

No. 9150

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
and
ARGENTINA

Guarantee Agreement — *Second Buenos Aires Power Project*
(with annexed Loan Regulations No. 4, as amended,
and Loan Agreement between the Bank and the
Servicios Eléctricos del Gran Buenos Aires, S. A.).
Signed at Washington, on 25 January 1968

Official text: English.

*Registered by the International Bank for Reconstruction and Development on
5 July 1968.*

BANQUE INTERNATIONALE POUR
LA RECONSTRUCTION ET LE DÉVELOPPEMENT
et
ARGENTINE

**Contrat de garantie — *Deuxième projet relatif à l'énergie
électrique à Buenos Aires*** (avec, en annexe, le
Règlement n° 4 sur les emprunts, tel qu'il a été
modifié, et le Contrat d'emprunt entre la Banque et
les Servicios Eléctricos del Gran Buenos Aires S.A.).
Signé à Washington, le 25 janvier 1968

Texte officiel anglais.

*Enregistré par la Banque internationale pour la reconstruction et le développement
le 5 juillet 1968.*

No. 9150. GUARANTEE AGREEMENT¹ (*SECOND BUENOS AIRES POWER PROJECT*) BETWEEN THE ARGENTINE REPUBLIC AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 25 JANUARY 1968

AGREEMENT, dated January 25, 1968, between THE ARGENTINE REPUBLIC (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 Servicios Eléctricos del Gran Buenos Aires, 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 fifty-five million dollars (\$ 55,000,000), 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, 1967,² 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 hereinafter called the Loan Regulations), with the same force and effect as if they were fully set forth herein.

¹ Came into force on 2 March 1968, upon notification by the Bank to the Government of Argentina.

² See p. 198 of this volume.

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, 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 the Bonds.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, and without prejudice to the obligations of the Borrower under Section 5.12 of the Loan Agreement, the Guarantor, by reason of its present beneficial ownership of all or substantially all of the shares of the Borrower and in order to assure the successful completion of the Project, 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 carrying out 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, either by making additional equity investment in the Borrower or by receiving dividend payments on its shares solely in shares of stock of the Borrower in lieu of cash or otherwise.

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; (ii) any lien on commercial goods to secure a debt maturing not more than one year after the date on which it is originally incurred and to be paid out of the proceeds of sale of such commercial goods; or (iii) any lien arising in

the ordinary course of banking transactions to secure a debt maturing not more than one year after the date on which it is originally incurred.

The term "assets of the Guarantor" as used in this Section includes assets of the Guarantor or of any agency of the Guarantor, including assets of the Banco Central de la República Argentina or any institution performing the functions of a central bank for the Guarantor.

The Guarantor further undertakes that, within the limits of its constitutional powers, it will make the foregoing undertaking effective with respect to liens on the assets of any of its political subdivisions and their agencies, including local governing authorities.

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 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 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 3.04. This Agreement, the Loan Agreement and the Bonds and the protocolization, recordation and registration of the undertaking contained in Section 5.15 (a) of the Loan Agreement 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, protocolization, recordation or registration thereof.

Section 3.05. 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 3.06. The Guarantor covenants that it will not take or permit any of its agencies (including the Banco Industrial) to take any action which would prevent or interfere with the performance by the Borrower of any of the covenants, agreements and obligations of the Borrower in the Loan Agreement contained, and will take or cause to be taken all reasonable governmental action (including action by the Banco Industrial) and all reasonable action as shareholder of the Borrower which shall be necessary in order to enable the Borrower to perform such covenants, agreements and obligations.

The Guarantor further covenants that, within the limits of its constitutional powers, it will make the foregoing covenant effective with respect to action by its political subdivisions and their agencies, including local governing authorities.

Section 3.07. It continues to be the policy of the Guarantor to encourage the investment of private savings in the Borrower's electricity services, and to that end to sell or cause to be sold to private investors all of the ordinary shares of capital stock of the Borrower beneficially owned by the Guarantor, giving paramount priority, however, to the sale of shares of stock by the Borrower pursuant to Section 5.12 (ii) of the Loan Agreement.

Section 3.08. The Guarantor covenants that it will from time to time grant or cause to be granted to the Borrower, as provided in the Concession, rates for the sale of electricity as may be necessary to provide revenues sufficient to: (a) cover all operating expenses including taxes and provide for adequate maintenance and depreciation of assets based on realistic valuations thereof; and (b) provide a reasonable return on the Borrower's net investment.

Section 3.09. The Guarantor covenants that it shall take or cause its agencies to take all action necessary to bring about coordination of the expansion of generation, transmission and distribution facilities of all electric utility entities operating in the Greater Buenos Aires area, to prevent duplication of such facilities in that area and to interconnect all electric utility entities in that area in such a manner that such entities shall be most efficiently and most economically operated.

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 Minister of Economy and Labor of the