

No. 7349

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

Guarantee Agreement—*Railway Project* (with annexed Loan Regulations No. 4 and Loan Agreement between the Bank and the Yugoslav Investment Bank). Signed at Washington, on 28 October 1963

Official text: English.

Registered by the International Bank for Reconstruction and Development on 4 August 1964.

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

Contrat de garantie — *Projet relatif aux chemins de fer* (avec, en annexe, le Règlement n° 4 sur les emprunts et le Contrat d'emprunt entre la Banque et la Banque yougoslave d'investissement). Signé à Washington, le 28 octobre 1963

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 4 août 1964.

No. 7349. GUARANTEE AGREEMENT¹ (*RAILWAY PROJECT*)
BETWEEN THE SOCIALIST FEDERAL REPUBLIC OF
YUGOSLAVIA AND THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT. SIGNED AT
WASHINGTON, ON 28 OCTOBER 1963

AGREEMENT, dated October 28, 1963, between SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Yugoslav Investment Bank (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to thirty-five million dollars (\$35,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE, the parties hereto hereby agree as follows :

Article I

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4³ of the Bank dated February 15, 1961, subject, however, to the modifications thereof set forth in the Loan Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. The terms defined in the Loan Agreement shall have the same meaning herein.

¹ Came into force on 7 January 1964, upon notification by the Bank to the Government of Yugoslavia.

² See p. 298 of this volume.

³ See p. 312 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

Section 2.01. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the beneficiary enterprise will be inadequate to meet the estimated expenditures required for carrying out the Project to be carried out by such beneficiary enterprise, to make arrangements, satisfactory to the Bank, promptly to provide such beneficiary enterprise or cause such beneficiary enterprise to be provided with such funds as are needed to meet such expenditures.

Article III

Section 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any of the assets of the Guarantor or of any of its political subdivisions, or of any Agency, or of the National Bank of Yugoslavia or any other institution acting as the Central Bank of the Guarantor, as security for any external debt, such lien will equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property at the time of purchase thereof, solely as security for the payment of the purchase price of such property; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the

Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

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

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

Section 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 3.05. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.06. The Guarantor shall cause the Project to be carried out with due diligence and efficiency and to be adequately maintained and operated in accordance with sound railway, engineering and financial practices, and shall cause all locomotives, rolling stock and other ancillary equipment to be procured, maintained, renewed and repaired as shall be necessary for the operation of the Project.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its guarantee on the Bonds to be executed and delivered by the Borrower. The Federal Secretary for Financial Affairs of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Embassy of the Socialist Federal Republic of Yugoslavia
Economic Department
2410 California Street, N.W.
Washington 8, D.C.
United States of America

Alternative address for cablegrams and radiograms :

Ambayugoslav
Washington, D.C.

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

Section 5.02. The Federal Secretary for Financial Affairs of the Guarantor in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

Section 5.03. In this Agreement any reference to the Federal Secretary for Financial Affairs of the Guarantor shall include a reference to any official for the time being acting for or on behalf of or performing the duties of the Federal Secretary for Financial Affairs of the Guarantor.

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

Socialist Federal Republic of Yugoslavia :

By Veljko MIĆUNOVIĆ
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS
President

LOAN AGREEMENT
(RAILWAY PROJECT)

AGREEMENT, dated October 28, 1963, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and YUGOSLAV INVESTMENT BANK (hereinafter called the Borrower).

Article I

LOAN REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961¹ subject, however, to the modifications thereof set forth in this Agreement (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

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

- (a) The term "Yugoslav Investment Bank" means Jugoslovenska Investiciona Banka, an institution established by Decree No. 30 dated July 18, 1956, and operating under the Law on Banks of March 15, 1961.
- (b) The term "Borrower" means the Yugoslav Investment Bank. If all the obligations of the Borrower hereunder shall be transferred to any other agency or department of the Guarantor, the term "Borrower" shall mean such agency or department.
- (c) The term "beneficiary enterprise" means the Community of Railway Enterprises of Sarajevo, established on January 1, 1961 under the Law on the Organization of the Yugoslav Railways of December 4, 1960.
- (d) The term "Agency" means any instrumentality of the Guarantor or of a political subdivision of the Guarantor and shall include any institution or organization which at the time referred to is owned by the Guarantor or a political subdivision of the Guarantor, or all or substantially all of whose obligations are guaranteed by the Guarantor or a political subdivision of the Guarantor, or the operations of which are conducted primarily in the interest of or for account of the Guarantor or a political subdivision of the Guarantor, as the case may be.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to thirty-five million dollars (\$35,000,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. Unless the Bank

