the order of the Bank, at such office or agency of the Bank as it shall from time to time direct, on account of the purchase price of Timber so imported during said period ;

(c) The Borrower shall agree that such payment shall discharge pro tanto the obligation of the purchasers of such Timber to pay the purchase price thereof ; and

(d) The Borrower and the Importing Government shall agree to furnish to the Bank all such information, at such times, in such form and in such detail as the Bank shall reasonably request relating to the carrying out of the Timber Payments Agreements, and accredited representatives of the Bank shall have the right to inspect all documents relating thereto. Such Timber Payments Agreements shall in all other respects be satisfactory to the Bank as conforming to the provisions and purposes of this Agreement.

Section 3. The amounts of dollars specified in Timber Payments Agreements in accordance with Section 2 of this Article shall, except as the Bank and the Borrower shall otherwise agree in writing, with respect to each of the periods hereinafter specified, be equal in the aggregate to the amount hereinafter specified for such period :

<i>Period</i>	<i>Amount</i>
January 1, 1950 to June 30, 1950	\$339,945
July 1, 1950 to September 30, 1950	418,148
October 1, 1950 to December 31, 1950	515,123
January 1, 1951, to March 31, 1951	511,096
April 1, 1951 to June 30, 1951	507,479
July 1, 1951 to September 30, 1951	503,781

The Borrower will export or cause to be exported to the territories of the Importing Governments during each such period Timber in such quantities and at such prices as shall be sufficient to require the payment to or on the order of the Bank pursuant to the Timber Payments Agreements of not less than the amount above specified for such period.

Section 4. On the first day of each calendar month all amounts received by the Bank pursuant to the Timber Payments Agreements which shall not theretofore have been applied by the Bank as set forth herein shall be applied by the Bank to the payment of interest, commission and commitment charges accrued and unpaid on the Loan as of such date. Any part of such amount remaining after payment of such charges shall be applied by the Bank on account of the principal of the Loan and shall be credited against unpaid instalments of amortization in the order of their maturity under Schedule I of this Agreement. If at any time before the full amount of the Loan shall have been withdrawn by the Borrower or the amount of the Loan not so withdrawn shall have been canceled the Bank shall hold any amounts so received by it and not then required for the payment of interest, commission or commitment charges on, or principal of, the Loan as hereinbefore in this Section provided, the Bank shall continue to hold such amounts and to apply the same when and as required for said purpose until the full amount of the Loan shall be repaid or canceled.

Section 5. When the full amount of the Loan shall have been repaid or canceled, the Bank shall distribute any remaining balance received by it on

account of the Loan among the Importing Governments and the Borrower, each to receive payment in the proportion to which the amount paid to the Bank by such Importing Government under its Timber Payments Agreement or the Borrower under this Agreement bears to the total amount so paid to the Bank by all such Importing Governments and the Borrower. The sole liability of the Bank under this Section shall be to distribute such remaining balance in such proportions as shall be determined by it pursuant to this Section.

Section 6. The Borrower shall not be excused from its obligation to make payment of any instalment of interest, commission or commitment charge on the Loan when and as the same shall be due nor its obligation to make repayment of the principal of the Loan as provided in this Agreement by reason of any default by the Borrower or any Importing Government under any Timber Payments Agreement ; provided, however, that in the event that any Importing Government shall default under a Timber Payments Agreement on the obligation of said Importing Government to make payment in dollars as provided in said Timber Payments Agreement and said default is not attributable in any way to any act or omission on the part of the Borrower or any seller of Timber in the territories of the Borrower, the payment of the next instalment of principal of, and interest, commission and commitment charges on, the Loan as specified in Schedule 1 of this Agreement may be postponed in whole or in part for such reasonable period not to exceed 60 days as the Bank shall agree in writing.

Section 7. The Borrower shall not agree to or otherwise permit any cancellation, modification or amendment of any Timber Payments Agreement entered into as provided in this Article unless the Bank shall agree in writing to such cancellation, modification or amendment.

