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**EQUITY INVESTMENT BY THE
COMMUNITY SAVINGS AND LOAN SECTOR IN
BANCO DEL AHORRO NACIONAL Y SERVICIOS FINANCIEROS
(BANSEFI)**

(ME-M1012)

DONORS MEMORANDUM

This document was prepared by the project team consisting of Morgan Doyle (RE2/FI2), Project Team Leader; María Victoria Sáenz (MIF/OPS); Alberto Bucardo (COF/CME); Carla Bueso (MIF/DEU); and Cristina Landázuri (LEG/OPS). Yolanda Galaz assisted in document production.

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Proposed resolution

INFORMATION AVAILABLE IN THE PROJECT FILES

PREPARATION:

Institutional Business Plan, 2005-2009 (March 2005)

Community Savings and Loan Act

Act Establishing Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)

Regulations governing BANSEFI, a national lending and development banking institution

Order converting the Patronato de Ahorro Nacional (PANHAL) [National Savings Trust] into Banco del Ahorro Nacional y Servicios Financieros (BANSEFI), a national lending and development banking institution

Lending Institutions Act

Financial Services Consumer Protection Act

Government-controlled Entities Act

Securities Market Act

Lending Instruments and Operations Act

Public-sector Procurement, Leasing and Services Act

EXECUTION:

Terms of reference for the legal and financial advisor

Terms of reference for the institutional governance advisor

Terms of reference for the procurement advisor

Terms of reference for the communication strategy

ABBREVIATIONS

AWP	Annual work plan
BANSEFI	Banco del Ahorro Nacional y Servicios Financieros [National Savings and Financial Services Bank]
CESI	Committee on Environment and Social Impact
CNBV	Comisión Nacional Bancaria y de Valores [National Banking and Securities Commission]
EACPs	Entidades de ahorro y crédito popular [community savings and loan institutions]
LACP	Ley de Ahorro y Crédito Popular [Community Savings and Loan Act]
OR	Operating Regulations
PAHNAL	Patronato de Ahorro Nacional [National Savings Trust]
PCR	Project completion report
PCU	Project coordination unit
SHCP	Department of Finance
SOCAPs	Sociedades cooperativas de ahorro y préstamo [savings and loan cooperatives]
SOFIPOs	Sociedades financieras populares [community financial institutions]

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EXECUTIVE SUMMARY

Beneficiary:	United Mexican States, through the Department of Finance (SHCP)	
Executing agency:	Banco del Ahorro Nacional y Servicios Financieros (BANSEFI) [National Savings and Financial Services Bank]	
Amount and source:	MIF (Window I)	US\$500,000
	Counterpart:	US\$500,000
	Total:	US\$1,000,000
Execution timetable:	Execution period:	12 months
	Disbursement period:	18 months
Objectives:	The project's general objective is help deepen and make Mexico's nonbank financial sector more efficient. The specific objective is consolidation of BANSEFI as a private entity, majority-owned by members of the community savings and loan sector.	
Description:	The project has two components: (i) Specialized consulting services and placement structuring , to support BANSEFI in retaining consulting services for an appraisal of BANSEFI, the legal and financial structuring of the equity sale to community savings and loan sector operators, and to design the new entity's corporate governance system; and (ii) Support for BANSEFI's equity placement , to finance technical assistance to community savings and loan sector operators in evaluating the BANSEFI equity offering, and support BANSEFI in developing a communication strategy to inform stakeholders, especially employees and depositors, about the purpose of the sale to community savings and loan sector operators.	
Environmental and social review:	The Committee on Environment and Social Impact (CESI) reviewed the project at its 27 May 2005 meeting and found no environmental impact.	

Beneficiaries:	The operation's beneficiaries will be community savings and loan sector operators and the population underserved by Mexico's financial system. The sector operators will benefit because their equity investment in BANSEFI will grow through retained earnings or generate returns in the form of dividends, and they will have a second-tier bank to meet their customers' demand for products and services. Other indirect beneficiaries will be individuals without access to financial services, estimated at some 20 million, who may benefit from a strengthened community savings and loan sector with greater resources to expand coverage, and from access to the payment system and products that meet their needs.
Risks:	The chief risk to the operation's objectives is the potential failure to obtain the authorizations required to convert BANSEFI into a multiservice bank with community savings and loan sector operators as shareholders.
Coordination with other official development institutions:	There has been ongoing contact with the World Bank, which has two projects with BANSEFI to strengthen the community savings and loans sector. These are not inconsistent with, nor do they duplicate, the proposed operation or its activities.
Special contractual clauses:	None.
Exceptions to Bank policies:	None.

I. BACKGROUND

A. Socioeconomic framework

- 1.1 Mexico's formal financial system currently provides a relatively low level of access, and significant portions of the population are unbanked. As a result, individuals of limited means are forced to rely on informal financial markets with the attendant high interest rates and lack of legal certainty in transactions. There are over 500 community savings and loan institutions operating under various legal forms in Mexico that have served demand for financial services in large sectors and regions. Many have been active in the market for over 50 years, and most have not been regulated or supervised by the authorities. In view of the sector's size and to prevent potential risks to depositors, the authorities have recognized the need to supervise the sector.
- 1.2 The Mexican government passed the Community Savings and Loan Act (LACP) in 2001 to promote, regulate and oversee the activities of the community savings and loan sector. The LACP governs community savings and loan activities in general and specifies what corporate structures are allowed. There are only two permissible types of community savings and loan institutions (known by their Spanish-language acronym, EACPs): cooperative savings and loan institutions (SOCAPs), which are primarily cooperatives that up to now have operated under the general name of "Cajas" (savings banks); and community financial institutions (SOFIPOs), which derive from finance companies or NGOs. The LACP also envisages the establishment of federations and confederations. Federations have auxiliary supervision functions by delegation from National Banking and Securities Commission (CNBV); confederations will manage the deposit protection fund that the LACP created.¹
- 1.3 To date, the EACPs have established 14 federations under the LACP. The CNBV has been reviewing the supervision committees and estimates that it will authorize eight or nine during 2005. The federations to be formed in 2005 represent 73% of the community institutions, 86% of their member-customers and 78% of the system's capital. The other five federations, which together represent 2.4% of the sector's assets, would be formalized in subsequent years. At the same time, there are 51 independent institutions representing 18.6% of the sector's assets, which also must comply with the LACP. The LACP also requires independent institutions to obtain approval from a federation supervision committee and authorization from the CNBV.
- 1.4 The new sector regulations allow the EACPs to conduct different types of operations depending on their number of members/customers, geographic scope of

¹ For purposes of this document, the community savings and loan sector comprises EACPs, federations and confederations.

operations, total assets and liabilities, technical/operational capacities, and other factors. Yet the EACPs do not have direct access to the payment system, and the volume, amount and type of operations authorized for the largest of these entities are limited, compared to commercial banks.

