

CONFORMED COPY

LOAN NUMBER 3868 MK

GUARANTEE AGREEMENT

(Transit Facilitation Project)

between

FORMER YUGOSLAV REPUBLIC OF MACEDONIA  
(THE GUARANTOR)

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
(THE BANK)

Dated June 8, 1995

LOAN NUMBER 3868 MK

GUARANTEE AGREEMENT

AGREEMENT, dated June 8, 1995, between the Guarantor and the Bank.

WHEREAS (A) the Guarantor and the Republican Road Organization (the Borrower) having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project; and

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to twenty four million dollars (\$24,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agrees to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; 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 "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Section 1.01 of the Loan Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and the term "Action Plan for Trade Facilitation" means the Guarantor's plan dated February 17, 1995 to improve customs services to facilitate trade.

#### ARTICLE II

##### Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, 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 premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the 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, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures.

#### ARTICLE III

##### Execution of Part B of the Project

Section 3.01. (a) The Guarantor shall carry out Part B of the Project through its Customs Agency with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and economic practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation in the generality of paragraph (a) of this Section, the Guarantor shall: (i) carry out Part B of the Project in accordance with the Implementation Plan; (ii) maintain a Steering Committee, with staff and other resources and terms of reference satisfactory to the Bank, whose membership shall include qualified representatives of its Customs Agency and its Ministry of Transport and Communication and of the Borrower, to be responsible for the overall coordination of Project execution; and (iii) employ consultants, with qualifications and terms of reference satisfactory to the Bank, to assist in the carrying out of Part B of the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to the Loan Agreement.

Section 3.03. (a) The Guarantor shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Guarantor shall:

- (i) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Bank and the Guarantor, a plan for the future operation of Part B of the Project;
- (ii) afford the Bank a reasonable opportunity to exchange views with the Guarantor on said plan; and
- (iii) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

Section 3.04. The Guarantor shall duly perform all its obligations under the Fund Sharing Agreement. Except as the Bank shall otherwise agree, the Guarantor shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Fund Sharing Agreement or any provision thereof.

Section 3.05. (a) The Guarantor shall maintain records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part B of the Project of the departments and agencies of the Guarantor responsible for the carrying out of Part B of the Project or any part thereof.

(b) The Guarantor shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts, as well as the audit thereof, as the Bank shall from time to time reasonably request.

#### ARTICLE IV

##### Other Covenants

Section 4.01. The Guarantor shall carry out the Action

Plan for Trade Facilitation dated February 17, 1995 with due diligence and efficiency and in a manner designed to achieve the objectives thereof.

ARTICLE V

Representative of the Guarantor; Addresses

Section 5.01. The Minister of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Ministry of Finance  
Dame Gruev 14  
91000 Skopje

Telex:

51119

For the Bank:

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

Cable address:

Telex:

INTBAFRAD	197688 (TRT),
Washington, D.C.	248423 (RCA),
	64145 (WUI) or
	82987 (FTCC)

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

GUARANTOR

By /s/ Ljubica Z. Acevska  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Rachel Lomaz  
Acting Regional Vice President  
Europe and Central Asia

