

CONFORMED COPY

LOAN NUMBER 3309 ME

(Export Sector Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C.

Dated May 2, 1991

LOAN NUMBER 3309 ME

LOAN AGREEMENT

AGREEMENT, dated May 2, 1991, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BANCO NACIONAL DE COMERCIO EXTERIOR, S.N.C. (the Borrower).

WHEREAS (A) the Bank has received a letter dated October 18, 1990, from the Borrower describing a program of actions, objectives and policies designed to achieve the Borrower's medium-term transition towards becoming a more efficient financial institution in a market-oriented environment (hereinafter called the Program) and declaring the Borrower's commitment to the execution of the Program;

(B) the United Mexican States (the Guarantor) and the Borrower having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement have requested the Bank to assist in the financing of the Project;

(C) the Borrower intends to contract from the Inter-American Development Bank (IDB) a loan in an amount equivalent to

approximately two hundred and fifty million dollars (\$250,000,000) to assist in the financing of Part A of the Project on the terms and conditions set forth in an agreement to be entered into between the Borrower and IDB;

(D) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose among the Borrower, the Guarantor and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the Project and the Program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

(c) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in paragraph 3 (c) of Schedule 6 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan: (i) have received no applications or requests under subparagraph (a) or (b) of said paragraph; or (ii) have denied any such applications or requests, then the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "COI Scheme" means the scheme whereby the Borrower pays commissions to commercial banks in exchange for having such commercial banks use their foreign currency funds to provide export financing (including Subloans) at an interest rate equal to that applied to Subloans;

(b) "Financial Intermediary" means a commercial bank regulated by the Ley de Instituciones de Credito of the Guarantor, dated July 14, 1990 and published in the Guarantor's Diario Oficial on July 18, 1990, as amended to the date of this Agreement, or any other financial intermediary acceptable to the Bank;

(c) "Intermediary Loan" means a loan made or proposed to be made by the Borrower out of the proceeds of the Loan to a Financial Intermediary under the applicable Intermediary Loan Agreement;

(d) "Intermediary Loan Agreement" means the agreement to be entered into between the Borrower and a Financial Intermediary providing for a Intermediary Loan;

(e) "Reglas de Operacion" means the Borrower's regulations setting forth the terms, conditions and procedures applicable for on-lending the proceeds of the Loan to Financial Intermediaries and Sub-borrowers;

(f) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 343 (1986);

(g) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(h) "Statutes" means the Ley Organica del Banco Nacional de Comercio Exterior of the Guarantor, dated December 19, 1985 and published in the Guarantor's Diario Oficial on January 20, 1986, as amended to the date of this Agreement;

(i) "Sub-borrower" means an enterprise, involved in export or export-related activities, to which the Borrower or a Financial Intermediary proposes to make or has made a Subloan;

(j) "Subloan" means a loan made or proposed to be made by the Borrower or a Financial Intermediary directly out of the proceeds of the Loan, under Part B of the Project, to a Sub-borrower for a Subproject;

(k) "Subloan Agreement" means any of the agreements to be entered into between the Borrower and a Sub-borrower, or between a Financial Intermediary and a Sub-borrower, pursuant to Section 3.02 (a) of this Agreement; and

(l) "Subproject" means a specific project carried out, or to be carried out, by a Sub-borrower utilizing the proceeds of a Subloan, consisting of acquisition of inputs, fixed assets and provision of permanent working capital necessary to produce goods or to provide services to be exported from Mexico.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of three hundred million dollars (\$300,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made or, if the Bank shall so agree, to be made in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in Banco de Mexico or any other bank acceptable to the Bank on terms and

conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1993 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project; Transfer of Loan Proceeds; Other Covenants

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out or cause to be carried out Part B of the Project and conduct its operations and affairs in accordance with sound financial, administrative and managerial standards and practices, and in accordance with the Statutes and the Reglas de Operacion.

Section 3.02. (a) The Borrower shall relend the proceeds of the Loan allocated to Part B of the Project: (i) to Financial Intermediaries, pursuant to Intermediary Loan Agreements, under terms and conditions satisfactory to the Bank, which shall include those provided in the applicable Reglas de Operacion, for purposes of subsequent on-lending to Sub-borrowers under Subloan Agreements; and (ii) directly to Sub-borrowers, through Subloans pursuant to Subloan Agreements entered into between the Borrower and a Sub-borrower, in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 6 of this Agreement.

(b) The Borrower shall exercise its rights under the applicable Intermediary Loan Agreement and each Subloan Agreement to which it is a party, in such manner as to protect the interests of the Guarantor, the Bank and the Borrower, to comply with its obligations under this Agreement, and to accomplish the purposes of the Loan.

