

No. 11987

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

Loan Agreement—*Fifth Highway Project* (with schedules and General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 18 June 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 d'emprunt — *Cinquième projet relatif au réseau routier* (avec annexes et Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 18 juin 1971

Texte authentique : anglais.

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

LOAN AGREEMENT¹

AGREEMENT, dated June 18, 1971, 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, subject, however, to the deletion of Section 5.01 thereof and to the amendment of Section 6.02 (*i*) thereof to read as follows: "Any event specified in paragraph (*e*) or (*f*) of Section 7.01 shall have occurred." (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, 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 have the following meanings:

(*a*) The term "Republic" means any of the Socialist Republics of (i) Bosnia and Hercegovina, (ii) Croatia, (iii) Macedonia, (iv) Montenegro, (v) Serbia and (vi) Slovenia;

(*b*) The term "Province" means either of the Socialist Autonomous Provinces of (i) Kosovo and (ii) Vojvodina;

(*c*) The term "Subsidiary Borrower" means any of (i) the Socialist Republic of Macedonia, (ii) the Socialist Republic of Slovenia and (iii) the Socialist Autonomous Province Kosovo;

(*d*) The term "Subsidiary Loan Agreement" means any of the subsidiary loan agreements between the Borrower and a Subsidiary Borrower to be executed pursuant to Section 4.01 of this Agreement; and

(*e*) The term "Relending Agreement" means the Relending Agreement between the Borrower and the Republics and Provinces to be executed pursuant to Section 5.01 of this Agreement.

¹ Came into force on 2 June 1972, upon notification by the Bank to the Government of Yugoslavia.

² See p. 84 of this volume.

Article II

THE LOAN

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

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Bank shall otherwise agree, the goods and services (other than staff training and services of consultants) required for the Project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971, and in accordance with, and subject to, the provisions set forth in Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be September 1, 1976, or such other date as shall be agreed between the Borrower and the Bank.

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 seven and one-quarter per cent ($7\frac{1}{4}\%$) 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 15 and September 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 3 to this Agreement.

Section 2.09. 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 2.10. The Federal Secretary for 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 III

EXECUTION OF THE PROJECT

Section 3.01. The Borrower (i) shall cause the Subsidiary Borrowers to carry out Part A of the Project as provided in Article IV of this Agreement, and (ii) shall cause the Republics and Provinces to carry out Parts B, C and D of the Project as provided in Article V of this Agreement, all with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds required for the purpose.

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

Section 3.03. The Borrower: (i) shall cause to be maintained records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Article IV

SUBSIDIARY LOAN AGREEMENTS

Section 4.01. The Borrower shall enter into an appropriate Subsidiary Loan Agreement with each Subsidiary Borrower providing *inter alia* for the relending to such Subsidiary Borrower of such amounts as shall be withdrawn from the Loan Account in respect of expenditures for such Part among Parts A 1., A 2. and A 3. of the Project as is located in the territory of such Subsidiary Borrower.

Section 4.02. (a) Each Subsidiary Loan Agreement shall include adequate provisions which will enable the Borrower to carry out its obligations under the Loan Agreement and shall include, without limitation, the obligation on the part of the Subsidiary Borrower which is a party to such Subsidiary Loan Agreement:

- (i) to carry out or cause to be carried out such Part among Parts A 1., A 2. and A 3. of the Project as is 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 such design standards as are set forth in Schedule 5 to this Agreement or as shall be agreed upon from time to time between the Borrower and the Bank;
- (iii) to have such Part of the Project constructed by contractors acceptable to such Subsidiary Borrower 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 2.03 of this Agreement;
- (iv) to furnish to the Bank, for its approval, promptly its proposals for any material modification of or addition to the plans, specifications, contract documents and construction schedules for such Part of the Project, in such detail as the Bank shall from time to time reasonably request;
- (v) to maintain or 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 Subsidiary Borrower 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, the goods and services financed out of the proceeds of the Loan 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 condition of the agencies of such Subsidiary Borrower responsible for the execution and maintenance of such Part of the Project and the performance by such Subsidiary Borrower of its obligations under the Subsidiary Loan Agreement;
- (vii) 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 Subsidiary Borrower of its obligations under the Subsidiary Loan Agreement;

