

CONFORMED COPY

LOAN NUMBER 2858 ME

(Fourth Small- and Medium-Scale Industry Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NACIONAL FINANCIERA, S.N.C.

Dated September 30, 1987

LOAN NUMBER 2858 ME

LOAN AGREEMENT

AGREEMENT, dated September 30, 1987, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and NACIONAL FINANCIERA, S.N.C. (the Borrower).

WHEREAS (A) 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;

(B) 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 such 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 set forth in Schedule 4 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

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) "Coordinating Committee" means the committee established by the Guarantor, through Oficio No. 102-E-368-DGBD-11-616 dated April 28, 1987, from the Minister of Finance of the Guarantor to the Director General of the Borrower, and entrusted with the overall supervision of the Project, other than Part E (4) of the Project;

(b) "Fideicomisos" means collectively, FOGAIN, FIDEIN and FOMIN;

(c) "FIDEIN" means Fideicomiso de Conjuntos, Parques y Ciudades Industriales y Centros Comerciales, established by a law of the Guarantor published in the Diario Oficial on December 24, 1970 of which the Borrower is Trustee pursuant to a contrato de fideicomiso between the Guarantor and the Borrower dated February 1, 1971, as amended; and such term includes the technical and administrative organization, resources, staff and facilities used, or to be used, by the Borrower to operate FIDEIN;

(d) "FIDEIN Loan" means a loan made by the Borrower as trustee for FIDEIN to an Investment Enterprise to assist in the financing of a FIDEIN Project and to be partially financed out of the proceeds of the Loan, all in accordance with the provisions of this Agreement and the FIDEIN Operating Regulations;

(e) "FIDEIN Operating Regulations" means the operating regulations of FIDEIN dated April 27, 1976, as amended on August 4, 1983;

(f) "FIDEIN Project" means a specific development project to be carried out by an Investment Enterprise under Part B (1) of the Project, utilizing the proceeds of the Loan;

(g) "FOGAIN" means Fondo de Garantia y Fomento a la Industria Mediana y Pequena, established by a law of the Guarantor published in the Diario Oficial on December 30, 1953 of which the Borrower is the Trustee pursuant to a contrato de fideicomiso between the Guarantor and the Borrower dated April 7, 1954, as amended; and such term includes the technical and administrative organization, resources, staff and facilities used, or to be used, by the Borrower to operate FOGAIN;

(h) "FOGAIN Loan" means a loan made or proposed to be made by the Borrower, as trustee of FOGAIN, to a Participating Intermediary for the purpose of financing a FOGAIN Sub-loan, and to be partially financed out of the proceeds of the Loan, all in accordance with the provisions of this Agreement and FOGAIN Operating Regulations;

(i) "FOGAIN Operating Regulations" means the operating regulations of FOGAIN dated April 6, 1954, as amended on January 1, 1987;

(j) "FOGAIN Sub-loan" means a loan made or proposed to be made by a Participating Intermediary out of the proceeds of a FOGAIN Loan to an Investment Enterprise for a Sub-project;

(k) "FOMIN" means Fondo Nacional de Fomento Industrial,

established by a contrato de fideicomiso between the Guarantor and the Borrower dated April 12, 1972, as amended, and of which the Borrower is Trustee pursuant to said contrato; and such term includes the technical and administrative organization, resources, staff and facilities used, or to be used, by the Borrower to operate FOMIN;

(l) "FOMIN Investment" means an equity investment, including debt represented by instruments convertible into equity, made or proposed to be made by the Borrower, as Trustee for FOMIN, in an Investment Enterprise, for a FOMIN Project and to be partially financed out of the proceeds of the Loan, all in accordance with the provisions of this Agreement and FOMIN Operating Regulations;

(m) "FOMIN Operating Regulations" means the operating regulations of FOMIN dated April 12, 1972, as amended on January 26, 1987;

(n) "FOMIN Project" means a specific project to be carried out by an Investment Enterprise under Part C (1) of the Project utilizing the proceeds of a FOMIN Investment or a FOMIN Restructuring Investment;

