

CONFORMED COPY

LOAN NUMBER 2882 ME

Loan Agreement

(Second Trade Policy Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

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

Dated December 7, 1987

LOAN NUMBER 2882 ME

LOAN AGREEMENT

AGREEMENT, dated December 7, 1987, 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
September 29, 1987, from the guarantor describing a
program of actions, objectives and policies designed to
continue to gradually liberalize its trade regime to
achieve greater domestic efficiency and international
competitiveness (hereinafter called the Program),
declaring the Guarantor's commitment to the execution of
the Program, and requesting assistance from the Bank in
the financing of imports and services required during
such execution; and

(B) on the basis, inter alia, of the foregoing, the

Bank has decided in support of the Program to provide such assistance to the Guarantor by making the Loan to the Borrower in two tranches as hereinafter provided;

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) Section 2.01, paragraph 11, shall be modified to read:

"'Project' means the imports that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement.";

(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 upon for this purpose between the Borrower and the Bank, the Borrower and the Guarantor shall prepare and furnish to the Bank a joint report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Guarantor, the Borrower and the Bank of their respective obligations under the Loan and Guarantee Agreements and the accomplishment of the purposes of the Loan."; and

(c) the last sentence of Section 3.02 shall be deleted.

Section 1.02. 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) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev. 2 (1981); and

(b) "Prior Program" means the program described in the statement of foreign trade policy sent to the Bank by the Guarantor with a letter dated July 22, 1986, supported by Loan No. 2745-ME, made by the Bank to the Borrower through a loan agreement dated August 8, 1986.

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 this agreement, an amount in various currencies equivalent to five hundred million dollars (\$500,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1988 or such later dates 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 per cent ($3/4$ 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 per annum for each interest Period equal to one-half percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 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 2 to this Agreement.

ARTICLE III

Transfer of Loan Proceeds

Section 3.01. The Borrower shall enter into contractual arrangements, satisfactory to the Bank, with the Guarantor providing, inter alia: (a) for the transfer to the Guarantor of the proceeds of the Loan; and (b) for the transfer by the Guarantor to the Borrower of such funds which the Borrower shall be required to pay to the Bank on account of principal, interest and other charges on the Loan. Except as the Bank shall otherwise agree, the Borrower shall not change or fail to enforce any provision of such arrangements.

Section 3.02. The Borrower, the Bank and the Guarantor, pursuant to Section 3.01 of the Guarantee Agreement, shall quarterly, or at the request of either party, exchange views on the progress achieved in

carrying out the Program, and in the fulfillment of the conditions specified in paragraph 3 of Schedule 1 to this Agreement.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said accounts and the audit thereof as the Bank shall from time to time reasonably request.

(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, separate 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 or other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such separate accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Loan withdrawn in respect of such expenditures were used for the purposes for which they were provided.

ARTICLE IV

Additional Event of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that an event has occurred which shall make it improbable that the Program, or a significant part thereof, will be carried out.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of 'the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) that the contractual arrangements referred to in Section 3.01 of this Agreement shall have been executed;

(b) that the Guarantor shall have furnished to the Bank evidence that its macro-economic policy framework is consistent with the Program; and

(c) that the Guarantor shall have continued to implement its calendar for the reduction of import tariffs included in the Prior Program.

Section 5.02. 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 arrangements referred to in Section 3.01 of this Agreement have been executed and delivered on behalf of the parties thereto and are legally binding upon them in accordance with their terms.

Section 5.03. The date March 8, 1988 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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 Sta. Teresa No. 1679
Col. Jardines del Pedregal
01900 Mexico, D.F.
Mexico

Telex:

1764393-BNCE ME

For the Bank:

International Bank for
Reconstruction and Development

1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

440098 (ITT)
248423 (RCA) or
64145 (WUI)

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/ Alfredo Phillips Olmedo
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of imported goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured; tobacco refuse
122	-	Tobacco, manufactured
667	-	Pearls, precious and semi- precious stones, unworked or worked
688	-	Uranium depleted in U235

and		thorium, and their alloys, unwrought or wrought, and articles there for, n.e.s.;
		waste and scrap of uranium depleted in U235 and of
thorium		
718	718.7	Nuclear reactors, and
parts		thereof, n.e.s.
897	897.3	Jewelry of gold,
silver or		Platinum group metals
(except		watches and watch cases)
and		goldsmiths' or
silversmiths'		wares (including set gems)
-	971.0	Gold, non-monetary
(excluding		gold ores and concentrates)

(b) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$100,000,000, may be made on account of payments made for expenditures before that date but after March 31, 1987;

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

(d) expenditures for goods, intended for a military or para-military purpose or for luxury consumption; and

(e) expenditures for goods, the importation of which is subject to Non-tariff Barriers in Mexico.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$300,000,000 unless:

(a) the Bank shall have been satisfied, after an exchange of views as described in Section 3.01 of the Guarantee Agreement:

- (A) with the progress made by the Guarantor in carrying out the Program;
- (B) with the progress made by the Guarantor in the implementation of its calendar for the reduction of import tariffs included in the Prior Program;
- (C) that the macro-economic policy framework of the Guarantor is consistent with the Program; and

(b) the Guarantor shall have furnished to the Bank evidence satisfactory to the Bank that it has reduced quantitative restrictions and official reference prices on imports by 20% of total production from the level of 63.1% of total production existing on November 30, 1986,

such total production to be calculated in accordance with methods and on the basis of a time period acceptable to the Bank.

4. If, after the exchange of views referred to in paragraph 3.01 of the Guarantee Agreement, the Bank is not satisfied as to the compliance by the Guarantor with the conditions included in sub-paragraph (a) and (b) of paragraph 3 of this Schedule and this situation shall not be rectified within 90 days after notice thereof by the Bank, then the Bank, by notice to the Borrower, may cancel the amount of the Loan unwithdrawn from the Loan Account or any part thereof.

SCHEDULE 2

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each May 1 and November 1	
beginning May 1, 1991 through May 1, 2002	20,835,000
On November 1, 2002	20,795,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.20
More than three years but not more than six years before maturity	0.40
More than six years but not more than 11 years before maturity	0.73
More than 11 years but not more than 13 years before maturity	0.87
More than 13 years before maturity	1.00

SCHEDULE 3

Procurement

1. Contracts for the procurement of goods 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 there for:

"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 Forum, Business Edition; 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 goods estimated to cost the equivalent of less than \$5,000,000 each shall be awarded on the basis of the normal procurement procedures of the purchaser of such goods.

3. With respect to each contract referred to in paragraph 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.

4. With respect to each contract referred to in paragraph 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.

5. The provisions of the preceding paragraphs 3 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.

