

No. 10289

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

Guarantee Agreement—*Livestock and Agricultural Development Project* (with annexed General Conditions Applicable to Loan and Guarantee Agreements, Loan Agreement between the Bank and the Nacional Financiera, S.A., and Project Agreement between the Bank and the Banco de Mexico, S.A.). Signed at Washington on 12 June 1969

Authentic text: English.

Registered by the International Bank for Reconstruction and Development on 3 February 1970.

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

Contrat de garantie — *Projet relatif au développement de l'élevage et de l'agriculture* (avec, en annexe, les Conditions générales applicables aux contrats d'emprunt et de garantie, 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 Mexico, S.A.). Signé à Washington le 12 juin 1969

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 3 février 1970.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 12, 1969, between UNITED MEXICAN STATES (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS, by a trust agreement between the Guarantor and Banxico dated August 26, 1965 Banxico has been entrusted by the Guarantor with a special fund for the purpose of financing livestock and agricultural development in Mexico; and

WHEREAS the Government of United Mexican States, Banxico and the Borrower have requested the Bank to assist in financing such development; and

WHEREAS the Bank is at this time willing to provide such financial assistance and for that purpose has agreed to make to the Borrower a loan in various currencies equivalent to sixty-five million dollars (\$65,000,000), on the terms and conditions set forth in the Loan Agreement,² but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided and that Banxico undertake certain obligations to the Bank as in the Project Agreement³ set forth; 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 the General Conditions Applicable to Loan and Guarantee

¹ Came into force on 19 September 1969, upon notification by the Bank to the Government of Mexico.

² See p. 14 of this volume.

³ See p. 34 of this volume.

Agreements of the Bank dated January 31, 1969,¹ subject, however, to the modifications thereof set forth in Schedule 3 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank as so modified being hereinafter called the General Conditions), with the same force and effect as if they were fully set forth herein.

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 shall have the respective meanings as in the General Conditions or in the Loan Agreement set forth.

Article II

Section 2.01. Without limitation or restriction upon any of its other obligations under this 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 Bonds, and the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity, 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 : (a) to cause Banxico to carry out the Project with due diligence and efficiency and in conformity with sound agricultural, administrative and financial policies and practices; and (b) whenever there is reasonable cause to believe that the funds available to Banxico for purposes of the Project will be inadequate to meet the estimated expenditures required for carrying out the Project, to make arrangements, satisfactory to the Bank, promptly to provide Banxico or cause Banxico 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

¹ See p. 14 of this volume.

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 one 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, 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 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. (a) The Guarantor covenants that it will not take, or permit any of its political subdivisions or any of its agencies or any agency of any political subdivision to take, any action which would prevent or interfere with the performance by the Borrower or Banxico of its obligations in the Loan Agreement or the Project Agreement contained and will take all reasonable action which shall be necessary or appropriate to enable the Borrower and Banxico to perform such obligations.

(b) The Guarantor shall take all action which shall be necessary or advisable to : (i) cause such import permits as shall be needed for the importation of agro-industrial machinery and equipment purchased outside of Mexico for the Project to be issued, as promptly as possible, in compliance with the legislation and administrative procedures of the Guarantor, and as required for carrying out the Project; and (ii) enable Banxico to apply or cause to be applied the credit policies (including grace periods) provided for in Part B of Schedule 2 to the Project Agreement to the credit operations required for the purposes of the Project.

Article IV

Section 4.01. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, 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 8.10 of the General Conditions.

Article V

Section 5.01. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

United Mexican States
c/o Nacional Financiera, S.A.
Isabel la Catolica 51
Mexico 1, D. F., Mexico

Cable address:

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

Cable address:

Intbafrad
Washington, D.C.

Section 5.02. Nacional Financiera, S.A. is designated for the purposes of Section 10.03 of the General Conditions.

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 Francisco RUIZ DE LA PEÑA
Authorized Representative

International Bank for Reconstruction and Development:

By J. Burke KNAPP
Vice President

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO LOAN AND GUARANTEE AGREEMENTS

[Not published herein. See United Nations, Treaty Series, vol. 691, p. 300.]

