

No. 11989

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

**Guarantee Agreement—*Babin Kuk Tourism Project* (with
schedule and General Conditions Applicable to Loan and
Guarantee Agreements). Signed at Washington on 21 July
1971**

Authentic text: English.

*Registered by the International Bank for Reconstruction and Development on
26 September 1972.*

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

**Contrat de garantie — *Projet touristique de Babin Kuk*
(avec annexe et Conditions générales applicables aux contrats
d'emprunt et de garantie). Signé à Washington le 21 juillet 1971**

Texte authentique: anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 26 septembre 1972.*

GUARANTEE AGREEMENT¹

AGREEMENT, dated July 21, 1971, between SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith² between the Bank and “ Babin Kuk ” Hotelsko-Turistički Centar, Dubrovnik (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty million dollars (\$20,000,000), 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

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, 1969,³ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 5 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, 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 and in the Loan Agreement (including the Recitals thereto) have the respective meanings therein set forth.

¹ Came into force on 12 June 1972, upon notification by the Bank to the Government of Yugoslavia.

² The said Agreement entered into force on 12 June 1972. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Bank as document LN 782 YU, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Guarantee Agreement.

³ See p. 128 of this volume.

Article II

GUARANTEE; BONDS

Section 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, all as set forth in the Loan Agreement and in the Bonds.

Section 2.02. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Federal Secretary for Finance of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Article III

OTHER COVENANTS

Section 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on governmental assets.

(b) To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any governmental assets as security for any external debt except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that if any such lien shall be created, it 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 in the creation of any such lien express provision will be made to that effect. The Guarantor shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to : (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term “governmental assets” means assets of the Guarantor, or of any agency of the Guarantor, and assets of the National Bank of Yugoslavia or any institution performing the functions of a central bank for the Guarantor.

(e) if any lien shall be created on any assets of any of the Guarantor's political subdivisions or of any agency of any such political subdivisions as security for any external debt, the Guarantor, 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 3.02. The Guarantor covenants that it will not take, cause or permit to be taken any action which would prevent or interfere with the performance (i) by the Borrower of its obligations under the Loan Agreement, or (ii) by Minčeta or by Privredna Banka of their obligations under the Administration and Financing Agreement,¹ and that, within the limits of its constitutional powers, it will take or cause to be taken all reasonable action which shall be required to enable the Borrower, Minčeta or Privredna Banka to perform their respective obligations under any such Agreement.

Section 3.03. Except as the Bank shall otherwise agree, the Guarantor (i) shall complete, or cause to be completed, no later than December 31, 1974 such infrastructure works and studies essential for the operation of the Babin Kuk Complex as are set forth in paragraph 1 of Schedule 1 to this Agreement, and shall provide promptly, or cause to be provided promptly, the funds required for the purpose, and (ii) shall use its best efforts (A) to complete, or cause to be completed, no later than December 31, 1974 (or such other date as shall be agreed between the Guarantor and the Bank) such other infrastructure works as are set forth in paragraph 2 of Schedule 1 to this Agreement, (B) to provide promptly, or cause to be provided promptly, the funds required for the purpose, and (C) to the extent required for the purpose, to obtain external financial assistance.

Article IV

CONSULTATION AND INFORMATION

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party : (i) exchange views through their representatives with regard to the performance of their respective obligations under the Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) 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 (A) with respect to any proposed change in the rate of any interest subsidies payable by the Guarantor or by the Socialist Republic of Croatia for the purpose of reducing the interest payments to be made by the Borrower on any debt

¹ See footnote 2, p. 116 of this volume.

incurred to finance Part A of the Project, and (B) with respect to financial and economic conditions in the territories of the Guarantor, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) 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.

(b) 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.

Article V

TAXES AND RESTRICTIONS

Section 5.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor.