- 1.5 To offer their customers a wide range of competitive products and services, therefore, the EACPs need centralized access to the payments system and the potential economies of scale achieved by consolidating the entire sector. This would require an institution licensed as a commercial bank to function as a “bank of banks.” The experience of other countries such as Spain, Canada and Germany indicates that this type of arrangement helps the sector achieve economies of scale and so broaden and deepen the range of products offered. Access to services such as remittances, clearing and settlement of third-party payments and liquidity management have proven essential in the most successful international cooperative movements. Under the LACP, the EACPs cannot access these services directly; they can only do so through a licensed bank.

B. BANSEFI

- 1.6 To strengthen the sector during the transition and process of adjustment to the LACP’s requirements, the Mexican government also undertook to transform the old Patronato de Ahorro Nacional [National Savings Trust] (PANHAL) into Banco del Ahorro Nacional y Servicios Financieros [National Savings and Financial Services Bank] (BANSEFI), broadening its functions and enhancing its general structure. BANSEFI’s functions are (i) to continue to promote a culture of savings; (ii) to administer government funds to strengthen the community savings and loan sector; and (iii) to become a “bank of banks” for the EACPs. In December 2004, Mexico’s Congress approved an amendment to the LACP, published in Mexico’s official gazette on 23 February 2005, authorizing the EACPs and their federations to hold equity investments in BANSEFI. The act establishing BANSEFI envisaged such investments at the time it was enacted.
- 1.7 The BANSEFI restructuring process has required significant investments in information systems and human resources, as well as new product development, and this has taken away from its profit-making capability. As foreseen in its business plan. BANSEFI will reach the breakeven point in 2005 and is expected generate nearly US\$6 million in earnings in 2008.
- 1.8 The current business plan has two strategic lines: (a) **Strengthen community savings and loan sector institutions** by making the EACPs and their umbrella organizations (federations and confederations) more profitable and sustainable through: (i) a broader range of financial products and services; (ii) support in cutting operating and regulatory costs; (iii) training to enhance management efficiency; (iv) higher service quality; and (v) better leveraging of economies of scale; and (b) **Strengthen BANSEFI’s financial position** through measures to:

- (i) make BANSEFI more competitive in its role of promoting savings; (ii) diversify its revenue sources by expanding the range of products and services offered; (iii) transition toward operation as a “bank of banks;” and (iv) consolidate the technology platform.
- 1.9 BANSEFI will implement this business plan through six business units: (i) “caja de cajas” or “bank of banks”; (ii) L@ Red de la Gente (payment services); (iii) Integra-T technology platform; (iv) branch office network; (v) the retirement fund with its fund manager (AFORE) and (vi) institutional development support for the community savings and loan sector. The “bank of banks” unit provides services to community savings and loan sector intermediaries, offering economies of scale and scope to the EACPs for access to the payment system, a broader range of products and services and greater profitability and sustainability. L@ Red de la Gente is a business partnership between the EACPs and BANSEFI, whose primary objective is to increase network members’ revenue through more and better products. The Integra-T technology platform provides high-quality technology products and services to enable the EACPs and other entities outside the sector to expand the range of integrated, modular technology products and services and build internal and external technology capacity for less than the cost of doing so themselves; lower the cost of compliance with the LACP; and strengthen the EACPs’ performance.
- 1.10 The branch office network markets savings products and financial services for various groups of moderate- and low-income savers. The purpose of the retirement fund, which will begin operations in September 2005, is to create a mechanism enabling the now underserved population to access benefits under the AFORE plan by offering this product through the community savings and loan sector’s extensive distribution network. Through institutional development support, BANSEFI coordinates interim government support for the conversion and consolidation of the community savings and loan sector. The business units identified by BANSEFI in its business plan, with the exception of the support unit, would be its sources of income over the medium term and would not be affected by a change in its equity structure. The business unit structure reflects BANSEFI management’s goal to diversify its revenue sources by increasing income from fees and reducing its dependence on the financial spread of its branch office network (see paragraph 4.2). It should be noted that BANSEFI does not lend to its depositors, who must turn to other entities for those needs.
- 1.11 As part of the public policy of promoting orderly development of the community savings and loan sector (see paragraph 1.6), the Mexican government established BANSEFI as a development bank and vehicle for promoting and coordinating interim investment to strengthen the sector’s institutional capacity. At present, BANSEFI is wholly owned by the federal government and is legally organized as a national credit institution. In consultation with sector representatives, the authorities have concluded that ownership of BANSEFI should be transferred to entities within

the community savings and loan sector in order to facilitate its consolidation as the second-tier bank that the sector needs for sound, sustainable operations. For purposes of this document, the term “bank of banks” (“caja de cajas”) is used to refer to all the business units that leverage economies of scale and scope to benefit EACPs.

- 1.12 The best way to consolidate BANSEFI as a second-tier bank for the community savings and loan sector is as an institutional structure majority-owned by the sector operators. The sector would control BANSEFI’s governance structure and determine the products and services that best reflect its shareholders’ needs and promote sector development. Consequently, sector consolidation would not depend on the State, consistent with the experience of the most successful savings and loan institutions and credit unions in other countries. In fact, the 2005-2009 institutional business plan recommends an accelerated transition to the network model contemplated in the LACP, which has met with success internationally. The success of those international cases is attributable mainly to the high degree of cohesiveness among community savings and loan sector operators. Their inclusion as investors in the second-tier bank will strengthen mutual interests and the level of cohesiveness, so as to successfully restructure the sector in Mexico. Clearly, the sale of BANSEFI’s equity capital to community savings and loan sector operators will have multiple benefits for the majority of EACPs and their federations, such as the ability to directly influence the development and regulation of sector-oriented, second-tier financial products and services, and enhance their assets with a safe, profitable investment of strategic importance for the sector.
- 1.13 The process is expected to involve intermediate steps. One might be joint ownership by community savings and loan sector operators (SOCAPs, SOFIPOs and federations), the Mexican government and international entities that contribute capital and successful experience with community savings and loan institutions in other countries. While the sector is believed to possess sufficient resources to acquire BANSEFI’s entire equity capital, the Mexican government would be willing to retain a temporary minority stake in order to allow community savings and loan sector operators that receive authorization after the BANSEFI placement to acquire shares.
- 1.14 The terms of sale for those shares would be determined ex ante, and will ensure a reasonable price for sector operators wishing to invest in BANSEFI’s equity capital once they obtain authorization. The Mexican government’s stake in BANSEFI’s equity is projected to be 29% or less.² The authorities also believe that investment

² The Credit Institutions Act provides that an entity controls a multiservice banking institution when it **acquires 30% or more of the shares representing the institution’s equity capital**, controls the shareholders meeting, is in a position to appoint the majority of members of the board of directors, or controls the multiservice banking institution through any other means. Accordingly, in order to successfully privatize BANSEFI and avoid the resultant entity’s being considered part of the Mexican government, the government must sell at least 71% of BANSEFI’s capital.

by international entities with experience in the sector could have a positive impact through sharing their experience with similar models. They would also hold a temporary, minority stake with a clear strategy to exit within a reasonable period, allowing other entities that were unable to purchase shares in the initial placement to acquire the shares purchased by the international investors, or to allow the EACPs that initially bought shares to increase their holdings.