¹ See p. 312 of this volume.

and the Borrower shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account amounts equivalent to a percentage to be established from time to time by agreement between the Bank and the Borrower of such amounts as shall have been expended by the beneficiary enterprise on the Project described in Schedule 2¹ to this Agreement; provided, however, that except as shall be otherwise agreed between the Bank and the Borrower, no withdrawals shall be made on account of expenditures made prior to January 1, 1963, and total withdrawals shall not exceed at any time the equivalent of the total amount spent in the territories of countries which are members of the Bank (and Switzerland) on goods for the Project produced in (including services supplied from) such territories.

Section 2.03. Withdrawals from the Loan Account pursuant to Section 2.02 of this Agreement shall be in dollars or such other currency or currencies as the Bank shall from time to time reasonably select.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time.

Section 2.05. The Borrower shall pay interest at the rate of five and one-half per cent ($5\frac{1}{2}\%$) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.07. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1² to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Agreement to expenditures on the Project described in Schedule 2 to this Agreement. The methods and procedures for procurement of the goods to be financed out of the proceeds of the Loan shall be determined, by agreement between the Bank and the Borrower, subject to modification by further agreement between them.

Section 3.02. Except as the Bank and the Borrower shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

Section 3.03. For the purposes of this Agreement, the Loan Regulations shall be deemed to be modified by the deletion of Section 3.02 and 4.01.

¹ See p. 312 of this volume.

² See p. 310 of this volume.

Article IV

SPECIAL PROVISIONS RELATING TO THE BENEFICIARY ENTERPRISE

Section 4.01. The Borrower shall make arrangements, and enter into an agreement, adequate to protect the interests of the Borrower and the Bank and satisfactory to the Bank, with the beneficiary enterprise concerning the carrying out of the Project and the rights of the Borrower and the Bank with respect thereto. Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of such arrangements and agreement.

Section 4.02. The arrangements and agreement entered into pursuant to Section 4.01 shall include provisions which will enable the Borrower and the Guarantor to carry out their respective obligations under this Agreement and the Guarantee Agreement¹ and shall confer on the Borrower, without limitation: (i) the right to require that the proceeds of the Loan be used exclusively as provided in this Agreement in the carrying out of the Project; (ii) the right to require that the Project be constructed with due diligence and efficiency and in accordance with sound engineering standards, including the maintenance of adequate records; (iii) the right to inspect the sites, works and construction included in the Project, including a provision to enable accredited representatives of the Bank to examine such sites, works and construction, and any relevant records and documents relating to expenditures for the Project or the progress of construction; (iv) the right to obtain all such information as the Bank or the Borrower shall reasonably request relating to any of the foregoing and to the operation and financial condition of the beneficiary enterprise; and (v) the right to suspend or cancel further access by the beneficiary enterprise to the proceeds of the Loan upon failure by such enterprise to carry out the terms of arrangements or the agreement entered into pursuant to this Article IV.

Section 4.03. The Borrower shall exercise its rights in relation to the beneficiary enterprise in such manner as to protect the interests of the Borrower and the Bank.

Article V

BONDS

Section 5.01. The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

Section 5.02. The General Manager of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations.

Article VI

PARTICULAR COVENANTS

Section 6.01. (a) The Borrower shall exercise every right and recourse available to it to cause the Project to be carried out with due diligence and efficiency and in accordance with sound engineering and financial standards and practices.

¹ See p. 290 of this volume.

(b) Except as the Bank shall otherwise agree, the Project shall be carried out by contractors and suppliers satisfactory to the Bank and the Borrower under contracts satisfactory to the Bank and the Borrower.

