

CONFORMED COPY

LOAN NUMBER 2878-0 YU  
-1 YU  
-2 YU  
-3 YU

(Second Highway Sector Project)

between

SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 30, 1988

LOAN NUMBER 2878-0 YU  
-1 YU  
-2 YU  
-3 YU

GUARANTEE AGREEMENT

AGREEMENT, dated September 30, 1988, between SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Borrowers (defined hereinafter), 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;

(B) by the Loan Agreement of even date herewith among the Bank, party of the first part, and REPUBLICKA SAMOUPRAVNA INTERESNA ZAJEDNICA ZA PUTEVE S.R. CRNE GORE, TITOGRAĐ (Self-Managing Republic Community of Interest for Roads of the Socialist Republic of Montenegro, Titograd), REPUBLICKA SAMOUPRAVNA

INTERESNA ZAJEDNICA ZA CESTE - ZAGREB (Self-Managing Community of Interest for Roads of the Socialist Republic of Croatia), REPUBLICKA SAMOUPRAVNA INTERESNA ZAJEDNICA ZA PATISTA MAKEDONIJE - SKOPJE (Self-Managing Republic Community of Interest for Roads of Macedonia - Skopje), SAMOUPRAVNA INTERESNA ZAJEDNICA ZA PUTEVE VOJVODINE - NOVI SAD (Self-Managing Community of Interest for Roads of Vojvodina - Novi Sad), parties of the second part, (collectively called the Borrowers) and SAVEZ SAMOUPRAVNIH INTERESNIH ZAJEDNICA ZA PUTEVE JUGOSLAVIJE, BEOGRAD (Federal Association of Republican and Provincial Road Organizations of Yugoslavia, Belgrade), party of the third part (FARP), the Bank has agreed to lend to each of the Borrowers an amount in various currencies equivalent to the following: Montenegrin Borrower: \$9,600,000; Croatian Borrower: \$5,900,000; Macedonian Borrower: \$17,900,000; and Vojvodinan Borrower: \$28,200,000; on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of each of the Borrowers in respect of each such amount as to payment of principal, interest and other charges and to undertake such other obligations as set forth in this Agreement; and

(C) the Guarantor, in connection with the Loan Agreement between the Bank and Udruzena Beogradska Banka, dated July 7, 1983, for a Structural Adjustment Loan, furnished to the Bank a Letter of Development Policy dated May 25, 1983 in which the Guarantor, inter alia, stated its policy to adjust the road user charge (a specific tax on fuel) in line with inflation rates and to allocate the revenue therefrom to road expenditures in order to provide adequate funds for road investments and maintenance; and

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

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 Schedule 5 to 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 and in the Preamble to this Agreement and in the Preamble to, and Section 1.02 of, the Loan Agreement have the respective meanings therein set forth.

#### ARTICLE II

##### Guarantee

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, 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, each Loan, and the premium, if any, on the prepayment of each Loan, all as set forth in the Loan Agreement.

#### ARTICLE III

##### Other Covenants

Section 3.01. The Guarantor covenants that it will not take, or cause or permit to be taken, any action which would prevent or interfere with the performance by the Borrowers or FARP of their

obligations contained in the Loan Agreement and that, within the limits of its constitutional power, it will take or cause to be taken all reasonable action necessary or appropriate to enable the Borrowers and FARP to perform such obligations.

Section 3.02. The Guarantor shall from time to time examine the level of road user charges and, in light of the undertakings of the Guarantor in the Letter of Development Policy referred to in Recital C to this Agreement, make such adjustments as may be necessary or appropriate in order to ensure adequate financing for road investment and maintenance programs.

#### ARTICLE IV

##### Representative of the Guarantor; Addresses

Section 4.01. The Federal Secretary for Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Savezni Sekretarijat za Finansije  
Omladinskih Brigada 1  
11070 Belgrade  
Yugoslavia

Cable address:

Telex:

SAVEZNI SEKRETARIJAT  
ZA FINANSIJE  
Belgrade

11062 44 SIV

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  
Washington, D.C.

440098 (ITT),  
248423 (RCA) or  
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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.

SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

By /s/ Z. Kovacevic  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ J. Harrison

Acting Director  
Europe, Middle East and North Africa

