

No. 12072

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

Guarantee Agreement—*Third Livestock and Agricultural Project* (with General Conditions Applicable to Loan and Guarantee Agreements). Signed at Washington on 9 June 1971

Authentic text : English.

Registered by the International Bank for Reconstruction and Development on 17 October 1972.

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

Contrat de garantie — *Troisième projet relatif à l'élevage et à l'agriculture* (avec Conditions générales applicables aux contrats d'emprunt et de garantie). Signé à Washington le 9 juin 1971

Texte authentique : anglais.

Enregistré par la Banque internationale pour la reconstruction et le développement le 17 octobre 1972.

GUARANTEE AGREEMENT¹

AGREEMENT, dated June 9, 1971, 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 has in the past made the Prior Loans for that purpose and is now willing to make to the Borrower a third loan in various currencies equivalent to seventy-five million dollars (\$75,000,000) 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 Agreement 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. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Guarantee Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969,³ 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 the Loan 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 this Guarantee 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 therein set forth.

¹ Came into force on 1 September 1971, upon notification by the Bank to the Government of Mexico.

² The said Agreement entered into force on 1 September 1971. As it does not constitute an international agreement or a part of the present Agreement, it is not reproduced herein. However, it was published by the Bank as document LN 747 ME, a certified true copy of which was transmitted to the Secretariat together with the documentation submitted for registration of the present Guarantee Agreement.

³ See p. 68 of this volume.

Article II. GUARANTEE; BONDS; PROVISION OF FUNDS

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. 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 other person or persons as it shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

Section 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Guarantee 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, industrial, 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. OTHER COVENANTS

Section 3.01. (a) 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.

(b) To that end, the Guarantor (i) represents that at the date of this Guarantee Agreement no lien exists on any governmental assets as security for any external debt; and (ii) undertakes that, except as the Bank shall otherwise agree, if any such lien shall be created, it 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. The Guarantor shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking 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 "governmental assets" includes the 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 covenants that it will not take, cause 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 (including any action in respect of the contractual arrangements referred to in Section 3.03 of the Loan Agreement) 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 : (i) upon the recommendation of Fondo to that effect, to cause such import permits as shall be needed for the importation of agricultural and 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; (ii) to enable Banxico to apply or cause to be applied the credit policies (including the grace periods) provided for in Schedule 2 to the Project Agreement to the credit operations required for the purposes of the Project; and (iii) upon recommendation of Fondo and in compliance with the legislation and regulations of the Guarantor, to enable (1) milk plants financed under the Project to produce, from milk supplied by any producer, first class milk meeting the quality standards set forth in such legislation and regulations; and (2) any other milk plants to produce, from milk supplied by any producer financed under the Project, milk meeting such standards.

Article IV. CONSULTATION AND INFORMATION

Section 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party : (i) exchange views through their representatives with regard to the performance of their respective obligations under this Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) 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, including its balance of payments, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

Section 4.02. (a) 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.

(b) 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.

Article V. TAXES AND RESTRICTIONS

Section 5.01. 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 foregoing 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 5.02. The Guarantee Agreement, the Loan Agreement, the Project Agreement, any instrument made pursuant to Section 3.01 of this 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 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

Article VI. REPRESENTATIVE OF THE GUARANTOR; ADDRESSES

Section 6.01. Nacional Financiera, S.A., is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

Section 6.02. 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 Católica 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.

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 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 MARIO RAMÓN BETETA
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.*]