LOAN AGREEMENT

AGREEMENT, dated June 12, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and NACIONAL FINANCIERA, S.A. (hereinafter called the Borrower).

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 January 31, 1969,¹ with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 3 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

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

(a) "Banxico" means Banco de Mexico, S.A.;

(b) "Project Agreement" means the agreement between the Bank and Banxico of even date herewith,² as such agreement may be amended from time to time; and such term includes all agreements supplemental to the Project Agreement and all schedules thereto;

(c) "Trust Agreement" means the *Contrato de Fideicomiso* dated June 24, 1955 between the Government of United Mexican States and Banxico whereby the Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura created by Law of December 31, 1954 was entrusted to Banxico;

¹ See above.

² See p. 34 of this volume.

(d) "Fondo" means the technical and administrative organization, staff and facilities used or to be used by Banxico to operate the Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura and the Special Trust Fund.

(e) "Special Trust Agreement" means the *Contrato de Fideicomiso* dated August 26, 1965 between the Government of United Mexican States and Banxico; and "Special Trust Fund" means the fund established by the Special Trust Agreement;

(f) "First loan agreement" means the loan agreement dated October 1, 1965¹ between the Bank and the Borrower; "first guarantee agreement" means the guarantee agreement of even date therewith¹ between the Guarantor and the Bank; and "first project agreement" means the project agreement of even date therewith¹ between the Bank and Banxico; and

(g) "First project" means the project described in Schedule I to the first project agreement.

Article II

THE LOAN

Section 2.01. The Bank agrees to lend to the Borrower on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to sixty-five million dollars (\$65,000,000).

Section 2.02 (a) 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.

(b) 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, the Loan Agreement and in accordance with the Allocation of the Proceeds of the Loan set forth in Schedule I to this Agreement, as such Allocation shall be modified from time to time by further agreement between the Bank, and the Borrower and Banxico.

Section 2.03. The Borrower shall be entitled to withdraw from the Loan Account in respect of the reasonable cost of goods or services required for the Project to be financed under the Loan Agreement:

- (i) the equivalent of fifty-six per cent (56%) (or of such other percentage as may be established from time to time by agreement between the Bank, and the Borrower and Banxico) of such amounts as shall have been paid by Fondo to participating credit institutions on account of medium- and long-term loans made by such institutions under the Project for financing the reasonable cost of goods or services required therefor (Categories I and II of the Allocation of the Proceeds of the Loan set forth in Schedule I to this Agreement); and

¹ United Nations, *Treaty Series*, vol. 589, p. 339.

- (ii) the equivalent of fifty per cent (50%) (or such other percentage as may be established from time to time by agreement between the Bank, and the Borrower and Banxico) of such amounts as shall have been paid for the reasonable cost of technical services required for the Project (Category III of such Allocation);

provided, however, that, notwithstanding any other provision of the Loan Agreement, unless the Bank shall otherwise agree, the Borrower shall not be entitled to make withdrawals from the Loan Account in respect of Part B of the Project until: (i) Fondo's office in Villahermosa has become a regional office with an organization established therein which shall, in the judgment of the Bank, be suitable for the management of such Part B of the Project; and (ii) a regional resident and a regional technical sub-resident have been appointed for such office, and a general coordinator has been appointed for Las Huastecas region, all such officers having appropriately defined duties and responsibilities in respect of such Part B of the Project.

Section 2.04. (a) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Loan Account may be made on account of payments in the currency of the Guarantor, or for goods produced in, or services supplied from, the territories of the Guarantor.

(b) No withdrawal from the Loan Account shall be made on account of payments for taxes imposed by the Guarantor or any of its political subdivisions on, or in connection with, the importation or supply of goods or services for the Project.

Section 2.05. 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 withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of six and one-half per cent ($6\frac{1}{2}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on March 1 and September 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 2 to this Agreement.