Section 5.02. The Guarantee Agreement, the Loan Agreement, any instrument made pursuant to Section 3.01 of this 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 and the Guarantor shall, in respect of any instrument made pursuant to such Section 3.01, pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

Article VI

REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

Section 6.01. The Federal Secretary for Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions :

For the Guarantor :

Savezni Sekretarijat za Finansije
Prvi Bulevar 104
11000 Belgrade, Yugoslavia

Cable address :

Savezni Sekretarijat za Finansije
Belgrade

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 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 SIMON ALDEWERELD
Vice President

SCHEDULE 1

INFRASTRUCTURE WORKS AND STUDIES

1. *Works and studies referred to in Section 3.03 (i) of this Agreement*

- (a) *Dubrovnik Airport* (works as specified in the Dubrovnik Airport Master Plan dated September 1970)
- (i) Improvement to the existing air passenger terminal building.
 - (ii) Extension of the existing terminal building by provision of a finger.
 - (iii) Partial construction of a taxiway and an apron.

- (iv) Installation of a runway and taxiway lighting.
 - (v) Installation of very high frequency omni-directional range distance measuring equipment.
- (b) *Water Supplies*
- (i) Construction of appropriate extensions to the Dubrovnik River pumping station and to the transmission system between the source and the site where Part A 1 of the Project will be carried out, to allow continuous delivery of the total water requirements of the Babin Kuk Complex (estimated at approximately 4,300 m³/day) while concurrently providing the Dubrovnik urban area with its total water demands.
 - (ii) Construction of appropriate water treatment facilities to ensure the continuous delivery of safe and palatable water to the Babin Kuk Complex.
- (c) *Sewerage*
- (i) Construction of interceptor sewers and appropriate pumping stations along both sides of the Gruž Harbour and along the built-up sections on the south side of the Dubrovnik River to divert sewage which could otherwise cause pollution of the coastline along the Babin Kuk Complex.
 - (ii) Construction of a sewer system on the site where Part A 1 of the Project will be carried out and construction of a main sewer to take sewage from the Babin Kuk Complex to existing sewers on the north side of Sumartin Bay.
 - (iii) Construction of main sewers and appropriate pumping stations to direct sewage collected by the facilities referred to under (i) and (ii) above to the existing sewage tunnel through the Lapad Hill from the south side of Sumartin Bay to any alternate site recommended by the study included in Part B of the Project.
 - (iv) If the study included in Part B of the Project indicates that the existing sewage disposal system at Lapad Hill would cause pollution along the coastline, construction of an appropriate treatment plant and/or outfall sewer at the most suitable site to eliminate such pollution.
- (d) *Roads*
- (i) Resurfacing of Put Republike and Put Marsala Tita between Put Vladimira Nazora and Put Iva Vojnovica including reconstruction of the inter-section of Put Iva Vojnovica.
 - (ii) Reconstruction of Put Iva Vojnovica from Put Mihajla to Put Marsala Tita.
 - (iii) Construction of a ramp connecting Put Vladimira Nazora to Put Marsala Tita.
 - (iv) Provision of off-street parking facilities for the residential area adjacent to the Boulevard entrances to the site where Part A 1 of the Project will be carried out.

2. *Works and studies referred to in Section 3.03 (ii)
of this Agreement*

- (a) *Dubrovnik Airport*
 - (i) Completion of the implementation of the first phase of the Dubrovnik Airport Master Plan dated September 1970, after evaluation and approval of such plan by the Bank.
- (b) *Water Supplies*
 - (i) Construction of additional water storage facilities, if made necessary by the increasing demand for water in Dubrovnik.
 - (ii) Construction of appropriate water treatment and transmission facilities to ensure the continuous delivery of safe and palatable water to the Dubrovnik urban area.
- (c) *Sewerage*
 - (i) Construction of additional interceptor sewers, main sewers and appropriate pumping stations to eliminate the unsatisfactory disposal of untreated sewage into the sea along the coast in the Dubrovnik urban area and to direct it to such disposal site or sites as shall be recommended by the study included in Part B of the Project.
 - (ii) Construction of main and secondary sewers as required throughout the Dubrovnik urban area, particularly in the old walled city, to eliminate all nuisance caused by sewage, such construction to be carried out according to an approved master plan for the sewerage system of the Dubrovnik urban area.
- (d) *Roads*
 - (i) Completion of such measures as shall be recommended by the study included in part C of the Project, after evaluation and approval of such measures by the Bank.

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.*]
