

No. 8886

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
YUGOSLAVIA

Guarantee Agreement—*Industrial Projects* (with related letter, annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Yugoslav Investment Bank). Signed at Washington, on 18 July 1967

Official text: English.

Registered by the International Bank for Reconstruction and Development on 29 December 1967.

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
YUGOSLAVIE

Contrat de garantie — *Projets industriels* (avec lettre y relative, et, en annexe, le Règlement n° 4 sur les emprunts, tel qu'il a été modifié, et le Contrat d'emprunt entre la Banque et la Banque yougoslave d'investissement). Signé à Washington, le 18 juillet 1967

Texte officiel anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 29 décembre 1967.

No. 8886. GUARANTEE AGREEMENT¹ (*INDUSTRIAL PROJECTS*) BETWEEN THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 18 JULY 1967

AGREEMENT, dated July 18, 1967, 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 ten million five hundred thousand dollars (\$10,500,000), 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. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967,² subject, however, to the modification thereof set forth in Section 1.01 of 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.

¹ Came into force on 14 November 1967, upon notification by the Bank to the Government of Yugoslavia.

² See p. 354 of this volume.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context shall otherwise require, the terms defined in the Loan Agreement shall have the respective meanings therein set forth.

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, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, all as set forth in the Loan Agreement and in the Bonds.

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 assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect ; provided, however, that the foregoing provisions of this Section shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property ; 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.

The term " assets of the Guarantor " as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including assets of the National Bank of Yugoslavia or any other institution performing the functions of a central bank.

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, and free from all restrictions, 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 taxes 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 Guarantee 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 Guarantor covenants that it will not take or permit any of its agencies to take any action which would prevent or interfere with the performance by the Borrower and the Beneficiary Enterprises of any of the respective covenants, agreements and obligations of the Borrower and the Beneficiary Enterprises in the Loan Agreement and the Subsidiary Loan Agreements contained, and will take or cause to be taken all reasonable action which shall be necessary in order to enable the Borrower and the Beneficiary Enterprises to perform such covenants, agreements and obligations.

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 of Finance of the Guarantor and such person or persons as he shall appoint 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, D.C. 20008
United States of America

Cable address :

Ambayugoslav
Washington, D.C.

For the Bank :

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

Cable address :

Intbafrad
Washington, D.C.

Section 5.02. The Federal Secretary of Finance 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 of Finance 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 of Finance 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 to be 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 Mirko BRUNER
Authorized Representative

International Bank for Reconstruction and Development :

By Simon ALDEWERELD
Vice President

LETTER RELATING TO THE GUARANTEE AGREEMENT

SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

July 18, 1967

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

Loan No. 504YU — Negative Pledge

Dear Sirs :

In view of the changes that have recently taken place in the economic organization of Yugoslavia, Section 3.01 of the Guarantee Agreement (*Industrial Projects*) of even date herewith between the Socialist Federal Republic of Yugoslavia and the International Bank for Reconstruction and Development contains provisions that differ from those used in previous loan and guarantee agreements between us.

We hereby request your agreement that: (a) the wording of the above-mentioned Section 3.01 be substituted for the wording contained in Section 5.03 of the Loan Agreements between us dated October 11, 1951 and February 11, 1953, and in Section 3.01 of the Guarantee Agreements between us dated February 23, 1961, July 11, 1962, June 21, 1963, October 28, 1963, December 11, 1964, and February 24, 1967; and (b) the definition of the term "Agency" in Section 1.02 (d) of the Loan Agreements between the Bank and the Yugoslav Investment Bank dated February 23, 1961, July 11, 1962, June 21, 1963, October 28, 1963, December 11, 1964 and in Section 1.02 (c) of the Loan Agreement between the same parties dated February 24, 1967, be deemed to be deleted.

Please indicate your agreement with the foregoing by signing the form of confirmation on the enclosed copy of this letter and returning it to us.

Very truly yours,

Socialist Federal Republic of Yugoslavia :

By Mirko BRUNER
Authorized Representative,

Confirmed :

International Bank for
Reconstruction and Development :

By S. R. COPE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,
AS AMENDED 9 FEBRUARY 1967REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS
OTHER THAN MEMBER GOVERNMENTS

[*Not published herein. See United Nations, Treaty Series, Vol. 598, p. 270.*]

LOAN AGREEMENT

(INDUSTRIAL PROJECTS)

AGREEMENT, dated July 18, 1967, 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 Agreement accept all the provisions of Loan Regulations No. 4 of the Bank, dated February 15, 1961, as amended February 9, 1967,¹ with the same force and effect as if they were fully set forth herein, subject however, to the following modification thereof (said Loan Regulations No. 4, as so modified, being hereinafter called the Loan Regulations): The word "Projects" is substituted for the word "Project" in Section 10.01 (11).