Article III

USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied in accordance with the provisions of the Loan Agreement and the Project Agreement to expenditures on the Project.

Section 3.02. The Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Article IV

BONDS

Section 4.01. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

Section 4.02. The *Director General* of the Borrower is designated as authorized representative of the Borrower for the purposes of Section 8.10 of the General Conditions. The *Director General* of the Borrower may designate additional or other authorized representatives by appointment in writing notified to the Bank.

Article V

PARTICULAR COVENANTS

Section 5.01. The Borrower shall make with Banxico contractual arrangements satisfactory to the Bank providing for the transfer from the Borrower to Banxico of the proceeds of the Loan for the purpose of carrying out the Project and, 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.

Section 5.03. 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 with respect to the Loan; (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 with respect to the Loan.

Section 5.04. 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 5.05. Subject to the exemptions conferred by Sections 3.03 and 3.04 of the Guarantee Agreement, ¹ 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 the Loan Agreement, the Guarantee Agreement, the Project 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 5.06. 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 the Loan Agreement, the Guarantee Agreement, the Project Agreement or the Bonds.

Article VI

REMEDIES OF THE BANK; AMENDMENT OF FIRST LOAN AND GUARANTEE AGREEMENTS

Section 6.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth or if any event specified in Section 6.02 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower, the principal of the Loan and of all the Bonds then outstanding, together with the interest and other charges thereon, shall become due and payable immediately upon declaration notified by the Bank to the Borrower during the continuance of such

¹ See p. 8 of this volume.

event, as provided in Section 7.01 of the General Conditions, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

Section 6.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

(a) A default shall have occurred in the performance of any covenant or agreement on the part of Banxico under the Project Agreement or the first project agreement;

(b) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower or the Guarantor under the first loan agreement, the first guarantee agreement, or the bonds provided for therein; and

(c) A change shall have been made in the Law of December 31, 1954 of the Guarantor creating the Fondo de Garantia y Fomento para la Agricultura, Ganaderia y Avicultura, or in its *Reglamento* of May 6, 1955 or in the Trust Agreement or in the Special Trust Agreement, which shall adversely and materially affect the carrying out of the Project.

Section 6.03. For the purposes of the first loan agreement and the first guarantee agreement, paragraph (c) of Section 5.02 of the Loan Regulations No. 4 of the Bank applicable thereto is amended to read as follows:

“(c) A default shall have occurred in the performance of any other covenant or agreement on the part of the Borrower or the Guarantor under the Loan Agreement, the Guarantee Agreement or the Bonds, or under the loan agreement dated June 12, 1969, between the Bank and the Borrower, the guarantee agreement of even date therewith between the Guarantor and the Bank, the project agreement of even date therewith between Banco de Mexico, S.A., and the Bank, or the bonds therein provided for.”;

and the term “Loan Regulations” as used for the purposes of the first loan agreement and the first guarantee agreement shall mean the Loan Regulations No. 4 of the Bank applicable thereto, as modified therein and as further amended by this Section.

Article VII

EFFECTIVE DATE; TERMINATION

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 11.01 (c) of the General Conditions:

(a) The execution and delivery of the Project Agreement on behalf of Banxico have been duly authorized or ratified by all necessary corporate and governmental action;

(b) The Borrower and Banxico have entered into the contractual arrangements referred to in Sections 5.01 of this Agreement and 2.02 of the Project Agreement; and

(c) Arrangements satisfactory to the Bank have been made in respect of Fondo's reorganization as provided in paragraphs 2 and 3 of Schedule 2 to the Project Agreement.

Section 7.02. The following are specified as additional matters, within the meaning of Section 11.02 (c) of the General Conditions, 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, Banxico and constitutes a valid and binding obligation of Banxico in accordance with its terms;
- (b) That the arrangements referred to in Section 7.01 (b) of this Agreement are valid and are binding on the Borrower and Banxico.

Section 7.03. The date of August 31, 1969 is hereby specified for the purposes of Section 11.04 of the General Conditions.

