Loan Agreement

(Savings and Rural Finance – Second Phase Project)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 1, 2004
LOAN NUMBER 7240-ME

LOAN AGREEMENT

AGREEMENT, dated October 1, 2004, between UNITED MEXICAN STATES (the Borrower), represented by its signatory on page 12 of this Agreement, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower is a signatory of the Articles of Agreement of the International Bank for Reconstruction and Development (the international treaty by which the Bank was created), which Articles of Agreement contain, inter alia, general provisions relating to loans extended by the Bank;

WHEREAS (B) the Borrower has contracted from the Bank a loan in an amount of sixty four million six hundred thousand Dollars (the Prior Loan) in support of the Savings and Credit Sector Strengthening and Rural Microfinance Capacity Building Technical Assistance Project (the Prior Project) in the terms of the agreement entered into between the Borrower and the Bank on February 28, 2003 (the Prior Loan Agreement);

WHEREAS (C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project; and

WHEREAS (D) 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 for Fixed-Spread Loans” of the Bank dated September 1, 1999 (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) “BANSEFI” means Banco del Ahorro Nacional y Servicios Financieros, S.N.C., a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan and as the entity responsible for implementation of the Project;

(b) “CNBV” means the Borrower’s Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission);

(c) “Confederación” means an entity, with its own legal personality, consisting of a voluntary association of Federaciones and charged by the Popular Savings and Credit Law with the responsibility of maintaining a deposit protection fund for the benefit of those who deposit their savings in Entidades;

(d) “Deposit Protection Fund” means the fund established pursuant to the Popular Savings and Credit Law;

(e) “Core Team” means the administrative team within BANSEFI referred to in paragraph 5 of Schedule 6 to this Agreement;

(f) “Entidad” means an SCI which, having met certain regulatory requirements, has been authorized by CNBV to operate as a popular savings and credit entity pursuant to the Popular Savings and Credit Law;

(g) “Expansion Project Area” means the municipalities in at least six of the following eight geographical regions of the United Mexican States identified in the “Implementation Letter” cited in the Prior Loan Agreement: (i) the State of Chiapas; (ii) the Huasteca area in the States of Hidalgo, San Luis Potosí and Veracruz; (iii) the State of Oaxaca; (iv) the State of Veracruz (excluding the Huasteca area therein); (v) the State of Guerrero (and adjacent economically marginal areas in the State of Morelos); (vi) the State of Michoacan (and adjacent economically marginal areas in the State of México); (vii) the State of Puebla (and adjacent economically marginal areas in the State of Tlaxcala); and (viii) the Sierra Gorda area in the States of Querétaro and Guanajuato;

(h) “Federación” means an entity, with its own legal personality, consisting of a voluntary association of SCIs and charged by the Popular Savings and Credit Law with the responsibility of exercising regulatory supervision, auxiliary to that exercised by CNBV, over SCIs;
“FMR” means a financial monitoring report referred to in Section 4.02 of this Agreement;

“Implementation Letter” means the letter of even date herewith, from BANSEFI to the Bank, containing the performance indicators for Project monitoring and evaluation;


“Mandato Contract” means the contract referred to in Section 3.02 (a) of this Agreement;

“Popular Savings and Credit Law” means the Borrower’s Ley de Ahorro y Crédito Popular as published in the Borrower’s Diario Oficial de la Federación (Official Gazette) on June 4, 2001;

“Project Operational Manual” means the manual referred to in paragraph 1 of Schedule 6 to this Agreement and approved by the Bank on May 6, 2004;

“SCI” means a Mexican savings and credit institution which, independently of its corporative or other organizational form, is subject to the provisions of the Popular Savings and Credit Law;

“SHCP” means the Borrower’s Secretaría de Hacienda y Crédito Público (Secretariat of Finance and Public Credit);

“Social Development Model” means a methodology for the consultative elaboration of IPDPs and for the extension of Project benefits to economically marginalized sectors of the Mexican population, set forth in the Project Operational Manual; and

“Special Account” means the account referred to in Section 2.02 (b) of this Agreement.
Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to BANSEFI.