C. The placement challenge

- 1.15 Authorizing community savings and loan sector operators to invest in BANSEFI involves significant challenges, for which the authorities have sought support from the Bank and the MIF.
- 1.16 Some challenges relate to the unique nature of the equity placement, which will not utilize a traditional public offering. Instead, the shares will be offered exclusively to sector operators, and possibly international entities with sector experience (the government's shares would be those remaining after the placement). Accordingly, the price will not be set on the open market, but by a specific market. In such a process, it is critical that BANSEFI's valuation be rigorous, impartial and accepted by community savings and loan sector operators as well as the Mexican authorities, and include a review of the placement's legal viability. The placement could take the form of a competitive process restricted to the community savings and loan sector, or an offering at a price per share based on the BANSEFI appraisal done under this project. Also, in order to support the federations and EACPs in deciding whether to invest in BANSEFI's equity, advisory support resources will be included for them to become fully informed about the terms of the deal.
- 1.17 In addition to these conceptual difficulties, BANSEFI's balance sheet does not lend itself to straightforward valuation for several reasons: (i) the securities representing the bank's capital have never had a market price (having never been publicly traded); (ii) certain assets and liabilities require specialized due diligence review to determine their value, as they are unique to BANSEFI (e.g. the value of its 3 million low-income depositors, many in locations with no other financial institution); (iii) the existence of significant assets acquired by order of the Mexican government (e.g. the technology platform), which are recorded in memorandum entries that could be included in BANSEFI's balance sheet as part of bringing sector investors into its equity structure; (iv) uncertainty as to the potential future increase in BANSEFI's cash flows from the introduction of new products; (v) the bank's unprofitability in recent years, although there is every indication that it will reach a breakeven point in 2005.
- 1.18 Moreover, Mexican law governing the privatization or sale of equity of a public bank is complex. The process therefore will require specialized consulting services to develop the legal strategy for BANSEFI's divestiture as a national credit institution and conversion to a multiservice bank governed by all applicable CNBV

and Bank of Mexico requirements. In addition, the institution's rules of procedure would have to be prepared, and the internal structures required by applicable laws and regulations instituted, at the time of the placement when the new owners take control.

- 1.19 The new institution's governance structure presents challenges as well. Financial institutions face special institutional governance challenges in general, and a second-tier bank majority-owned by community savings and loan sector operators creates additional complications. The governance structure will need to: (i) ensure that no single operator controls a majority of the entity's shares, directly or in conjunction with the federation to which it belongs, and that the interests of minority shareholders are adequately protected; (ii) monitor potential conflicts of interest arising from the fact that the sector operators own the institution; and (iii) ensure effective, professional management of the institution. At the same time, the minority position of the Mexican government and possibly international entities with experience in savings and loan sectors (such as the German Cooperatives Union, Desjardins or the MIF) would be structured to give them the same rights in principle as the other shareholders, except possibly for an agreement to exit their equity position.
- 1.20 The technical support will require support from attorneys, corporate appraisers, investment bankers and auditors to conduct the respective analyses and develop a strategy and recommendation for selling the Mexican government's stake to community savings and loan sector operators. A campaign is also needed to raise awareness among community savings and loan sector stakeholders, especially depositors, BANSEFI employees, and sector members affected by the conversion. Lastly, the project will finance advisory support for sector operators interested in taking part in the placement.

D. Lessons learned from similar projects

- 1.21 There is little international experience in selling the equity capital of a State-owned bank to community savings and loan institutions. The case of Guatemala's BANRURAL is encouraging. That bank, which is approximately 70% owned by EACPs and NGOs and 30% by the public sector, is the result of the conversion of the State-owned bank BANDESA. BANRURAL has shown positive results, with significant improvement in terms of financial deepening, volume of growth, quality of assets and other areas. Relevant lessons from this experience include the critical importance of a clear vision of the goals for the institutional change and the involvement of a dedicated, well-prepared management team. Sector operator investment in the bank's equity and their involvement in its board of directors and senior management proved crucial. In countries with significant networks of similar community savings institutions (Germany, Canada, Spain), the sector entities created the "bank of banks" themselves to offer additional services.

- 1.22 Mexico has experience with privatizing several banks nationalized in the 1990s. While aspects of those processes differed from the one BANSEFI will follow, there are important lessons that apply here. One important lesson is transparency and broad dissemination of information. To be successful, the process must ensure that all stakeholders have the information necessary to make an informed decision, and that each step is open to public scrutiny. In the international context, best practices indicate that the sale of equity in a public financial institution requires an effective oversight structure, with independent institutions and enforcement of clear prudential rules. Relevant lessons from less successful experiences are that: (i) the privatized entity should not finance the equity purchase; (ii) the institution's assets must not be overvalued; and (iii) these transactions should not be undertaken in the midst of a macroeconomic crisis.

II. THE PROJECT

A. Objectives and description

- 2.1 The project's general objective is help deepen and make Mexico's nonbank financial sector more efficient. The specific objective is consolidation of BANSEFI as a private entity, majority-owned by members of the community savings and loan sector.
- 2.2 The project's desired outcome is the placement of a majority of the Mexican government's equity stake in BANSEFI through transparent mechanisms to authorized community savings and loan sector operators, thereby converting the bank from a national credit institution into a multiservice banking institution.

B. Components and activities

- 2.3 **Component I: Specialized consulting services and placement structuring (MIF US\$205,000, Counterpart US\$269,000).** This component will support BANSEFI in retaining consulting services to prepare a proposal for an appraisal of BANSEFI, determine the legal viability of restricting the placement to the community savings and loan sector, address legal and financial aspects of the placement, and design the new entity's corporate governance system. This component will require auditors, corporate valuation experts, investment banking experts, accountants and attorneys. It will also include a consulting assignment to help BANSEFI plot the legislative critical path to obtain congressional authorizations for BANSEFI's conversion into a multiservice bank.
- 2.4 The planned activities are: (i) contracting a specialized firm (investment bank) to prepare valuation models for BANSEFI, coordinate preparation of the necessary legal documents, prepare the prospectus (with all required legal, operational, technical, financial and accounting information) (ii) contracting a law firm to