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

(a) "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 and Credit Operations of March 15, 1965.

(b) "Beneficiary Enterprises" means

- (i) Livnica Zeljeza i Tempira (Foundry of Malleable and Gray Iron Castings), Kikinda;
- (ii) Tvornica Sperploca i Furnira Lignosper (Plywood and Veneer Factory), Bosanski Novi;
- (iii) Organsko Hemijska Industrija Naum Naumovski-Borce (Organic Chemical Industry), Skopje;

¹ See above.

- (iv) Preduzece Tito, (Enterprise Tito) Vogosce, Sarajevo ;
- (v) Zeljezara Sisak (Iron and Steel Works), Sisak ;
- (vi) Sladkogorska Tovarna Kartona in Papirja (Sladkogorska Cardboard and Paper Mill), Sladki Vrh, Sentilj ; and
- (vii) Tovarna Automobilov in Motorjev (Automobile and Motor Factory), Maribor.

(c) " Subsidiary Loan Agreements " means the agreements between the Borrower and the Beneficiary Enterprises referred to in Article IV of this Agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower an amount in various currencies equivalent to ten million five hundred thousand dollars (\$10,500,000).

Section 2.02. The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

Section 2.03. The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ($\frac{3}{8}$ of 1 %) per annum on the principal amount of the Loan not withdrawn from time to time from the Loan Account.

Section 2.04. The Borrower shall pay interest at the rate of six per cent (6 %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

Section 2.05. Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ($\frac{1}{2}$ of 1 %) per annum on the principal amount of any such special commitment outstanding from time to time.

Section 2.06. Interest and other charges shall be payable semi-annually on February 15 and August 15 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 1 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Projects described in Schedule 2 to this Agreement. The amounts of the Loan to be allocated to the individual Projects, the specific goods to be financed out of the proceeds of the

Loan and the methods and procedures for procurement of such goods shall be determined by agreement between the 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 exclusively in carrying out the Projects.

Article IV

SPECIAL PROVISIONS RELATING TO THE BENEFICIARY ENTERPRISES

Section 4.01. The Borrower shall enter into Subsidiary Loan Agreements, adequate to protect the interests of the Borrower and the Bank and satisfactory to the Bank, with each of the Beneficiary Enterprises, concerning the relending of the proceeds of the Loan to the Beneficiary Enterprises, the carrying out of the Projects 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 any of the Subsidiary Loan Agreements.

Section 4.02. The Subsidiary Loan Agreements entered into pursuant to Section 4.01 shall include provisions which will enable the Borrower to carry out its obligations under this Agreement and shall confer on the Borrower, without limitation : (i) the right to require that the proceeds of the Loan shall be used exclusively as provided in this Agreement in the carrying out of the Projects ; (ii) the right to require that the Projects be carried out and operated with due diligence and efficiency and in accordance with sound engineering and financial standards and practices, including the maintenance of adequate records ; and that the Beneficiary Enterprises operate their undertakings and maintain their financial position in accordance with sound business and industrial practices ; (iii) the right to require that the Beneficiary Enterprises take out and maintain with responsible insurers or make other provisions satisfactory to the Bank and the Borrower for insurance against such risks and in such amount as shall be consistent with sound practice ; (iv) the right to inspect the sites, works and construction included in the Projects, 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 Projects or the progress of construction and results of operation of the Projects and of the Beneficiary Enterprises ; (v) 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 administration, operation and financial condition of the Beneficiary Enterprises ; (vi) the right to suspend or cancel further access by a Beneficiary Enterprise to the proceeds of the Loan upon its failure to carry out the terms of the respective Subsidiary Loan Agreement ; and (vii) if such failure shall continue after notice thereof shall have been given by the Borrower to the Beneficiary Enterprise, the right to declare the amount of principal then

outstanding under the Subsidiary Loan Agreement to be due and payable immediately.

Section 4.03. The Borrower shall exercise its rights in relation to the Beneficiary Enterprises in such manner as to fulfill its obligations under this Agreement and to protect the interests of the Borrower and the Bank.

Article V

BONDS

Section 5.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VI of the Loan Regulations.

