

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
and  
MEXICO

**Guarantee Agreement — *Agricultural Credit Project***  
(with annexed Loan Regulations No. 4, Loan Agreement between the Bank and Nacional Financiera, S.A. and Project Agreement between the Bank and the Banco de México S.A.). Signed at Washington, on 1 October 1965

*Official text: English.*

*Registered by the International Bank for Reconstruction and Development on 3 February 1967.*

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BANQUE INTERNATIONALE POUR  
LA RECONSTRUCTION ET LE DÉVELOPPEMENT  
et  
MEXIQUE

**Contrat de garantie — *Projet relatif au crédit agricole***  
(avec, en annexe, le Règlement n° 4 sur les emprunts, le Contrat d'emprunt entre la Banque et la Nacional Financiera, S.A. et le Contrat relatif au Projet entre la Banque et le Banco de México, S.A.). Signé à Washington, le 1<sup>er</sup> octobre 1965

*Texte officiel anglais.*

*Enregistré par la Banque internationale pour la reconstruction et le développement le 3 février 1967.*

No. 8542. GUARANTEE AGREEMENT<sup>1</sup> (*AGRICULTURAL CREDIT PROJECT*) BETWEEN THE UNITED MEXICAN STATES AND THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT. SIGNED AT WASHINGTON, ON 1 OCTOBER 1965

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AGREEMENT, dated October 1, 1965, 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,<sup>2</sup> the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-five million dollars (\$25,000,000), 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,<sup>2</sup> 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.

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

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<sup>1</sup> Came into force on 8 December 1965, upon notification by the Bank to the Government of Mexico.

<sup>2</sup> See p. 348 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, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds, and the punctual performance of all the covenants and agreements of the Borrower, all as set forth in the Loan Agreement and in the Bonds.

*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 Banco 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 Banco or cause the Banco to be provided with such funds as are needed to meet such expenditures.

## 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 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 3.02.* (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, the Project 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 3.05.* 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 shall inform the Bank of any action proposed by its Executive Power which would amend or abrogate any provision of the Law creating the Fondo, as published in the *Diario Oficial* of the Guarantor on December 31, 1954, or its *Reglamento*, as published in the *Diario Oficial* of the Guarantor on May 6, 1955, and shall afford the Bank a reasonable opportunity, before taking such action, to exchange views with the Guarantor with respect thereto.

*Section 3.07.* Except as the Bank shall otherwise agree, the Guarantor shall not abrogate any provision of the Trust Agreement.

*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 :

United Mexican States  
c/o 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, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

*Section 5.02.* Nacional Financiera, S.A. 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 Antonio ORTIZ MENA  
Authorized Representative

International Bank for Reconstruction and Development :

By George D. WOODS  
President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

LOAN REGULATIONS No. 4, DATED 15 FEBRUARY 1961

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

[*Not published herein. See United Nations, Treaty Series, Vol. 400, p. 212.*]

LOAN AGREEMENT  
(*AGRICULTURAL CREDIT PROJECT*)

AGREEMENT, dated October 1, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S.A. (hereinafter called the Borrower).

WHEREAS, by a Law published in the *Diario Oficial* of the Guarantor on December 31, 1954, the Guarantor created a trust fund, denominated Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura and managed by Banco de México S.A., to finance agricultural lending through private credit institutions ;

WHEREAS, by a trust agreement between the Guarantor and Banco de México, S.A., dated August 26, 1965, a new trust fund was created, to be managed also by Banco de México, S.A., for the financing of a new agricultural credit project ;

WHEREAS the technical and administrative staff and facilities used by Banco de México, S.A., to operate the above-mentioned Fondo de Garantía y Fomento will also be used to operate the new trust fund ;

WHEREAS the Borrower is willing to assist in the carrying out of the new agricultural credit project as hereinafter provided ; and

WHEREAS the Bank is willing at this time to make a loan to the Borrower, upon the terms and conditions hereinafter set forth, for the purpose of contributing to the carrying out of the said agricultural credit project ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

LOAN REGULATIONS ; DEFINITIONS

*Section 1.01.* The parties to this Loan Agreement accept all the provisions of Loan Regulations No. 4 of the Bank dated February 15, 1961,<sup>1</sup> with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Loan Regulations No. 4 as so modified being hereinafter called the Loan Regulations) :

<sup>1</sup> See above.