- (a) review the legal viability of the equity placement among sector operators and make legal recommendations on the procedure to follow and (b) to advise BANSEFI, in coordination with the financial advisor, on preparing a proposal for the processes of divestiture and conversion to a multiservice bank, the new bank's legal structure and bylaws, the legal and regulatory requirements for operating under the new legal structure, preparation of the BANSEFI stock purchase agreement; and (iii) contracting a firm specializing in corporate governance to propose a structure for the new bank in line with best practices, assist in preparing bylaws, prepare proposals for specific rules on concentration of ownership among the institution's new shareholders, and assist in preparing the prospectus.
- 2.5 The component outcomes will be: (i) determination of at least two appraised values for BANSEFI, including analyses of the current equity structure and applicable legislation; (ii) determination of the legal viability of the equity placement among sector operators and the legislative and regulatory critical path, as well as changes to the legal framework required to sell the government's stake to the sector; (iii) preparation and negotiation of the documents required to obtain the relevant authorities' authorization of the sale; (iv) a plan for an effective institutional governance; and (v) a plan for the sale of securities representing BANSEFI's equity and assets to community savings and loan sector operators.
- 2.6 For the sake of clarity, it should be noted that only project component 1 will be executed if the necessary government authorizations are not obtained. To summarize the benefits of such partial execution: (i) the Mexican government will have an objective appraisal of one of the most important national lenders; (ii) a legal process will be set for when the decision is made to sell BANSEFI's equity capital to community savings and loan sector operators; (iii) the sector operators will in any event have more information on BANSEFI's services and potential.
- 2.7 **Component II: Support for BANSEFI's equity placement (MIF US\$156,500, Counterpart US\$150,500).** This component will support community savings and loan sector operators in evaluating the BANSEFI equity offering, in the event that the Mexican government approves the proposed sale, and support BANSEFI in developing a communication strategy to inform community savings and loan sector operators and other stakeholders, especially employees and depositors, about the purpose of the sale.
- 2.8 The planned activities are: (i) contracting a firm specializing in financial analysis, to be selected by a committee composed of representatives of federations and independent banks that have signed a confidentiality agreement up to three weeks prior to commencement of the acquisition process, to advise potentially interested sector operators on the advisability of the offer, the accuracy of information, implications of the governance structure, and any other concerns that may arise; (ii) contracting a firm specializing in awareness campaigns to prepare and implement a communication strategy for those involved in the placement (with

emphasis on sector depositors and employees) to explain the benefits of the deal and respond to any concerns.

- 2.9 The component outcomes will be: (i) 390 EACPs and their respective federations fully informed as to the process, valuation results, financing proposals and governance structure for the placement; and (ii) launch of an awareness campaign targeting BANSEFI employees, EACPs and community savings and loan sector depositors.

III. COST, FINANCING AND DURATION

- 3.1 The total cost of the project is US\$1 million, broken down as shown in the table below. Up to 50% of the counterpart resources may come from allotments in kind. BANSEFI will be responsible for the counterpart resources.

Description	MIF	BANSEFI	Total
Specialized consulting services and placement structuring	200,500	269,000	469,500
Financial advice	115,000	115,000	230,000
Legal advice	74,000	74,000	148,000
Advice on institutional governance	11,500	80,000	91,500
Support for BANSEFI's equity placement	156,500	151,500	308,000
Advice to potential purchasers	31,500	31,500	63,000
Communication strategy	125,000	120,000	245,000
Other	143,000	79,500	222,500
Administrative costs of executing agency	0	15,000	15,000
Executing agency personnel	65,000	54,500	119,500
Advance trips	0	10,000	10,000
Audit	25,000	0	25,000
Final evaluation	20,000	0	20,000
Miscellaneous	33,000	0	33,000
TOTAL	500,000	500,000	1,000,000

- 3.2 **Sustainability.** The project's final outcome will be to make sure that the community savings and loan sector is sustainable, releasing sector operators from dependence on the Mexican government to access a sufficient supply of the products and services BANSEFI would provide. The additional income generated by the BANSEFI shares would also raise the income of sector operators, making them more profitable and enabling them to expand into other areas of the country where financial services are not available.

IV. PROJECT EXECUTION

- 4.1 **Beneficiary and executing agency.** The beneficiary will be the United Mexican States, acting through its Department of Finance (SHCP). The executing agency will be BANSEFI, which has 545 branches and is principally engaged in taking savings deposits for investment in Mexican government bonds.
- 4.2 As of December 2004, BANSEFI had assets equivalent to US\$754 million, liabilities equivalent to US\$721 million, and equity equivalent to US\$33 million. Its income is generated by six business units (see paragraph 1.10), which contribute to a growing diversification of revenue sources.
- 4.3 **Execution mechanism.** The project will be executed directly by BANSEFI through the Office of the Deputy Director for Finance (DGAF), which will serve as the project coordination unit (PCU). The Deputy Director for Finance will be accountable to the Bank. A full-time project coordinator will be supported in his or her work by the BANSEFI organization, with the following main duties: (i) preparing and implementing the annual work plan; (ii) coordinating project activities; (iii) coordinating and supervising procurement in accordance with Bank rules and procedures; (iv) overseeing the timely and effective execution of project components; (v) monitoring the performance indicators established in the logical framework; and (vi) preparing project agreements and contracts as needed. The terms of reference for contracting the coordinator are included in the technical files.
- 4.4 **Project readiness.** The project is deemed to be at an advanced stage of readiness. Terms of reference have been prepared for the various consulting assignments agreed with the executing agency, and agreement reached on the project's operational and monitoring structure.
- 4.5 **Procurement.** BANSEFI will perform procurement and contracting functions in accordance with Bank rules and procedures, based on the procurement plan. The quality and cost method will be used with ex post review of bidding processes.
- 4.6 **Execution period and disbursement schedule.** The project execution period will be 12 months, and the disbursement period 18 months. The project will have a revolving fund of 20%, based on startup costs for the various consulting assignments included in the project, many of which will be in place by project start.

V. MONITORING AND EVALUATION

- 5.1 **Monitoring reports.** BANSEFI, acting through the PCU, will submit project progress reports to the Department of Finance (SHCP) and the Bank within 30 days after the close of each quarter, and a final report 30 days after the last disbursement. These reports will follow a format previously agreed with the Bank's Country

Office in Mexico, and address project activities and financial performance as well as outcomes measured in terms of the execution and performance indicators identified in the project logical framework. The reports will be used to monitor progress on project implementation.³ During project execution, the Bank's Country Office in Mexico will receive from BANSEFI a summary of accomplishments, an updated, annotated schedule, and comments and information in general on project execution. The summary report will identify goals and obstacles met and lessons learned, so that a project completion report can be prepared within three months after the last disbursement.

- 5.2 **Evaluation.** The Bank will contract independent consultants out of the MIF contribution to conduct a midterm review of the project, once 50% of the contribution has been disbursed or six months after the agreement is signed, whichever occurs first. Based on the midterm review and the evaluator's recommendations to the SHCP, the Country Office will determine whether the project should be continued, modified, suspended or canceled. The review will take into account at least these factors: (i) progress in terms of the logical framework indicators; (ii) progress on the activities under each component of the logical framework, and the achievement of objectives; (iii) counterpart adherence to the *pari passu* requirements of the project budget; and (iv) progress on the legislative and regulatory initiatives required for the operation. The executing agency and the Bank have also agreed to prepare an *ex post* evaluation.