(o) "FOMIN Restructuring Investment" means a FOMIN Investment, as so defined, which the Borrower, as trustee of FOMIN, has made or proposes to make in an Investment Enterprise in connection with, or as part of, a Restructuring Plan;

(p) "free-limit FOGAIN Sub-loan" means a FOGAIN Sub-loan, as so defined, which qualifies as a free-limit FOGAIN Sub-loan pursuant to paragraph 1 (b) (i) of Schedule 5 to this Agreement;

(q) "free-limit FOMIN Investment" means a FOMIN Investment, as so defined, which qualifies as a free-limit FOMIN Investment pursuant to the provisions of paragraph (1) (b) (ii) of Schedule 5 to this Agreement;

(r) "free-limit FOMIN Restructuring Investment" means a FOMIN Restructuring Investment, as so defined, which qualifies as a free-limit FOMIN Restructuring Investment pursuant to the provisions of paragraph (1) (b) (iii) of Schedule 5 to this Agreement;

(s) "free-limit Micro-Enterprise Loan" means a Micro-Enterprise Loan which qualifies as a free-limit Micro-Enterprise Loan pursuant to paragraph 1 (b) (iv) of Schedule 5 to this Agreement;

(t) "General Interest Rate Agreement" means the General Agreement on Interest Rates Applicable to Credit Operations of Fondos de Fomento financed by the International Bank for Reconstruction and Development between the Guarantor and the Bank, dated August 7, 1984, as such agreement may be amended from time to time;

(u) "high priority industrial zones" means industrial zones I and II, as defined in the Diario Oficial of the Guarantor dated January 22 and November 25, 1986;

(v) "Investment Enterprise" means: (i) a Small- and Medium-Scale Enterprise, as so defined, to which a Participating Intermediary has made or proposes to make a FOGAIN Sub-loan, or to which the Borrower, as trustee for FOMIN, has made or proposes to make a FOMIN Investment; or (ii) in respect of a FIDEIN Loan, a promoter or owner of a public or private industrial park, or a private lease operator of factory buildings within industrial parks in high priority industrial zones or in zone III B, as defined in the Diario Oficial of the Guarantor dated January 22 and November 25, 1986;

(w) "Micro-Enterprise" means a low-income entrepreneur who qualifies for financing under Part D of the Project pursuant to

the criteria set forth in the Micro-Enterprise Operating Regulations, and to whom a Promotional Agency has made or proposes to make a loan partially financed out of the proceeds of a Micro-Enterprise Loan;

(x) "Micro-Enterprise Loan" means a loan made or proposed to be made by the Borrower to a Promotional Agency for the purpose of Part D of the Project, and to be partially financed out of the proceeds of the Loan;

(y) "Micro-Enterprise Operating Regulations" means the operating regulations of the Borrower for the execution of Part D of the Project, as shall have been agreed upon between the Borrower and the Bank;

(z) "Operating Regulations" means, collectively, the FOGAIN Operating Regulations, the FOMIN Operating Regulations FIDEIN Operating Regulations and the Micro-Enterprise Operating Regulations;

(aa) "Participating Intermediary" means any credit institution approved by FOGAIN for the purpose of receiving a FOGAIN Loan;

(bb) "peso" means the currency unit of the Guarantor;

(cc) "Prior Loans" means Loan No. 1881 ME and Loan No. 2325 ME made by the Bank to the Borrower, through loan agreements dated September 29, 1980, and August 15, 1983, respectively;

(dd) "Promotional Agency" means any private or public entity legally established pursuant to the laws of the Guarantor, and which the Borrower has approved for the purpose of participating in the execution of Part D of the Project pursuant to the Micro-Enterprise Operating Regulations;

(ee) "Reference Rate" means the index Costo Porcentual Promedio de Captacion, as defined in the Diario Oficial de la Federacion, dated October 16, 1981, published by the Guarantor, or such other reference rate acceptable to the Guarantor and the Bank;