(c) The Borrower shall not change or fail to enforce the Reglas de Operacion in a manner that affects materially and adversely the operations or the financial condition of the Borrower or its ability to carry out Part B of the Project or to perform any of its obligations under this Agreement.

(d) If the proceeds accrued to the Borrower from the repayment of principal of, and payment of interest and other charges on, Intermediary Loans or Subloans are not required for purposes of repayment of principal or payment of interest and other charges under this Agreement, the Borrower shall utilize such proceeds exclusively for making other loans for the same purposes and under the same terms and conditions as those set forth in respect of Intermediary Loans or Subloans under this Agreement.

Section 3.03. (a) The Borrower shall enter into a contractual arrangement, satisfactory to the Bank, with the Guarantor, providing, inter alia, for: (i) the transfer to the Guarantor of the proceeds of the Loan allocated under Part A of the Project; and (ii) the transfer by the Guarantor to the Borrower of such funds as the Borrower shall be required to pay to the Bank on account of principal, interest and other charges on such portion of the Loan allocated to Part A of the Project.

(b) Except as the Bank shall otherwise agree, the Borrower shall not change or fail to enforce any provision of the contractual arrangement referred to in paragraph (a) of this Section.

Section 3.04. (a) Notwithstanding the provisions of paragraphs 3 and 4 of Schedule 6 to this Agreement, the Bank may refrain from approving applications or authorizing requests under such paragraph 4 in respect of Subloans in excess of the following aggregate amounts financed out of the proceeds of the Loan: (i) \$75,000,000

equivalent, within the period ending on January 31, 1992; and (ii) \$175,000,000 equivalent, within the period ending on July 31, 1992.

(b) Not later than January 31, 1992, the Bank and the Borrower shall review the progress made by the Borrower in the carrying out of the Program and the Project, such progress to include, inter alia, the achievement of the following targets: (i) abolishment of the COI Scheme; (ii) initiation of the issuance by the Borrower of guarantees for the benefit of commercial banks in their working capital loans to exporters; and (iii) implementation by the Borrower of a policy of cost recovery in respect of its promotional services to exporters.

(c) If, after the review referred to in paragraph (b) above, the Bank shall have considered as non satisfactory the progress made by the Borrower in the carrying out of the Project or the Program, the Bank may not approve applications or authorize requests under paragraph 4 of Schedule 6 to this Agreement until the Borrower shall have taken such remedial action, satisfactory to the Bank, as shall be necessary to achieve such satisfactory progress.

(d) Not later than July 31, 1992, the Bank and the Borrower shall further review the progress made by the Borrower in the carrying out of the Program and the Project, such progress to include, inter alia, the adoption by the Borrower in its short-term export financing operations of the interest rate described in Schedule 7 to this Agreement.

(e) If, after the review referred to in paragraph (d) above, the Bank shall have considered as non satisfactory the progress made by the Borrower in the carrying out of the Project or the Program, the Bank may not approve applications or authorize requests under paragraph 4 of Schedule 6 to this Agreement until the Borrower shall have taken such remedial action, satisfactory to the Bank, as shall be necessary to achieve such satisfactory progress.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods and works to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.06. Without limiting the Borrower's obligations under Section 4.01 of this Agreement, the Borrower shall, with the assistance of an entity, satisfactory to the Bank, retained under terms of reference satisfactory to the Bank, present not later than 90 days after the proceeds of the Loan allocated to Part A of the Project have been disbursed, a report to the Bank providing verification that all goods procured under Part A of the Project were eligible for financing out of the proceeds of the Loan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain procedures and separate records and accounts adequate to monitor and record the progress of the Project and of each Subproject and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

(b) The Borrower shall:

- (i) have the records referred to in paragraph (a) of this Section, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) and records and accounts for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent and qualified auditors;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end

of each such year: (A) certified copies of said financial statements for such year as so audited; and (B) a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;

- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request; and
- (iv) furnish to the Bank monthly certified statements of the Special Account.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) the Statutes shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement;

(b) the Borrower shall have failed to implement the Program or any part thereof; and

(c) any change in the macroeconomic framework of the Guarantor has, in the Bank's opinion, materially and adversely affected the carrying out of the Project or the Program.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (b) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of thirty days after notice thereof shall have been given by the Bank to the Borrower and the Guarantor; and

(b) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely that the Borrower and the Guarantor shall have entered into the contractual arrangements referred to in Section 3.03 of this Agreement.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely that the contractual arrangement referred to in Section 3.03 of this Agreement has been duly executed and delivered by and is legally binding upon the Borrower and the Guarantor in accordance with its terms.

Section 6.03. The date August 2, 1991 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Director General of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Banco Nacional de Comercio
Exterior, S.N.C.
Camino a Santa Teresa No. 1679
01900 Mexico, D.F.
Mexico

Cable address:

BANCOMEXT
Mexico, D.F.