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 equal to seventy five million five hundred thousand Dollars ($75,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 and in respect of the front-end fee referred to in Section 2.04 of this Agreement and any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, cause BANSEFI to open and maintain in Dollars a separate special deposit account on the Borrower’s behalf in a commercial bank, satisfactory to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. 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 July 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of
the General Conditions to but not including the fourth anniversary of such date; and (ii)
seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the
Loan withdrawn and outstanding from time to time, in respect of each Interest Period at
the Variable Rate; provided, that upon a Conversion of all or any portion of the principal
amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on
such amount in accordance with the relevant provisions of Article IV of the General
Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears
on March 15 and September 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in
accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following
Conversions of the terms of the Loan in order to facilitate prudent debt management:

(i) a change of the Loan Currency of all or any portion of the
principal amount of the Loan, withdrawn or unwithdrawn, to an
Approved Currency;

(ii) a change of the interest rate basis applicable to all or any portion
of the principal amount of the Loan from a Variable Rate to a
Fixed Rate, or vice versa; and

(iii) the setting of limits on the Variable Rate applicable to all or any
portion of the principal amount of the Loan withdrawn and
outstanding by the establishment of an Interest Rate Cap or
Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that
is accepted by the Bank shall be considered a “Conversion”, as defined in Section 2.01
(7) of the General Conditions, and shall be effected in accordance with the provisions of
Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or
Interest Rate Collar in respect of which the Borrower has requested that the premium be
paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw
from the Loan Account and pay to itself the amounts required to pay any premium
payable in accordance with Section 4.04 (c) of the General Conditions up to the amount allocated from time to time for such purpose in the table in paragraph 1 of Schedule 1 to this Agreement.

Section 2.10. The Director General of BANSEFI, or the Director General Adjunto de Finanzas of BANSEFI, and any person or persons whom they shall jointly designate in writing are designated as representatives of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project, and, to this end, shall cause BANSEFI to carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, and technical practices, and provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. (a) The Borrower, through SHCP, shall enter into a contract (Contrato de Mandato) with BANSEFI, satisfactory to the Bank, whereby:

(i) BANSEFI agrees to act as financial agent of the Borrower with regard to the Loan and as entity responsible for the implementation of the Project, meaning that, inter alia, BANSEFI agrees to: (A) represent the Borrower vis-à-vis the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds; and (B) carry out the Project according to the terms of this Agreement (particularly, but not limited to, the terms of Article IV of, and Schedules 4, 5, and 6 to this Agreement); and

(ii) the Borrower agrees that, through SHCP, the Borrower shall cooperate fully with BANSEFI to ensure that BANSEFI is able to comply with all of BANSEFI’s obligations referred to in paragraph (a) (i) (A) of this Section and in Sections 4.01 and 4.02 of this Agreement.
(b) The Borrower shall exercise its rights and carry out its obligations under the Mandato Contract in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the Mandato Contract. In case of any conflict between the terms of: (i) the Mandato Contract; and (ii) those of this Agreement, the terms of this Agreement shall prevail.

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 4 to this Agreement.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) cause BANSEFI to prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the continued achievement of their respective parts of the Project’s objectives; and

(b) afford the Bank a reasonable opportunity to exchange views with BANSEFI on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall cause BANSEFI to establish and maintain financial management systems, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) cause BANSEFI to have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
(ii) cause BANSEFI to furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and

(iii) cause BANSEFI to furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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 cause BANSEFI to:

(i) retain, until at least one year after the Bank has received the audit report for, or covering, 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;

(ii) enable the Bank’s representatives to examine such records; and

(iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in paragraph 4 (b) of Schedule 6 to this Agreement, the Borrower shall cause BANSEFI to prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMRs shall be furnished to the Bank not later than 45 days after the end of the first calendar semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.

