

No. 9595

---

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

**Guarantee Agreement—*Industrial Projects, 1968* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Yugoslav Investment Bank). Signed at Washington on 15 August 1968**

*Authentic text : English.*

*Registered by the International Bank for Reconstruction and Development on 4 June 1969.*

---

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

**Contrat de garantie — *Projets industriels, 1968* (avec, 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 15 août 1968**

*Texte authentique : anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 4 juin 1969.*

## GUARANTEE AGREEMENT <sup>1</sup>

---

AGREEMENT, dated August 15, 1968, 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, <sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to sixteen million dollars (\$16,000,000), 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. 4 of the Bank dated February 15, 1961 as amended February 9, 1967, <sup>3</sup> 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.

*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.

---

<sup>1</sup> Came into force on 2 January 1969, upon notification by the Bank to the Government of Yugoslavia.

<sup>2</sup> See p. 322 of this volume.

<sup>3</sup> See p. 320 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, 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 J. Burke KNAPP  
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961,  
AS AMENDED 9 FEBRUARY 1967

REGULATIONS 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

AGREEMENT, dated August 15, 1968, 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,<sup>1</sup> 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 paragraph 11 of Section 10.01.

*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) *Lesnoindustrijski Kombinat Brest* (Brest) [Wood-Working Industrial Combine Brest (Brest)], Cerknica ;
- (ii) *Fabrika Motora Dvadesetprvi Maj Beograd* (DMB) [Dvadesetprvi Maj Motor Factory (DMB)] ;
- (iii) *Elektronska Industrija Nis* (E.I. Nis) [Electronics Industry Nis (E.I. Nis)] ;
- (iv) *Tovarna Sportnega Orodja* (Elan) [Sport Tools Factory (Elan)], Begunje ;
- (v) *Mariborska Tekstilna Tovarna* (MTT) [Maribor Textile Factory], Maribor ;
- (vi) *Novoles Lesni Kombinat* (Novoles) [Novoles Wood-Working Combine (Novoles)], Novo Mesto ;
- (vii) *Valjaonica Bakra Slobodan Penezic Krcun* (Sevojno) [Copper Rolling Mill Slobodan Penezic Krcun (Sevojno)], Titovo Uzice ;
- (viii) *Industrija Pohistva Stol* (Stol) [Stol Furniture Industry (Stol)], Kamnik ;
- (ix) *Rudarsko Metalurško Hemiski Kombinat Trepca* (Trepca) [Trepca Mining Metallurgical Chemical Lead and Zinc Combine (Trepca)], Kosovska Mitrovica ; and
- (x) *Brodogradiliste Viktor Lenac* (Viktor Lenac) [Shipyard Viktor Lenac (Viktor Lenac)], Rijeka.

<sup>1</sup> See p. 320 of this volume.

(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, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to sixteen million dollars (\$16,000,000).

*Section 2.02. (a)* 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.

*(b)* 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 and in accordance with the allocation of the proceeds of the Loan set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time by further agreement between the Borrower and the Bank.

*Section 2.03.* Withdrawals from the Loan Account may be made on account of expenditures made prior to the Effective Date but after the date of this Agreement.

*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 withdrawn from time to time.

*Section 2.05.* The Borrower shall pay interest at the rate of six and one-half per cent ( $6\frac{1}{2}$  %) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

*Section 2.06.* Except as the Borrower and the Bank 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 2.07.* Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

## Article III

### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* The Borrower shall apply the proceeds of the Loan in accordance with the provisions of this Agreement to expenditures on the Projects, described in Schedule 3 to this Agreement.

*Section 3.02.* Except where it would be impractical for technical reasons, the goods to be financed out of the proceeds of the Loan shall be procured on the basis of contracts awarded after the respective Beneficiary Enterprise has obtained proposals from at least three qualified suppliers outside Yugoslavia in member countries of the Bank (and Switzerland). Copies of the contracts for the procurement of such goods will be submitted to the Bank not later than the time that the first request for disbursement relating to the respective contract is made.

*Section 3.03.* Except as the Bank 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) If and as the Bank shall from time to time request, 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 reasonably request.

*Section 6.02. (a)* The Borrower shall maintain, or cause to be maintained, records adequate to establish compliance with the procedure for procurement set forth in Section 3.02 of this Agreement, 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 or by any Beneficiary Enterprise of its obligations under a Subsidiary 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<sup>1</sup> or the Bonds, or the payment of

<sup>1</sup> See p. 314 of this volume.