(ff) "Restructuring Plan" means a financial restructuring plan prepared in accordance with the criteria set forth in FOMIN Operating Regulations and furnished to the Borrower by an Investment Enterprise prior to, or in connection with, the submission to the Borrower of a request for a FOMIN Restructuring Investment;

(gg) "Small- and Medium-Scale Enterprise" means an enterprise legally established under the laws of the Guarantor engaged in the production of goods or services, which: (i) for the purposes of making a FOGAIN Sub-loan, employs up to 250 persons and has annual sales not exceeding the equivalent of \$1,300,000, or such other amount acceptable to the Bank; and (ii) for the purposes of making a FOMIN Investment, an enterprise which meets the criteria set forth in FOMIN Operating Regulations for small-scale and medium-scale enterprises;

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

(ii) "Sub-project" means a specific project to be carried out by an Investment Enterprise under Part A (1) and (2) of the Project utilizing the proceeds of a FOGAIN Sub-loan.

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 one hundred eighty-five million dollars (\$185,000,000).

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 and services required for the Project 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 account 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 7 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 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 of one 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 Guarantor and 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 semi-annually on March 15 and September 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; Management and Operations of the Borrower

Section 3.01. (a) The Borrower, as trustee for the Fideicomisos and in its own capacity, 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 the Project, other than Part E (4), under the overall supervision of the Coordinating Committee, and conduct its operations with due diligence and efficiency and in accordance with sound financial practices and the Operating Regulations.

(b) The Borrower shall enter into contractual arrangements with the Guarantor, on terms and conditions satisfactory to the Bank, providing, inter alia, for: (i) the transfer to the Guarantor of the proceeds of the Loan; (ii) the transfer by the Guarantor to the Borrower, as trustee of the Fideicomisos, of such amount of the proceeds of the Loan as required by the Borrower for carrying out Parts A, B and C of the Project; (iii) the transfer by the Guarantor to the Borrower, in its own capacity, of the remaining proceeds of the Loan for purposes of Parts D and E (1), (2) and (3) of the Project; and (iv) 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 may otherwise agree, the Borrower shall not change or fail to enforce any provision of such contractual arrangements.

Section 3.02. (a) The Borrower undertakes that, unless the Bank shall otherwise agree, FOGAIN Sub-loans, FOGAIN Loans, FIDEIN Loans, FOMIN Investments, FOMIN Restructuring Investments and Micro-Enterprise Loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in this Agreement.

(b) The Borrower shall exercise its rights in relation to each FOGAIN Sub-loan, FOGAIN Loan, FIDEIN Loan, FOMIN Investment, FOMIN Restructuring Investment and Micro-Enterprise Loan in such manner as to: (i) protect the interests of the Bank and the Borrower; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 6 to this Agreement.

Section 3.04. The Borrower, in its own capacity, in respect of Part D of the Project, and as trustee of the Fideicomisos in respect of Part A (1) and (2), Part B (1) and Part C (1) of the Project, shall use the amounts resulting from repayments of principal, and payment of interest or dividends, as the case may be, on FOGAIN Loans, FIDEIN Loans, FOMIN Investments, FOMIN Restructuring Investments and Micro-Enterprise Loans for purposes consistent with the objectives of the Project as described in Schedule 2 to this Agreement.

Section 3.05. The Borrower, as trustee for FOGAIN, undertakes to establish by December 30, 1988, a system to obtain information from Participating Intermediaries on the level of arrears of FOGAIN Sub-loans.