ARTICLE V

Remedies of the Bank

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

(a) The Popular Savings and Credit Law or any part thereof or any regulations issued thereunder shall have been amended, suspended, abrogated, repealed, waived or not enforced so as to affect, in the opinion of the Bank, materially and adversely the carrying out of the Project.

(b) BANSEFI shall have failed to comply with any of its obligations under the Mandato Contract.

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

(a) Any event specified in Section 5.01 (a) of this Agreement shall occur.

(b) Any event specified in Section 5.01 (b) of this Agreement shall occur and shall continue for a period of thirty (30) 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 Mandato Contract has been entered into between the Borrower (through SHCP) and BANSEFI.

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 Borrower (in its legal opinion) and BANSEFI (in a separate legal opinion satisfactory to the Bank, issued by BANSEFI counsel acceptable to the Bank), indicate that the Mandato Contract has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and BANSEFI and is legally binding upon the Borrower and BANSEFI in accordance with the Mandato Contract’s terms.

Section 6.03. The date December 30, 2004 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.10 of this Agreement, the Titular de la Unidad de Crédito Público of the Borrower’s SHCP 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:

Secretaría de Hacienda y Crédito Público
Unidad de Crédito Público
Palacio Nacional
Patio Central
3er piso, oficina 3010
Colonia Centro
06000 México, D.F.

Facsimile:
011-52-559158-1156

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
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
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, the United States of America as of the day and year first above written.

UNITED MEXICAN STATES

By /s/ Francisco Gil Díaz
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ James Wolfensohn
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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (excluding vehicles)</td>
<td>1,000,000</td>
<td>100% of foreign expenditures, 83% of local expenditures</td>
</tr>
<tr>
<td>(2) Consultant services</td>
<td>41,545,000</td>
<td>100% of foreign expenditures; 83% of local expenditures</td>
</tr>
<tr>
<td>(3) Training</td>
<td>3,200,000</td>
<td>100% of foreign expenditures; 83% of local expenditures</td>
</tr>
<tr>
<td>(4) Non-Consultants’ services</td>
<td>25,900,000</td>
<td>100% of foreign expenditures; 83% of local expenditures</td>
</tr>
<tr>
<td>(5) Incremental operating costs</td>
<td>1,600,000</td>
<td>85% through the end of 2007; and 55% thereafter</td>
</tr>
<tr>
<td>(6) Premia for Interest Rate Caps and Interest Rate Collars</td>
<td>0</td>
<td>Amount due under Section 2.09 (c) of this Agreement</td>
</tr>
<tr>
<td>(7) Fee</td>
<td>755,000</td>
<td>Amount due under Section 2.04 of this Agreement</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------</td>
<td>-------------------------------</td>
</tr>
<tr>
<td>(8) Unallocated</td>
<td>1,500,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>75,500,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

(a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term “non-consultants’ services” includes the cost of services relating to the data center, data warehouse, operating and supporting hardware, and closed virtual private network for developing a technology platform, all included under Part B of the Project;

(d) the term “incremental operating costs” includes reasonable recurrent expenditures incurred in connection with operation of the Core Team for rentals, travel, room, board and per diem expenditures, maintenance, consumable materials and supplies and utilities (but not including any salaries), which would not have been incurred absent the Project; and

(e) the term “training” includes only: (i) reasonable travel, room, board and per diem expenditures incurred by trainees in connection with their training; (ii) reasonable fees charged by consultants serving as trainers; (iii) reasonable course fees charged by academic institutions; (iv) reasonable training facility and equipment rental expenses; and (v) reasonable training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:
(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding $7,500,000, may be made on account of payments made for expenditures for Categories 1, 2, 4 and 5 incurred after June 1, 2003 (but in no case incurred earlier than the twelve months immediately before the date of this Agreement); and

(b) payments made for Parts A.1, A.2, B.2 (a), C.1 and C.3 of the Project until the allocations under the Prior Loan for similar expenditures have been committed or disbursed.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures:

(a) for goods and non-consultant services under contracts costing less than $500,000 equivalent each;

(b) for consultants’ services provided by firms under contracts costing less than $100,000 equivalent each;

(c) for consultants’ services provided by individuals under contracts costing less than $50,000 equivalent each; and

(d) for incremental operating costs and training,

all under such terms and conditions as the Bank shall specify by notice to the Borrower.
SCHEDULE 2

Project Description

The objective of the Project is to assist the Borrower in strengthening the SCI sector with SCIs which are compliant with the Popular Savings and Credit Law, financially viable, operationally effective, managerially sound, technologically upgraded, and providing an enhanced level of outreach and access to financial services by the underserved Mexican populations.