Article VIII

MISCELLANEOUS

Section 8.01. The Closing Date shall be July 1, 1974 or such other date or dates as shall be agreed between the Bank and the Borrower.

Section 8.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

For the Borrower:

Nacional Financiera, S.A.
Isabel la Catolica 51
Mexico 1, D.F., Mexico

Cable address:

Nafin
Mexico City

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be 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 J. Burke KNAPP
Vice President

Nacional Financiera, S. A.:

By FRANCISCO RUIZ DE LA PEÑA
Authorized Representative

SCHEDULE 1

ALLOCATION OF THE PROCEEDS OF THE LOAN

I. *Medium- and Long-Term Loans for Farm and Ranch Development:*

Land Improvement and Development; On-Farm Irrigation Works; Agricultural Machinery and Equipment; Construction and Installations; Breeding Stock

A. Countrywide Sub-Project:

1. Livestock Development (excluding Cattle Development in the South-eastern Sub-Project Area)	\$12,700,000
2. Annual Crops Development	5,700,000
3. Perennial Crops Development	2,600,000

B. South-eastern Sub-Project:

1. Cattle Development	25,600,000
Sub-Total:	46,600,000

II. *Medium- and Long-Term Loans for Agro-Industries:*

Land Development and Utilities; Construction; Machinery and Equipment; Feasibility Studies and Supervision 11,300,000

III. *Technical Services:*

Technician Training Program; Farmer Training Center; Farmer Training Program; Consultant and Foreign Travel 700,000

IV. *Unallocated:* 6,400,000

TOTAL: \$65,000,000

SCHEDULE 2
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>
September 1, 1974	1,245,000	September 1, 1982	2,080,000
March 1, 1975	1,285,000	March 1, 1983	2,145,000
September 1, 1975	1,330,000	September 1, 1983	2,215,000
March 1, 1976	1,370,000	March 1, 1984	2,290,000
September 1, 1976	1,415,000	September 1, 1984	2,370,000
March 1, 1977	1,460,000	March 1, 1985	2,440,000
September 1, 1977	1,510,000	September 1, 1985	2,520,000
March 1, 1978	1,560,000	March 1, 1986	2,600,000
September 1, 1978	1,610,000	September 1, 1986	2,685,000
March 1, 1979	1,660,000	March 1, 1987	2,770,000
September 1, 1979	1,715,000	September 1, 1987	2,860,000
March 1, 1980	1,770,000	March 1, 1988	2,955,000
September 1, 1980	1,830,000	September 1, 1988	3,050,000
March 1, 1981	1,890,000	March 1, 1989	3,150,000
September 1, 1981	1,950,000	September 1, 1989	3,255,000
March 1, 1982	2,015,000		

* To the extent that any part of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), 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 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

<i>Time of Prepayment or Redemption</i>	<i>Premium</i>
Not more than three years before maturity	$\frac{3}{4}$ of 1%
More than three years but not more than six years before maturity	1 $\frac{3}{4}$ %
More than six years but not more than eleven years before maturity	2 $\frac{3}{4}$ %
More than eleven years but not more than fourteen years before maturity	4 $\frac{1}{2}$ %
More than fourteen years but not more than sixteen years before maturity	5 $\frac{1}{2}$ %
More than sixteen years before maturity	6 $\frac{1}{2}$ %

SCHEDULE 3
MODIFICATIONS OF GENERAL CONDITIONS

For the purpose of the Loan Agreement, the provisions of the General Conditions are modified as follows:

(a) Paragraph 12 of Section 2.01 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 Guarantor, the Bank, the Borrower and Banxico.”

(b) Section 6.06 shall read as follows:

“*Effectiveness of Provisions after Suspension or Cancellation.* Notwithstanding any cancellation or suspension, all the provisions of these General Conditions, the Loan Agreement, the Guarantee Agreement and the Project Agreement shall continue in full force and effect except as in this Article specifically provided.”