- (viii) to take or cause to be taken all appropriate actions in order to ensure (A) that the access and connecting roads to the highways included in such Part of the Project shall be constructed, and/or improved, and maintained 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 (B) that, without limitation on the generality of the foregoing, such access and connecting roads to such highways as are listed in Schedule 6 to this Agreement will be constructed and/or improved in accordance with the provisions set forth in such Schedule 6;
- (ix) to acquire, promptly as needed, all land required for the carrying out of such Part of the Project and for the construction and/or improvement of the access and connecting roads referred to under (viii) above and to furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land is available for the purpose of carrying out such Part of the Project; and
- (x) to take all such appropriate actions as shall be required for the carrying out in such Subsidiary Borrower's territory of the undertakings listed under (i), (ii) and (iii) in Section 6.02 of this Agreement.

(b) The Subsidiary Loan Agreement with the Socialist Republic of Slovenia shall also contain the obligation of such Republic, if any tolls shall be imposed on the use of the highways included in Part A 2. 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 4.03. (a) The Borrower shall exercise its rights under each Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive any Subsidiary Loan Agreement or any provision thereof.

(b) Within the limit of its constitutional powers, the Borrower shall take and shall cause all its agencies to take all reasonable action which shall be necessary on their part to enable each Subsidiary Borrower to perform all of its obligations under its Subsidiary Loan Agreement and shall not take or permit to be taken any action which might interfere with such performance.

Article V

RELENDING AGREEMENT

Section 5.01. The Borrower shall enter into an appropriate Relending Agreement with the Republics and Provinces providing *inter alia* for the re-

lending to the Republics and Provinces of such amounts as shall be withdrawn from the Loan Account in respect of expenditures for Parts B, C, and D of the Project.

Section 5.02. (a) The Relending Agreement shall include adequate provisions which will enable the Borrower to carry out its obligations under the Loan Agreement and shall include, without limitation, the obligation on the part of the Republics and Provinces :

- (i) to designate an institution which shall, on behalf of the Republics and Provinces, be responsible for the carrying out of Parts B, C and D of the Project and be qualified for such purpose;
- (ii) to cause such institution to carry out Parts B, C and D of the Project with due diligence and efficiency and in accordance with sound technical, administrative and financial practices, and to make available to such institution for such purpose, promptly as needed, the funds, facilities, services and other resources required for the purpose;
- (iii) to furnish to the Bank, for its approval, promptly their proposals for any material modification of or addition to the specifications, contract documents, work and procurement schedules and training programs for Parts B, C and D of the Project, in such detail as the Bank shall reasonably request;
- (iv) to maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Loan for Parts B, C and D of the Project, to disclose the use thereof in such Parts of the Project and to record the progress of such Parts of the Project (including the cost thereof) and the receipts and expenditures and the financial condition of the agencies of the Republics and Provinces responsible for the execution and maintenance of such Parts of the Project;
- (v) to enable the Bank's representatives to inspect Parts B, C and D of the Project, the operation thereof, the goods and services financed out of the proceeds of the Loan for such Parts of the Project and any relevant records and documents, and to furnish to the Bank all such information as the Bank shall reasonably request concerning such Parts of the Project and the expenditure of the proceeds of the Loan allocated to such Parts of the Project, the goods and services financed out of the proceeds of the Loan for such Parts of the Project and the operations and financial condition of the institution referred to in paragraph (i) above and the performance by the Republics and Provinces of their obligations under the Relending Agreement;
- (vi) 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 Parts B, C and D of the Project and the performance by the Republics and Provinces of their obligations under the Relending Agreement;
- (vii) to cause the institution referred to in paragraph (i) hereinabove, in carrying out Part B of the Project, to procure (in accordance with the provisions set forth or referred to in Section 2.03 of this Agreement) such equipment as is set forth in Annex I to Schedule 2 to this Agreement and to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, any indemnity for such insurance to be payable in a currency freely usable by the Republics and Provinces to replace or repair such goods;
- (viii) to cause the institution referred to in paragraph (i) hereinabove, in carrying out Part C of the Project, to employ consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank, in accordance with the provisions set forth in *Uses of Consultants by the World Bank and its Borrowers*, published by the Bank in September 1966, and in accordance with such other procedures supplementary thereto as are set forth in Annex II to Schedule 2 to this Agreement; and
- (ix) to cause the institution referred to in paragraph (i) hereinabove to carry out Part D of the Project in accordance with procedures generally consistent with the *Instructions to UNDP/IBRD Participants in Training Abroad*, published by the Bank in July 1970, and in accordance with such procedures supplementary thereto as are set forth in Annex III to Schedule 2 to this Agreement.