Telex:

BNCE ME-1764393

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.

Telex:

248423 (RCA)
82987 (FTCC)
64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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 /s/ S. Shahid Husain
Regional Vice President
Latin America and the Caribbean

BANCO NACIONAL DE COMERCIO EXTERIOR,
S.N.C.

By /s/ Jose Angel Gurria
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Imported goods for Part A of the Project	25,000,000	100% of foreign expenditures
(2) Subloans under Part B the Project	275,000,000	100% of amounts disbursed under Subloans
TOTAL	300,000,000 =====	

2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods supplied from the territory of any country other than that of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$30,000,000 may be made on account of payments made for such expenditures before that date but after November 2, 1990.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of expenditures under Part A of the Project:

(a) for goods included in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Subgroup	Description of Items
112	--	Alcoholic beverages
121	--	Tobacco, unmanufactured, tobacco refuse
122	--	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	--	Radioactive and

		associated materials
667	--	Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	--	Gold, nonmonetary (excluding gold ores and concentrates)

(b) for goods procured under contracts costing less than \$10,000 equivalent;

(c) for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(d) for goods intended for a military or paramilitary purpose or for luxury consumption; and

(e) for crude oil or foodstuffs.

5. Withdrawal applications for expenditures under Part A of the Project shall be consolidated in aggregate amounts of not less than \$2,000,000 equivalent, except for the last withdrawal application which shall be for the remaining amount of the Loan to be disbursed under Category (1) of the table in paragraph 1 of this Schedule.

6. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of goods or works included in a Subproject unless the Subloan for that Subproject has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 6 of this Agreement, and the respective Intermediary Loan Agreement (if applicable) and Subloan Agreement have been entered into by the parties thereto.

SCHEDULE 2

Description of the Project

The objectives of the Project are to support: (i) trade and customs reforms aimed at encouraging efficiency in, and expanding, Mexico's tradeables sector; and (ii) the Borrower in making institutional changes aimed at becoming a more efficient financial institution in a market oriented environment.

Part A:

Importation of goods in support of the Program.

Part B:

Carrying out of Subprojects.

* * * *

The Project is expected to be completed by June 30, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 15 and November 15	
beginning November 15, 1996 through May 15, 2008	12,500,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than 11 years before maturity	0.65
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement of Goods and Works

Part A: Procurement of Goods under Part A of the Project

1. Except as provided in paragraph 2 of this Part A, contracts for the procurement of goods under Part A of the Project estimated to cost the equivalent of \$5,000,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper

of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods under Part A of the Project estimated to cost the equivalent of less than \$5,000,000 shall be awarded:

(a) by purchasers required to follow the Guarantor's public procurement procedures for the importation of goods, on the basis of such procedures, provided that such procedures shall have been found acceptable to the Bank; and

(b) by other purchasers, in accordance with established commercial practice.

Part B: Procurement of Goods and Works under Part B of the Project

1. Except as provided in paragraphs 2, 3 and 4 below, contracts for the procurement of goods and works under Part B of the Project shall be procured through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the Guidelines.

2. Computers and office equipment under Part B of the Project, estimated to cost more than the equivalent of \$500,000 per contract, may be procured through limited international bidding, as provided in paragraph 3.2 of the Guidelines, in accordance with procedures acceptable to the Bank.

3. Goods and works under Part B of the Project (other than computers and office equipment), estimated to cost the equivalent of \$2,000,000 or more, but less than the equivalent of \$5,000,000 per contract, and computers and office equipment for Part B of the Project estimated to cost the equivalent of \$500,000 per contract or less, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

4. Goods and works under Part B of the Project, estimated to cost less than the equivalent of \$2,000,000 per contract, may be procured under contracts awarded on the basis of established commercial procurement practices satisfactory to the Bank.

Part C: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part B.1 of this Schedule, goods manufactured in Mexico may be granted a margin of preference in accordance with, and

subject to, the provisions of paragraph 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part D: Review by the Bank of Procurement Decisions

1. With respect to each contract referred to in Part A.1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

2. With respect to each contract referred to in Part A.2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support withdrawal applications in respect of such contract.

