

No. 10480

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

**Loan Agreement—*Third Highway Project* (with annexed
General Conditions Applicable to Loan and Guarantee
Agreements). Signed at Washington on 5 June 1969**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
18 May 1970.*

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

**Contrat d'emprunt — *Troisième projet relatif au réseau
routier* (avec, en annexe, les Conditions générales
applicables aux contrats d'emprunt et de garantie).
Signé à Washington le 5 juin 1969**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 18 mai 1970.*

LOAN AGREEMENT¹

AGREEMENT, dated June 5, 1969, between SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969,² with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings set forth therein and the following additional terms have the following meanings:

- (a) the term "Republic" means any of the Socialist Republics of Croatia, Macedonia and Slovenia;
- (b) the term "Subsidiary Loan Agreement" means any of the loan agreements between the Borrower and a Republic to be executed pursuant to Section 5.01 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 Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

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.

¹ Came into force on 22 October 1969, upon notification by the Bank to the Government of Yugoslavia.

² See p. 56 of this volume.

(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 Loan Agreement 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 pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Bank.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account, in respect of the reasonable cost of construction (including supervision of construction) of the highways included in the Project, forty-two per cent (42%) of such amounts as shall have been paid (or, if the Bank shall so agree, as shall be required to meet payments to be made) to road construction contractors employed for the purpose of carrying out the Project; provided, however, that if there shall be an increase in the estimates of payments to be made for construction included in any of the Categories I to III of the allocation of the proceeds of the Loan referred to in Section 2.02 of this Agreement, the Bank may by notice to the Borrower adjust the percentage applicable to such Category as required in order that withdrawals of the amount of the Loan then allocated to such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for construction included in such Category.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account may be made on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. 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 2.06. 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 2.07. Interest and other charges shall be payable semi-annually on March 1 and September 1 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 LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Loan Agreement to expenditures on the Project, described in Schedule 3 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Loan shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in February 1968, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 4 to this Agreement or as shall be agreed between the Borrower and the Bank, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Bank.

Section 3.03. The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project, except as the Bank may otherwise agree.

Article IV

BONDS

Section 4.01. 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 VIII of the General Conditions.

Section 4.02. The Federal Secretary of Finance of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall enter into an appropriate Subsidiary Loan Agreement with each Republic providing *inter alia* for the relending to such Republic of the proceeds of the Loan withdrawn from the Loan Account in respect of expenditures for the Part of the Project located in the territory of such Republic as described in Schedule 3 to this Agreement.

Section 5.02. (a) Each Subsidiary Loan Agreement shall include adequate provisions which will enable the Borrower to carry out its obligations under this Loan Agreement and shall include without limitation the obligation on the part of the Republic which is a party to such Subsidiary Loan Agreement :

- (i) to carry out the Part of the Project located in its territory with due diligence and efficiency and in accordance with sound engineering, administrative and financial practices under the supervision of competent engineers or

- engineering organizations and to make available, promptly as needed, the funds, facilities, services and other resources required for the purpose;
- (ii) to have such Part of the Project constructed in accordance with detailed designs based on the Federal Design Standards of the Borrower (published in the Official Gazette of the Borrower on March 20, 1969), reviewed by competent engineers or engineering organizations and approved by the Bank;
 - (iii) to have such Part of the Project constructed by contractors acceptable to such Republic and the Bank and employed upon such terms and conditions as shall have been approved by the Bank, and to procure contractors' services to be financed out of the proceeds of the Loan in accordance with the provisions set forth or referred to in Section 3.02 of this Agreement;
 - (iv) to furnish to the Bank, promptly upon their preparation, the plans, specifications and construction schedules for such Part of the Project and any material modifications subsequently made therein, in such detail as the Bank shall from time to time reasonably request;
 - (v) to maintain or to cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in such Part of the Project, and to record the progress of such Part of the Project (including the cost thereof) and the receipts and expenditures and the financial condition of the agencies of such Republic responsible for the execution and maintenance of such Part of the Project;
 - (vi) to enable the Bank's representatives to inspect such Part of the Project, the operation thereof, and any relevant records and documents and to furnish to the Bank all such information as the Bank shall reasonably request concerning such Part of the Project and the expenditure of the proceeds of the Loan allocated to such Part of the Project, the goods and services financed out of the proceeds of the Loan and the operations and financial conditions of the agencies of such Republic responsible for the execution and maintenance of such Part of the Project and the performance by such Republic of its obligations under the Subsidiary Loan Agreement;
 - (vii) to maintain and repair the highway included in the Part of the Project located in its territory and roads providing access to such highway (except minor roads presently classified as Category IV public roads) in accordance with sound engineering and financial practices and to provide promptly as needed the funds, facilities, services and other resources required for the purpose; and

(viii) to cooperate fully with the Bank to assure that the purposes of the Loan will be accomplished, and from time to time exchange views with the Bank, through their respective representatives, with regard to matters relating to such Part of the Project and the performance by such Republic of its obligations under the Subsidiary Loan Agreement.