Article VI

OTHER COVENANTS

Section 6.01. (a) It is the mutual intention of the Borrower 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 Borrower (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 Borrower 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 Borrower 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 Borrower or of any agency of the Borrower, and assets of the National Bank of Yugoslavia or any institution performing the functions of a central bank for the Borrower.

(e) If any lien shall be created on any assets of any of the Borrower’s 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 6.02. The Borrower shall exercise its powers and functions with respect to all public roads in its territories (except roads falling within the jurisdiction of municipalities) so as to ensure (i) that such roads will be adequately maintained and repaired in accordance with sound engineering and financial practices, and that the funds, facilities, services and other resources required therefor will be provided, promptly as needed; (ii) that the systematic collection and recording of such technical, economic and financial data will be continued as shall be reasonable for the proper planning or maintenance, improvements and extensions of such roads; and (iii) that the dimensions and axle-loads of vehicles using such roads shall not exceed such limits as are appropriate to the design standards for such roads.

Article VII

CONSULTATION, INFORMATION AND INSPECTION

Section 7.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by the Subsidiary Borrowers of their obligations under the Subsidiary Loan Agreements, the performance by the Republics and Provinces of their obligations under the Relending Agreement, and other matters relating to the purposes of the Loan; and
- (b) 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, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 7.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations, with respect to the Project, of the departments or agencies of the Borrower and of the Republics and Provinces responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Bank shall promptly inform each other 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, the performance by either of them of its obligations under the Loan Agreement, the performance by the Subsidiary Borrowers of their obligations under the Subsidiary Loan Agreements, or the performance by the Republics and Provinces of their obligations under the Relending Agreement.

Section 7.03. The Borrower shall afford, or cause to be afforded, all reasonable opportunity for accredited representatives of the Bank to inspect, for purposes related to the Loan, all sites, works, property and equipment of the agencies of the Republics and Provinces responsible for carrying out the Project or any part thereof and any relevant records and documents and to visit any part of the territories of the Borrower for purposes related to the Loan.

Article VIII

TAXES AND RESTRICTIONS

Section 8.01. 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 Borrower 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 Borrower.

Section 8.02. The Loan Agreement, any instrument made pursuant to Section 5.01 of this Agreement, and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

Section 8.03. 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 Borrower or laws in effect in its territories.

Article IX

REMEDIES OF THE BANK

Section 9.01. If any event specified in Section 7.01 of the General Conditions or in Section 9.02 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 the Loan Agreement or in the Bonds notwithstanding.

Section 9.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified :

- (a) A default shall occur on the part of a Subsidiary Borrower in the performance of any such obligations under its Subsidiary Loan Agreement as are referred to in Section 4.02 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.
- (b) A default shall occur on the part of any Republic or any Province or on the part of the institution referred to in Section 5.02(a) (i) of this Agreement in the performance of any such obligations under the Relending 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.

Article X

EFFECTIVE DATE; TERMINATION

Section 10.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions :

- (a) The execution and delivery of each Subsidiary Loan Agreement on behalf of the Borrower and the Subsidiary Borrower which is a party thereto, in form and substance satisfactory to the Bank, shall have been duly authorized or ratified by all necessary governmental action;

- (b) Each Subsidiary Borrower shall have passed the *Odluka o Finansiranju* (Decision on Financing), in form and substance satisfactory to the Bank, required for the financing of the part of the Project to be carried out by it; and
- (c) The execution and delivery of the Relending Agreement on behalf of the Borrower and the Republics and Provinces, in form and substance satisfactory to the Bank, shall have been duly authorized or ratified by all necessary governmental action.