Article VI

PARTICULAR COVENANTS OF THE BORROWER

Section 1. The Borrower will cause the goods purchased with the proceeds of the Loan and the Additional Equipment to be used in the Project and will maintain, or cause to be maintained, books, accounts and records adequate to identify the goods purchased in whole or in part with the proceeds of the Loan, to disclose the end-use thereof in the Project and to record the progress of the Project.

Section 2. The Borrower will furnish or cause to be furnished to the Bank all such information, at such times, in such form and in such detail as the Bank shall reasonably request relating to the carrying out of the Timber Payments Agreements and accredited representatives of the Bank shall have the right to inspect all documents relating thereto.

Section 3. The Borrower will use its best efforts to procure or cause to be procured for delivery during the estimated period, at the estimated cost, and from the countries set forth in Schedule 6 to this Agreement or from any other country which may be agreed upon in writing by the Borrower and the Bank, the Additional Equipment described in such Schedule or such other Timber equipment as shall be agreed upon in writing by the Borrower and the Bank. The Borrower agrees to furnish or cause to be furnished to the Bank all such information, at such times, in such form, and in such detail as the Bank shall reasonably request relating to the procurement of such Additional Equipment, and accredited representatives of the Bank shall have the right to inspect all documents relating thereto.

Section 4. In order that the Bank and the Borrower may cooperate to the fullest extent in assuring that the purposes of the Loan shall be accomplished, so long as any part of the Loan shall be outstanding and unpaid, the Borrower will afford to the Bank, from time to time as the Bank shall reasonably request :

- (a) All reasonable opportunity for exchanges of views between accredited representatives of the Bank and officials empowered to represent the Borrower in such exchanges of views with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof and other matters of mutual interest, including matters relating to the carrying out of the respective Timber Payments Agreements, it being understood that both the Bank and the Borrower will receive from one another suggestions and observations in regard to all such matters in a spirit of mutual cooperation ; and
- (b) All reasonable opportunity for accredited representatives of the Bank to examine any and all goods paid for out of the proceeds of the Loan and the use of such goods in the Project and all contracts, orders, invoices and other documents and books of account relating to such goods and their use and the Project.

Section 5. If at any time so long as any part of the Loan shall be outstanding and unpaid any condition shall arise which shall prevent, obstruct or interfere with, or threaten to prevent, obstruct or interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service of the Loan, or the carrying out of the respective Timber Payments Agreements, or the procurement by the Borrower of the Additional Equipment, the Borrower will promptly inform the Bank of such condition and will afford to the Bank a reasonable opportunity to exchange views with the Borrower with regard thereto.

Section 6. So long as any part of the Loan shall be outstanding and unpaid, the Borrower will furnish to the Bank all such information, at such times and in such detail as the Bank shall reasonably request relating to the expenditure of the proceeds of the Loan, the use of the goods and the carrying out of the Project.

Section 7. The principal of the Loan, the interest accruing thereon, and the commitment charge and the commission specified in Article II hereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature now or at any time hereafter imposed by the Borrower or by any taxing authority thereof or therein and shall be paid free from all restrictions of the Borrower, its political subdivisions or its agencies.

Section 8. This Agreement shall be free of any issue, stamp or other tax imposed by the Borrower or any taxing authority thereof or therein.

Section 9. The Borrower will insure or cause to be insured all goods purchased in whole or in part with the proceeds of the Loan against marine and transit hazards incident to delivery of the goods into the territories of the Borrower under contracts of insurance with responsible insurers and payable in dollars.

Article VII

REMEDIES OF THE BANK ON DEFAULT

Section 1. If any of the following events (herein called Events of Default) shall happen, that is to say :

(a) if default shall be made in the payment of any instalment of interest or commission or commitment charge on the Loan, or in the repayment of any instalment of the principal thereof, when and as the same shall become payable and such default shall continue for a period of 30 days ; or

(b) if default shall be made in the performance of the obligations of the Borrower set forth in Article V of this Agreement or in the performance of any other covenant or agreement on the part of the Borrower in this Agreement and such default shall continue for a period of 60 days after written notice thereof shall have been given by the Bank to the Borrower ; then and in each such case during the continuance of such Event of Default the Bank, at its option, may declare the principal of the Loan then outstanding (if not already due) to be due and payable immediately, and upon any such declaration such principal shall become and shall be due and payable immediately, anything in this Agreement contained to the contrary notwithstanding.