Section 3.06. The Borrower, as trustee for FIDEIN, shall:

(a) carry out: (i) the studies included in Part B (3) (i) and (ii) of the Project not later than December 31, 1988; and (ii) the review included in Part B (3) (iii) of the Project not later than June 30, 1989;

(b) exchange views with the Bank on the conclusions and recommendations of such review and study; and

(c) taking into account the views expressed by the Bank, implement such recommendations within a timetable acceptable to the Bank.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower, as trustee for the Fideicomisos in respect of Parts A, B and C of the Project, and in its own

capacity in respect of the remaining Parts of the Project, other than Part E (4) shall maintain or cause to be maintained procedures and separate records and accounts adequate to reflect the progress of the Project and of each Sub-project, FIDEIN Project and FOMIN Project, and of the operations of Promotional Agencies financed out of the proceeds of the Micro-Enterprise Loans, and to reflect, in accordance with consistently maintained sound accounting practices, the operations and financial conditions of the Borrower and of each of the Fideicomisos.

Section 4.02. (a) The Borrower shall:

- (i) have the accounts referred to in Section 4.01 of this Agreement, its financial statements, and the accounts and financial statements of the Fideicomisos (balance sheets, statements of income and expenses and related statements), and the Special Account for each fiscal year audited in accordance with generally accepted auditing standards and procedures consistently applied by independent and qualified auditors;
- (ii) ensure that the report of such audit includes separate opinion as to whether the proceeds of Micro-Enterprise Loans were used exclusively for the purpose of carrying out Part D of the Project;
- (iii) 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) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested;
- (iv) furnish to the Bank each month a certified statement of the Special Account; and
- (v) 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.

(b) 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 Section 4.01 of this Agreement, separate records and accounts reflecting such expenditures;
- (ii) retain or cause to be retained, 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 accounts are included in the annual audit referred to in paragraph (a) of this Section and that the report thereof contains in respect of such 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 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) a change shall have been made in any legal instrument under which FOGAIN, FIDEIN or FOMIN has been established which would materially and adversely affect the carrying out of the Project or the financial condition of FOGAIN, FIDEIN or FOMIN;

(b) a change shall have been made in any of the Operating Regulations which would materially and adversely affect the carrying out of the Project;

(c) a resolution shall have been passed for the dissolution or liquidation of FOGAIN; and

(d) a resolution shall have been passed for the dissolution or liquidation of FIDEIN or FOMIN, provided, however, that the Bank may at its option suspend the right of the Borrower to make withdrawals from the Loan Account only in respect of the amounts to be transferred to the entity in respect of which such event has occurred.

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

(a) that any of the the events specified in paragraphs (a) and (c) of Section 5.01 shall occur; and

(b) that the event specified in paragraph (b) of Section 5.01 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.

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 shall have entered into the contractual arrangements referred to in Section 3.01 (b) 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 arrangements referred to in Section 6.01 (a) of this Agreement have been duly authorized and are legally binding upon the parties thereto in accordance with their terms.

ARTICLE VII

Miscellaneous

Section 7.01. The date December 30, 1987 is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 7.02. The Director Internacional of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 11.01 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.

Telex:

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

For the Borrower:

Direccion Internacional y de Tesoreria
Nacional Financiera, S.N.C.
Plaza NAFINSA
Insurgentes Sur 1971
Torre Sur 90 Piso
01020 Mexico D.F.
Mexico

Cable address:

NAFIN
Mexico City

Telex:

NAFIME 383-1775765
383-1775629

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

NACIONAL FINANCIERA, S.N.C.

By /s/ Ernesto Marcos Giacoman
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) FOGAIN Loans for FOGAIN Sub- projects under:		
(a) Part A (1) of the Project	50,000,000)))	80% of the amounts disbursed by the Borrower under each FOGAIN Loan
(b) Part A (2)	50,000,000)	