Section 10.02. The following are specified as additional matters, 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 :

- (a) That each subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Subsidiary Borrower which is party thereto, and constitutes a valid and binding obligation of the Borrower and such Subsidiary Borrower in accordance with its terms;
- (b) That each Subsidiary Borrower shall have passed the *Odluka o Finansiranju* (Decision on Financing) required for the financing of the part of the Project to be carried out by it; and
- (c) That the Relending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Republics and Provinces, and constitutes a valid and binding obligation of the Borrower and of the Republics and Provinces.

Section 10.03. The date of September 30, 1971, is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article XI

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 11.01. The Federal Secretary for Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

Section 11.02. 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

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 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 SIMON ALDEWERELD
 Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE LOAN

1. The table below sets forth the categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Loan Allocated (expressed in Dollar Equivalent)</i>	<i>Percentage of Expenditures To be Financed</i>
I. Construction*		
(a) of Part A1. of the Project (Macedonia)	6,400,000	38% of total expenditures
(b) of Part A2. of the Project (Slovenia).	17,800,000	38% of total expenditures
(c) of Part A3. of the Project (Kosovo)	400,000	38% of total expenditures
II. Equipment		
(a) Imported items	1,600,000	100% of foreign expenditures
(b) Locally procured items	100,000	40% of local expenditures
III. Consultants' Services included in Part C of the Project.	550,000	100% of foreign expenditures
IV. Staff Training Abroad	250,000	100% of foreign expenditures
V. Unallocated	7,900,000	
TOTAL	35,000 000	

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

2. For the purposes of this Schedule :

(a) The term “ foreign expenditures ” means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any country other than the Borrower ;

(b) The term “ local expenditures ” means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower ; and

(c) The term “ total expenditures ” means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) expenditures prior to the date of this Agreement ; and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods and services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Loan will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above :

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan ;

(b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Category I(a), (b) or (c) shall increase and no proceeds of the Loan are available for reallocation to such Category, the Bank may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following parts :

Part A. Highway Construction

1. The construction in the Socialist Republic of Macedonia of :
 - (a) a two-lane highway from Skopje to Tetovo, about 36 km long; and
 - (b) a two-lane highway from Kicevo to St. Razmo, about 54 km long.
2. The construction in the Socialist Republic of Slovenia of :
 - (a) a four-lane divided expressway from Postojna to Razdrto, about 9 km long; and
 - (b) the first two lanes of a four-lane divided expressway from Hoce to Levec (including preparatory works like relocations of drainage and irrigation structures), about 49 km long.
3. The construction in the Socialist Autonomous Province Kosovo of a two-lane highway from Kosovo Polje to Pristina, about 5 km long.

Part B. Provision of Equipment

Provision of traffic counters, vehicle weighing scales, pavement evaluators and engineering equipment for the purpose of assisting the Republics and Provinces in improving their methods of collecting traffic data, controlling motor vehicle weights and preparing highway projects, all as in more detail set forth in Annex I to this Schedule 2.

Part C. Consulting Services

The use of consulting services to assist the Republics and Provinces in improving the standards of highway project preparation and economic evaluation, traffic engineering and special aspects of highway design and maintenance, all as in more detail set forth in Annex II to this Schedule 2.

Part D. Staff Training Abroad

The training abroad of staff members employed by the Road Funds and Road Councils of the Republics and Provinces, and by road maintenance enterprises and closely associated institutions and enterprises located in the territories of the Republics and Provinces, in such fields as highway, traffic and maintenance engineering and transportation economics and accounting, all as in more detail set forth in Annex III to this Schedule 2.

Part A of the Project is expected to be completed by March 1, 1976;
Part B of the Project is expected to be completed by July 1, 1973;
Part C of the Project is expected to be completed by July 1, 1974; and
Part D of the Project is expected to be completed by October 1, 1974.