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 2.08 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 events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (d) of the Loan Regulations :

(a) 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.

(b) Arrangements satisfactory to the Bank shall have been made for loans (in addition to the loans to be made pursuant to the Subsidiary Loan Agreements) by the Borrower or other Yugoslav banks to the Beneficiary Enterprises in amounts sufficient to enable the Beneficiary Enterprises to carry out the Projects.

*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 December 1, 1968, 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 March 31, 1971 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* J. Burke KNAPP  
President

Yugoslav Investment Bank :

*By* Pavle PAVLOVIC  
Vice President

## SCHEDULE 1

## ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amount (Expressed in Dollar Equivalent)</i>
I. <i>Lesnoindustrijski Kombinat Brest</i> (Brest) (Equipment for furniture factory) .....	\$ 680,000
II. <i>Fabrika Motora Dvadesetprvi Maj</i> (DMB) (Equipment for manufacture of automotive engines) .....	4,100,000
III. <i>Elektronska Industrija Nis</i> (E.I. Nis) (Equipment for manufacture of electronic components) .....	1,760,000
IV. <i>Tovarna Sportnega Orodja</i> (Elan) (Equipment for manufacture of skis) .....	700,000
V. <i>Mariborska Tekstilna Tovarna</i> (MTT) (Equipment for textile production and finishing) .....	1,980,000
VI. <i>Novole Lesni Kombinat</i> (Novoles) (Equipment for saw mill, plywood production and chair manufacture) .....	860,000
VII. <i>Valjaonica Bakra Slobodan Penezic Krcun</i> (Sevojno) (Equipment for copper rolling mills) .....	3,500,000
VIII. <i>Industrija Pohistva Stol</i> (Stol) (Equipment for chair and seat factory) .....	320,000
IX. <i>Rudarsko Metalurško Hemiski Kombinat Trepca</i> (Trepca) (Equipment for lead refinery) .....	1,700,000
X. <i>Brodogradiliste Viktor Lenac</i> (Viktor Lenac) (Equipment for repairing ships) .....	400,000
TOTAL	<u>\$16,000,000</u>

## SCHEDULE 2

## 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>
May 15, 1971 .....	450,000	May 15, 1977 .....	660,000
November 15, 1971 .....	465,000	November 15, 1977 .....	685,000
May 15, 1972 .....	480,000	May 15, 1978 .....	705,000
November 15, 1972 .....	495,000	November 15, 1978 .....	730,000
May 15, 1973 .....	510,000	May 15, 1979 .....	750,000
November 15, 1973 .....	530,000	November 15, 1979 .....	775,000
May 15, 1974 .....	545,000	May 15, 1980 .....	800,000
November 15, 1974 .....	565,000	November 15, 1980 .....	825,000
May 15, 1975 .....	580,000	May 15, 1981 .....	855,000
November 15, 1975 .....	600,000	November 15, 1981 .....	880,000
May 15, 1976 .....	620,000	May 15, 1982 .....	910,000
November 15, 1976 .....	640,000	November 15, 1982 .....	945,000

\* 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 .....	1 %
More than three years but not more than six years before maturity.....	2 <sup>1</sup> / <sub>4</sub> %
More than six years but not more than ten years before maturity .....	3 <sup>3</sup> / <sub>4</sub> %
More than ten years but not more than twelve years before maturity.....	5 <sup>1</sup> / <sub>4</sub> %
More than twelve years before maturity .....	6 <sup>1</sup> / <sub>8</sub> %

## SCHEDULE 3

## DESCRIPTION OF THE PROJECTS

1. *Lesnoindustrijski Kombinat Brest (Brest)*

The Project is the expansion of the production capacity of veneered furniture items from about 95,000 to about 158,000 annually, and of chairs from about 266,000 to about 321,000 annually. The Project includes :

- (a) The replacement of outmoded equipment and the installation of new equipment in the veneered furniture department at Cerknica including a multicolor veneered printing machine and a high temperature lacquering and finishing line ;
- (b) The installation of a double deck contact sander and other equipment in the particle board plant at Cerknica ;
- (c) A new finishing section for chair components at Martinjak ; and
- (d) A new saw mill at Marof.

