CONFORMED COPY

LOAN NUMBERS 4714 HR
4715 HR
4716 HR

Guarantee Agreement

(Rijeka Gateway Project)

between

REPUBLIC OF CROATIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 12, 2003
GUARANTEE AGREEMENT

AGREEMENT, dated July 12, 2003, between REPUBLIC OF CROATIA (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Port of Rijeka Authority (PRA), Hrvatske Ceste d.o.o. (HC) and Hrvatske Autoceste d.o.o. (HAC) (the Borrowers), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to each of the PRA Loan Agreement, HC Loan Agreement and HAC Loan Agreement, respectively (the Loan Agreements) have requested the Bank to assist in the financing of the Project; and

(B) by the Loan Agreements of even date herewith between the Bank and each of the Borrowers, the Bank has agreed to lend an amount of fifty-five million one hundred thousand Dollars ($55,100,000) to PRA, an amount of seventy-six million two hundred thousand Euro (EUR76,200,000) to HC and an amount of fifteen million seven hundred thousand Euro (EUR15,700,000) to HAC, on the terms and conditions set forth in each of the Loan Agreements, but only on condition that the Guarantor agree to guarantee the obligations of the Borrowers in respect of such loans as provided in this Agreement;

(C) the Bank has received a letter dated May 22, 2003, from the Guarantor describing a program of actions and policies to support the achievement of the Project’s objectives (the Project Policy Letter) and declaring the Guarantor’s commitment to the execution of the described program; and

WHEREAS the Guarantor, in consideration of the Bank’s entering into the Loan Agreements with the Borrowers, has agreed so to guarantee such obligations 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 for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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 Section 1.02 of each of the Loan Agreements 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 each of the Loan Agreements, and, to this end, 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 Loans, and the premium, if any, on the prepayment of the Loans, all as set forth in the Loan Agreements.

ARTICLE III

Other Covenants

Section 3.01. Not later than December 31, 2003, the Guarantor shall submit to the parliament legislative amendments, satisfactory to the Bank, which shall: (a) authorize PRA to provide 25-year leases or concessions to private terminal operators; and (b) authorize PRA and the City of Rijeka to redevelop maritime domain at Port of Rijeka for non-maritime purposes.

Section 3.02. The Guarantor shall take all necessary measures to privatize operations of Port of Rijeka in accordance with the procedures and a timetable set forth in the Project Policy Letter referred to in Preamble (C) of this Agreement, and shall take all necessary measures to ensure that a ratio of privately-owned entities conducting Port of Rijeka operations to state-owned entities (expressed in tons of port throughput operated by private entities to total port tonnage per year) shall reach thirty percent (30%) in the calendar year 2005, fifty percent (50%) in the calendar year 2006, and eighty percent (80%) in the calendar year 2008.
ARTICLE IV

Representatives of the Guarantor; Addresses

Section 4.01. 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 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Minister of Finance
Ministry of Finance
10000 Zagreb
Katanciceva, 5
Republic of Croatia

Telex: 862-21215
Facsimile: 862-21833

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
Telex: 248423 (MCI)
Facsimile: 64145 (MCI)
(202)477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Zagreb, Republic of Croatia, as of the day and year first above written.

REPUBLIC OF CROATIA

By /s/ Mato Crkvenac

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND

DEVELOPMENT

By /s/ Andrew N. Vorkink

Authorized Representative