ANNEX I TO SCHEDULE 2
EQUIPMENT AND ESTIMATED COST THEREOF
(Expressed in Dollar Equivalent)

<i>Provinces and Republics</i>	<i>Automatic Traffic Counters</i>		<i>Portable Weighing Scales</i>		<i>Microfilm Equipment</i>		<i>Pavement Profiler</i>		<i>Total Cost</i>
	<i>Number</i>	<i>Cost</i>	<i>Number</i>	<i>Cost</i>	<i>Number</i>	<i>Cost</i>	<i>Number</i>	<i>Cost</i>	
Bosnia and Herzegovina . . .	25	115,000	10	38,000	1	48,000	—	—	201,000
Montenegro . . .	10	46,000	6	23,000	—	—	—	—	69,000
Croatia	51	235,000	15	56,000	1	48,000	1	50,000	389,000
Macedonia	20	92,000	10	38,000	1	48,000	—	—	178,000
Slovenia	24	110,000	8	30,000	1	48,000	—	—	188,000
Serbia	40	184,000	—	—	—	—	—	—	184,000
Vojvodina	20	92,000	—	—	—	—	—	—	92,000
Kosov	6	28,000	—	—	—	—	—	—	28,000
Sub-total	196	902,000	49	185,000	4	192,000	1	50,000	1,329,000
Miscellaneous engineering equipment									521,000
									TOTAL
									1,850,000

ANNEX II TO SCHEDULE 2

CONSULTING SERVICES

1. In carrying out Part C of the Project the institution referred to in Section 5.02 (a) (i) of this Agreement shall make arrangements for :
- (a) the preparation of detailed terms of reference for the employment of the consultants, for approval by the Bank;
 - (b) submitting, for approval by the Bank, a list of selected consulting firms, and cost and contract proposals;
 - (c) ensuring close liaison and cooperation between the consultants and the Road Funds and/or Road Councils of the Republics and Provinces and closely associated institutes and enterprises;
 - (d) the appointment of an adequate number of qualified counterpart staff members of such Road Funds or Road Councils to work with the consultants;
 - (e) making available to the consultants all available information, statistics and other data needed for the carrying out of the consulting services;
 - (f) making available to the consultants certain local services such as secretarial and clerical staff, translators, office space, and transportation; and
 - (g) the establishment of a schedule for the preparation, submission and review of the various reports to be prepared by the consultants.

2. The consultants shall be responsible for :
- (a) reviewing current procedures, methods, and expertise of the Republics and Provinces used in the preparation of highway investment projects, and establishing uniform guidelines for the preparation by the Republics and Provinces of pre-feasibility studies and feasibility studies, including uniform criteria and representative examples for the collection and processing of basic information such as vehicle operating costs, traffic data, highway construction and maintenance costs;
 - (b) preparing a research program to further improve essential items of information required in feasibility studies;
 - (c) assisting the institution referred to in Section 5.02 (a) (i) above in carrying out Parts B and D of the Project; and
 - (d) assisting the Republics and Provinces, at their request :
 - (i) in reviewing the status of preparation of a selected group of major highway projects and a preliminary evaluation of the additional work and assistance required to complete the feasibility studies and other relevant studies to be carried out in connection with such projects, as well as a preliminary evaluation of the economic priority of such projects;
 - (ii) either in supervising or in carrying out the preparation of the feasibility studies and other relevant studies referred to under paragraph (d) (i) above, especially with respect to the application of the guidelines referred to under paragraph (a) above; and
 - (iii) in reviewing and revising as necessary the guidelines referred to in paragraph (a) above on the basis of the experience gained during the preparation of the feasibility studies referred to under paragraph (d) (ii) above.

ANNEX III to SCHEDULE 2

STAFF TRAINING ABROAD

1. The training shall be carried out in such appropriate institutions, firms or governmental agencies of member countries of the Bank or Switzerland as shall be agreed between the Bank and the institution referred to in Section 5.02 (a) (i) of this Agreement.