Section 2. No delay in exercising nor omission to exercise any right or power accruing to the Bank under this Agreement upon any Event of Default shall impair any such right or power or be construed to be a waiver of any such Event of Default or any acquiescence therein ; nor shall the action of the Bank in respect of any default, or in respect of the waiver of any default, affect or impair any right or power of the Bank in respect of any other or subsequent default on the part of the Borrower, and every right, power and remedy of the Bank hereunder

may be exercised by it from time to time and as often as it may deem expedient.

Article VIII

INTERPRETATION OF AGREEMENT ; ARBITRATION

Section 1. The respective rights and obligations of the parties under this Agreement shall be valid and enforceable in accordance with their terms anything in any statute, law or regulation of any nation or state or political subdivision thereof to the contrary notwithstanding. None of such parties shall be entitled in any proceeding under this Article to assert any claim that any provision of this Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.

Section 2. The provisions of this Agreement shall be interpreted in accordance with the law of the State of New York, United States, as at the time in effect.

Section 3. Any controversy between the parties to this Agreement and any claim by any of such parties against the other party thereto arising under this Agreement which shall not be determined by agreement of such parties shall be submitted to and determined by arbitration by an Arbitral Tribunal in accordance with the provisions of Loan Regulations No. 1¹ of the Bank dated May 9, 1947 (hereinafter called Regulations), a copy of which has been furnished to the Borrower. The parties to this Agreement accept and agree to the provisions of the Regulations with the same force and effect as if they were fully set forth herein ; provided, however, that the Bank shall not be entitled to enter any judgment against the Borrower in any court for the enforcement of any award rendered pursuant to the Regulations or to enforce by execution against the Borrower any judgment entered upon any such award or any judicial mandate or order made in any proceeding to enforce any such award, except as any such remedy may be available to the Bank against the Borrower otherwise than by reason of the provisions of the Regulations.

Article IX

MISCELLANEOUS PROVISIONS

Section 1. Any notice or demand required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given when it shall be delivered in writing or by telegram, cable or radiogram to the party to which such notice or demand is required or permitted to be given at its address hereinafter specified, or at such other address as such party shall have designated by notice in writing to the party giving or making such notice or demand. The addresses so specified are :

¹ See p. 40 of this volume.

- (a) For the Bank : International Bank for Reconstruction and Development, 1818 H Street, N.W., Washington 25, District of Columbia, United States of America.
- (b) For the Borrower : Embassy of the Federal People's Republic of Yugoslavia, Commercial Department, 1025 Vermont Avenue, N.W., Washington, District of Columbia, United States of America.

Section 2. The Borrower shall furnish to the Bank sufficient evidence of the authority of the person or persons who will sign the applications provided for in Article IV of this Agreement or who will, on behalf of the Borrower, take any other action or execute any other documents required or permitted to be taken or executed by the Borrower pursuant to any of the provisions of this Agreement and the authenticated specimen signature of each such person.

Section 3. In agreeing to make the Loan the Bank has relied on the statements and representations contained in documents furnished to the Bank by or on behalf of the Borrower, including, but without limitation on the foregoing, the statements and representations contained in the Schedules to this Agreement. The Borrower represents and warrants that all such statements and representations are accurate.

Section 4. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

Article X

EFFECTIVE DATE

Section 1. This Agreement is subject to the condition that before it shall become effective the following events shall have occurred :

- (a) the execution and delivery of this Agreement on behalf of the Borrower shall have been duly authorized or ratified by all necessary governmental action of the Borrower and this Agreement shall have been duly executed and delivered on behalf of the Borrower ; and
- (b) the Borrower shall have furnished to the Bank an opinion or opinions of legal counsel, acceptable to the Bank, showing :
 - (1) that this Agreement has been duly authorized by, and executed and delivered on behalf of, the Borrower ; and
 - (2) that this Agreement constitutes a valid and binding obligation of the Borrower in accordance with its terms.