2. *Fabrika Motora Dvadesetprvi Maj (DMB)*

The Project consists of an increase in the production capacity of automotive engines from about 46,500 to about 80,000 annually. This will be achieved by the construction of a new engine production building with associated office space and auxiliary departments to which will be transferred approximately 295 machines in the existing automotive engine plant. In addition, approximately 130 new machines will be installed in the new building to complete the automotive engine production line.

3. *Elektronska Industrija Nis (E.I. Nis)*

The Project is the increase in the production capacity of (a) semi-conductor components from approximately 8,800,000 pieces annually to approximately

28,800,000 pieces annually, and (b) condensers and semi-conductors from approximately 20,000,000 units annually to approximately 175,200,000 units annually. The Project includes the installation of facilities to manufacture silicon planar diodes and transistors under license from a leading foreign manufacturer and the installation of equipment to produce a new line of composition resistors.

4. *Tovarna Športnega Orodja (Elan)*

The Project consists of an increase in the annual capacity of the ski-making facilities to about 200,000 pairs of which about 70,000 pairs will be fiberglass and metal reinforced skis. It includes the separation of production lines, moving general wood working and gymnasium production equipment into suitable buildings, extending existing facilities and replacing outdated, manually-operated machines by modern, automated and specialized machines. New buildings will be constructed and existing buildings expanded.

5. *Mariborska Tekstilna Tovarna (MTT)*

The Project consists of increasing the textile finishing capacity to about 61,000,000 m<sup>2</sup> annually, reducing the capacity of woven gray fabrics to about 31,000,000 m<sup>2</sup> annually, modernizing the spinning and weaving equipment, and adding facilities to produce synthetic sewing thread and to increase polyester blending with cotton. It includes the replacing of approximately 300 discarded looms and various items of finished equipment, the addition of a complete synthetic sewing thread production department, the renewal of the boilers, back pressure turbines and other services and the reconstruction and modification of buildings.

6. *Novoles Lesni Kombinat (Novoles)*

The Project consists of the modernization of saw milling operations by closing down the old saw mills at Soteska and Straza and installing new facilities at Straza. The new saw mill will have three band saws and a circular saw with a total capacity of about 40,000 m<sup>3</sup> per year resulting in the doubling of the plywood plant capacity to approximately 10,000 m<sup>3</sup> annually of plywood and approximately 2,000 m<sup>3</sup> annually of block board. The chair manufacturing capacity will be rationalized by the installation of balancing plant and equipment, and the boiler house and power station will be expanded to meet the increased demand of processed steam and power.

7. *Valjaonica Bakra Slobodan Penexic Krcun (Sevojno)*

The Project is the expansion of the annual capacity of rolled copper products from about 22,000 tons to about 34,000 tons. It involves the purchase of a 2-high reversing hot rolling mill and a 4-high reversing cold rolling mill.

8. *Industrija Pohistva Stol (Stol)*

The Project consists of an increase of about 35 % in overall plant capacity and includes :



- (a) The extension of the existing chair production department building to house a new chair finishing line, the installation of new equipment and the improvement of internal production and materials handling facilities ;
- (b) The extension of the metal products work shop to house a new painting and stove enamelling line for legs and frames of chairs and office furniture ;
- (c) The expansion of the bonded seat production section by an addition of a new hydraulic press and auxiliaries ; and
- (d) The installation of a 700 kw turbo generator in the power station.

9. *Rudarsko Metalursko Hemiski Kombinat Trepca (Trepca)*

The Project consists of an increase in the capacity of the existing refinery to about 162,000 tons per year of lead. The Project includes the installation of new equipment and the modernization of existing facilities to extract the accompanying metals.

10. *Brodogradiliste Viktor Lenac (Viktor Lenac)*

The Project consists of the construction of a 280-meter wharf and two workshops and the installation of new machines and equipment to meet existing deficiencies in metal-working facilities and to replace obsolete equipment. The capacity of the compressed air system will be doubled and a boiler plant installed. The major items of imported equipment include combined plate bending and fairing rollers, two air compressors, a mobile crane, lifting capacity approximately 15 tons, three overhead travelling cranes with lift capacities of approximately 20 tons, 10 tons and 5 tons, two air driven chain pull lifts and a corrosion protecting system.

It is expected that the Projects will be completed by January 1971.

---