2. The training shall be carried out in accordance with a 3-year training program approved by the Bank, such program to cover the items set forth below :

- (a) criteria for selecting trainees;
- (b) the nature and duration of the training courses and the phasing of trainees;
- (c) the number of trainees in each such course;
- (d) the beneficiary organization and the specific benefits to it to be derived from the training course and of the manner in which the acquired knowledge will be applied;

- (e) the nature and timing of the periodic reports to be submitted to the Bank;
- (f) the name of the training officer directly responsible for supervising the execution of the training program on behalf of the institution referred to in Section 5.02 (a) (i) of this Agreement;
- (g) the institutions, firms or agencies in which the training is going to take place; and
- (h) the estimated costs of carrying out the training program.

SCHEDULE 3
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 15, 1976	\$400,000	September 15, 1986	820,000
March 15, 1977	415,000	March 15, 1987	850,000
September 15, 1977	430,000	September 15, 1987	880,000
March 15, 1978	445,000	March 15, 1988	910,000
September 15, 1978	465,000	September 15, 1988	945,000
March 15, 1979	480,000	March 15, 1989	980,000
September 15, 1979	500,000	September 15, 1989	1,015,000
March 15, 1980	515,000	March 15, 1990	1,050,000
September 15, 1980	535,000	September 15, 1990	1,090,000
March 15, 1981	555,000	March 15, 1991	1,130,000
September 15, 1981	575,000	September 15, 1991	1,170,000
March 15, 1982	595,000	March 15, 1992	1,215,000
September 15, 1982	615,000	September 15, 1992	1,255,000
March 15, 1983	640,000	March 15, 1993	1,300,000
September 15, 1983	660,000	September 15, 1993	1,350,000
March 15, 1984	685,000	March 15, 1994	1,400,000
September 15, 1984	710,000	September 15, 1994	1,450,000
March 15, 1985	735,000	March 15, 1995	1,500,000
September 15, 1985	765,000	September 15, 1995	1,555,000
March 15, 1986	790,000	March 15, 1996	1,625,000

* 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	¾%
More than three years but not more than six years before maturity	2¼%
More than six years but not more than eleven years before maturity	3%
More than eleven years but not more than sixteen years before maturity	4½%
More than sixteen years but not more than twenty-one years before maturity	5¾%
More than twenty-one years but not more than twenty-three years before maturity	6¾%
More than twenty-three years before maturity	7½%

SCHEDULE 4

PROCUREMENT

1. With respect to contracts for highway construction works :

(a) Foreign contractors shall not be required to register in Yugoslavia as a prerequisite for submitting bids. In the event that registration shall be necessary after a foreign contractor has been notified that he will be awarded a contract, the Borrower shall facilitate the registration.

(b) For the purposes of bidding, each of the highways included in Parts A 1. and A 2. (b) of the Project has been divided into appropriate sections. In respect of each such highway, bids for all sections shall be called simultaneously. Prequalified bidders shall have the 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 such highway.

(c) A time period of at least 90 days shall be allowed for submission of bids.

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

(e) 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 for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement;
- (ii) a provision for retention money in the amount of at least 5% of the contractor's monthly statements;
- (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; and
- (iv) a provision allowing non-Yugoslav contractors to convert into foreign exchange a reasonable portion of the contract payments.

2. With respect to contracts for the preparatory works included in Part A 2. (b) of the Project :

(a) For the purpose of bidding, such preparatory works have been divided into appropriate sections. Bids for all such sections shall be invited simultaneously from contractors prequalified by selection, with the approval of the Bank, from the Registers of Enterprises at the Economic Courts in the territories of the Borrower. Bidders shall have the opportunity to bid on one, all, or any combination of such sections, and the evaluation of bids shall be made on the basis of the lowest cumulative total bid or bids.

(b) The provisions of paragraphs 1 (c), (d) and (e) (with the exception of subparagraph (iv) of paragraph 1 (e)) hereinabove shall apply, except that the time period referred to in paragraph 1 (c) shall be 30 days.