Section 2. The Borrower shall promptly furnish to the Bank evidence satisfactory to the Bank that all acts required to be performed pursuant to Section 1 of this Article have been performed. Except as shall be otherwise agreed in writing between the Bank and the Borrower, this Agreement shall come into

force and effect on the date when the Bank notifies the Borrower of its acceptance of such evidence.

Section 3. If all acts required to be performed pursuant to Section 1 of this Article shall not have been performed and satisfactory evidence thereof shall not have been furnished to the Bank within 60 days after the date of this Agreement, the Bank may at its option by notice to the Borrower terminate this Agreement, and upon the giving of such notice of termination, this Agreement and all obligations of the parties hereunder shall forthwith cease and determine.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be signed in their respective names by their representatives thereunto duly authorized as of the day and year first above written.

Federal People's Republic of Yugoslavia :

By Sava N. KOSANOVIC

Ambassador EAP for Federal People's Republic of Yugoslavia in United States of America

International Bank for Reconstruction and Development :

By Eugene R. BLACK
President

SCHEDULE 1

The following Schedule shows the amounts of the respective instalments of amortization for the \$2,700,000 principal amount of the Loan and the respective dates on which such amounts, respectively, together with any amount of interest, commission and commitment charges then accrued and unpaid on the principal amount of the Loan, shall be due and payable. If any part of the Loan shall be canceled pursuant to the provisions of this Agreement, the amount of each instalment of amortization due and payable after the date of such cancelation shall be reduced proportionately.

<i>Date Instalment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>	<i>Date Instalment Due</i>	<i>Payment of Principal</i>	<i>Principal Amount Outstanding After Each Payment</i>
June 30, 1950 . .	\$ 300,000	\$ 2,400,000	Mar. 31, 1951 . .	\$ 500,000	\$ 1,000,000
Sept. 30, 1950 . .	400,000	2,000,000	June 30, 1951 . .	500,000	500,000
Dec. 31, 1950 . .	500,000	1,500,000	Sept. 30, 1951 . .	300,000	—

SCHEDULE 2

LIST OF GOODS AND ESTIMATED DELIVERY DATE THEREOF IN
TERRITORIES OF BORROWER

<i>Description of Goods</i>	<i>Estimated Cost</i>	<i>Estimated Delivery Date (in months)*</i>
Log skidders, diesel driven with cables and accessories	\$200,000.00	8 months
Truck spare parts	200,000.00	7 months
Portable circular saw mills, 40-60" saws (complete)	240,000.00	4 months
Semi-portable steam engines, 280-300 HP	200,000.00	8 months
Briquetting machines for making bricks from sawdust	90,000.00	8 months
Drying kiln equipment	270,000.00	7 months
Electric generators for operating saw mills, capacity 200 kw, voltage 220/380, 3-phase, 50 cycles	200,000.00	8 months
Industrial rails (9 to 12 kilograms weight per meter) with all accessories	780,000.00	4 months
Locomotive wheel rims, gauge 76 cm (narrow gauge)	3,000.00	4 months
Band saw blades, 500 mm up	200,000.00	7 months
Circular saw blades	9,000.00	7 months
Grinding wheels, all assorted dimensions	50,000.00	4 months
Complete machinery for the production of boxes including automatic nailing machines and other accessories	258,000.00	7 months
	<u>\$2,700,000.00</u>	

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project is the program prepared by the Borrower for the purchase and importation into Yugoslavia of timber equipment and for the utilization of such equipment in the development of the timber resources of Yugoslavia.

The goods to be purchased with the proceeds of the Loan, which form part of such equipment, are listed in Schedule 2 to this Agreement.

* Computed for each of the items set forth in this Schedule from the date upon which an order is placed for the purchase of such item or the date upon which the Bank shall be required to permit withdrawals by the Borrower from the Loan Account pursuant to the provisions of Section 2 of Article IV of this Agreement, whichever shall be the later.

