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840  
No. 6076

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

**Guarantee Agreement—*Irrigation Program* (with annexed  
Loan Regulations No. 4 and Loan Agreement between  
the Bank and Nacional Financiera, S.A.). Signed at  
Washington, on 16 January 1961**

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on  
8 February 1962.*

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

**Contrat de garantie — *Programme d'irrigation* (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 16 janvier 1961**

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement  
le 8 février 1962.*

No. 6076. GUARANTEE AGREEMENT<sup>1</sup> (*IRRIGATION PROGRAM*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 16 JANUARY 1961

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AGREEMENT, dated January 16, 1961 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 National Financiera, S. A., (hereinafter called the Borrower), which agreement and the schedules therein referred to are hereinafter called the Loan Agreement,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to fifteen million dollars (\$15,000,000), 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 June 15, 1956,<sup>2</sup> subject however, to the modifications thereof set forth in Schedule 2<sup>3</sup> to 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.

*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

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<sup>1</sup> Came into force on 8 November 1961, upon notification by the Bank to the Government of Mexico.

<sup>2</sup> See p. 216 of this volume.

<sup>3</sup> See p. 226 of this volume.

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<sup>1</sup> to this Agreement to be carried out and operated with due diligence and efficiency and in conformity with sound engineering, agricultural and financial standards and practices.

(b) The Guarantor shall exercise every right and recourse available to it to cause to be taken all such action as shall be required to assure that no use, other than for domestic uses, will reduce the amounts of water available for irrigation purposes on the Project below the amounts needed therefor.

(c) The Guarantor shall continue to take all such action as shall be required to assure that the land included in the Project and the water made available therefor are to the maximum extent possible fully, effectively and promptly utilized.

(d) The Guarantor shall cause all works and facilities included in the Project to be adequately maintained and repaired in accordance with sound engineering and agricultural practices and standards and shall cause all dams, canals, structures and other works and facilities not included in the Project but necessary to the proper and efficient operation thereof to be operated and adequately maintained and repaired in accordance with such practices and standards.

(e) The Guarantor shall, in accordance with its laws, cause the water charges levied for operation and maintenance of the Project to be set and maintained at levels necessary to provide (a) revenues sufficient to cover all operating and maintenance costs and (b) reasonable reserves for repair of damage to the Project caused by floods or other hazards.

(f) Except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall, in the carrying out of the Project, utilize the services of a drainage expert or experts acceptable to, and to an extent and upon terms and conditions satisfactory to, the Guarantor and the Bank.

(g) Except as the Bank shall otherwise agree, the Guarantor shall cause the public works included in the Project to be constructed or rehabilitated and improved by contractors satisfactory to the Guarantor and the Bank employed under contracts providing therefor.

<sup>1</sup> See p. 226 of this volume.

(h) 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.

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

(j) 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), to show the results achieved by irrigation of the land included in the Project 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; shall enable the Bank's representatives to inspect the Project, the goods and any relevant records and documents; and 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 Project, and the goods, and 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.

*Section 3.02.* 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.* 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 Guar-

antor 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 3.04.* (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 threaten to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof or materially affects the carrying out of the Project.

(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 3.05.* 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 or fees 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 Agreement, the Loan Agreement and the Bonds shall be free from any taxes or fees 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 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 3.08.* 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 to the sites of the Project.

*Section 3.09.* The Guarantor shall make contractual arrangements, satisfactory to the Guarantor and the Bank, with the users of irrigation waters within the area of the Project, providing for the repayment, on reasonable terms and conditions, of the moneys invested by the Guarantor in the Project.

#### *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. Nacional Financiera, S. A. and such person or persons as it shall designate in writing are designated as the authorized representatives of the Guarantor for the purposes of Section 6.12 (b) of the Loan Regulations.

#### *Article V*

*Section 5.01.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Guarantor :

Secretario de Recursos Hidráulicos  
Mexico, D. F., Mexico

Alternative address for cablegrams and radiograms :

Secretaría Recursos Hidráulicos  
Mexico, D. F.