(b) The Subsidiary Loan Agreement with the Socialist Republic of Croatia shall also contain the obligation of such Republic : (i) to take or cause to be taken all appropriate actions in order to ensure that the roads providing access to the highway included in Part A of the Project shall be improved as reasonably required to permit the optimum utilization of such highway upon its completion, taking into account the cost of such improvements and the benefits to be derived therefrom; and (ii) if any tolls shall be imposed on the use of the highway included in Part A of the Project, to set such tolls at such rates as shall ensure an economic use of such highway and alternative routes or means of transportation.

(c) The Subsidiary Loan Agreement with the Socialist Republic of Slovenia shall also contain the obligation of such Republic : (i) to take or cause to be taken all appropriate actions in order to ensure that the roads providing access to the highway included in Part C of the Project shall be improved as reasonably required to permit the optimum utilization of such highway upon completion, taking into account the cost of such improvements and the benefits to be derived therefrom; and (ii) if any tolls shall be imposed on the use of the highway included in Part C of the Project, to set such tolls at such rates as shall ensure an economic use of such highway and alternative routes or means of transportation.

Section 5.03. The Borrower shall promptly take all such actions and exercise any such recourse available to it under any of the Subsidiary Loan Agreements between the Borrower and any Republic or otherwise in order to ensure the punctual performance by such Republic of all such obligations under the respective Subsidiary Loan Agreements as are referred to in Section 5.02 of this Agreement, and shall take or cause to be taken all reasonable action which shall be required on the part of the Borrower to enable such Republic to perform such obligations.

Section 5.04. Without limitation or restriction on the provisions of Section 5.03 of this Agreement, the Borrower specifically undertakes, whenever there is cause to believe that the funds available to any Republic will be inadequate to meet the estimated expenditures required to carry out the Part of the Project to be carried out by such Republic, to make arrangements, satisfactory to the Bank, promptly to provide such Republic or cause such Republic to be provided with such funds as are needed to meet such expenditures.

Section 5.05. (a) The Borrower 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 Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, the international balance of payments position of the Borrower and the performance by each Republic of its obligations under the respective Subsidiary Loan Agreement.

(b) The Borrower 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 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 and the performance by any Republic of its obligations under the respective Subsidiary Loan Agreement.

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

Section 5.06. It is the mutual intention of the Borrower 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 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 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 Borrower" as used in this Section includes assets of the Borrower or of any agency of the Borrower, including assets of the National Bank of Yugoslavia or any other institution performing the functions of a central bank for the Borrower.

If any lien shall be created on any assets of any of the Borrowers political subdivisions or of any agency of any such political subdivisions as security for any external debt, the Borrower, except as the Bank shall otherwise agree, shall give to the Bank an equivalent lien to secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds.

Section 5.07. 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 Borrower 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 Borrower.

Section 5.08. This Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

Section 5.09. The Borrower shall exercise its powers and functions with respect to all public roads in its territories (except minor roads presently classified as Category IV public roads) so as to ensure : (i) the systematic collection and processing of data on the highway network and traffic; (ii) the adequate maintenance of the road system; and (iii) the proper planning, coordination and design of improvements to existing roads or construction of new roads in accordance with sound engineering and financial standards.

Article VI

REMEDIES OF THE BANK

Section 6.01. If any event specified in Section 7.01 of the General Conditions or in Section 6.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in this Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified :

A default shall occur on the part of a Republic in the performance of any of such obligations under its Subsidiary Loan Agreement as are referred to in Section 5.02 of this Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

Section 6.03. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified :

A Republic shall have failed to perform any of such obligations under its Subsidiary Loan Agreement as are referred to in Section 5.02 of this Agreement.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of this Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

The execution and delivery of each Subsidiary Loan Agreement on behalf of the Borrower and the Republic which is a party thereto shall have been duly authorized or ratified by all necessary governmental action.

Section 7.02. The following is specified as an additional matter, within the meaning of Section 11.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank :

that each Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Republic which is a party thereto and constitutes a valid and binding obligation of the Borrower and such Republic in accordance with its terms.

Section 7.03. The date of September 30, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be December 31, 1972 or such other date as shall be agreed between the Borrower and the Bank.

Section 8.02. The Federal Secretary of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 8.03. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Borrower :

Savezni Sekretarijat za Finansije
Prvi Bulevar 104
Beograd, Yugoslavia

Alternative address for cables :

Savezni Sekretarijat za Finansije
Prvi Bulevar 104
Beograd, Yugoslavia

For the Bank :

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

Alternative address for cables :

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.

Socialist Federal Republic of Yugoslavia :

By BOGDAN CRNOBRNJA
Authorized Representative

International Bank for Reconstruction and Development :

By J. BURKE KNAPP
Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF LOAN

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Construction* of Part A of the Project (highway Zagreb-Karlovac)	8,900,000
II. Construction* of Part B of the Project (highway Gostivar-Kicevo)	3,100,000
III. Construction* of Part C of the Project (highway Vrhnika-Postojna)	14,100,000
IV. Unallocated	3,900,000
	TOTAL 30,000,000

* including 5% of the cost of construction for supervision of construction.

