Guarantee Agreement

(Regional and Local Roads Program Support Project)

between

FORMER YUGOSLAV REPUBLIC OF MACEDONIA
(Guarantor)

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
(Bank)

Dated July 12, 2013
GUARANTEE AGREEMENT

AGREEMENT, dated July 12, 2013, entered into between the Guarantor and the Bank (“Guarantee Agreement”).

WHEREAS (A) by a loan agreement between the Bank and the Guarantor as Original Borrower, dated July 21, 2008 (the Original Loan Agreement), the Bank made a loan to the Guarantor (as Original Borrower) in an amount of seventy million Euro (EUR 70,000,000) (Loan) on the terms and conditions set forth in the Original Loan Agreement;

(B) by Government Decision number 41-10147/1 of December 28, 2012 (Official Gazette 1/13) the Guarantor established the Public Enterprise for State Roads to replace the Guarantor’s Agency for State Roads (formerly known as FNRR);

(C) the Original Borrower has requested to assign the Loan to the Public Enterprise for State Roads and the Public Enterprise for State Roads has agreed to assume the Loan and the Guarantor and the Public Enterprise for State Roads have requested the Bank to agree to the undertaking by the Public Enterprise for State Roads, as the new borrower, of all the rights and obligations in respect of the Loan as provided in a loan assignment and assumption agreement;

(D) the Bank has agreed to the request of the Guarantor and the Public Enterprise for State Roads (Borrower) and by a loan assignment and assumption agreement of even date herewith between the Guarantor, the Bank and the Borrower (the Loan Assignment and Assumption Agreement), the Borrower has agreed to assume the Loan in the amount of EUR 70,000,00;

(E) the assumed and amended loan agreement (Assumed and Amended Loan Agreement) set forth in the Annex to the Loan Assignment and Assumption Agreement supersedes the Original Loan Agreement;

(F) the Guarantor has agreed to provide a Guarantee in relation to the Assumed and Amended Loan Agreement.

NOW THEREFORE on the basis, inter alia, of the foregoing, the Guarantor and the Bank have agreed to enter into this Guarantee Agreement on the terms and conditions hereinafter set forth and hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The General Conditions (as defined in the Appendix to the Assumed and Amended Loan Agreement) constitute an integral part of this Agreement.
Section 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Assumed and Amended Loan Agreement.

ARTICLE II - GUARANTEE; PROVISION OF FUNDS

Section 2.01. The Guarantor declares its commitment to the objectives of the Project. To this end, 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 all Loan Payments payable by the Borrower pursuant to the Assumed and Amended Loan Agreement, and the punctual performance of all the other obligations of the Borrower set forth or referred to in the Assumed and Amended Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, promptly to provide the Borrower with the funds needed to meet such expenditures.

Section 2.03. The Guarantor further specifically undertakes to:

(a) ensure the Borrower maintains adequate staff and resources and adequate management, in a manner and with terms of reference and a composition satisfactory to the Bank; and

(b) transfer to the Borrower no less than twenty (20) per cent. of the total excise tax on oil derivatives (as defined in the Guarantor’s Law Amending the Law on Public Roads (Official Gazette168/2012)), collected within each calendar quarter; such transfers shall be made on a regular basis, but in any event at least four times during a calendar year, in intervals not exceeding three calendar months.

ARTICLE III - REPRESENTATIVE; ADDRESSES

Section 3.01. The Guarantor’s Representative is its Minister of Finance.

Section 3.02. The Guarantor’s Address is:

Ministry of Finance
St. Kiril and Metodij No.54
1000 Skopje

Facsimile:

389 2 3106 779
Section 3.03. The Bank’s Address is:

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

Cable: INTBAFRAD Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391

AGREED at Skopje, Macedonia as of the day and year first above written.

GUARANTOR

By __________________________
Authorized Representative
Name: Zoran Stavreski
Title: Deputy Prime Minister and Minister of Finance
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By __________________________
Authorized Representative
Name: Denis Boskovic
Title: Sr. Country Ops. Officer and Acting Country Manager