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

Part A: Strengthening SCIs and the Regulation and Supervision Thereof

1. Provision of technical assistance to about 150 individual SCIs requiring further assistance to that provided under the Prior Loan, and to about 45 additional SCIs, as the case may be:

   (a) to carry out assessments of its financial and managerial condition so as to determine whether an SCI qualifies for authorization by CNBV to operate as an Entidad, whether an SCI requires technical assistance for its strengthening or restructuring in order to qualify for such authorization, or whether an SCI should be liquidated;

   (b) to support the design and implementation of institutional strengthening plans to allow SCIs to qualify for such authorization;

   (c) to, with respect to the SCIs additional to those assisted in the Prior Project with operations in the Expansion Project Area, if any, develop a financial services outreach and communications strategy focusing on the low-income populations within the said area; and

   (d) in support of liquidation of unviable SCIs.

2. Provision of technical assistance to about 40 individual SCIs requiring further assistance to that provided under the Prior Loan, to specifically develop strategies to deepen penetration and expand their financial services outreach, and to improve their effectiveness and efficiency.
3. Provision of technical assistance on aspects relating to the creation and functioning of the Deposit Protection Fund at the level of Federación and Confederación.

4. Provision of technical assistance to assist BANSEFI in the management and monitoring of the assistance provided to SCIs by consultants in particular as to their classification and certification, and to the consistency in the application of classification guidelines across individual SCIs by such consultants.

5. Carrying out a training program for:

   (a) the staff of SCIs, focusing on the areas of accounting and financial management, portfolio management, risk management, credit analysis, governance aspects, market analysis and understanding, and management of SCIs at the level of Federación; and
   
   (b) staff of CNBV, BANSEFI and Federaciones to support their regulatory and supervisory roles.

**Part B: Developing a Technology Platform**

1. Provision of hardware services to strengthen the technological capacity of BANSEFI and the SCIs including, *inter alia*, a data center, and virtual private network services for connectivity across individual SCIs.

2. Provision to the SCIs of:

   (a) an application package;
   
   (b) data warehouse, enterprise resource planning system, and internet-based banking; and
   
   (c) other technological developments proposed by BANSEFI and agreed to by the Bank.

3. Provision of technical assistance:

   (a) to manage and monitor the quality of the hardware and operational services referred to under Part B.1 of the Project, and the application software and other items referred to in Part B. 2 of the Project;
(b) to develop a strategy and an organizational plan for BANSEFI’s service of technology platform support;

(c) to verify and validate the application software; and

(d) to manage and monitor implementation of the technology platform (developed under this Part B to the Project) in the SCIs.

Part C: Monitoring and Evaluation, Studies and Information Dissemination

1. Improvement of the size and credibility of the annual household surveys carried out by BANSEFI, interpreting the data collected through these surveys, and ensuring the consistency of the various datasets.

2. Evaluation of the implementation performance and short-term outcomes of Parts A and B of the Project.

3. Focusing the content of the dissemination campaign carried out by BANSEFI to disseminate information on the SCIs to instill confidence in their clients, to market the benefits of financial intermediation, and to disseminate the range of financial products provided under the new technology platform referred to in Part B of the Project.

4. Provision of technical assistance to develop new savings and financial products, to price the technology platform services, and to carry out selected studies, proposed by the Borrower and/or BANSEFI, and approved by the Bank, on subjects relevant to the SCI sector and to sustainable development in general.

