

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

MEXICO

HOTEL CREDIT PROGRAM

(ME-0058)

LOAN PROPOSAL

M E X I C O

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LOAN PROPOSAL

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MEXICO

BASIC ECONOMIC STATISTICS

1. Area and Population

Area (thousands of square kilometers)	1,967
Total population (thousands of inhabitants, 1977)	64,510
Inhabitants per square kilometer	33
Percentage of literacy <u>1/</u> (1970)	76.3
Rate of population growth (1970-1976)	3.5

Economically active population,
percentage breakdown by sector: 2/ (1973)

Agriculture	34.0
Mining	0.6
Manufacturing <u>3/</u>	17.8
Construction	4.4
Electric energy	0.4
Commerce	8.7
Transportation	2.6
Services	21.1
Activities not well specified	10.4

2. National Accounts

Percentage breakdown of the
gross domestic product by sector:

	<u>1960</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Agriculture	15.9	10.2	9.9	9.6	9.0
Mining	1.5	0.9	1.0	0.9	0.9
Manufacturing	22.6	27.4	27.7	27.7	28.2
Electric energy	1.0	2.0	2.0	2.1	2.2
Construction	4.1	5.1	5.1	5.2	5.0
Commerce	33.6	34.2	34.0	33.7	33.3
Transportation	3.3	3.5	3.7	3.9	4.0
Financial services	8.2	6.3	6.1	6.0	6.0
Other services	4.9	3.8	3.8	3.7	3.7
Government	4.9	6.6	6.7	7.2	7.7

Fixed capital formation, gross
(Percentage of the GDP)

<u>16.9</u>	<u>20.5</u>	<u>21.3</u>	<u>22.3</u>	<u>21.9</u>
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	<u>1960-76</u>	<u>1966-76</u>
Rate of growth of GDP	6.3	5.9
Rate of growth of GDP, per capita	2.5	1.9
Rate of growth of total investment	7.5	6.5

- 1/ Population 10 years of age and older.
2/ Population 12 years of age and older.
3/ Includes petroleum extraction.

México

3. <u>Foreign Trade</u> (Millions of US\$)	<u>1960</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Exports:						
Total	764.0	1,861.0	2,261.0	2,988.0	2,952.0	3,396.0
LAFTA	8.7	147.1	172.5	264.4	267.9	315.1
Andean Group	5.4	72.3	79.9	107.2	120.4	118.1
CACM	7.1	35.5	52.0	78.5	81.6	76.5
Latin America	22.7	199.9	248.0	369.8	373.6	414.5
United States	455.3	1,288.3	1,688.1	2,255.3	1,167.5	1,875.3
Canada	6.8	20.7	30.4	64.4	43.2	48.3
Japan	44.4	111.3	146.6	142.4	109.0	100.6
United Kingdom	12.1	14.2	14.5	46.0	27.9	24.6
European Common Market	71.6	102.9	165.0	351.9	258.3	255.3
Imports:						
Total	1,186.0	2,935.0	3,574.0	6,057.0	6,581.0	6,036.0
LAFTA	4.0	119.8	193.0	290.2	412.0	245.8
Andean Group	1.4	55.0	104.0	154.2	83.3	45.0
CACM	0.5	4.7	6.9	8.5	19.4	26.6
Latin America	11.5	139.2	217.9	319.4	448.0	289.2
United States	856.4	1,774.5	2,609.5	4,225.6	4,113.2	3,773.2
Canada	32.8	74.6	85.0	146.2	145.9	140.9
Japan	17.1	115.4	177.9	223.7	298.5	306.9
United Kingdom	57.8	92.9	90.6	136.0	192.8	189.8
European Common Market	199.3	576.4	644.8	1,064.8	1,091.2	984.5
4. <u>Balance of Payments</u> (Millions of US\$)						
A. Balance on Current Account	-324.0	-916.3	-1,415.1	-2,876.4	-4,197.5	3,483.2
B. Long-term Capital Flow (net):	126.0	827.3	1,820.4	3,048.3	4,799.7	5,258.8
Public:	-	36.9	119.2	590.4	450.5	1,185.7
Private:	126.0	790.4	1,701.2	2,457.9	4,349.2	4,073.1
Direct						
Investment	-38.0	300.7	456.6	678.2	747.9	689.2
Other	164.0	489.7	1,244.6	1,779.7	3,601.3	3,383.9