Section 5.02. The General Manager of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 6.12 (a) of the Loan Regulations. The General Manager of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article VI

PARTICULAR COVENANTS

Section 6.01. (a) The Borrower shall exercise every right and recourse available to it to cause the Projects to be carried out and operated with due diligence and efficiency and in accordance with sound engineering and financial standards and practices, and to cause each of the Beneficiary Enterprises to operate its undertaking and maintain its financial position in accordance with sound business and industrial practices.

(b) Whenever there is reasonable cause to believe that the funds available to any of the Beneficiary Enterprises will be inadequate to meet the expenditures required for the Project to be carried out by such Beneficiary Enterprise, the Borrower shall 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.

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

Section 6.02. (a) The Borrower shall maintain, or cause to be maintained, records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Projects, to record the progress of the Projects (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the financial condition and operations of the Borrower and the Beneficiary Enterprises.

(b) The Borrower shall enable, or take such steps as may be necessary to enable, the Bank's representatives to inspect the Projects, the goods, the Beneficiary Enterprises, and any relevant records and documents.

(c) The Borrower shall furnish to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the Projects, the goods, the Subsidiary Loan Agreements, and the administration, operations and financial condition of the Borrower and the Beneficiary Enterprises.

(d) The Borrower shall cause the imported goods financed out of the proceeds of the Loan to be insured against marine, transit and other hazards incident to acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable by the Beneficiary Enterprises to replace or repair such goods.

Section 6.03. (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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

Section 6.04. 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 6.05. 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 the Loan 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 taxes 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 6.06. 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 the Loan Agreement, the Guarantee Agreement or the Bonds.

Section 6.07. If the Borrower shall cancel any amount to be lent to any of the Beneficiary Enterprises under the respective Subsidiary Loan Agreement, the Borrower shall promptly notify the Bank and the Bank may, at its option, cancel a corresponding amount of the portion of the Loan allocated to such Beneficiary Enterprise.

Section 6.08. Notwithstanding the provision in Section 2.07 of this Agreement, if any of the Beneficiary Enterprises shall repay in advance of maturity, for any reason, all or any portion of the principal amount of the loan made by the Borrower to such Beneficiary Enterprise under the respective Subsidiary Loan Agreement, the Borrower shall, upon receipt of such repayment from the Beneficiary Enterprise, prepay a corresponding amount of the maturities of the Loan then outstanding. All the provisions of the Loan Regulations relating to repayment in advance of maturity, including the requirement of notice, shall be applicable to any repayment by the Borrower in accordance with this Section, provided, however, that partial payment of the principal amount of any one maturity shall be permitted to the extent required to complete such proportionate repayment.

Article VII

REMEDIES OF THE BANK

Section 7.01. (i) If any event specified in paragraph (a), 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 a default shall occur in the payment of principal or interest or any other payment required under any other loan agreement between the Bank and the Borrower or under any bond delivered pursuant thereto or under any credit agreement between the Association and the Borrower and such default shall continue for a period of thirty days ; or (iii) if a default shall occur in the payment of principal or interest or any other payment required under any loan agreement or under any guarantee agreement between the Guarantor and the Bank or under any bond delivered pursuant to any such agreement or under any credit agreement between the Association and the Guarantor under circumstances which would make it unlikely that the Guarantor would meet its obligations under the Guarantee Agreement and such default shall continue for a period of thirty days ; or (iv) 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 (d) of the Loan Regulations, namely, that each of the Subsidiary Loan Agreements, in terms satisfactory to the Bank, shall have been duly executed and delivered by the Borrower and by the respective Beneficiary Enterprise and shall have become effective in accordance with its terms, subject only to the effectiveness of the Loan Agreement.

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 the Bank, namely, that each of the Subsidiary Loan Agreements has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the respective Beneficiary Enterprise and constitutes a valid and binding obligation of each of the parties thereto in accordance with its terms.

Section 8.03. If this Agreement shall not have come into force and effect by October 31, 1967, this Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Article IX

MISCELLANEOUS

Section 9.01. The Closing Date shall be January 31, 1970 or such later date as may be agreed by the Bank.