	of the Project))	
(2)	FIDEIN Loans	10,000,000	80% of the amounts disbursed by the Borrower under each FIDEIN Loan
(3)	FOMIN Invest- ments under:		
(a)	Part C (1) (i) of the Project	10,000,000))) 80% of the amounts disbursed by the Borrower under each FOMIN Invest- ment
(b)	Part C (1) (ii) of the Project	10,000,000)))
		Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(4)	FOMIN Restruc- turing Invest- ment under:		
(a)	Part C (1) (i) of the Project	10,000,000))) 100% of the amounts disbursed by the Borrower under each
)	FOMIN Restructuring (b) Part C (1) (ii) of the Project	15,000,000))) Investment
(5)	Micro-Enter- prise Loans	10,000,000	90% of amounts dis- bursed by the Bor- rower under each Micro-Enterprise Loan
(6)	Consultants' services, training activities and equipment under:		
(a)	Parts A (3), B (2) and (3), and E (1), (2) and (3) of the Project	4,900,000))))) 100%
(b)	Part E (4) of the Project	600,000))
(7)	Unallocated	14,500,000	
	TOTAL	185,000,000	

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

(a) in respect of a FOGAIN Loan, or a FOGAIN Sub-loan, or a FIDEIN Loan, or a FOMIN Investment, or a FOMIN Restructuring Investment, or a Micro-Enterprise Loan unless it has been made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement;

(b) in respect of a Micro-Enterprise Loan, unless the

Borrower shall have approved the Micro-Enterprise Operating Regulations on terms acceptable to the Bank;

(c) in respect of any activity to be financed under Category 6 (a), unless it shall have been approved by the Bank; and

(d) 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 \$9,000,000, may be made in respect of Categories (4), (5) and (6) on account of payments made for expenditures before that date but after June 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (i) to enable private Small- and Medium-Scale Enterprises to become more competitive by investing in the modernization or expansion of existing plants, and by assisting in the establishment of new plants; (ii) to strengthen production of existing Small- and Medium-Scale Enterprises which are operationally viable, but which are in financial distress, by establishing an institutional and financial framework to plan, implement and support the financial restructuring of selected enterprises; (iii) to facilitate industrial deconcentration; (iv) to assist in the financing of Micro-Enterprises; and (v) to improve the policy framework for the development of Small- and Medium-Scale Enterprises.

The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

- Part A:
1. Financing of permanent working capital requirements of Investment Enterprises.
 2. Financing of the establishment or expansion of productive capacity of Investment Enterprises, including related permanent working capital requirements.
 3. Strengthening the technical capabilities of FOGAIN through the provision of technical assistance, including acquisition and utilization of micro-computers, related software and audio-visual equipment.
- Part B:
1. Financing (i) the construction, expansion or modernization of industrial parks in high-priority industrial zones; and (ii) the construction of factory buildings within industrial parks in high-priority industrial zones; and (iii) the construction of factory buildings within industrial parks in industrial zone III B, as defined in FIDEIN Operating Regulations.
 2. Strengthening the technical capabilities of FIDEIN through the provision of technical assistance, including acquisition and utilization of micro-computers, related software and audio-visual equipment.
 3. Carrying out: (i) a study on FIDEIN organizational and staffing requirements; (ii) a study on the feasibility of FIDEIN acting as a second tier credit institution for commercial banks; and (iii) a review of FIDEIN lending operations.
- Part C:
1. Financing of equity and quasi-equity investments by FOMIN in Investment Enterprises for:

- (i) the acquisition of fixed assets and related incremental working capital; and
 - (ii) permanent working capital requirements.
2. Strengthening the technical capabilities of FOMIN to design and promote financial restructuring of industrial enterprises and to assist financial institutions in their activities related thereto.
- Part D: Financing of fixed-asset investments and permanent working capital requirements of Micro-Enterprises.
- Part E:
1. Strengthening the Borrower's capabilities in the areas of project evaluation review and loan disbursements, including provision of on-the-job training and acquisition and utilization of micro-computers and related software.
 2. Provision of extension services to industrial enterprises and development of technical assistance programs for credit unions and indirect exporters, including development of mechanisms for the subcontracting of manufacturing of inputs between Small- and Medium-Scale Enterprises and large-scale enterprises.
 3. Strengthening the operational capabilities of Micro-Enterprises' Promotional Agencies.
 4. Studies to identify constraints and to formulate policies to promote the development of Small- and Medium-Scale Enterprises, including acquisition and utilization of micro-computers and audio-visual equipment.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each March 15 and September 15	
beginning March 15, 1991 through March 15, 2002	7,710,000
On September 15, 2002	7,670,000

* 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	.20

More than three years but not more than six years before maturity	.40
More than six years but not more than 11 years before maturity	.73
More than 11 years but not more than 13 years before maturity	.87
More than 13 years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) 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 subparagraph 2 (c) of Schedule 5 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan, (i) have received no applications or requests under subparagraphs (a) or (b) of said paragraph 2; or (ii) have denied any such applications or requests, 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."