5.	<u>International Monetary Reserves</u> (Millions of US\$)	<u>1960</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>
	Bank of Mexico Reserve Holdings (gross)	442	1,355	1,395	1,533	1,253	1,654 <u>1/</u>
6.	<u>Cost of Living Index</u>						
	Base year 1970 = 100	76	124	151	177	205	277 <u>2/</u>
7.	<u>Public Finance</u> (Millions of pesos)						
	Central Government Current Revenue:	11.4 <u>3/</u>	52,217	71,996	102,300	134,082	185,600
	Central Government Total Expenditures:	13.1 <u>3/</u>	78,985	103,550	143,088	188,173	255,826
	Current Expenditures	9.4	48,022	68,228	92,560	125,532	176,200
	Capital Expenditure *	3.7	30,963	35,322	50,528	62,641	79,626
	Total Surplus (+) or Deficit (-)	-1.7	-26,768	-31,554	-40,788	-54,091	..

* Does not include amortization of debt.

1/ September.

2/ November.

3/ 1961.

SOURCES:

Area:

Organization of American States, América en Cifras 1972 - Situación Demográfica: Estado y Movimiento de la Población.

Total Population:

IDB estimate based on official national statistics.

Literacy:

Dirección General de Estadística, Agenda Estadística, 1975.

Economically Active Population:

IDB estimate based on information from the International Labor Office, Anuario de Estadísticas del Trabajo, 1971, and Secretaría de Industria y Comercio, México Agenda Estadística, 1972.

Gross Domestic Product:

Banco de México, S.A., Informe Anual 1974 and 1976.

Foreign Trade

Exports and Imports:

Total: International Monetary Fund, International Financial Statistics,
January 1969 and February 1978.

Breakdown by Groups and Individual Countries:

International Monetary Fund, Direction of Trade Annual 1960-64 and
1969-75. (Computer tapes, July 1977)

Balance of Payments:

International Monetary Fund, Balance of Payments Yearbook (Computer
tapes, February 1978).

International Monetary Reserves:

International Monetary Fund, International Financial Statistics, May 1976
and December 1977.

Cost of Living Index:

International Monetary Fund, International Financial Statistics, May 1976
and February 1978.

Public Finance:

Information supplied to IDB by the Secretaría de Hacienda y Crédito Pú-
blicc and the Secretaría de Programación y Presupuesto.

Key to signs

.. Unavailable.

- Zero or less than one half of the last digit used.

General Studies Division
Statistics Section
February 1978

MEXICO

HOTEL CREDIT PROGRAM

Loan Proposal

I. THE PROJECT

1. Frame of Reference

The various programs comprising the Government's plan in Mexico have been conventionally classified in broad sectors, according to the type of activity performed. Tourism is one of the sectors which national authorities at the highest level have decided to promote strongly, since it represents one of the most immediate and economic ways to augment the generation of foreign exchange earnings and create employment.

Mexico is one of the Latin American countries where tourism is most important from the point of view of contribution to import capacity and impact on factors affecting the overall economy. Between 1971 and 1974, the tourism accounted for 16% of the amount of foreign exchange generated by exports. In 1970-76, income from the tourism sector climbed to US\$4.620 million with an average growth rate of 12%. Its impact on employment is equally important, inasmuch as the population occupied in activities directly or indirectly related to tourism is estimated at approximately 500,000 persons. As the regional distribution of tourism becomes more diversified and extensive, the imbalance between those zones or regions will gradually diminish. Up to a few years ago tourism was mainly concentrated in Mexico City and Acapulco. At present, almost 70% continues to gravitate to four of the nine regions of greatest interest to tourism. It has, however, become more diversified as a result of infrastructure and social programs which have converted the Cancún, Ixtapa-Zihuatanejo, Bahía de Banderas, Baja California and other projects into development poles and because of the application of a systematic governmental promotion and incentives policy. Through the combination of all these factors as well as others, national authorities hope to improve regional redistribution of tourism benefits.

2. The Project

(a) Purpose

The project is designed to expand and intensify the credit program put into effect by Nacional Financiera, S. A. (NAFINSA) through the Fondo Nacional de Fomento al Turismo (FONATUR-National Fund for Tourism Development) to channel and stimulate a greater flow of investment credit to small and medium-sized hotels, so as to increase the hotel accommodation capacity. The comprehensive IDB-FONATUR hotel program will contribute specifically to partial achievement of the goal of constructing 21,000 rooms in the 1978-80 period.

The program will be implemented through intermediary financing institutions established in the country.

(b) Description

The program will be carried out by granting financial credits to underwrite the construction, expansion, remodeling and equipping of small and medium-sized private sector tourist hotels.