3. With respect to any contract for equipment, identical or similar items shall, to the extent possible, be grouped together to form economic bid packages for purposes of bidding, and such grouping shall be subject to the approval of the Bank.

4. With respect (i) to any contract for equipment estimated to cost the equivalent of \$10,000 or more (for which a period of time of at least 45 days shall be allowed for the submission of bids) and (ii) to any contract for highway construction works and (iii) to any contract for the preparatory works included in Part A 2. (b) of the Project :

(a) Prequalification of bidders as described in paragraph 1.3 of the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement shall be used for bidding for any contract referred to under (i) and (ii) above, and a time period of at least 45 days shall be allowed for submission of pre-qualification documents.

(b) Where bidders are required to prequalify, the Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Bank for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Bank shall reasonably request.

(c) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(d) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Bank shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Loan Agreement, and shall state the reasons for any objections it may have.

(e) If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan.

(f) Two copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submissions to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract.

5. With respect to any contract for equipment estimated to cost less than the equivalent of \$10,000, the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement shall not apply if bids shall be requested directly from a list of suppliers approved by the Bank and the contract shall be awarded by the Borrower to one of such suppliers. Two copies of any such contract shall be furnished to the Bank prior to the submission of the first application for withdrawal of funds from the Loan Account in respect of such contract.

6. For the purpose of evaluating bids for equipment and associated services included in Category II of the table set out in paragraph 1 of Schedule 1 to this Agreement, bid prices shall be determined and compared in accordance with the following rules :

(a) The term " Local Bid " means a bid submitted by a manufacturer established in the territories of the Borrower for goods manufactured or processed to a substantial extent (as reasonably determined by the Bank) in such territories; any other bid shall be deemed to be a " Foreign Bid ";

(b) The bid price under a Local Bid shall be the sum of the following amounts :

- (i) the ex-factory price of such goods; and
- (ii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation;

(c) For the purpose of comparing any Foreign Bid with any Local Bid, the bid price under a Foreign Bid shall be the sum of the following amounts :

- (i) the c.i.f. (Yugoslav port of entry) price of such goods;
- (ii) the amount of any taxes on the importation of such goods into the territories of the Borrower which generally apply to non-exempt importers, or 15% of the amount specified in (i) above, whichever shall be the lower; and
- (iii) inland freight, insurance and other costs of delivery of such goods to the place of their use or installation.

SCHEDULE 5

HIGHWAY DESIGN STANDARDS^{1,2}

The highways included in the Project shall be constructed (i) in accordance with the design standards set out below, and (ii) for design elements not covered by such standards, in accordance with the Federal Design Standards of the Borrower published in the Official Gazette of the Borrower dated March 20, 1969.

¹ All project roads have been designed for a single-axle-load of 10 metric tons.

² Exceptional limits are listed in parentheses.

A. *For Four-Lane Divided Expressways (applied for four lanes on Part A 2. (a) of the Project and only for two lanes on Part A 2. (b) of the Project)*

<i>Design Characteristics</i>	<i>Unit</i>	<i>Type of Terrain</i>	
		<i>Flat</i>	<i>Rolling</i>
Design Speed	km/h	120	120(100)
Maximum Gradient	%	2.50	4.00
Width of			
(a) Through Lanes	m	2/3.75	2/3.75
(b) Slow Moving Lane ¹	m	—	3.00
Maximum Width of Shoulder			
(a) Including Slow Moving Lane	m	—	4.00
(b) Without Parking Areas for disabled vehicles	m	3.00	2.85
(c) With Parking Areas for disabled vehicles	m	1.00	1.00
Minimum Width of Center Median ²	m	4.00	4.00
Minimum Horizontal Sight Distance (non-passing)	m	350	270(200)
Type of wearing Surface ³	—	Asphalt Concrete	

B. *For Two-Lane Highways of Category II⁴ (Parts A 1. (a) and (b) and Part A 3. of the Project)*

<i>Design Characteristics</i>	<i>Unit</i>	<i>Type of Terrain</i>		
		<i>Rolling</i>	<i>Hilly</i>	<i>Mountainous</i>
Design Speed	km/h	100(80)	80(60)	60(40)
Maximum Gradient	%	4	6	6(7)
Width of Lanes	m	3.75(3.50)	3.50(3.00)	3.00
Width of Shoulder	m	2.00(1.50)	1.50(1.00)	1.00
Minimum Horizontal Sight Distance (non-passing)	m	185(130)	130(85)	85(50)
Type of wearing surface.	—	Asphalt Concrete		

¹ An additional paved lane for heavy trucks and other slow moving motorized traffic on steep up-gradients.