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

(d) The Borrower shall maintain, or cause to be maintained, books, accounts and records adequate to show the expenditure of the proceeds of the Loan; the current total expenditures on the Project; the progress of the Project; and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower. The Borrower shall enable, or take such steps as may be necessary to enable the Bank's accredited representatives to examine the sites, works and construction included in the Project, the operation thereof, and any relevant records and documents; and shall furnish, or cause to be furnished, to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Project and the operation thereof, and the operations and financial condition of the Borrower.

Section 6.02. (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan.

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

Section 6.03. The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower as security for any debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

Section 6.04. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; provided, however, that the provisions of this Section shall not apply

to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 6.05. The Borrower shall pay or cause to be paid all taxes, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

Section 6.06. The Borrower shall cause to be insured with responsible insurers all goods financed out of the proceeds of the Loan. Such insurance shall cover such marine, transit and other hazards incident to purchase and importation of the goods into the territories of the Guarantor and delivery thereof to the sites of the Project, and shall be for such amounts as shall be consistent with sound commercial practices. Except as the Bank shall otherwise agree, such insurance shall be payable in the currency in which the cost of the goods insured thereunder shall be payable, or in dollars.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 9.01 (c) of the Loan Regulations, namely, that the agreement referred to in Section 4.01 of this Agreement, in terms satisfactory to the Bank, shall have been duly executed and delivered by the Borrower and by the beneficiary enterprise and shall have become effective in accordance with its terms.

Section 8.02. The following is specified as an additional matter, within the meaning of Section 9.02 (c) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank, namely, that the agreement referred to in Section 4.01 of this

Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the beneficiary enterprise and constitutes a valid and binding obligation of each of the parties thereto in accordance with its terms.

Section 8.03. A date 90 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be September 30, 1967 or such other date as may be agreed upon by the Bank and the Borrower.

Section 9.02. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Bank :

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

Alternative address for cablegrams and radiograms :

Intbafrad
Washington, D.C.

For the Borrower :

Yugoslav Investment Bank
Representative's Office
500 Fifth Avenue
New York 36, N.Y.
United States of America

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

International Bank for Reconstruction and Development :

By George D. WOODS
President

Yugoslav Investment Bank :

By B. INJAC
Authorized Representative

SCHEDULE 1
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
April 1, 1968	\$455,000	October 1, 1978	\$800,000
October 1, 1968	465,000	April 1, 1979	825,000
April 1, 1969	480,000	October 1, 1979	845,000
October 1, 1969	490,000	April 1, 1980	870,000
April 1, 1970	505,000	October 1, 1980	890,000
October 1, 1970	520,000	April 1, 1981	915,000
April 1, 1971	535,000	October 1, 1981	940,000
October 1, 1971	550,000	April 1, 1982	970,000
April 1, 1972	565,000	October 1, 1982	995,000
October 1, 1972	580,000	April 1, 1983	1,020,000
April 1, 1973	595,000	October 1, 1983	1,050,000
October 1, 1973	610,000	April 1, 1984	1,080,000
April 1, 1974	630,000	October 1, 1984	1,110,000
October 1, 1974	645,000	April 1, 1985	1,140,000
April 1, 1975	660,000	October 1, 1985	1,170,000
October 1, 1975	680,000	April 1, 1986	1,205,000
April 1, 1976	700,000	October 1, 1986	1,235,000
October 1, 1976	720,000	April 1, 1987	1,270,000
April 1, 1977	740,000	October 1, 1987	1,305,000
October 1, 1977	760,000	April 1, 1988	1,340,000
April 1, 1978	780,000	October 1, 1988	1,360,000

* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

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

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	½%
More than three years but not more than six years before maturity	1%
More than six years but not more than eleven years before maturity	1½%
More than eleven years but not more than sixteen years before maturity	2½%
More than sixteen years but not more than twenty-one years before maturity	3½%
More than twenty-one years but not more than twenty-three years before maturity	4½%
More than twenty-three years before maturity	5½%

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the completion of the Sarajevo-Ploce railway line.

This line, of about 195 Km of single-track of standard gauge equipped for electric traction, will replace the existing narrow gauge line. Major items of engineering and construction include earthworks, tunnels, bridges, stations, yards, sidings and related facilities necessary for the operation of the line such as power transmission lines and substations, communication equipment and signalling devices.

The Project is scheduled for completion by the end of 1966.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN
MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]