3. With respect to each contract for works or goods under Part B of the Project (other than computers and office equipment), estimated to cost the equivalent of \$5,000,000 or more, to the first two contracts for computers and office equipment under Part B of the Project estimated to cost more than the equivalent of \$500,000 per contract and to the first two contracts for the works and goods (other than computers and office equipment) referred to in paragraph 3 of Part B of this Schedule, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

4. With respect to each contract under Part B of the Project not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

5. The provisions of the preceding paragraphs 2 and 4 shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

6. The figure of 20% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Category" means Category (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "Eligible Expenditures" means expenditures in respect of the reasonable cost of goods and services required during the execution of the Project and to be financed out of the proceeds of the Loan allocated from time to time to the Eligible Category in accordance with the provisions of Schedule 1 to this Agreement, provided, however, that notwithstanding the provisions of paragraph 4 (b) of Schedule 6 to this Agreement, payments for expenditures to

be financed out of the proceeds of free-limit Subloans may be made out of the Special Account before the Bank shall have authorized withdrawals from the Loan Account in respect thereof. Such expenditures, however, shall qualify as Eligible Expenditures only if the Bank shall subsequently authorize such withdrawals; and

(c) the term "Authorized Allocation" means an amount equivalent to \$20,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective Eligible Category, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Loan, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of

the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Procedures for and Terms and Conditions of Subloans

1. The terms and conditions of Subloans shall be as set forth in the Reglas de Operacion, where applicable, and this Schedule, and in case of any conflict between the Reglas de Operacion and this Schedule, this Schedule shall prevail.

2. No Subloans aggregating more than the equivalent of \$15,000,000 shall be made for the benefit of any Sub-borrower or Subproject.

3. No expenditures for goods or works required for a Subproject shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Subloan for such Subproject shall have been approved by the Bank and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Schedule in respect of such Subloan; or

(b) the Subloan for such Subproject shall have been a free-limit Subloan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) of this Schedule in respect of such free-limit Subloan. For the purposes of this Agreement, a free-limit Subloan shall be a Subloan for a Subproject in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$10,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan for the benefit of the

same Sub-borrower or Subproject.

4. (a) When presenting a Subloan (other than a free-limit Subloan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Sub-borrower and an appraisal of the Subproject, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Subloan, including the schedule of amortization of the Subloan; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Subloan shall contain: (i) a summary description of the Sub-borrower and the Subproject, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Subloan, including the schedule of amortization therefor.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 1993.

5. Subloans shall be made on terms whereby the Borrower or the Financial Intermediary shall obtain, through the Subloan Agreement, rights adequate to protect the interests of the Bank, the Borrower and the Guarantor, including, in the case of any Subloan, the right to:

(a) require the Sub-borrower to carry out and operate the Subproject with due diligence and efficiency and in accordance with sound technical, environmental, financial and managerial standards and to maintain adequate records;

(b) require that: (i) the goods and works to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; and (ii) such goods and works shall be used exclusively in the carrying out of the Subproject;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request: (i) when applicable, such goods and the sites, works, plants and construction included in the Subproject and the operation thereof; and (ii) any relevant records and documents;

(d) require, when applicable, that: (i) the Sub-borrower shall take out and maintain with responsible insurers such insurance, against such risk and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Sub-borrower to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Sub-borrower and to the benefits to be derived from the Subproject; and

(f) suspend or terminate the right of the Sub-borrower to the use of the proceeds of the Loan upon failure by such Sub-borrower to perform its obligations under the Subloan Agreement.

SCHEDULE 7

Borrower's Interest Rate for Export
(Pre-and-Post Shipment) Financing

1. Subject to paragraph 3 below, the interest rate to be adopted by the Borrower by June 30, 1992 in its export financing operations shall be the weighted average of the following interest rates in force as of such date, such weighted average to be determined in accordance with the methodology set forth in paragraph 2 below:

(a) Bankers' Acceptance Rate plus 1 percentage point; and

(b) the weighted average of the interest rates charged by Banco Nacional de Mexico, S.N.C. (BANAMEX), Banco de Comercio, S.N.C. (BANCOMER) and SERFIN, S.N.C. (SERFIN), in their export financing operations in Dollars.

2. The weights of the rates referred to above shall be established on the basis of the values of exports of non-oil manufactures, during the latest 6 months for which the information is available, as follows:

(a) the rate referred to in paragraph 1 (a) above, on the basis of such values of exports made by subsidiaries of multinational companies operating in Mexico; and

(b) the rate referred to in paragraph 1 (b) above, on the basis of such values of exports made by exporting companies borrowing from the banks referred to therein.

3. If the interest rate used by the Borrower in its export financing operations as of June 30, 1992 is 0.5% higher or lower than the interest rate resulting from the calculation referred to in paragraphs 1 and 2 above, it will not need to be modified.

4. For the purposes of this Schedule, "Bankers' Acceptance Rate" means the rate per annum at which banks discount negotiable bank drafts or liabilities maturing at 180 days sight, arising out of transactions involving the importation or exportation of goods. For purposes of determining the above-mentioned rate, the Borrower shall utilize the Bankers' Acceptance Rate, on an offer basis, for such acceptances quoted daily on page 13 of the information system provided by Tele-rate Systems Inc. at 11 a.m. in New York City or such other indicator for Bankers' Acceptance Rate as the Bank may, after consultation with the Borrower, reasonably determine.