VI. RATIONALE AND RISKS

- 6.1 **Rationale.** This operation seeks to support the Mexican government in an unprecedented conversion to create a "bank of banks," in order to meet the needs of the community savings and loan sector, facilitate its consolidation and generate additional earnings. The proposed transaction seeks to support development of the community savings and loan sector by enabling it to shape BANSEFI products and services to its needs and reduce the Mexican government's influence in these decisions, so that it can focus on public policy measures to increase savings and bank penetration. Public policy and activities directed toward those objectives are expected to be financed through fiscal spending, thereby reducing incentives to use the cross-subsidies within BANSEFI's pricing structure. One of the main advantages of MIF participation, through the Bank, is that the Bank acts as an independent third party in the placement process, thus ensuring a transparent and impartial process.
- 6.2 **Beneficiaries:** The operation's beneficiaries will be community savings and loan sector operators and the population underserved by Mexico's financial system. The

³ The reports will not include privileged/confidential information on the placement process (see paragraph 6.5)

sector operators will benefit because their equity investment in BANSEFI will grow through retained earnings or generate returns in the form of dividends, and they will have a second-tier bank providing centralized services to meet their customers' demand for products and services. Other indirect beneficiaries will be individuals without access to financial services, estimated at some 20 million, who may benefit from a strengthened community savings and loan sector with greater resources to expand coverage, and from access to the payment system and products that meet their needs.

- 6.3 **Risks.** The chief risk to the operation's objectives is the potential failure to obtain the authorizations required to convert BANSEFI into a multiservice bank with community savings and loan sector operators as shareholders. The current administration has secured approval of various financial reforms, and community savings and loan sector operators themselves are expected to promote the proposed reform. Opposition to the sale of Mexican government's equity interest would be mitigated by the fact that ownership of the institution would be transferred to the sector operators, which provide extensive services to the lowest-income population.
- 6.4 Another risk is that the community savings and loan sector operators will be unwilling to buy BANSEFI's equity or lack the financial resources to do so. This risk is mitigated by the fact that international entities familiar with the sector will be involved in the placement. These resources and the presence of the Mexican government mean that a portion of the equity will be acquired that may vary according to sector operators' interest in participating in the placement. If the placement is oversubscribed, those entities will not participate. If it is undersubscribed, however, their involvement could be greater, but temporary. This investment would involve a percentage of the shares offered for sale by the United Mexican States, and would facilitate the transfer of know-how gained from successful international experience. These entities may include the MIF.
- 6.5 Preparation of this potential investment would be explored as a separate operation. However, in preparing this operation, measures will be taken to reduce the possibility of a conflict of interest. These measures include ensuring that the consultants' reports are reviewed only by the project team leader and the Country Office's sector specialist. They will not share valuation reports or any other confidential or privileged information related to the sale process. MIF staff will have no opportunity to influence the recommendations contained in the consultant reports.
- 6.6 The existence or possible perception of a conflict of interest and the effect of mitigation measures will subject to be analyzed by the MIF as a key factor in programming and preparation of the second operation.

VII. ENVIRONMENTAL AND SOCIAL IMPACT

- 7.1 The Committee on Environment and Social Impact (CESI) reviewed the project on 27 May 2005, and raised no objections.

LOGICAL FRAMEWORK
EQUITY INVESTMENT BY THE COMMUNITY SAVINGS AND LOAN SECTOR IN
BANCO DEL AHORRO NACIONAL Y SERVICIOS FINANCIEROS (BANSEFI)
(ME-M1012)

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Goal</p> <p>The project's <i>general</i> objective is help deepen and make Mexico's nonbank financial sector more efficient.</p>	<p>By 2 or 3 years after project end:</p> <p>1. At least 50% of the community savings and loan institutions (EACPs) authorized have payment facilities through a second-tier "bank of banks" ("caja de cajas") in which they are investors.</p>	<p>Regulatory reports from the EACPs authorized</p> <p>Second-tier bank statistics on customers and means of payment products</p>	<p>A stable macroeconomic environment is maintained.</p>
<p>Objective</p> <p>The <i>specific</i> objective is consolidation of BANSEFI as a private entity, majority-owned by members of the community savings and loan sector.</p>	<p>By project end:</p> <p>The majority of BANSEFI's equity capital held by the Mexican government has been sold through transparent mechanisms to authorized community savings and loan sector operators.</p> <p>BANSEFI has been converted from a national lending institution into a multiservice bank.</p>	<p>Shareholder register</p> <ul style="list-style-type: none"> - Project performance monitoring report (PPMR) - Final report of executing agency - Final report by external consultant - Project completion report (PCR) 	<p>Community savings and loan sector operators adhere to the timeframes provided in the Community Savings and Loan Act (LACP) for purposes of supervision and regulation.</p>
Components/Outputs			
<p>Component 1</p> <p>Specialized consulting services and placement structuring</p>	<p>Within 9 months after project start, BANSEFI will have:</p> <ol style="list-style-type: none"> 1. A full analysis of a reasonable range of market values. 2. An approved process for BANSEFI's conversion and/or divestiture. 3. A consensus-based proposal for an institutional governance structure. 	<p>Written BANSEFI report indicating acceptance of contract deliverables</p> <ul style="list-style-type: none"> - PPMR - Final report of executing agency - Final evaluation by external consultant - PCR 	<p>Community savings and loan sector operators are interested in, and legally and financially capable of, investing in BANSEFI's equity capital.</p> <p>Authorizations are obtained to carry out the BANSEFI conversion and/or divestiture process.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component 2.1</p> <p>Support in communicating efficiently with stakeholders (i.e. employees, EACP member-customers, BANSEFI employees and depositors).</p>	<ol style="list-style-type: none"> 1. Within 12 months after project start, 100% of EACP and BANSEFI employees have been informed about the process. 2. Within 12 months after project end, the net average number of accounts opened per month at EACPs or BANSEFI has not decreased by more than 10%. 	<p>Written BANSEFI report indicating acceptance of contract deliverables</p> <p>Consultant's written report indicating coverage and penetration of communications</p> <ul style="list-style-type: none"> - PPMR - Final report of executing agency - Final evaluation by external consultant - PCR 	<p>EACP and BANSEFI employees, members and customers understand the project benefits.</p>
<p>Component 2.2</p> <p>Specialized consulting services to community savings and loan sector operators on the terms and conditions of the BANSEFI equity offering.</p>	<p>Within 12 months after project start, 100% of potential investors in the community savings and loan sector who so request have access to technical assistance on the terms and conditions of the offering.</p>	<p>Written consultant's reports on outcomes of consulting services provided.</p> <p>The reports themselves will be the property of a potential buyer, whose approval will serve as verification of completion of the consulting assignment.</p> <ul style="list-style-type: none"> - PPMR - Final report of executing agency - Final evaluation by external consultant - PCR 	<p>Community savings and loan sector operators have sufficient information to determine whether they are interested in investing in BANSEFI's equity.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
Activities			
<p>Component 1</p> <p>Financial advice: 1.1 Preparation of BANSEFI valuation models.</p> <p>Legal advice: 1.2 Develop a strategy to support and advise BANSEFI in the process of divestiture and conversion into a multiservice bank.</p> <p>Advice on institutional governance: Prepare a proposed institutional governance structure for the new bank.</p>	<p>MIF US\$200,500; Counterpart US\$269,000</p> <p>The financial information required by the investment bank will be compiled within 2 weeks.</p> <p>BANSEFI will have written analyses, calculation methods and financial projections based on at least two different scenarios within 6 months.</p> <p>Critical path for implementation of the divestiture and conversion process within 2 months.</p> <p>The confidential information memorandum – Prospectus will be completed within 6 months.</p> <p>An institutional governance and shareholder structure appropriate to project needs will be identified within 5 months.</p>	<ul style="list-style-type: none"> - List of documentation for preparing the confidential information memorandum - Report of the consulting firm - PPMR - Final report of executing agency - Final evaluation by external consultant - PCR 	<p>A sufficient number of investment bankers with expertise in valuing and selling companies are interested in bidding.</p> <p>Community savings and loan sector operators have all information necessary to make an investment decision.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Component 2</p> <p>Communication strategy</p> <p>2.1 Consulting assignment to develop a strategy for communicating with stakeholders (i.e. EACP employees and member-customers, BANSEFI employees and depositors).</p> <p>2.2 Implement communication strategy.</p> <p>Advisory support to community savings and loan sector operators</p> <p>2.3 Audit purchase to verify that financial statements are reasonable.</p> <p>2.4 Provide advisory support on reasonability of share price to community savings and loan sector operators who so request.</p>	<p>MIF US\$156,500; Counterpart US\$151,500</p> <p>Contracting of consulting firm beginning in month 5 to develop an effective communication strategy to generate interest in acquiring BANSEFI shares within the community savings and loan sector.</p> <p>In month 8, 25 communication workshops will be held for employees and depositors.</p> <p>In month 9, 100% of operators who so request receive assistance in evaluating the offer.</p>	<ul style="list-style-type: none"> - PPMR - Final report of consulting firm on outcome of awareness campaign - Final report of executing agency - Final evaluation by external consultant - PCR - Letter of acceptance of consulting services signed by the EACPs 	