SCHEDULE 5

Procedures for and Terms and Conditions of FOGAIN Loans, FOGAIN Sub-loans, FOMIN Investments, FOMIN Restructuring Investments and Micro-Enterprise Loans

1. No expenditures for goods or services required for a FOGAIN Sub-project, or a FIDEIN Project, or a FOMIN Project or by a Micro-Enterprise shall be eligible for financing out of the proceeds of the Loan unless:

(a) the FOGAIN Sub-loan for such FOGAIN Sub-project, or the FIDEIN Loan for such FIDEIN Project, or the FOMIN Investment or FOMIN Restructuring Investment for such FOMIN Project, or the Micro-Enterprise Loan 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 2 (a) of this Schedule in respect of such FOGAIN Sub-loan, or FIDEIN Loan, or FOMIN Investment, or FOMIN Restructuring Investment, or Micro-Enterprise Loan;

(b) the FOGAIN Sub-loan, or the FOMIN Investment, or the FOMIN Restructuring Investment, or the Micro-Enterprise Loan shall have been a free-limit FOGAIN Sub-loan or a free-limit FOMIN

Investment or a free-limit FOMIN Restructuring Investment, or a free-limit Micro-Enterprise Loan 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 2 (b) of this Schedule in respect of such free-limit FOGAIN Sub-loan, or free-limit FOMIN Investment or free-limit FOMIN Restructuring Investment or free-limit Micro-Enterprise Loan. For the purposes of this Agreement: (i) a free-limit FOGAIN Sub-loan shall be a FOGAIN Sub-loan for a FOGAIN Sub-project other than a FOGAIN Sub-project under Part A (3) of the Project; (ii) a free-limit FOMIN Investment shall be a FOMIN Investment for a FOMIN Project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$700,000 equivalent, when added to any other outstanding amounts made available by the Borrower, as trustee of FOMIN, to the Investment Enterprise in question, financed or proposed to be financed out of the proceeds of the Loan, or any of the Prior Loans; (iii) a free-limit FOMIN Restructuring Investment shall be a FOMIN Restructuring Investment in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$500,000 equivalent, when added to any other outstanding amounts made available by the Borrower as trustee of FOMIN to the Investment Enterprise in question, financed or proposed to be financed out of the proceeds of the Loan, or any of the Prior Loans provided, however, that the first three FOMIN Restructuring Investments shall be deemed as subject to Bank approval irrespective of the amount of each such FOMIN Restructuring Investment; and (iv) a free-limit Micro-Enterprise Loan means any Micro-Enterprise Loan other than the first two made to privately owned Promotional Agencies and the first two made to public owned Promotional Agencies.

