

No. 7182

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
MEXICO**

**Guarantee Agreement—*Second Road Project* (with annexed
Loan Regulations No. 4 and Loan Agreement between
the Bank and Nacional Financiera, S.A.) Signed at
Washington, on 20 September 1963**

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
24 March 1964.*

**BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
MEXIQUE**

**Contrat de garantie — *Deuxième projet relatif au réseau
routier* (avec, en annexe, le Règlement n° 4 sur les
emprunts et le Contrat d'emprunt entre la Banque et
la Nacional Financiera, S.A.). Signé à Washington,
le 20 septembre 1963**

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 24 mars 1964.*

No. 7182. GUARANTEE AGREEMENT¹ (*SECOND ROAD PROJECT*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 20 SEPTEMBER 1963

AGREEMENT, dated September 20, 1963, between UNITED MEXICAN STATES (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 Nacional Financiera, S. A., (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,² the Bank has agreed to make to the Borrower a loan in various currencies equivalent to forty million dollars (\$40,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to enter into this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement has agreed to enter into this Agreement;

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, 1961,³ subject, however, to the modifications thereof set forth in Section 1.01 of the Loan Agreement (said Loan Regulations No. 4 as so modified being herein after called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Guarantee Agreement, unless the context otherwise requires, the several terms defined in Section 1.02 of the Loan Agreement shall have the respective meanings therein set forth.

¹ Came into force on 8 January 1964, upon notification by the Bank to the Government of Mexico.

² See p. 330 of this volume.

³ See p. 328 of this volume.

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

Article III

Section 3.01. (a) The Guarantor shall cause the Project described in Schedule 1¹ to this Agreement to be carried out with due diligence and efficiency and in conformity with sound engineering and financial practices.

(b) The Guarantor shall cause priority to be given, in its road construction program, to the construction of the roads included in the Project, and, to that end, shall, if necessary to accomplish the prompt and diligent construction of such roads, cause such revisions in the construction schedules for other parts of that program to be made as may be required.

(c) The list of roads to be included in the Project shall be determined from time to time by agreement between the Guarantor (acting through its *Secretario de Obras Públicas*) and the Bank, subject to modification by further agreement between them.

(d) Except as the Bank shall otherwise agree, the Guarantor shall cause the roads included in the Project to be constructed or reconstructed by contractors satisfactory to the Guarantor and the Bank under contracts providing for construction or reconstruction of such roads.

(e) The general design standards and the types of surfacing (including pavement) to be used for the roads included in the Project shall be as determined by agreement between the Guarantor (acting through its *Secretario de Obras Públicas*) and the Bank, subject to modification by further agreement between them.

(f) Upon request from time to time by the Bank, the Guarantor shall promptly furnish or cause to be furnished to the Bank the plans, specifications and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Bank shall request.

(g) The Guarantor shall at all times make available promptly as needed all sums which shall be required for the carrying out of the Project.

¹ See p. 328 of this volume.

(h) Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall cause all goods financed out of the proceeds of the Loan to be used in the territories of the Guarantor exclusively in the carrying out of the Project.

Section 3.03. (a) The Guarantor and the Bank shall co-operate fully to assure that the purposes of the Loan will be accomplished. To that end, the Guarantor and the Bank shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Guarantor of its obligations under the Guarantee Agreement, the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan.

(b) The Guarantor shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out of the Project or any part thereof.

(c) 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, the maintenance of the service thereof or the performance by the Guarantor of its obligations under the Guarantee Agreement. 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.

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

Section 3.04. The Guarantor shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition with respect to the Project of the agency or agencies of the Guarantor responsible for the carrying out of the Project or any part thereof, and shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other road construction and maintenance works, equipment, properties and facilities of the Guarantor and any relevant records and documents.

Section 3.05. 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.

As used in this Section (a) the term "assets of the Guarantor" includes assets of the Guarantor or of any of its political subdivisions or of any Agency and (b) the term "Agency" means any agency or instrumentality of the Guarantor or of any political subdivision of the Guarantor and shall include any institution or organization which is owned or controlled directly or indirectly by the Guarantor or by any political subdivision of the Guarantor or the operations of which are conducted primarily in the interest of or for account of the Guarantor or any political subdivision of the Guarantor.

Section 3.06. 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 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 or corporate resident of the Guarantor.

Section 3.07. 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 3.08. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid free from all restrictions imposed under the laws of the Guarantor or laws in effect in its territories.

Section 3.09. The Guarantor shall satisfy the Bank that adequate arrangements have been made to insure the goods financed out of the proceeds of the Loan against risks incident to their purchase and importation into the territories of, and delivery to, the Guarantor.