Description	MIF	BANSEFI	Total
Specialized consulting services and placement structuring	200,500	269,000	469,500
Financial and legal advice	189,000	189,000	378,000
Institutional governance advice	11,500	80,000	91,500
Support for BANSEFI's equity placement	156,500	151,500	308,000
Advisory support to potential investors	31,500	31,500	63,000
Communication strategy	125,000	120,000	245,000
Other	143,000	79,500	222,500
Administrative costs of executing agency	0	15,000	15,000
Executing agency personnel	65,000	54,500	119,500
Advance trips	0	10,000	10,000
Audit	25,000	0	25,000
Miscellaneous	53,000	0	53,000
TOTAL	500,000	500,000	1,000,000

Description	MIF	BANSEFI	Total
I. Specialized consulting services and placement structuring	200,500	269,000	469,500
Financial and legal advice	189,000	189,000	378,000
Financial advice	115,000	115,000	230,000
Prepare list of information	4,150	4,150	8,300
Prepare project team list	300	300	600
Prepare financial advisor schedule	2,325	2,325	4,650
Review BANSEFI legal framework	3,400	3,400	6,800
Prepare valuation report	17,400	17,400	34,800
Prepare document on reforms	8,750	8,750	17,500
Prepare and negotiate approvals document	8,700	8,700	17,400
Prepare authorizations document	9,300	9,300	18,600
Develop promotional plan	11,100	11,100	22,200
Prepare descriptive prospectus	21,000	21,000	42,000
Prepare investor information documents	11,100	11,100	22,200
Prepare investor presentations	7,100	7,100	14,200
Develop and implement allocation process	5,125	5,125	10,250
Close transaction and prepare report on placement	5,250	5,250	10,500
Legal advice to BANSEFI	74,000	74,000	148,000
Prepare list of information	3,150	3,150	6,300
Prepare project team list	188	188	375
Prepare legal advisor schedule	1,125	1,125	2,250
Review BANSEFI legal framework	2,638	2,638	5,275
Prepare document on reforms	9,750	9,750	19,500
Advise BANSEFI in transformation process	10,200	10,200	20,400
Prepare and negotiate approvals document	8,550	8,550	17,100
Prepare authorizations document	6,450	6,450	12,900
Advise BANSEFI in divestiture process	10,800	10,800	21,600
Prepare and negotiate institutional governance document	7,350	7,350	14,700
Prepare and review promotional plan	1,800	1,800	3,600
Prepare and review descriptive prospectus	6,450	6,450	12,900
Prepare and review investor information documents	3,300	3,300	6,600
Prepare and review allocation process	900	900	1,800
Prepare stock purchase agreement	700	700	1,400
Review closing and report on placement	650	650	1,300
Institutional governance advice to BANSEFI	11,500	80,000	91,500

Description	MIF	BANSEFI	Total
Prepare list of information	3,000	3,000	6,000
Prepare project team list	0	300	300
Prepare institutional governance advisor schedule	0	2,100	2,100
Review legal framework applicable to BANSEFI and divestiture	2,200	2,200	4,400
Prepare best practice document on institutional structure	0	10,000	10,000
Prepare document establishing BANSEFI institutional governance framework	0	19,000	19,000
Prepare bylaws	0	17,000	17,000
Support legal advisor in preparing: (i) proposal from board of directors to request SHCP authorization for conversion; and (ii) justification and framework for conversion, to be prepared by the SHCP	0	13,000	13,000
Support preparation and negotiation of approvals document	0	7,000	7,000
Support preparation of descriptive prospectus	3,100	3,200	6,300
Support preparation of investor information documents	3,200	3,200	6,400
II. Support for BANSEFI's equity placement	156,500	151,500	308,000
Advisory support to potential investors	31,500	31,500	63,000
Prepare list of information	244	244	488
Prepare institutional governance advisor schedule	806	806	1,612
Review legal framework applicable to BANSEFI and divestiture	2,100	2,100	4,200
Analyze dataroom information, prospectus and additional information	11,100	11,100	22,200
Analyze audited financial statements	3,000	3,000	6,000
Prepare independent opinion	4,200	4,200	8,400
Collect and analyze additional information	3,750	3,750	7,500
Prepare additional information document	3,300	3,300	6,600
Meet with interested EACPs	3,000	3,000	6,000
Prepare communication strategy	125,000	120,000	245,000
BANSEFI employees	65,000	60,000	125,000
Set internal and external communication policy	10,000	5,000	15,000
Develop internal and external communication campaign	10,000	10,000	20,000
Surveys and focus groups	10,000	10,000	20,000
Design internal communication system	10,000	10,000	20,000
Prepare internal publications	10,000	10,000	20,000
Hold workshops to communicate change and instill new culture	15,000	15,000	30,000
Customers/depositors	30,000	30,000	60,000
Develop internal and external communication campaign	15,000	15,000	30,000
Prepare materials for distribution/publication	15,000	15,000	30,000
Community savings and loan sector operators	30,000	30,000	60,000
Develop internal and external communication campaign	15,000	15,000	30,000
Prepare materials for distribution/publication	15,000	15,000	30,000
Other	143,000	79,500	222,500
Administrative costs of executing agency	0	15,000	15,000
Executing agency personnel	65,000	54,500	119,500
Project lead coordinator	65,000	0	65,000
Procurement support Deputy Director for International Financing	0	30,000	30,000
Accounting and secretarial support	0	24,500	24,500
Advance trips	0	10,000	10,000
Audit	25,000	0	25,000
Miscellaneous	53,000	0	53,000
TOTAL	500,000	500,000	1,000,000

