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LOAN NUMBER 1554 ME

# Guarantee Agreement

(Lázaro Cárdenas Conurbation Development Project)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated September 27, 1978

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**GUARANTEE AGREEMENT**

AGREEMENT, dated September 27, 1978, between UNITED MEXICAN STATES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS by the Loan Agreement of even date herewith between the Bank and Banco Nacional de Obras y Servicios Públicos, S.A. (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to sixteen million five hundred thousand dollars (\$16,500,000), 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**

**General Conditions; Definitions**

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements being hereinafter called the General Conditions).

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

**ARTICLE II**

**Guarantee; Provision of Funds**

Section 2.01. 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, the Loan, and the premium, if any, on the prepayment of the Loan and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower, as trustee of FIDELAC, will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower, as trustee of FIDELAC, or cause the Borrower, as trustee of FIDELAC, to be provided with such funds as are needed to meet such expenditures.

### ARTICLE III

#### Execution of the Project

Section 3.01. The Guarantor shall:

(a) through SAHOP and SARH, carry out Parts G and I (1), and Part H of the Project, respectively, in accordance with the provisions of Article III of the Loan Agreement, and with due diligence and efficiency, and in conformity with appropriate administrative, financial and engineering practices; and

(b) provide promptly, as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. Sections 3.04 and 3.06 of the Loan Agreement are hereby incorporated into this Agreement with the same force and effect as if fully set forth herein; provided, however, that all references in such Sections to the Borrower, as trustee of FIDELAC, shall be deemed to be references to the Executing Agencies.

Section 3.03. The Guarantor shall, upon completion of each training center included in Part E of the Project, provide, or cause to be provided, promptly as needed, the funds, services and other resources required to operate and maintain each such training center.

Section 3.04. The Guarantor shall:

(a) maintain and operate the works and facilities included in the Parts of the Project to be carried out by the Executing Agencies with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices; and

(b) take all action necessary to ensure that any entity to be charged with the maintenance and operation of works and facilities included in the Project, shall carry out such maintenance and operation with due diligence and efficiency and in conformity with sound engineering, administrative and financial practices.

Section 3.05. Except as the Bank shall otherwise agree, contracts of the Executing Agencies for the purchase of goods or for civil works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to the Loan Agreement.

#### ARTICLE IV

##### Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, specific security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any governmental assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto, and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Guarantor, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Guarantor shall

promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other governmental assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "governmental assets" means assets of the Guarantor, of any of its political subdivisions, or of any agency; and 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.

## ARTICLE V

### Representative of the Guarantor

Section 5.01. Banco Nacional de Obras y Servicios Públicos, S.A. is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The Guarantor hereby agrees that all notices and requests given or made by the Bank to the Borrower shall be deemed to have been given or made also to the Guarantor.

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.

UNITED MEXICAN STATES

By: BANCO NACIONAL DE OBRAS Y SERVICIOS  
PUBLICOS, S.A.

By /s/ Jesus Silva-Herzog  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Nicolas Ardito-Barletta  
Regional Vice President  
Latin America and the Carribean