5. Carrying out workshops and seminars to disseminate the findings of the monitoring and evaluation outcomes and studies referred to in Parts C.1, C.2, and C.4 of the Project.

Part D: Project Management

Establishment and operation of the Core Team, including training, as may be required, for Project implementation.

The Project is expected to be completed by January 31, 2009.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Payment Date</th>
<th>Installment Share (Expressed as a %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>Beginning September 15, 2009 through March 15, 2019</td>
<td>5%</td>
</tr>
</tbody>
</table>

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
SCHEDULE 4

Procurement

Section I. Procurement of Goods and Non-Consultants’ Services

Part A: General

Goods and non-consultants’ services for the data center, data warehouse, operating and supporting hardware, and closed virtual network included in Part B of the Project shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and non-consultants’ services for the data center, data warehouse, operating and supporting hardware, and closed virtual private network included in Part B of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

   (a) To the extent practicable, contracts shall be grouped in bid packages estimated to cost $500,000 equivalent or more each.

   (b) The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

   (c) The invitation to bid for each contract shall be advertised in the Borrower’s public electronic advertising and bidding system (COMPRANET) and in the Borrower’s Official Gazette (Diario Oficial de la Federación). The invitation to bid for each contract estimated to cost $10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.
Part C: Other Procurement Provisions

1. Goods and the non-consultants’ services referred to in Part B.1 of this Section estimated to cost less than $500,000 equivalent per contract or per bid package, up to an aggregate amount not to exceed $1,500,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, using standard bidding documents acceptable to the Bank.

2. Goods estimated to cost less than $100,000 per contract or per bid package, up to an aggregate amount not to exceed $1,000,000 equivalent, may be procured under contracts awarded on the basis of national or international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods and non-consultant services which should be procured as an extension of an existing contract and must be purchased from the original supplier to be compatible with existing equipment and costing $800,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract procured pursuant to Part B of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.
3. **Post Review**

   With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

**Section II. Employment of Consultants**

**Part A: General**

Consultants’ services shall be procured in accordance with the provisions of the Introduction and Section IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

**Part B: Quality- and Cost-based Selection**

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provision shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph: the short list of consultants, estimated to cost less than $200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

**Part C: Other Procedures for the Selection of Consultants**

1. **Selection under a Fixed Budget**

   Services for applications, certifications and business continuity, electronic banking, and advertising and media planning under Parts B and C of the Project, up to an aggregate amount not to exceed $10,800,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.
2. **Individual Consultants**

   Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate amount not to exceed $1,600,000 equivalent, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

3. **Single Source Selection**

   (a) Services which are estimated to cost less than $30,000 equivalent per contract, up to an aggregate amount not to exceed $1,900,000 equivalent, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

   (b) Services for: (i) institutional strengthening of SCIs under Parts A.1 and A.2 of the Project; (ii) the applications packages under Part B.2 (a) of the Project; (iii) monitoring the technology platform under Part B.3 (a) of the Project; (iv) information dissemination under Part C.3 of the Project; and (v) monitoring and evaluation under Part C.1 of the Project, up to an aggregate amount not to exceed $36,000,000 equivalent, may, with the Bank’s prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

**Part D: Review by the Bank of the Selection of Consultants**

1. **Selection Planning**

   Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants’ services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. **Prior Review**

   (a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $200,000 or more, as well as with respect to each such contract of such cost covered by Parts C.1 or C.3 of this Section II, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.
(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more, but less than the equivalent of $200,000, as well as with respect to each such contract of such cost covered by Parts C.1 or C.3 of this Section II, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply, except that the terms of reference related to such contracts are subject to prior approval by the Bank, absent which approval the respective contract cannot be financed by the Loan.
SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) 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 the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to $4,000,000, to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to $2,500,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of $10,000,000.

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 through BANSEFI shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts 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 into the Special Account such amount or amounts as the Borrower shall have requested.