**EQUITY INVESTMENT BY THE COMMUNITY SAVINGS AND LOAN SECTOR IN
BANCO DEL AHORRO NACIONAL Y SERVICIOS FINANCIEROS (BANSEFI)
(ME-M1012)**

Related Projects in Mexico

A. Similar or related MIF projects

None

B. Similar or related Bank projects

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
1484/OC-ME 29-Oct-03	Rural Financial System Consolidation Program Financiera Rural US\$300 million	28-Mar-2004 36 months	50%	Project classified S/P. The executing agency has implemented a reform program as agreed in the policy matrix and supported the creation of a sound, prudent financial institution.
1163/OC-AR 16-Dec-98	Special Structural Adjustment Program and Strengthening of Banking System Safeguards Ministry of Finance US\$2 billion	21-Dec-1998 36 months	100%	Reducing the State's ownership interest in the banking sector was an objective of this operation, which was done by closing Banco Nacional de Desarrollo (BANADE), the privatization or closing of 15 out of 24 official banks of the provinces, and passage of the law to privatize Banco Hipotecario Nacional (BHN). BHN was subsequently sold with local investors acquiring 30 of its shares; the rest were sold on the New York Stock Exchange.
1166/OC-CO 8-Dec-99	Public Finance Sector Reform Program Ministry of Finance US\$300 million	25-Jan-1999 15 months	100%	No substantial reduction was made in the State's ownership interest in first-tier financial institutions. While the State's ownership interest shrank considerably, problems arose in the

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
				process of winding up the institutions that had originally been identified, significantly slowing completion of this component.
900/OC-BA 15-Nov-95	Investment Sector Reform Program Ministry of Finance and Economic Affairs US\$35 million	19-Jan-1996 36 months	100%	Conditionalities of this project included the closing of an insolvent public bank. That goal was achieved, although late. The new public financial institutions created have performed poorly.

C. Projects related to the same sector or beneficiaries

Project number / date of approval	Title of project, sector, executing agency and amount	Date of signing and original period of disbursement in months	Percentage disbursed	Comments: Satisfactory execution or problems in execution, including delays, extensions, reformulation, executing-agency change, etc.
ATN/ME-7630-ME 15-Oct-2001	Institutional strengthening of FINCOMÚN FINCOMÚN, Servicios Financieros Comunitarios S.A. de C.V. US\$296.000	16-Nov-2001 42 months	37%	Project classified Yellow Flag (U/P). Components have been delayed, and the type of software products and training needs redefined. Pending consulting assignments are scheduled for completion during the remaining project term. Extended by 6 months.
ATN/ME-7792-ME 20-Feb-02	Strengthening Institutions in the Low-Income Savings and Loan Sector Banco del Ahorro Nacional y Servicios Financieros (BANSEFI) \$3.5 million	22-Feb-02 42 months	43%	Project classified S/P. The executing agency possesses the institutional capacity and enough influence with savings banks to expect that the proposed objectives will be fully met. Extended by 12 months.
ATN/MT-8245-ME 12-Mar-03	Bankable Property Rights in Mexico. National Chamber for Housing Development \$2 million	17-Jun-03 42 months	18%	Project classified S/P. Slow execution due to interagency coordination problems. Corrective action has been taken to speed up project execution.

D. Projects financed in Mexico

**MULTILATERAL INVESTMENT FUND
MEXICO MIF PORTFOLIO**

No.	Memo No.	Project No.	ATN No.	Name	Exec. Agency	Fac	Approval	Status	MIF Amount	% Disb
1	MIF/AT-19	TC9408099	ATN/ME-4709-ME	“Acción” Fund for the Development of Productive Projects in Rural Areas	BANAMEX	IIIa	9-Nov-94	Completed	1,200,000	100.00
2	MIF/AT-19	TC9410292	EQU/MS-0003-ME	“Acción” Fund for the Development of Productive Projects in Rural Areas	BANAMEX	IIIb	9-Nov-94	Completed	5,000,000	100.00
3	MIF/AT-27	TC9407182	ATN/MH-4744-ME	Training and Services for Street Youth	FBC	II	7-Dic-94	Completed	745,000	100.00
4	MIF/AT-56	TC9505366	ATN/MH-5050-ME	Technical Training for the Electronics Industry	CANIECE	II	1-Nov-95	Completed	28,611	100.00
5	MIF/AT-78	TC9502239	ATN/MT-5198-ME	Energy Regulations	CORE	I	24-Abr-96	Completed	0	0.00
6	MIF/AT-89	TC9509376	ATN/MH-5333-ME	Pilot Skill Standards and Certification Project	CNCCL	II	11-Sep-96	Completed	2,383,782	100.00
7	MIF/AT-128	TC9605017	ATN/ME-5593-ME	Productivity Center in Jalisco	IFMJ	IIIa	4-Jun-97	Completed	1,767,550	100.00
8	MIF/AT-139-1	TC9508401	ATN/MH-5709-ME	Human Resources Investment for Regional Business Development: Nueva Viscaya	UNIAC	II	1-Oct-97	Completed	1,253,083	100.00
9	MIF/AT-155	TC9707376	EQU/MS-0010-ME	Investment Fund for Small Enterprise of the Environment	NAEF	IIIb	10-Dic-97	Completed	4,000,000	100.00
10	MIF/AT-183	TC9803471	EQU/MS-6040-ME	Venture Capital Fund for Agribusiness (AGROSEED)	OA	IIIb	8-Jul-98	In execution	3,000,000	55.79
11	MIF/AT-187	TC9805120	ATN/MT-6085-ME	Capital Market Development	INDEVAL	I	5-Ago-98	Completed	1,449,912	100.00
12	MIF/AT-202-1	ME0216	8/MS-ME	MIC/ Rural Financing for Small Farmers	FMDR	IIIb	11-Nov-98	Cancelled	0	0.00
13	MIF/AT-202-1	TC9802259	ATN/ME-6239-ME	MIC/ Rural Financing for Small Farmers	FMDR	IIIa	11-Nov-98	Cancelled	0	0.00
14	MIF/AT-244	TC9606346	EQU/MS-6463-ME	Capital Development Fund in Guanajuato	FG	IIIb	21-Abr-99	In execution	4,000,000	97.50
15	MIF/AT-303	TC9907013	ATN/MH-6742-ME	Training in Environmental Management Systems	IPA	II	9-Nov-99	Completed	304,196	100.00
16	MIF/AT-309	TC9808322	ATN/ME-6811-ME	Capital Development Fund in Tijuana	CDT	IIIa	8-Dic-99	In execution	1,370,000	79.74
17	MIF/AT-309	TC9912018	EQU/MS-6810-ME	Capital Development Fund in Tijuana	CDT	IIIb	8-Dic-99	In execution	4,000,000	0.50
18	MIF/AT-313	TC9710147	ATN/MH-6887-ME	Professionalization of NGOs Project	VAMOS	II	9-Feb-00	In execution	2,000,000	78.78
19	MIF/AT-326	TC9909009	ATN/ME-6974-ME	Institutional Strengthening of Compartamos	APC	IIIa	16-May-00	Completed	0	0.00
20	MIF/AT-341	TC9910000	ATN/MT-7066-ME	Alternative Dispute Resolution Project	ITAM	I	26-Jul-00	In execution	727,825	99.10