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

*Section 5.02.* The *Secretario de Recursos Hidráulicos* of the Guarantor is designated for the purposes of Section 8.03 of the Loan Regulations.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Guarantee Agreement to be signed

in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

United Mexican States,  
By : Nacional Financiera, S. A. :  
By Manuel S. VALLADARES  
Authorized Representative

International Bank for Reconstruction and Development :  
By Eugene R. BLACK  
President

### SCHEDULE 1

#### DESCRIPTION OF THE PROJECT

1. The Project consists of :

- (a) the completion of the construction and of the rehabilitation and improvement of the public irrigation and drainage works serving about 580,000 hectares of land situated within the irrigation districts of Río Culiacán, Río Mayo, Río Yaqui and Río Fuerte in order to : (i) lower the ground water table so as to prevent or reduce salinity; (ii) improve and extend the water distribution systems; and (iii) reduce flood damage;
- (b) assistance to users of irrigation waters in connection with the private on-farm works necessary for the effective utilization of the public irrigation facilities; and
- (c) maintenance of the public irrigation and drainage works included in paragraph (a) above.

2. The public works to be constructed include about 4000 kms. of drains, and 600 kms. of canals, together with the necessary related structures. Existing public works to be rehabilitated and improved include about 1700 kms. of drains, about 1000 kms. of canals and about 700 kms. of roads, together with the necessary related structures.

3. The assistance to be furnished by the Guarantor is related to farm drainage, land levelling and leaching of saline land. Such assistance includes : (i) the preparation of plans for farm drainage systems and other land improvements by the *Secretaría de Recursos Hidráulicos* with the advice of the drainage expert or experts required under Section 3.01 (f) of this Agreement, (ii) the undertaking of research on drainage and salinity problems necessary for the foregoing, and (iii) the provision on suitable terms to users of irrigation waters of credit necessary for on-farm development.

## INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

## LOAN REGULATIONS No. 4, DATED 15 JUNE 1956

REGULATIONS APPLICABLE TO LOANS MADE BY THE BANK TO BORROWERS OTHER THAN  
MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, Vol. 260, p. 376.]

LOAN AGREEMENT  
(IRRIGATION PROGRAM)

AGREEMENT, dated January 16, 1961 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S. A. (hereinafter called the Borrower).

*Article I*

## LOAN REGULATIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated June 15, 1956,<sup>1</sup> subject, however, to the modifications thereof set forth in Schedule 2<sup>2</sup> to this 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.

*Article II*

## THE LOAN

*Section 2.01.* The Bank agrees to lend to the Borrower, on the terms and conditions in this Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

*Section 2.02.* The Bank shall open a Loan Account on its books in the name of the Borrower and shall credit to such Account the amount of the Loan. The amount of the Loan may be withdrawn from the Loan Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Loan Regulations.

*Section 2.03.* Except as the Bank and the Borrower shall otherwise agree :

(a) The Borrower shall be entitled, subject to the provisions of this Agreement, to withdraw from the Loan Account (i) the equivalent of a percentage to be established from time to time by agreement between the Guarantor, the Bank and the Borrower of the cost of work done for carrying out part 1 (a) of Schedule 1<sup>3</sup> to the Guarantee Agreement,<sup>4</sup> such percentage to represent the foreign exchange component of such cost; (ii) such

<sup>1</sup> See above.

<sup>2</sup> See p. 226 of this volume.

<sup>3</sup> See p. 214 of this volume.

<sup>4</sup> See p. 204 of this volume.



amounts as shall have been otherwise expended (other than for local currency expenditures) for the reasonable cost of goods required for carrying out part 1 (c) of the Project and not included in the foregoing; and (iii) if the Bank shall so agree, such amounts as shall be required to meet payments to be made for the reasonable cost of such goods.

(b) Withdrawals under (i) of clause (a) of this Section shall be in dollars or such other currencies as the Bank may reasonably determine.

(c) Notwithstanding the foregoing provisions of this Section, no withdrawals shall be made on account of expenditures prior to January 1, 1961, or expenditures in the territories of any country (except Switzerland) which is not a member of the Bank or for goods produced in (including services supplied from) such territories.

(d) As used in this Section, the term "local currency expenditures" means expenditures in the currency of the Guarantor or for goods produced in (including services supplied from) the territories of the Guarantor.

*Section 2.04.* The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not so withdrawn from time to time. Such commitment charge shall accrue from a date sixty days after the date of this Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Loan Account as provided in Article IV of the Loan Regulations or shall be cancelled pursuant to Article V of the Loan Regulations.

*Section 2.05.* The Borrower shall pay interest at the rate of five and three-fourths per cent ( $5\frac{3}{4}$ %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.06.* Except as the Bank and the Borrower shall otherwise agree, the charge payable for special commitments entered into by the Bank at the request of the Borrower pursuant to Section 4.02 of the Loan Regulations shall be at the rate of one-half of one per cent ( $\frac{1}{2}$  of 1%) per annum on the principal amount of any such special commitments outstanding from time to time.