(b) 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 Categories, 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, through BANSEFI, 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;

(b) if the Borrower through BANSEFI shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, 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 allocated to the eligible Categories shall 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

Project Implementation Arrangements

The Mandato Contract shall, inter alia, obligate BANSEFI to:

1. Carry out the Project in accordance with the terms of the Project Operational Manual, to the extent such terms are consistent with those of this Agreement (in case of any inconsistency between the terms of the Project Operational Manual and the terms of this Agreement, the terms of this Agreement shall prevail).

2. With respect to Part A.1 of the Project:

   (a) select specialized institutions, according to the consultant selection methods set forth in Schedule 4 to this Agreement, to carry out the assessments and provide the technical assistance referred to in said Part A.1 of the Project;

   (b) contract in writing with said specialized institutions (using the model contract set forth in the Project Operational Manual) so that they:

       (i) carry out said assessments according to assessment guidelines prepared by CNBV;

       (ii) enter into a written agreement (using the model agreement set forth in the Project Operational Manual) with a Federación (and any of the Federación’s member SCIs willing to co-sign said agreement) to either:

           (A) provide each such SCI with the technical assistance referred to in said Part A.1 in exchange for said SCI’s commitment to implement SCI institutional strengthening plans set forth in such agreements and thus meet SCI semi-annual performance standards and targets also set forth in such agreements (which plans, standards and targets are consistent with the requirements that must be met in order for an SCI to qualify for CNBV authorization to operate as an Entidad); or
(B) provide the SCIs additional to those assisted in the Prior Project with operations in the Expansion Project Area, if any, with an outreach and communications strategy focusing on the low-income populations within the said area, such strategy to include annual performance standards and targets; and

(C) assist in each such SCI’s liquidation if the prior assessment of the SCI established that the SCI is unviable;

(iii) suspend all technical assistance provision to an SCI at BANSEFI’s request if the SCI fails to meet its semi-annual performance standards and targets referred to in subparagraphs 2 (b) (ii) (A) and 2 (b) (ii) (B) above; and

(iv) ensure that the IPDP and Social Development Model for each of the regions of the Expansion Project Area is carried out for the region in question as part of the implementation of Part A.1 of the Project (through, inter alia, integration of IPDP outcomes into the standards and targets referred to in paragraph 2 (b) (ii) (B) of this Schedule).

(c) pay said specialized institutions for the services they render under their contracts with BANSEFI referred to in paragraph 2 (b) of this Schedule;

(d) systematically monitor said agreements between said specialized institutions and the SCIs in order to verify compliance with said semi-annual performance standards and targets; and

(e) exercise its rights and carry out its obligations under its contracts, referred to in paragraph 2 (b) of this Schedule, with the specialized institutions also referred to therein, in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan.

3. With respect to Part B of the Project, provide the services for the developing of the technology platform referred to therein to SCIs throughout Mexico at an agreed fee and gradually establish a fee-for-service regime whereby the full operating costs of the technology platform would be recoverable from SCIs by the end of the system’s first three years of operation.
4. (a) Maintain policies and procedures adequate to enable BANSEFI to monitor and evaluate on an ongoing basis, in accordance with the performance indicators specified in the Implementation Letter, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, not later than six months after the Effective Date and every year thereafter during the period of Project implementation, annual reports integrating the results of the evaluation activities performed pursuant to subparagraph (a) of this paragraph, on the progress achieved in the carrying out of the Project during the period preceding the date of such reports and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Bank shortly after such reports’ preparation, the reports referred to in subparagraph (b) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and taking into account the Bank’s views on the matter; and

(d) as part of the annual review starting in June 2005, as well as at the conclusion of Project implementation, discuss the results of household surveys and case studies, prepared by BANSEFI separately for such review and thereafter for such conclusion under terms of reference satisfactory to the Bank, relating to Project and SCI sector performance.

5. Maintain a team within BANSEFI throughout implementation, with sufficient resources and staff in numbers and with qualifications and experience satisfactory to the Bank, acting under terms of reference satisfactory to the Bank to support the execution of the Project.