No.	Memo No.	Project No.	ATN No.	Name	Exec. Agency	Fac	Approval	Status	MIF Amount	% Disb
21	MIF/AT-347	TC0003021	EQU/MS-7085-ME	Equity Investment in ZN Venture Trust	ZNMVT	IIIb	2-Ago-00	Completed	242,583	100.00
22	MIF/AT-358	TC9810509	ATN/MT-7139-ME	Program to Support Productive Integration	CONCAMIN	I	20-Sep-00	In execution	2,000,000	44.56
23	MIF/AT-440	TC0105028	ATN/ME-7630-ME	Institutional Strengthening FINCOMUN	FINCOMUN	IIIa	15-Oct-01	In execution	296,000	37.11
24	MIF/AT-450	TC0106003	ATN/ME-7717-ME	Capitalization of Remittances for Local Economic Development	NAFIN	IIIa	12-Dic-01	In execution	1,115,000	36.69
25	MIF/AT-459	TC0109002	ATN/MT-7792-ME	Strengthening of the Network of Savings and Loan Entities	BANSEFI	I	20-Feb-02	In execution	3,500,000	43.41
26	MIF/AT-462	TC0202009	ATN/ME-7832-ME	Tourism Sector Auxiliary Industry Fund	FEC	IIIa	3-Abr-02	Approved	45,000	0.00
27	MIF/AT-462	TC0202010	EQU/MS-7831-ME	Tourism Sector Auxiliary Industry Fund	FEC	IIIb	3-Abr-02	In execution	10,000,000	65.66
28	MIF/AT-465	TC0108017	ATN/ME-7834-ME	Investment of Remittances for Rural Development in Migrant Economies	FPC	IIIa	4-Abr-02	In execution	460,000	48.67
29	MIF/AT-478	TC0107010	ATN/MT-7921-ME	Water Sector Reform for the State of Veracruz	SEDERE	I	26-Jun-02	In execution	1,000,000	42.80
30	MIF/AT-509	TC0105018	EQU/MS-8084-ME	Venture Capital Fund for Small Enterprises in Chihuahua	FCHIHUAHU A	IIIb	30-Oct-02	Completed	0	0.00
31	MIF/AT-509	TC0207015	ATN/ME-8085-ME	Venture Capital Fund for Small Enterprises in Chihuahua	FCHIHUAHU A	IIIa	30-Oct-02	In execution	110,000	54.55
32	MIF/AT-525	TC0201100	ATN/MT-8243-ME	Development of Standards for Financial Information	ICP	I	12-Mar-03	In execution	1,675,000	38.13
33	MIF/AT-527	TC0206011	ATN/MT-8245-ME	Property Rights Facilities Financial States	CONAFOVI	I	12-Mar-03	In execution	2,000,000	17.92
34	MIF/AT-533	TC0202012	ATN/ME-8378-ME	Expansion of Cleaner Production Support	IPN	IIIa	30-Jul-03	In execution	980,000	10.20
35	MIF/AT-542	TC0210061	ATN/ME-8424-ME	Promotion of Cleaner Production Opportunities in the Bajio Region	CCMEU	IIIa	9-Sep-03	Approved	465,000	0.00
36	MIF/AT-548	TC0302013	ATN/ME-8432-ME	Supply Chain Development for Micro and Small Enterprises in Guanajuato	COFOCE	IIIa	10-Sep-03	In execution	970,000	15.62
37	MIF/AT-587	ME-M1002	ATN/MT-8654-ME	Support for a Program to Incorporate Business Assets into the Formal Sector	SDS	I	10-Mar-04	Approved	2,600,000	0.00
38	MIF/AT-597	ME-M1005	EQU/MS-8763-ME	Venture Financing for Mexican early-stage technology firms	LIMVCF	IIIb	7-Jul-04	Approved	5,000,000	0.00
39	MIF/AT-597	ME-M1005	ATN/ME-8764-ME	Venture Financing for Mexican early-stage technology firms	LIMVCF	IIIa	7-Jul-04	Approved	75,000	0.00

No.	Memo No.	Project No.	ATN No.	Name	Exec. Agency	Fac	Approval	Status	MIF Amount	% Disb
40	MIF/AT-611	ME-M1003	ATN/ME-8864-ME	Implement Corporate Social Responsibility Measures in SMEs	ANAHUAC	IIIa	22-Sep-04	In execution	1,275,000	10.00
41	MIF/AT-644	ME-M1004	ATN/ME-9118-ME	Support Program to Rural Financial Intermediaries	FR	IIIa	09-Mar-05	Approved	675,000	0.00
42	MIF/AT-646	ME-M1006	ATN/MT-9138-ME	Access to Housing Financing for Remittance Recipients	SOHIFE	I	23-Mar-05	Approved	1,700,000	0.00
								Total MIF Amount	69,413,542	

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE-__/_

Mexico. Nonreimbursable Technical Cooperation ATN/___ - ___-ME for Equity Investment by the Community Savings and Loan Sector in Banco del Ahorro Nacional y Servicios Financieros (BANSEFI)

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the United Mexican States, in its capacity as beneficiary, and with Banco del Ahorro Nacional y Servicios Financieros – BANSEFI, in its capacity as executing agency, and to take such additional measures as may be pertinent for the execution of the project proposal contained in Document MIF/AT-___ with respect to a technical cooperation for equity investment by the community savings and loan sector in Banco del Ahorro Nacional y Servicios Financieros (BANSEFI).

2. That up to the amount of US\$500,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on __ _____)