- (a) Section 3.02 is deleted.
- (b) Section 4.01 is deleted.
- (c) The words “, the Project Agreement ” are inserted after the words “ the Loan Agreement ” wherever they occur in Sections 5.06, 7.01 and 7.03.

(d) Section 7.02 shall read as follows :

“ SECTION 7.02. *Obligations of the Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or the Banco or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or the Banco, and shall not be impaired by any of the following : any extension of time, forbearance or concession given to the Borrower or the Banco ; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or the Banco or in respect of any security for the Loan ; any modification or amplification of the provisions of the Loan Agreement contemplated by the terms thereof ; any failure of the Borrower or the Banco to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor. ”

(e) Section 9.04 is deleted.

(f) Paragraph 11 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 Schedule 1 to the Project Agreement and as the description thereof shall be amended from time to time by agreement between the Bank and the Banco. ”

*Section 1.02.* Except where the context otherwise requires, the following terms shall have the following meanings wherever used in the Loan Agreement :

- (a) The term “ Banco ” means Banco de México, S.A.
- (b) The term “ Project Agreement ” means the agreement between the Bank and the Banco of even date herewith, and shall include any amendments thereof made by agreement between the Bank and the Banco.
- (c) The term “ Trust Agreement ” means the *Contrato de Fideicomiso*, dated August 26, 1965, between the Government of the United Mexican States and the Banco.
- (d) The term “ Special Trust Fund ” means the fund established by the Trust Agreement.
- (e) The term “ Fondo ” means the technical and administrative staff and facilities that shall be used by the *Banco* to operate the Special Trust Fund and the Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura created by the Law published in the *Diario Oficial* of the Guarantor on December 31, 1954.

*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 twenty-five million dollars (\$25,000,000).

*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 shall otherwise agree, the Borrower shall be entitled, subject to the provisions of this Agreement and the Loan Regulations, to withdraw from the Loan Account the equivalent of 50 per cent of (a) the amounts actually disbursed by eligible banks to beneficiaries under loans included in the Project, and (b) the cost of technical services contracted by the Fondo to carry out the Project; provided, however, that no withdrawals shall be made on account of: (i) expenditures prior to the Effective Date, or (ii) expenditures made 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.

*Section 2.04.* Withdrawals from the Loan Account shall be in dollars or such other freely convertible currency or currencies as the Bank shall from time to time reasonably select.

*Section 2.05.* The Borrower shall pay to the Bank a commitment charge at the rate of three-eighths of one per cent ( $\frac{3}{8}$  of 1 %) per annum on the principal amount of the Loan not so withdrawn from time to time.

*Section 2.06.* The Borrower shall pay interest at the rate of five and one-half per cent ( $5\frac{1}{2}$  %) per annum on the principal amount of the Loan so withdrawn and outstanding from time to time.

*Section 2.07.* 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 2.08.* Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

*Section 2.09.* 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. 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 Bank, the Borrower and the Banco, 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 (a) of the Loan Regulations.

#### Article V

##### PARTICULAR COVENANTS

*Section 5.01.* The Borrower shall make with the Banco arrangements satisfactory to the Bank providing for the transfer of the proceeds of the Loan from the Borrower to the Banco. Except as the Bank shall otherwise agree, the Borrower shall not amend, assign, abrogate or waive any provision of such arrangements.

*Section 5.02.* (a) The Bank and the Borrower shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and the Borrower shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance by the Borrower of its obligations under the Loan Agreement and other matters relating to the purposes of the Loan.

(b) 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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Loan Agreement.

(c) The Borrower shall : (i) 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 ; (ii) enable the Bank's representatives to inspect any relevant records and documents ; and (iii) 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, 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 Project 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 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, 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 Project 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), paragraph (f) or paragraph (j) 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.

*Section 6.02.* The following is hereby specified as an additional event for the purposes of paragraph (j) of Section 5.02 of the Loan Regulations, namely, any covenant or agreement on the part of the Banco under the Project Agreement shall not have been performed.