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to III shall decrease, the amount of the Loan then allocated to, and no longer required for, such Category will be reallocated by the Bank to Category IV.

2. If the estimate of the cost of the items included in any of the Categories I to III shall increase, an amount equal to 40% of such increase will be allocated by the Bank, at the request of the Borrower, to such Category from Category IV, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of the cost of the items in the other Categories.

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>
September 1, 1974	360,000	March 1, 1985	705,000
March 1, 1975	370,000	September 1, 1985	725,000
September 1, 1975	385,000	March 1, 1986	750,000
March 1, 1976	395,000	September 1, 1986	775,000
September 1, 1976	410,000	March 1, 1987	800,000
March 1, 1977	420,000	September 1, 1987	825,000
September 1, 1977	435,000	March 1, 1988	855,000
March 1, 1978	450,000	September 1, 1988	880,000
September 1, 1978	465,000	March 1, 1989	910,000
March 1, 1979	480,000	September 1, 1989	940,000
September 1, 1979	495,000	March 1, 1990	970,000
March 1, 1980	510,000	September 1, 1990	1,000,000
September 1, 1980	530,000	March 1, 1991	1,035,000
March 1, 1981	545,000	September 1, 1991	1,065,000
September 1, 1981	565,000	March 1, 1992	1,100,000
March 1, 1982	580,000	September 1, 1992	1,135,000
September 1, 1982	600,000	March 1, 1993	1,175,000
March 1, 1983	620,000	September 1, 1993	1,215,000
September 1, 1983	640,000	March 1, 1994	1,250,000
March 1, 1984	660,000	September 1, 1994	1,295,000
September 1, 1984	680,000		

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 portion of the principal amount of the Loan pursuant to Section 3.05(b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	1/8 %
More than three years but not more than six years before maturity	1 1/4 %
More than six years but not more than eleven years before maturity	2 1/4 %
More than eleven years but not more than sixteen years before maturity	3 3/4 %
More than sixteen years but not more than twenty-one years before maturity	5 %
More than twenty-one years but not more than twenty-three years before maturity	6 %
More than twenty-three years before maturity	6 1/2 %

SCHEDULE 3

DESCRIPTION OF THE PROJECT

The Project consists of :

Part A. The construction in Croatia of a four-lane divided highway (including toll facilities) from Zagreb to Karlovac, about 45 Km long, together with access roads of 2.7 Km to Karlovac and 2.5 Km to Zagreb.

Part B. The construction in Macedonia of a two-lane highway from Gostivar to Kicevo, about 46 Km long.

Part C. The construction in Slovenia of a four-lane divided highway (including toll facilities) from Vrhnika to Postojna, about 32 Km long.

The Project is scheduled to be completed by June 30, 1972.

SCHEDULE 4

SUPPLEMENTARY PROCUREMENT PROCEDURES

The following supplementary procedures shall be followed for road construction contracts to be financed out of the proceeds of the Loan :

(a) Foreign contractors shall not be required to register in Yugoslavia as a condition of bidding for a contract. In the event that registration should be necessary after a foreign contractor has been awarded the contract, the Borrower shall facilitate the registration procedure.

(b) For the purposes of bidding, each of the three highways included in the Project has been broken down into appropriate sections. In respect of each highway bids for all sections shall be called simultaneously. Bidders shall have opportunity to bid on one, all, or any combination of sections, and the evaluation of bids shall be made on the basis of the lowest cumulative total bid or bids in respect of each highway.

(c) A period of at least 45 days shall be allowed for the prequalification of bidders.

(d) Prior to the bids being invited a copy of the proposed invitations to bid, specifications, conditions of contract, and all other bidding documents, and a list of prequalified contractors shall be submitted to the Bank for comment.

(e) A period of at least 60 days shall be allowed for submission of bids.

(f) Bid bonds or guarantees in the amount of at least 3% of the bid value shall be required with the submission of bids.

(g) Before any contract is awarded, there shall be sent to the Bank a copy of the minutes of the public opening of bids, an analysis of the bids and the employer's recommendation for award, and the Bank shall be afforded sufficient time for commenting thereon before any award is made.

(h) Each contract shall be on a unit-price basis and shall include :

- (i) a price escalation clause as described in paragraph 4.4 of the "Guidelines";
- (ii) a provision for retention money in the amount of at least 5% of the contractor's monthly statements; and
- (iii) an obligation to provide a performance bond in the amount of 100% of the contract value or alternatively, at the contractor's option, a bank guarantee in the amount of at least 10% of the contract value.

As soon as a contract has been signed, a copy thereof shall be sent to the Bank promptly after execution of any such contract and prior to the submission to the Bank of the first application for withdrawal, in respect of such contract.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See *United Nations, Treaty Series, vol. 691, p. 300.*]