(c) Section 9.01 shall read as follows:

“*Enforceability.* The rights and obligations of the Bank, the Borrower and the Guarantor under the Loan Agreement, the Guarantee Agreement, the Project Agreement and the Bonds shall be valid and enforceable in accordance with their terms notwithstanding the law of any state, or political subdivision thereof, to the contrary. Neither the Bank nor the Borrower nor the Guarantor shall be entitled in any proceeding under this Article to assert any claim that any provision of these General Conditions or of the Loan Agreement, the Guarantee Agreement, the Project Agreement or the Bonds is invalid or unenforceable because of any provision of the Articles of Agreement of the Bank or for any other reason.”

(d) Section 9.02 shall read as follows:

“*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 Banxico or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or Banxico, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower or Banxico; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or Banxico or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or the Project Agreement contemplated by the terms thereof; any failure of the Borrower or Banxico 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 9.03 shall read as follows:

“*Failure to Exercise Rights.* No delay in exercising, or omission to exercise, any right, power or remedy accruing to any party under the Loan Agreement or Guarantee Agreement or Project 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.”

PROJECT AGREEMENT

AGREEMENT, dated June 12, 1969, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO DE MEXICO, S.A. (hereinafter called Banxico).

WHEREAS, by a trust agreement between the Guarantor and Banxico dated August 26, 1965. Banxico has been entrusted by the Guarantor with a special fund for the purpose of financing livestock and agricultural development in Mexico; and

WHEREAS the Government of United Mexican States, Banxico and the Borrower have requested the Bank to assist in financing such development; and

WHEREAS the Bank is at this time willing to provide such financial assistance and for that purpose has agreed to make to the Borrower a loan in various currencies equivalent to sixty-five million dollars (\$65,000,000), on the terms and conditions set forth in the Loan Agreement, ¹ but only on condition that Banxico agree to undertake certain obligations to the Bank as hereinafter in this Project Agreement set forth; and

WHEREAS, Banxico 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 otherwise requires, the several terms defined in the Loan Agreement and in the General Conditions ² (as so defined) shall have the respective meanings therein set forth.

¹ See p. 14 of this volume.

² See p. 14 of this volume.

Article II

PARTICULAR COVENANTS OF BANXICO

Section 2.01. (a) Banxico shall carry out or cause the Project to be carried out with due diligence and efficiency and in conformity with sound agricultural, administrative and financial policies and practices and under the management and supervision of Fondo, and shall, at all times, make available promptly as needed, all sums and other resources which shall be required by Fondo to meet its operating expenses.

(b) Banxico shall, for the purpose of carrying out the Project, make or cause to be made available, out of Fondo's resources or otherwise, credit, on terms and conditions satisfactory to the Bank, as required in order to achieve fully and promptly the benefits of the Project.

(c) Banxico shall exercise its rights in relation to each credit operation financed in whole or in part with the proceeds of the Loan in such manner as to protect the interests of the Bank and Banxico.

Section 2.02. (a) Banxico shall make with the Borrower contractual arrangements satisfactory to the Bank providing for the transfer from the Borrower to Banxico of the proceeds of the Loan for the purpose of carrying out the Project and, except as the Bank shall otherwise agree, Banxico shall not amend, assign, abrogate or waive any provision of such arrangements.

(b) Banxico shall, in the arrangements to be made with the Borrower pursuant to paragraph (a) of this Section, make adequate provision satisfactory to the Bank for the utilization, in Fondo's agricultural development credit program, of the proceeds of repayment of medium- and long-term loans under the Project to the extent that such proceeds are not required for purposes of servicing the Loan.

Section 2.03. (a) Banxico shall cause Fondo to operate in accordance with sound agricultural, administrative and financial policies and practices and under the supervision of experienced and competent management.

(b) The operational policies of Banxico and Fondo in respect of the Project and the organization of Fondo shall be satisfactory to the Bank and shall include such organization and credit policies as are set forth in Schedule 2 to this Agreement, subject to further agreement between the Bank and Banxico, and Banxico shall ensure that such organization and credit policies are, to the extent necessary, duly and promptly implemented and carried out to the satisfaction of the Bank.