## 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 (c) of the Loan Regulations : (a) the execution and delivery of the Project Agreement on behalf of the Banco have been duly authorized or ratified by all necessary corporate and governmental action ; and (b) the Borrower and the Banco shall have entered into the arrangements referred to in Section 5.01 of this Agreement.

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

- (a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Banco and constitutes a valid and binding obligation of the Banco in accordance with its terms ; and
- (b) that the arrangements referred to in Section 5.01 of this Agreement are valid and are binding on the Borrower and the Banco.

*Section 7.03.* If this Loan Agreement shall not have come into force and effect by December 15, 1965, this Loan Agreement and all obligations of the parties hereunder shall terminate, unless the Bank, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Bank shall promptly notify the Borrower and the Guarantor of such date.

*Article VIII*

MISCELLANEOUS

*Section 8.01.* The Closing Date shall be March 31, 1969, or such other date as shall be agreed by the Bank and the Borrower.

*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, D.C. 20433  
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 George D. WOODS  
President

Nacional Financiera, S.A. :

By Alfredo NAVARRETE  
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>
August 15, 1969 . . . . .	\$475,000	February 15, 1978 . . . . .	\$755,000
February 15, 1970 . . . . .	490,000	August 15, 1978 . . . . .	775,000
August 15, 1970 . . . . .	500,000	February 15, 1979 . . . . .	795,000
February 15, 1971 . . . . .	515,000	August 15, 1979 . . . . .	815,000
August 15, 1971 . . . . .	530,000	February 15, 1980 . . . . .	840,000
February 15, 1972 . . . . .	545,000	August 15, 1980 . . . . .	860,000
August 15, 1972 . . . . .	560,000	February 15, 1981 . . . . .	885,000
February 15, 1973 . . . . .	575,000	August 15, 1981 . . . . .	910,000
August 15, 1973 . . . . .	590,000	February 15, 1982 . . . . .	935,000
February 15, 1974 . . . . .	605,000	August 15, 1982 . . . . .	960,000
August 15, 1974 . . . . .	625,000	February 15, 1983 . . . . .	990,000
February 15, 1975 . . . . .	640,000	August 15, 1983 . . . . .	1,015,000
August 15, 1975 . . . . .	660,000	February 15, 1984 . . . . .	1,045,000
February 15, 1976 . . . . .	675,000	August 15, 1984 . . . . .	1,070,000
August 15, 1976 . . . . .	695,000	February 15, 1985 . . . . .	1,100,000
February 15, 1977 . . . . .	715,000	August 15, 1985 . . . . .	1,120,000
August 15, 1977 . . . . .	735,000		

\* To the extent that any part of the Loan is repayable in a currency other than dollars (see Loan Regulations, Section 3.03), 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 three years before maturity . . . . .	1/2 %
More than three years but not more than six years before maturity . . . . .	1 1/2 %
More than six years but not more than eleven years before maturity . . . . .	2 1/2 %
More than eleven years but not more than sixteen years before maturity . . . . .	3 1/2 %
More than sixteen years but not more than eighteen years before maturity . . . . .	4 1/2 %
More than eighteen years before maturity . . . . .	5 1/2 %

PROJECT AGREEMENT  
(AGRICULTURAL CREDIT PROJECT)

AGREEMENT, dated October 1, 1965, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO DE MÉXICO, S.A. (hereinafter called Banco).

WHEREAS, by a trust agreement between the Guarantor and the Banco, dated August 26, 1965, the Banco was entrusted with the management of a special fund for the financing of an agricultural credit project ;

WHEREAS, by a Loan Agreement of even date herewith (hereinafter called the Loan Agreement) <sup>1</sup> between the Bank and Nacional Financiera, S.A. (hereinafter called the Borrower), the Bank has agreed to assist in the financing of said agricultural credit project by making available to the Borrower a loan in various currencies equivalent to twenty-five million dollars (\$25,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Banco agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth ; and

WHEREAS the Banco, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth ;

NOW THEREFORE the parties hereto hereby agree as follows :

*Article I*

DEFINITIONS

*Section 1.01.* Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the Loan Regulations (as so defined) shall have the respective meanings therein set forth.