2. (a) When presenting a FOGAIN Sub-loan, or a FIDEIN Loan, or a FOMIN Investment, or a FOMIN Restructuring Investment, or a Micro-Enterprise Loan (other than a free-limit FOGAIN Sub-loan, or a free-limit FOMIN Investment, or a free-limit FOMIN Restructuring Investment, or a free-limit Micro-Enterprise Loan) to the Bank for approval, the Borrower shall furnish to the Bank an application together with (i) a description of the Investment Enterprise and an appraisal of the FOGAIN Sub-project, or FIDEIN Project, or FOMIN Project, 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 FOGAIN Sub-loan, or the FIDEIN Loan, or FOMIN Investment, or FOMIN Restructuring Investment, or Micro-Enterprise Loan; (iii) in respect of a Micro-Enterprise Loan, an appraisal of the Promotional Agency made in accordance with the criteria set forth in the Micro-Enterprise Operating Regulations; (iv) in respect of a Restructuring FOMIN Investment, a Restructuring Plan satisfactory to the Bank, including an analysis of the managerial, marketing, production and financial aspects of the Industrial Enterprise; and (v) 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 FOGAIN Sub-loan, or a free-limit FOMIN Investment, or free-limit FOMIN Restructuring Investment, or a free-limit Micro-Enterprise Loan shall contain: (i) a summary description of the Investment Enterprise and the FOGAIN Sub-project, or FOMIN Investment, or of the Promotional Agency, 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 FOGAIN Sub-loan, or FOMIN Investment, or Micro-Enterprise Loan.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before December 31, 1991.

3. FOGAIN Sub-loans, FIDEIN Loans, FOMIN Investments and Micro-Enterprise Loans shall be made on terms whereby the Borrower or a Participating Intermediary, shall obtain, by written contract with

the Investment Enterprise or Promotional Agency, or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower and of the Participating Intermediary including, in the case of any FOGAIN Sub-loan, FIDEIN Loan and Micro-Enterprise Loan and, to the extent that it shall be appropriate, in the case of any FOMIN Investment, the right to:

(a) require the Investment Enterprise to carry out and operate the FOGAIN Sub-project, or FIDEIN Project, or FOMIN Project, or the Promotional Agency to carry out its activities under Part D of the Project, with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and to maintain adequate records and accounts;

(b) require that: (i) the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 6 to this Agreement; and (ii) such goods and services shall be used exclusively in the carrying out of the FOGAIN Sub-project, or FIDEIN Project, or FOMIN Project, or Part D of the Project;

(c) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the sites, works, plants and construction included in the FOGAIN Sub-project, or FIDEIN Project, or FOMIN Project, or in Part D of the Project, the operation thereof, and any relevant records and documents;

(d) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks 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 Investment Enterprise to replace or repair such goods;

(e) obtain all such information as the Bank or the Borrower or the Participating Intermediary shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Investment Enterprise, or the Promotional Agency, or the Micro-Enterprise, and to the benefits to be derived from the FOGAIN Sub-project, or FIDEIN Project, or FOMIN Project, or the activities carried out under Part D of the Project; and

(f) suspend or terminate the right of the Investment Enterprise or the Promotional Agency to the use of the proceeds of the Loan upon failure by such Investment Enterprise or Promotional Agency to perform its obligations under its contract with the Participating Intermediary or the Borrower.

4. Interest rates on FOGAIN Sub-loans, and when applicable, FOMIN Investments and FOMIN Restructuring Investments consisting totally or partially of debt represented by instruments convertible into equity, shall be set and readjusted in accordance with the provisions of the General Interest Rate Agreement.

5. (a) Interest rates on Micro-Enterprise Loans and FIDEIN Loans shall be variable and shall be set and readjusted in accordance with the variations of the Reference Rate.

(b) The interest rate on loans to Micro-Enterprises financed out of the proceeds of Micro-Enterprise Loans, made on or before June 30, 1988, shall be 75% of the Reference Rate; thereafter, unless the Bank shall otherwise agree, it shall be 80% of the Reference Rate.

(c) The interest rate on FIDEIN Loans shall be as follows:
(i) 85% of the Reference Rate on FIDEIN Loans made for Part B
(1) (i) of the Project on or before June 30, 1988, and thereafter

90% of the Reference Rate; (ii) 95% of the Reference Rate for FIDEIN Loans made for Part B (1) (ii) of the Project on or before June 30, 1988 and, thereafter 100% of the Reference Rate; and (iii) 100% of the Reference Rate plus two percentage points for FIDEIN Loans made for Part B (1) (iii) of the Project.