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

For the Borrower :

Yugoslav Investment Bank

Terazije 9

Beograd, Yugoslavia

Cable address :

Investbanka

Beograd

For the Bank :

International Bank for Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

Cable address :

Intbafrad

Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 Simon ALDEWERELD
Vice President

Yugoslav Investment Bank :

By Pavle PAVLOVIC
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>
February 15, 1970	\$305,000	February 15, 1976	\$435,000
August 15, 1970	315,000	August 15, 1976	450,000
February 15, 1971	325,000	February 15, 1977	460,000
August 15, 1971	335,000	August 15, 1977	475,000
February 15, 1972	345,000	February 15, 1978	490,000
August 15, 1972	355,000	August 15, 1978	505,000
February 15, 1973	365,000	February 15, 1979	520,000
August 15, 1973	375,000	August 15, 1979	535,000
February 15, 1974	385,000	February 15, 1980	550,000
August 15, 1974	400,000	August 15, 1980	565,000
February 15, 1975	410,000	February 15, 1981	585,000
August 15, 1975	420,000	August 15, 1981	595,000

* 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 :

*Time of Prepayment or Redemption**Premium*

Not more than three years before maturity.....	1½%
More than three years but not more than six years before maturity....	2¼%
More than six years but not more than ten years before maturity.....	3½%
More than ten years but not more than twelve years before maturity....	5%
More than twelve years before maturity.....	6%

SCHEDULE 2

DESCRIPTION OF THE PROJECTS

1. *Livnica Zeljeza i Tempira (Kikinda)*

The Project consists of : (a) an increase in the capacity of the malleable iron foundry from 8,000 tons per year to about 13,000 tons per year ; and (b) the construction of a new gray iron foundry with a capacity of about 5,000 tons per year. Increased production of malleable iron castings will be realized mainly by installing a 6,000 tons per year tunnel furnace in the heat treatment department. The new gray iron foundry will be equipped with two hot blast cupolas of 4 tons/hour capacity, associated recuperator and shaking ladle, a 500 kw induction furnace, a 20 m³/hour sand preparation plant, semi-automatic moulding and casting equipment, core making equipment, shot blasting equipment, annealing furnace, and necessary auxiliary equipment.

2. *Tvornica Šperploča i Furnira (Lignosper)*

The Project consists of an increase in the production capacity from 4,000 m³/year to about 10,000 m³/year in the plywood department and from 800 m³/year to about 2,000 m³/year in the veneer department. The Project will entail construction of a new building to house the existing and new veneer equipment, installation of a second plywood manufacturing line in the existing building, and extension of existing service facilities such as log storage yards, boiler house and transformer substation to meet the demands of increased production.

3. *Organsko Hemijska Industrija, Skopje (Ohis)*

The Project consists of the expansion of acrylic fibre production from 4,500 tons to about 15,000 tons per year. It involves the expansion of the existing fibre production unit from 4,500 tons to 7,500 tons per year capacity and the installation of a second unit with a capacity of 7,500 tons per year.

4. *Preduzece Tito, Vogosca (Pretis)*

The Project consists of an increase in the production capacity of bearings from 837 tons/year to about 2,700 tons/year. It includes the installation of existing and new bearing manufacturing plant and equipment in a building of about 18,000 m²

area already under construction. The Project is the first phase of a long-range expansion program to increase bearing production capacity to 5,900 tons/year.

5. *Zeljezara Sisak (Sisak)*

The Project consists of the replacement of the existing galvanising line by a modern continuous line with an annual capacity for galvanising about 73,000 tons of $\frac{3}{8}$ "-3" diameter tubes. This line will have the following stages : washing, pickling, rewashing, fluxing, drying, hot dipping, elimination of excess zinc and final cooling of galvanised tubes in water. Equipment for the recovery of sulphuric acid will also be installed.

6. *Sladkogorska Tovarna Kartona in Papirja (Sladki)*

The Project consists of an increase in paper and boardmaking capacity from about 21,150 tons per year to about 31,250 tons per year. It involves the following major changes and additions : (a) a new 24 ton per day Yankee-type paper machine to produce some 8,140 tons per year of dry-creped toilet tissue ; (b) a new paper converting department to process the above tissue into rolls ; (c) a new waste paper processing plant to supply the three existing paper machines as well as the new one ; (d) a new 25 ton per hour high pressure oil-fired boiler and a 4 MW condensing turbo-generator ; and (e) a water treatment plant to process all the mill's process water requirements.

7. *Tovarna Automobilov in Motorjev (Tam)*

The Project consists of the replacement of certain outmoded machine tools and equipment and of the installation of new equipment in departments where present capacities are inadequate. As a result, production capacity will increase from about 4,000 to about 5,200 vehicles per year. This Project forms part of a longer range expansion program which will provide for the gradual installation of equipment more specialized for automotive production than that presently in use, and will lead to an annual output of 10,000 vehicles per year.

It is expected that the Projects will be completed by July 1969.