*Article II*

PARTICULAR COVENANTS OF THE BANCO

*Section 2.01.* (a) The Banco shall cause the Project described in Schedule 1 to this Project Agreement to be carried out with due diligence and efficiency and in conformity with sound agricultural, administrative and financial practices. The Project will be carried out under the management and supervision of the Fondo.

(b) The operating policies and procedures for the carrying out of the Project, including the provision of funds by the Banco, shall be agreed upon from time to time between the Bank and the Banco, and the Banco shall ensure at all times that said operating policies and procedures are duly carried out.

(c) The Banco 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

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<sup>1</sup> See p. 348 of this volume.

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 of the Special Trust Fund and, in respect of the Project, of the Banco ; 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, the goods, the administration, operations and financial condition of the Special Trust Fund and, in connection with the Project, the operations of the Banco.

*Section 2.02.* (a) The Bank and the Banco 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 Project.

(b) The Bank and the Banco shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Loan. The Banco 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 performance by the Banco of its obligations under this Agreement.

*Section 2.03.* Except as the Bank shall otherwise agree, the Banco 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 2.04.* Except as the Bank shall otherwise agree, the Banco shall cause the financial statements (balance sheet and profit and loss statement) of the Special Trust Fund to be certified annually by an accountant acceptable to the Bank and shall promptly after their preparation and not later than four months after the close of the Banco's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's report.

*Section 2.05.* The Banco shall cause the Fondo to operate in accordance with sound business, agricultural, economic and financial practices, under the supervision of experienced and competent management.

*Section 2.06.* Except as the Bank shall otherwise agree, the Banco shall not amend, assign, abrogate or waive any provision of the Trust Agreement.

### *Article III*

#### EFFECTIVE DATE ; TERMINATION

*Section 3.01.* This Agreement shall enter into force and effect on the Effective Date. If the Loan Agreement shall terminate pursuant to Section 7.03 thereof, the Bank shall promptly notify the Banco of this event and, upon the giving of

such notice, this Agreement and all obligations of the parties hereunder shall forthwith terminate.

*Section 3.02.* If and when the entire principal amount of the Loan and the Bonds and the premium, if any, on the prepayment of the Loan and on the redemption of all Bonds called for redemption (as the case may be) and all interest and other charges which shall have accrued on the Loan and the Bonds shall have been paid, this Agreement and all obligations of the parties thereunder shall forthwith terminate.

#### *Article IV*

##### MISCELLANEOUS PROVISIONS

*Section 4.01.* No delay in exercising, or omission to exercise, any right, power, or remedy accruing to either party under this Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default ; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

*Section 4.02.* Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cablegram or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are :

For the Bank :

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Alternative address for cablegrams and radiograms :

Intbafrad  
Washington, D.C.

For Banco :

Banco de México, S.A.  
5 de Mayo No. 2  
Mexico 1, D.F., Mexico

Alternative address for cablegrams and radiograms :

Banxico  
México D.F.

*Section 4.03.* Any action required or permitted to be taken, and any documents required or permitted to be executed under this Agreement on behalf of the Banco

may be taken or executed by the *Director General* of the Banco or such other person or persons as he shall designate in writing.

*Section 4.04.* This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project 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 George D. WOODS  
President

Banco de México, S.A. :

By Rodrigo Gomez  
Authorized Representative

## SCHEDULE 1

### DESCRIPTION OF PROJECT

The Project is an agricultural credit program administered by the Fondo through private banks and the banks of the Banco Nacional Agropecuario S.A.'s system, with resources of the Special Trust Fund. The Project includes medium and long-term financing and technical services to agricultural producers for increasing agricultural and livestock production, and to private enterprises for planning and constructing agricultural and livestock processing facilities. Said financing will cover : pasture improvement ; water facilities ; livestock handling facilities ; fencing ; purchase of improved breeding stock ; land development ; farm reclamation, irrigation and drainage works ; farm machinery and equipment ; farm structures, including silos ; tree stock and its development ; agricultural and livestock processing facilities ; technical services ; and other related items.