SCHEDULE 6

Procurement of Goods, Works and Consultants Services

1. The Borrower shall take or cause to be taken all such measures as shall be required to ensure that goods and works to be financed out of the proceeds of the Loan shall be obtained at a reasonable price, account being taken also of other factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor and, in the case of services, of their quality and the competence of the parties rendering them, provided, however, that, in the case of micro-computer and audio-visual equipment under Parts A (3), B (2), C (2) and E of the Project, contracts shall be awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985, in accordance with procedures acceptable to the Bank.

2. In order to carry out Parts A (3), B (2) and (3), and E of the Project, the Borrower shall employ or cause to be employed, as and when appropriate, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "Categories" means the Categories of items to be financed out of the proceeds of the loan 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 for carrying out the Project and to be financed out of the proceeds of the Loan in accordance with the provisions of, and in the percentages provided in, Schedule 1 to this Agreement; and

(c) the term "initial deposit" means an amount equivalent to \$15,000,000 to be withdrawn from the Loan Account from the Category or Categories determined by the Bank, after consultation with the Borrower, and deposited in the Special Account pursuant to paragraph 3 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. The Borrower shall make withdrawals from the Special Account for payments of eligible operations on the basis of the evidence that the Bank shall have reasonably determined, and shall debit the Special Account with the amount in dollars so withdrawn or with the dollar equivalent of the currency other than dollars in which the payment was made, determined on the basis of the rate of exchange between the dollar and such currency in effect: (i) on the date each payment shall have been made, if the payment has taken place within 90 days before the date the withdrawal in question has been requested, provided, however, that in respect of eligible expenditures under FOGAIN Sub-loans, FIDEIN Loans, FOMIN Investment and Micro-Enterprise Loans, such 90-day

period shall be counted as from the date on which the Bank dispatches its: (A) approval of the FOGAIN Loan, FIDEIN Loan, FOMIN Investment or Micro-Enterprise Loan out of the proceeds of which the expenditure is to be financed, and (B) authorization of withdrawals from the Loan Account in respect of a free-limit FOGAIN Sub-loan, or a free-limit FOMIN Investment, or a free-limit Micro-Enterprise Loan out of the proceeds of which the expenditure is to be financed; or (ii) on the date each withdrawal shall have been made.

3. The Bank may, at the request of the Borrower, withdraw on behalf of the Borrower from the Loan Account and deposit into the Special Account the initial deposit. Thereafter, and on the basis of requests by the Borrower furnished to the Bank at such intervals as the Bank shall specify, the Bank shall further so withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account for eligible expenditures, but only to the extent that the amount of any such deposit, together with any amount remaining on deposit in the Special Account as of the date of such request, shall not exceed, in the aggregate, the equivalent of the initial deposit. Except as the bank may otherwise agree, each such deposit after the initial deposit shall be withdrawn by the Bank from the Loan Account under the respective Categories and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. Prior to or at the time of each request by the Borrower for a deposit by the Bank into the Special Account after the initial deposit, the Borrower shall furnish in respect of each payment made by the Borrower out of the Special Account such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, when the total unwithdrawn amount of the Loan allocated to the Categories, minus the amount of any special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions, then still outstanding, shall be equal to the equivalent of twice the amount of the initial deposit, the Bank shall be entitled, after consultations with the Borrower, to reduce the percentage of disbursements for eligible expenditures or take other action which will ensure the Bank that by the time of disbursement of the total amount of the proceeds of the Loan, all deposits (including the initial deposit made by the Bank into the Special Account) were made 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 any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Bank shall notify the Borrower of such circumstances and if, after a period of 30 days from the issuance of such notice, an amount equal to the amount of such payment or portion thereof not so eligible or justified has not been deposited by the Borrower in the Special Account, or if the Bank shall so request, refunded to the Bank, the Bank may, without in any way restricting or limiting any other rights, power or remedy of the Bank under the Loan Agreement, refrain from making further deposits into the Special Account.

(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, and unless otherwise agreed by the Bank, refund to the Bank such amount then outstanding in the Special Account.