² Not needed initially for Part A 2. (b) of the Project as only two lanes of a four-lane highway will be constructed at this time.

³ Only the asphalt binder course will be placed; an asphalt concrete wearing surface will be applied in the future when required and is not included in the Project.

⁴ In mountainous terrain and in such other areas as may be deemed appropriate, parking areas for disabled vehicles shall be provided. They shall be 3.0 m wide (measured from the wearing surface edge to the face of guard rail) by 40 m long, spaced at about 0.5 km intervals on alternate sides of the road.

SCHEDULE 6
CONSTRUCTION AND/OR IMPROVEMENT OF ACCESS AND CONNECTING ROADS TO HIGHWAYS
INCLUDED IN PART A OF THE PROJECT¹

No. 11987

	Length (km)	Width of Proposed Roadway and each shoulder ² (meters)	Estimated Total Cost (in million)		Completion of Detailed Engineering	Period of Construction
			Din	US\$		
I. Socialist Republic of Macedonia (Part A.1. of the Project)						
1. <i>Section Skopje-Tetovo (Part A.1. (a) of the Project)</i>						
(a) Access Roads to Skopje:						
(i) M. Tito Street at railway	1.0	13.0(6.0)	5.7	0.38	Completed	1971/72
(ii) End of M. Tito Street	0.3	13.0(6.0)	1.7	0.10	Completed	1972/73
	1.3		7.4	0.48		
2. <i>Section Kicevo-St. Razmo (Part A.1. (b) of the Project)</i>						
(a) Connecting Road at Gostivar	4.0	7.5(1.5)	12.1	0.80	Completed	1973/74
(b) Access Roads to Ohrid:						
(i) at Podmolje	0.2	7.0(1.15)	0.5	0.03	Completed	1973/74
(ii) at St. Razmo	0.1	7.0(1.15)	0.2	0.02	Completed	1973/74
(iii) City Street	2.5	7.0(2.0)	9.0	0.60	Completed	1973/74
II. Socialist Republic of Slovenia (Part A.2. of the Project)						
1. <i>Section Postojna-Razdrto (Part A.2. (a) of the Project).</i>						
(a) Access Road to Postojna	1.2	6.5(1.0)	1.0	0.07	Completed	1972/74
2. <i>Section Hoce-Levec (Part A.2. (a) of the Project)</i>						
(a) Access Road at Zice	3.4	6.5(1.5)	5.9	0.39	Completed	1974
(b) Existing Road Pesnica-Hoce	8.2	9.3(1.0)	2.2	0.15	July 1973	1974/75
(c) Existing Road Hoce-Levec	6.6	7.0-9.0(1.0)	2.7	0.18	Dec. 1971	1972/75
(d) Existing Road Levec-Locica	8.0	7.0-9.0(1.0)	3.1	0.21	Dec. 1973	1974/77
(e) Existing Road Locica-Prevoje	6.0	7.0-9.0(1.0)	2.3	0.15	Dec. 1971	1972/75
(f) Existing Road Prevoje-Crnuce	7.0	7.0-9.0(1.0)	1.5	0.10	Dec. 1972	1973/77
	39.2		17.1	1.18		
III. Socialist Autonomous Province Kosovo						
1. <i>Section Kosovo Polje-Pristina (Part A.3. of the Project)</i>						
No additional work required						

¹ All roads will be designed for a single axle-load of 10 metric tons and will receive an asphalt-concrete surfacing.

² Unbracketed figures indicate pavement width: bracketed single figure indicates width of shoulder on each side of

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.*]
