
LOAN NUMBER 531 YU

Guarantee Agreement

(Belgrade-Bar Railway Project)

BETWEEN

SOCIALIST FEDERAL REPUBLIC OF
YUGOSLAVIA

AND

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

DATED MARCH 22, 1968

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AGREEMENT, dated March 22, 1968, between SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by an agreement of even date herewith between the Bank and Yugoslav Investment Bank (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement, the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifty million dollars (\$50,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

SECTION 1.01. The parties to this Guarantee Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961 as amended February 9, 1967, with the same force and effect as if they were fully set forth herein (said Loan Regulations No. 4 being hereinafter called the Loan Regulations).

SECTION 1.02. Wherever used in this Agreement, the terms defined in Section 1.02 of the Loan Agreement shall have the same meanings as therein set forth.

ARTICLE II

. SECTION 2.01. Without limitation or restriction upon any of the other covenants on its part in this Agreement contained, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and the interest and other charges on, the Loan, the principal of and interest on the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

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 any beneficiary enterprise will be inadequate to meet the estimated expenditures required for carrying out the part of the Project to be carried out by such beneficiary enterprise, to make arrangements, satisfactory to the Bank, promptly to provide such beneficiary enterprise or cause such beneficiary enterprise to be provided with such funds as are needed to meet such expenditures.

ARTICLE III

SECTION 3.01. It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan by way of a lien on governmental assets. To that end, the Guarantor undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor as security for any external debt, such lien will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds, and that in the creation of any such lien express provision will be made to that effect; provided, however, that the foregoing provisions of this Section shall not apply to: (i) any lien

created on property, at the time of purchase thereof, solely as security for the payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any of its political subdivisions or of any agency of the Guarantor or of any such political subdivision, including assets of the National Bank of Yugoslavia or any other institution performing the functions of a central bank.

SECTION 3.02. (a) The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor and the international balance of payments position of the Guarantor.

(b) The Guarantor and the Bank shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof. The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

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

SECTION 3.03. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes, and free from all

restrictions, imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the provisions of this Section shall not apply to taxation of, or fees upon, payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual corporate resident of the Guarantor.

SECTION 3.04. This Agreement, the Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof.

SECTION 3.05. The Guarantor shall cause the Project to be carried out with due diligence and efficiency, shall cause the installations, equipment and other facilities of the Yugoslav Railways to be adequately maintained and operated in accordance with sound railway, engineering and financial standards and practices and shall cause all locomotives, rolling stock and other ancillary equipment to be procured, maintained, renewed and repaired as shall be necessary for the operation of such railway system.

SECTION 3.06. Except as the Bank shall otherwise agree, the Guarantor shall take promptly as required such action as may be necessary (including, where appropriate, provision for adjustments in the rates and fares applicable to the Yugoslav Railways, or any part thereof) to enable the Yugoslav Railways to realize revenues, by such date or dates as shall be agreed upon, sufficient to: (i) cover all their operating expenses including depreciation, and (ii) earn an adequate return on the value of their net fixed assets.

ARTICLE IV

SECTION 4.01. The Guarantor shall endorse, in accordance with the provisions of the Loan Regulations, its

guarantee on the Bonds to be executed and delivered by the Borrower. The Federal Secretary of Finance of the Guarantor and such person or persons as he shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12(b) of the Loan Regulations.

ARTICLE V

SECTION 5.01. The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations:

For the Guarantor:

Embassy of the Socialist Federal
Republic of Yugoslavia
Economic Department
2410 California Street, N.W.
Washington 8, D. C.
United States of America

Cable address:

Ambayugoslav
Washington, D. C.

For the Bank:

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

Cable address:

Intbafrad
Washington, D. C.

SECTION 5.02. The Federal Secretary of Finance of the Guarantor in office at the time in question is designated for the purposes of Section 8.03 of the Loan Regulations.

SECTION 5.03. In this Agreement any reference to the Federal Secretary of Finance of the Guarantor shall include a reference to any official for the time being acting for or on behalf of or performing the duties of the Federal Secretary of Finance of the Guarantor.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

SOCIALIST FEDERAL REPUBLIC
OF YUGOSLAVIA

By /s/ MIRKO BRUNER
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ GEORGE D. WOODS
President