Section 2.04. (a) Banxico shall cause the proceeds of the Loan to be applied in accordance with the provisions of this Agreement and the Loan Agreement to expenditures on the Project.

(b) Except as the Bank shall otherwise agree, Banxico shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in carrying out the Project.

Section 2.05. Banxico shall submit to the Bank, for review and approval, any credit to be made under the Project in excess of the equivalent of four hundred thousand dollars (\$400,000).

Section 2.06. Banxico shall maintain or cause to be maintained records adequate to identify the goods and services 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 of the Special Trust Fund and, in respect of the Project, of Banxico; 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 and services financed out of the proceeds of the Loan, the administration, operations and financial condition of the Special Trust Fund and, in respect of the Project, the operations of Banxico.

Section 2.07. (a) The Bank and Banxico shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and Banxico shall from time to time, at the request of either of them, exchange views through their representatives with regard to the performance by Banxico of its obligations under this Agreement, the administration, operations and financial condition of the Special Trust Fund, the operations of Banxico in respect of the Project and other matters relating to the purposes of the Loan.

(b) Banxico 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 Banxico of its obligations under this Agreement.

Section 2.08. Except as the Bank shall otherwise agree, Banxico 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 Banxico's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the accountant's report.

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 11.04 of the General

Conditions, the Bank shall promptly notify Banxico 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, cable, telex or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, nor 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

Cable address:

Intbafrad
Washington, D.C.

For Banxico:

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

Cable address:

Banxico
Mexico 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 Banxico may be taken or executed by the *Director General* of Banxico 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 J. Burke KNAPP
Vice President

Banco de Mexico, S.A. :
By Julian SAENZ HINOJOSA
Authorized Representative

SCHEDULE 1

DESCRIPTION OF THE PROJECT

The Project is the financing of livestock and agricultural development in Mexico through a credit program, managed and supervised by Fondo within the framework of the Trust Agreement and the Special Trust Agreement, which will make use of the resources of the Special Trust Fund. The program, involving a rediscounting operation, will be carried out through private credit institutions and the banks of Banco Nacional Agropecuario, S.A.'s system.

1. The Project includes:

Part. A: Countrywide Livestock and Agricultural Development Sub-Project, essentially a continuation and expansion of the first project.

Part B: South-eastern Cattle Development Sub-Project, emphasizing beef production.

2. Under Part A, long-, medium- and short-term financing, together with ancillary technical services and other related items will be provided to:

- (a) farmers and ranchers on a countrywide basis for livestock development (except for cattle development in the South-eastern Sub-Project area), annual crop development, and perennial crop development; and
- (b) farmers, ranchers and other beneficiaries for the planning and construction of primary processing or service-type agro-industries which are of direct benefit to them.

3. Under Part B, long-, medium- and short-term financing, together with ancillary technical services and other related items will be provided for development of commercial cattle ranches in the south-eastern tropical region of Mexico (Las Huastecas, Villahermosa and Yucatan Areas).

4. On-farm and ranch development will cover the following investment categories: land improvement and development; on-farm irrigation works; agricultural machinery and equipment; construction and installation; breeding stock; and other related items. Loans for agro-industries will finance: land development and utilities; construction; machinery and equipment; and feasibility studies and supervision.

5. The Project also includes a training program related to Project objectives.

SCHEDULE 2

ORGANIZATION AND CREDIT POLICIES

1. Banxico will rediscount or otherwise finance long-, medium- and short-term loans made by private credit institutions and the banks of Banco Nacional Agropecuario S.A.'s system, which Fondo shall determine are eligible for financing under the Project. Fondo's determination of eligibility for such financing will be based primarily upon the appraisal and approval of each loan by qualified technicians of, or acceptable to, Fondo, such approval to be given before the respective loan is made by the credit institutions. Appraisals will be reviewed periodically by Fondo in order to determine their accuracy, and records will be kept by Fondo to provide an adequate basis for measurement of Project impact. Irrigation projects will be approved also

by a field representative of the Secretaría de Recursos Hidráulicos, if necessary. Projects for agro-industries will be appraised and recommended by Fondo staff and private consultants acceptable to Fondo, or by staff of Instituto Mexicano de Investigaciones Tecnológicas. Loan appraisal will include the projection of costs and returns to the beneficiary for the life of his loan.