*Section 2.07.* Interest and other charges shall be payable semi-annually on January 1 and July 1 in each year.

*Section 2.08.* The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 1 to this Agreement.

### Article III

#### USE OF PROCEEDS OF THE LOAN

*Section 3.01.* Subject to the provisions of this Agreement, the Borrower shall cause the proceeds of the Loan to be applied exclusively to financing the cost of goods required to carry out the Project described in Schedule 1 to the Guarantee Agreement. The specific goods to be financed out of the proceeds of the Loan and the methods and procedures for procurement of such goods shall be determined by agreement between

the Guarantor, the Bank and the Borrower, subject to modification by further agreement between them.

#### Article IV

##### BONDS

*Section 4.01.* The Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in the Loan Regulations.

*Section 4.02.* The *Director General* of the Borrower and such person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 6.12 of the Loan Regulations.

#### Article V

##### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall make with the Guarantor arrangements satisfactory to the Bank providing for the transfer of the proceeds of the Loan from the Borrower to the Guarantor.

*Section 5.02.* (a) The Bank and the Borrower shall co-operate 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.

(b) The Bank and the Borrower 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 Borrower 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 Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower; shall enable the Bank's representatives to inspect any relevant records and documents; and 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 and the operations and financial condition of the Borrower.

*Section 5.03.* The Borrower undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Borrower 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.

*Section 5.04.* The Borrower shall pay or cause to be paid all taxes or fees, if any, imposed under the laws of the Guarantor or laws in effect in the territories of the Guarantor on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds, or the payment of principal, interest or other charges thereunder; 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 5.05.* The Borrower shall pay or cause to be paid all taxes and fees, if any, imposed under the laws of the country or countries in whose currency the Loan and the Bonds are payable or laws in effect in the territories of such country or countries on or in connection with the execution, issue, delivery or registration of this Agreement, the Guarantee Agreement or the Bonds.

### Article VI

#### REMEDIES OF THE BANK

*Section 6.01.* (i) If any event specified in paragraph (a), paragraph (b), paragraph (e) or paragraph (f) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (c) of Section 5.02 of the Loan Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, then at any subsequent time during the continuance thereof, the Bank, at its option, may declare the principal of the Loan and of all the Bonds then outstanding to be due and payable immediately, and upon any such declaration such principal shall become due and payable immediately, anything in this Agreement or in the Bonds to the contrary notwithstanding.

### Article VII

#### EFFECTIVE DATE; TERMINATION

*Section 7.01.* The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 9.01 (a) (ii) and Section 9.01 (b) (ii) of the Loan Regulations :

(a) the arrangements referred to in Section 5.01 of this Agreement, in terms satisfactory to the Bank, shall have been made; and

(b) substantial progress, in the judgment of the Bank, shall have been made towards completion of the arrangements required under Section 3.09 of the Guarantee Agreement.

*Section 7.02.* The following are specified as additional matters, within the meaning of Section 9.02 (e) of the Loan Regulations, to be included in the opinion or opinions to be furnished to the Bank :

(a) that the arrangements referred to in Section 5.01 of this Agreement are valid and are binding on the Guarantor and the Borrower; and

(b) that the arrangements referred to in Section 7.01 (b) are valid and are binding on the Guarantor and the water users.

*Section 7.03.* A date 60 days after the date of this Agreement is hereby specified for the purposes of Section 9.04 of the Loan Regulations.

*Article VIII*

MISCELLANEOUS

*Section 8.01.* The Closing Date shall be December 31, 1963.

*Section 8.02.* The following addresses are specified for the purposes of Section 8.01 of the Loan Regulations :

For the Borrower :

Nacional Financiera, S. A.  
Avenida Venustiano Carranza 25  
Mexico 1, D. F., Mexico

Alternative address for cablegrams and radiograms :

Nafin  
Mexico City

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N. W.  
Washington 25, D. C.  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D. C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Bank for Reconstruction and Development :

By Eugene R. BLACK  
President

Nacional Financiera, S. A. :  
By Manuel S. VALLADARES  
Authorized Representative

