No. 9152

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and MEXICO

Guarantee Agreement—*Third Road Project* (with annexed Loan Regulations No. 4, as amended, and Loan Agreement between the Bank and the Nacional Financiera, S.A.). Signed at Washington, on 26 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 MEXIQUE

Contrat de garantie — *Troisième projet relatif aux routes* (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 la Nacional Financiera, S.A.). Signé à Washington, le 26 janvier 1968

Texte officiel anglais.

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

No. 9152. GUARANTEE AGREEMENT *(THIRD ROAD PROJECT)*[1] BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 26 JANUARY 1968

AGREEMENT, dated January 26, 1968, 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 twenty-seven million five hundred thousand dollars ($27,500,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to enter into this Guarantee Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement, has agreed to enter into this Guarantee 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 as amended February 9, 1967,[2] subject, however, to the modification 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.

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 25 April 1968, upon notification by the Bank to the United Mexican States and the Nacional Financiera S.A.
[2] See p. 14 of this volume.

Article II

Section 2.01. Without limitation or restriction upon any of the other covenants on its part in this Guarantee 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 1 to this Guarantee 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. As between the Project and the projects described in Schedule 1 of the First Guarantee Agreement[1] and in Schedule 1 of the Second Guarantee Agreement,[2] the Guarantor shall cause each to be given equal priority.

(*c*) The list of roads to be included in the Project shall be determined from time to time by agreement between the Guarantor 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, reconstructed or improved by contractors satisfactory to the Guarantor and the Bank under contracts satisfactory to the Guarantor and the Bank.

(*e*) The general design standards and the types of surfacing to be used for the roads included in the Project shall be as determined by agreement between the Guarantor 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 reasonably request.

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

[1] United Nations, *Treaty Series*, Vol. 422, p. 177.
[2] United Nations, *Treaty Series*, Vol. 491, p. 317.

(*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 exclusively in the carrying out of the Project.

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, 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 this 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 relevant information as the Bank shall request concerning the expenditure of the proceeds of the Loan, the goods financed out of such proceeds, the Project, 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 the general status of the Loan. 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.

(*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 this Guarantee Agreement.

(*d*) 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 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 3.04. 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 the account of the Guarantor or any political subdivision of the Guarantor.

Section 3.05. 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 and free from all restrictions 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 3.06. This Guarantee 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 3.07. The Guarantor shall cause all the roads and bridges of the Federal Highway System of the Guarantor to be adequately maintained and shall cause all necessary repairs thereof promptly to be made, all in accordance with sound engineering practices, and shall take all reasonable steps necessary to ensure the proper use of such roads and bridges.

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