
LOAN NUMBER 1462 ME

Project Agreement

(Integrated Rural Development Project - PIDER II)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BANCO DE MEXICO, S.A.

Dated

July 5

, 1977

PROJECT AGREEMENT

AGREEMENT, dated July 5, 1977, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and BANCO DE MEXICO, S.A. (hereinafter called Banxico).

WHEREAS United Mexican States (hereinafter called the Guarantor) and Nacional Financiera, S.A. (hereinafter called the Borrower) have requested the Bank to assist in the financing of the Project described in Schedule 1 to the Guarantee Agreement (Integrated Rural Development Project - PIDER II) of even date herewith between the Guarantor and the Bank; and the Bank for that purpose, has agreed to lend to the Borrower an amount in various currencies equivalent to one hundred twenty million dollars (\$120,000,000), on the terms and conditions set forth in the Loan Agreement (Integrated Rural Development Project - PIDER II) of even date herewith between the Bank and the Borrower;

WHEREAS the Guarantor, the Bank, the Borrower and Banxico have agreed that Parts D and E of the Project be carried out by Banxico in its capacity as trustee of Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura and of Fondo Especial de Finacimientos Agropecuarios and for that purpose the Borrower has agreed to transfer to Banxico part of the proceeds of the Loan to assist in the financing of said Parts of the Project; and

WHEREAS Banxico, in consideration of the Bank's entering in 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 Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement, the Preamble to this Agreement and the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of Parts D and E of the Project

Section 2.01. (a) Banxico shall carry out Parts D and E of the Project described in Schedule 1 to the Guarantee Agreement with due diligence and efficiency and in conformity with appropriate agricultural, industrial, administrative and financial policies and practices under the management and supervision of Fondo, and shall, at all times, make available, promptly as needed, all sums and other resources 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 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 Guarantor, the Bank, Banxico and Fondo.

(d) Banxico shall cause Fondo to carry out its operations in accordance with sound agricultural, industrial, administrative and financial policies and practices under the supervision of experienced and competent management.

Section 2.02. Banxico shall enter into contractual arrangements, satisfactory to the Bank, with the Borrower providing, inter alia, for the transfer from the Borrower to Banxico of the proceeds of the Loan for the purpose of carrying out Parts E and D of the Project. Except as the Bank shall otherwise agree, Banxico shall not change or fail to enforce any provision of such arrangements.

Section 2.03. Except as the Bank shall otherwise agree, Banxico shall rediscount or otherwise finance sub-loans on the terms and conditions set forth in the Schedule to this Agreement.

Section 2.04. (a) Banxico shall cause the proceeds of the Loan transferred to it by the Borrower to be applied in accordance with the provisions of this Agreement and the Loan Agreement to expenditures on Parts D and E of the Project.

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

Section 2.05. Banxico shall cause the Participating Banks to:

(a) establish and maintain separate accounts for recording all of their receipts and payments for or in connection with such Parts of the Project, including (i) amounts received from and payments made to Fondo, and (ii) amounts disbursed to and received from beneficiaries; and

(b) enable the Bank's accredited representatives to examine such accounts.

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 transferred to it by the Borrower, to disclose the use thereof, to record the progress and cost of Parts D and E of the Project, and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of Fondo and, in respect of Parts D and E of the Project, of Banxico; shall enable the Bank's representatives to inspect the farms and facilities financed under Parts D and E of the Project, 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 such proceeds, the goods and services financed out of such proceeds, the administration, operations and financial condition of Fondo and, in respect of Parts D and E of the Project, the operations of Banxico.

Section 2.07. (a) Banxico shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Parts D and E of the Project, the performance of its obligations under this Agreement, and other matters relating to the purposes of the Loan.

(b) Banxico shall promptly inform the Bank of any condition which interferes or threatens to interfere with, the progress of Parts D and E of the Project, 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 sheets and profit and loss statements) of Fondo to be certified annually by an auditor acceptable to the Bank and shall promptly after their preparation and not later than three months after the close of Banxico's fiscal year transmit to the Bank certified copies of such statements and a signed copy of the audit report.

ARTICLE III

Effective Date and Termination

Section 3.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 3.02. This Agreement and all obligations of the Bank and of Banxico thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

ARTICLE IV

Miscellaneous Provisions

Section 4.01. 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 such party's 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 address so specified are:

For the Bank:

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

Cable address:

INTBAFRAD
Washington, D.C.

For Banxico:

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

Cable address:

BANXICO
Mexico City D. F.

Section 4.02. 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 its Director General or such other person or persons as the Director General shall designate in writing.

Section 4.03. 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 Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By *Is/ E. Lerdau*

Director
Country Programs Department
Latin America and the Caribbean
Regional Office

BANCO DE MEXICO, S.A.

By *Is/ Hugo*

B. Jargain
Authorized Representative

SCHEDULE

Terms and Conditions of
Part D and Part E Sub-loans

	<u>Percentage of Sub-loan Rediscounted</u>	<u>Yearly Rediscount Rates to Participating Banks</u>		<u>Yearly Interest Rates</u>
		<u>Private</u>	<u>Public</u>	
1. (i) Part D sub-loans to Part D sub-borrowers which receive institutional credit for the first time and whose members net annual family income does not exceed 250 times the daily minimum rural wage for the region where they are located	90	6.50%	7.50%	9.50%
(ii) All other Part D sub-loans and Part E sub-loans	90	8.00%	9.00%	11.00%

2. Interest and rediscount rates charged under all other programs managed by Fondo will be adjusted from time to time, as necessary, so that differences between interest rates do not result in discouraging participation in the Project. In addition,

the percentages referred to in the preceding paragraph shall not be different from those that Banxico and the Bank shall agree from time to time for other agricultural programs in Mexico to benefit farmers with socio-economic conditions similar to those of Part D or Part E sub-borrowers, to be financed out of the proceeds of any other loan made by the Bank, and to be re-lent through Banxico.

3. Lending terms and grace periods will be in accordance with technical and financial plans. Repayments of principal of Part D sub-loans and Part E sub-loans will range from 3 to 15 years and will include grace periods of 1 to 3 years; provided that, in exceptional cases and with the prior agreement of the Bank, repayment of principal may extend for up to 20 years.

4. (i) Each Part D sub-borrower included in paragraph 1 (i) above will contribute at least 3% of the total cost of each on-farm investment project in cash, labor or materials; and

(ii) Each Part D sub-borrower included in paragraph 1 (ii) above will contribute at least 5% of the total cost of each on-farm investment project in cash, labor or materials.

5. Each Part E sub-borrower included in paragraph 2 above will contribute at least 5% of the total cost of each rural industrial project in cash, labor or materials.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 5th day of July, 1977.

Handwritten signature

FOR SECRETARY