SCHEDULE 1  
AMORTIZATION SCHEDULE

<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>	<i>Date Payment Due</i>	<i>Payment of Principal (expressed in dollars) *</i>
July 1, 1964 . . . . .	\$266,000	January 1, 1973 . . . . .	\$431,000
January 1, 1965 . . . . .	274,000	July 1, 1973 . . . . .	443,000
July 1, 1965 . . . . .	281,000	January 1, 1974 . . . . .	456,000
January 1, 1966 . . . . .	290,000	July 1, 1974 . . . . .	469,000
July 1, 1966 . . . . .	298,000	January 1, 1975 . . . . .	482,000
January 1, 1967 . . . . .	306,000	July 1, 1975 . . . . .	496,000
July 1, 1967 . . . . .	315,000	January 1, 1976 . . . . .	510,000
January 1, 1968 . . . . .	324,000	July 1, 1976 . . . . .	525,000
July 1, 1968 . . . . .	334,000	January 1, 1977 . . . . .	540,000
January 1, 1969 . . . . .	343,000	July 1, 1977 . . . . .	556,000
July 1, 1969 . . . . .	353,000	January 1, 1978 . . . . .	572,000
January 1, 1970 . . . . .	363,000	July 1, 1978 . . . . .	588,000
July 1, 1970 . . . . .	374,000	January 1, 1979 . . . . .	605,000
January 1, 1971 . . . . .	384,000	July 1, 1979 . . . . .	623,000
July 1, 1971 . . . . .	396,000	January 1, 1980 . . . . .	640,000
January 1, 1972 . . . . .	407,000	July 1, 1980 . . . . .	659,000
July 1, 1972 . . . . .	419,000	January 1, 1981 . . . . .	678,000

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

PREMIUMS ON PREPAYMENT AND REDEMPTION

The following percentages are specified as the premiums payable on repayment in advance of maturity of any part of the principal amount of the Loan pursuant to Section 2.05 (b) of the Loan Regulations or on the redemption of any Bond prior to its maturity pursuant to Section 6.16 of the Loan Regulations :

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than 3 years before maturity . . . . .	½ of 1%
More than 3 years but not more than 6 years before maturity . . . . .	1 ½%
More than 6 years but not more than 11 years before maturity . . . . .	2 ½%
More than 11 years but not more than 16 years before maturity . . . . .	3 ½%
More than 16 years but not more than 18 years before maturity . . . . .	4 ¾%
More than 18 years before maturity . . . . .	5 ¼%

SCHEDULE 2

MODIFICATIONS OF LOAN REGULATIONS No. 4

For the purposes of this Agreement the provisions of Loan Regulations No. 4 of the Bank, dated June 15, 1956, shall be deemed to be modified as follows :

- (a) Section 2.02 shall be deleted.
- (b) The second sentence of Section 3.01 shall read as follows :

“ Subject to the provisions of Section 2.03 of the Loan Agreement, the proceeds of the Loan shall, to the extent that the Bank shall so elect, be withdrawn from the Loan Account in the several currencies in which goods are paid for. ”

(c) Section 3.05 shall read as follows :

“ SECTION 3.05. *Valuation of Currencies.* Whenever it shall be necessary for the purposes of this Agreement to value one currency in terms of another currency, such value shall be as reasonably determined by the Bank. ”

(d) Section 4.01 is deleted.

(e) The first five lines of Section 5.02 shall read as follows :

“ SECTION 5.02. *Suspension by the Bank.* If any of the following events shall have happened and be continuing, the Bank may at any time or from time to time by notice to the Borrower suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account. ”

(f) The last paragraph of Section 5.02 shall read as follows :

“ The right of the Borrower to make withdrawals from the Loan Account shall continue to be suspended in whole or in part, as the case may be, until the event or events which gave rise to such suspension shall have ceased to exist or until the Bank shall have notified the Borrower that the right to make withdrawals has been restored, whichever is the earlier; provided, however, that in the case of any such notice of restoration, the right to make withdrawals shall be restored only to the extent and subject to the conditions specified in such notice, and no such notice shall affect or impair any right, power or remedy of the Bank in respect of any other or subsequent event described in this Section. ”

(g) Section 9.03 shall read as follows :

“ SECTION 9.03. *Effective Date.* Notwithstanding the provisions of Section 8.01, except as shall be otherwise agreed by the Borrower and the Bank, the Loan Agreement and the Guarantee Agreement shall come into force and effect on the date upon which the Bank dispatches to the Borrower and the Guarantor notice of its acceptance of the evidence required by Section 9.01. ”

(h) Paragraph 12 of Section 10.01 shall read as follows :

“ The term ‘ Project ’ means the project or projects or program or programs for which the Loan is granted, as described in the Guarantee Agreement and as the description thereof shall be amended from time to time by agreement between the Guarantor and the Bank. ”

(i) Paragraph 14 of Section 10.01 shall read as follows :

“ 14. The term ‘ external debt ’ means any debt payable in any medium other than currency of the Guarantor, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium. ”