Procurement, distribution and utilization of the goods will be the responsibility of the Ministry of Forestry of the Borrower, acting through the governmental procurement agency "Tehnopromet", and the respective Ministries of Forestry of each of the republics of Yugoslavia.

SCHEDULE 4

EXPORT OF TIMBER

The following Table shows for each of the periods therein set forth the types of Timber and minimum aggregate quantities thereof which the Borrower will export or cause to be exported pursuant to Section 1 of Article V of this Agreement to countries included in the list following such Table. The Borrower shall not be precluded from exporting other amounts of Timber to countries not included in such list.

<i>Periods of Export Commitment</i>	<i>Types of Timber to be exported</i>	<i>Minimum Aggregate Quantity of Timber to be exported</i>
1949	Sawn softwood	160,000 standards
	Pitprops	80,000 cubic meters
1950	Sawn softwood	160,000 standards
	Pitprops	80,000 cubic meters
1951	Sawn softwood	160,000 standards
	Pitprops	80,000 cubic meters

The term standard as used in such Table means a quantity of sawn softwood equal to 165 cubic feet or 4.672 cubic meters.

LIST OF COUNTRIES

United Kingdom, Union of South Africa, Luxembourg, Cyprus, Morocco, Belgium, France, Algeria, Egypt, Malta, Denmark, Italy, Switzerland, Israel, Syria, Free Territory of Trieste, Netherlands, Turkey, Argentina, Tunisia, Libya, Australia, and India.

SCHEDULE 5

TIMBER EXPORTS SUBJECT TO TIMBER PAYMENTS AGREEMENTS

In accordance with Sections 2 and 3 of Article V of this Agreement, Timber will be exported to the following named countries, or to such other country or countries as the Bank shall in writing approve, in such quantities and at such prices as shall be sufficient to realize amounts in dollars sufficient to pay the principal of, and interest, commission and commitment charges on, the Loan when and as the same shall become due :

LIST OF COUNTRIES

France
Italy
Netherlands
United Kingdom

SCHEDULE 6

ADDITIONAL EQUIPMENT

The respective items of Additional Equipment referred to in Section 3 of Article VI of this Agreement, together with the estimated cost and country of origin thereof, are as follows :

<i>Items of Equipment</i>	<i>Estimated Cost (equivalent in dollars)</i>	<i>Country of Origin</i>
60 trucks	\$420,000	
10 air compressors	94,000	
20 tractors caterpillar	122,000	
wire ropes	50,000	
industrial rails	150,000	Italy
20 tractors	100,000	
machinery for manufacturing of carts	80,000	
machinery for manufacturing of barrels	100,000	
dry kilns for plywood	60,000	
wire ropes	50,000	
dry kilns for timber	40,000	
industrial rails	165,000	France
10 Diesel locomotives	157,000	
60 Diesel motors	96,000	
veneer knives	36,000	
10 semi-portable steam engines	50,000	
5 motors for simple tugboats	8,000	United Kingdom
10 automatic machines for grinding of saw blades	3,000	
6 circular saws	10,000	
machinery for manufacturing of parquet	20,000	
dry kilns for plywood	30,000	
spare parts	1,000	
40 skyline lifts (type Wussen)	540,000	
18 portable chain saws	9,000	
2 skyline lifts (type Lasso)	20,000	Switzerland
wire cable (600 tons)	144,000	
1 Diesel crane	7,000	
10 electric cranes	35,000	
7 Diesel road rollers	40,000	
30 stone crushers	90,000	
5 cement mixers	15,000	
2 portable steam engines	80,000	Federal Republic of Germany
TOTAL	\$2,822,000	

The Borrower estimates that the items of Additional Equipment set forth in the above Table will be delivered within twelve months of the Effective Date.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 1, DATED 9 MAY 1947

REGULATIONS GOVERNING THE ARBITRATION OF CONTROVERSIES AND CLAIMS ARISING
UNDER LOAN AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 152, p. 116.*]