A. *Organization and Promotional Work*

2. Organizational and staffing adjustments as set forth in Banxico's Memorandum dated May 20, 1969 will be implemented and maintained with a view to improving efficiency and ensuring that Fondo's senior operational staff dedicate full time to lending and technical assistance operations and are given appropriate authority and responsibility. Such arrangements will strengthen Fondo's organizational and operational procedures the better to meet the technical services needs of both Sub-Projects. The Organizational Chart and the functional descriptions attached to such Memorandum will not be changed without prior consultation with the Bank.

3. The following measures will be taken:

- (a) The two technical coordinators and one senior technician for each of the three Technical Groups referred to in such Communication will be appointed within three months after the date of the Project Agreement;
- (b) Fondo's recruitment and training program will be intensified to provide adequately trained technicians;
- (c) Fondo will intensify its promotional and informational work regarding the proposed lending and rediscounting program at the level of the participating credit institutions and beneficiaries. Fondo will also periodically review, with participating credit institutions, the use of their credit lines for purposes of the program; and
- (d) Fondo will intensify its promotional and informational work regarding production of improved varieties of plants and cuttings for perennial crops, and improved selected seeds, as required by the Project.

B. *Credit Policies*

4. In order to participate in the Project, eligible credit institutions will be required to provide from their own resources not less than 10% of the total amount of loans made to farmers, ranchers and other beneficiaries. The balance of these loans will be rediscounted or otherwise financed by Banxico. For this purpose, Banxico

will make available to the respective credit institutions, promptly as needed, amounts sufficient to cover such balance.

5. In rediscounting or otherwise financing the loans, the following rules will be observed:

- (a) rediscount rates, subject to the provisions of paragraph (b) below, to participating credit institutions and interest rates to beneficiaries will be as follows:

<i>Size of Loans to Beneficiaries</i>	<i>% of Loan Rediscounted</i>	<i>Rediscount Rates</i>	<i>Interest Rates</i>
Up to pesos 500,000	90	7%	10%
	80	6%	10%
	70	5%	10%
Between 500,000 and 1,500,000 pesos	80	7%	11%
	70	6%	11%
More than 1,500,000 pesos	70	7%	11%

- (b) rediscount rates on agro-industrial loans will be $\frac{1}{2}$ of 1% higher than the rates provided for in the foregoing paragraph;
- (c) a technical services fee of 1% on the loan amounts will be charged to agro-industrial beneficiaries;
- (d) interest rates charged under all programs managed by Fondo will be adjusted from time to time, if necessary, in order to prevent differences between interest rates from discouraging participation in the Project;
- (e) arrangements on lending terms and grace periods will be as follows:
- (i) under the Countrywide Livestock and Agricultural Development Sub-Project, loan maturities will be for a minimum of three years. The average term is expected to be six years, including one year of grace;
 - (ii) under the South-eastern Cattle Development Sub-Project, loan maturities will be for a minimum of five years, The average term is expected to be seven years, including two years of grace. The minimum grace period will be of one year, but wherever appropriate, a two-year period will be granted. In special cases, a grace period of three years or more will be granted; and
 - (iii) in the Wet and Dry Las Huastecas Areas of the South-eastern Cattle Development Sub-Project, where ranches are more developed than in the rest of the South-eastern region, lending terms, including grace periods, will be adapted to the circumstances of each case.

Terms to newly established ranchers will be the same as in other areas of that Sub-Project, while loans to well-established ranchers will be of shorter life.

6. The credit policies established under the first loan agreement may be applied, at the option of Banxico, to loans made by eligible credit institutions before May 20, 1969, or authorized by Fondo before that date.