3. The Borrower

Nacional Financiera, S. A. (NAFINSA) would be the borrowing institution in its capacity as financial agent for the Federal Government, supported by the joint and several guarantee of the United Mexican States.

4. The Executor

The executor would also be Nacional Financiera, S. A. (NAFINSA), in its capacity as trustee of the trust known as "Fondo Nacional de Fomento al Turismo" (FONATUR), which was established by the Federal Government on April 16, 1974. Its legal constitution stems from the Ley Federal de Fomento al Turismo promulgated January 28, 1974.

II. COST AND FINANCING

1. Total Cost of FONATUR Program

The total cost for construction of 21,000 hotel accommodations over the 1978-1980 period is tentatively estimated at the equivalent of US\$500 million. Of this amount, the equivalent of US\$250 million would be contributed by private investors and the balance, equivalent to US\$250 million, would be contributed in the form of credits and investments by FONATUR and financial intermediaries.

2. Financing of FONATUR Program

Operations scheduled under the program would be financed in approximately the following way:

<u>Source</u>	<u>Equivalent in US\$ millions</u>	<u>%</u>
Financial Intermediaries	25.0	10.0
IBRD Loan <u>1/</u>	50.0	20.0
IDB Loan	30.0	12.0
FONATUR Recoveries	19.0	8.0
Parallel Financing <u>2/</u>	20.0	8.0
Banco de Mexico Contribution	66.0	26.0
Secretaria de Hacienda Contribution	<u>40.0</u>	<u>16.0</u>
TOTAL	<u>250.0</u>	<u>100.0</u>

3. Total Cost of IDB-FONATUR Project

Since the Bank would participate exclusively in the financing of small and medium-sized hotels under the FONATUR Program (see parameters applicable to this type of hotel establishment in Chapter V), this sector has been considered separately in order to identify the projects to be financed by the IDB. The total cost of the project then would be US\$65 million, without taking into account the contribution of credit beneficiaries, who would contribute a like amount of US\$65 million from their own resources (to be used for local expenses of land purchase, working capital, pre-operational costs and supplementary construction and furnishings expenses; and for costs in foreign exchange of working capital and pre-operational expenses).

4. Utilization of FONATUR-IDB Resources

The allocation of resources for financing of the project would be as follows:

1/ In an amount equivalent to US\$50 million, at a 7.45% annual interest rate for a period of 17 years with a 4-year grace period, to be disbursed over three years. These resources will be used exclusively to finance the imported components of some projects, which have been calculated to be 30%. They are to be utilized to promote hotel construction, with no limitation on size or price per room. The loan was approved by the IBRD Board of Executive Directors on February 28, 1978, and loan contract No. 1524-ME was signed on March 21, 1978.

2/ This financing will be obtained by NAFINSA directly from private sources of international credit on 10-year terms with a 3-year grace period, at the rate of 1.25% per annum over LIBOR.

(In US\$ millions or equivalent)

Investment Categories	IDB - Foreign Exchange			Local Contribution			Total Project	%
	Direct	Indirect	Sub-total	FONATUR Local	Int.Fin. Local	Sub-total		
a) Construction	12.1	12.7	24.8	28.5	6.5	35.0	59.8	92.0
b) Furnishings ^{1/}	3.8	1.1	4.9	-	-	-	4.9	7.5
a) Inspection and Supervision	0.3	-	0.3	-	-	-	0.3	0.5
TOTAL	<u>16.2</u>	<u>13.8</u>	<u>30.0</u>	<u>28.5</u>	<u>6.5</u>	<u>35.0</u>	<u>65.0</u>	<u>100.0</u>
Percentage	24.9	21.3	46.2	43.8	10.0	53.8	100.0	

The project credit structure as described, broken down by investment categories, was determined on the basis of information supplied by FONATUR on hotel accommodations of various sizes and located in both taxable and tax-free areas with regard to payment of customs duties on imported goods to be used for hotel purposes.

5. FONATUR-IDB Project Financing

The cost of the project would be financed as follows:

(In US\$ millions or equivalent)

	Source of Funds		Use of Funds		Total	%
	Foreign Exchange	Local Currency	Foreign Exchange ^{2/}	Local Currency		
IDB Loan (IC)	30.0	-	30.0	-	30.0	46.2
National Contribution	-	35.0	-	35.0	35.0	53.8
- FONATUR	-	28.5	-	28.5	28.5	43.8
- Financial Intermediaries	-	6.5	-	6.5	6.5	10.0
TOTAL	<u>30.0</u>	<u>35.0</u>	<u>30.0</u>	<u>35.0</u>	<u>65.0</u>	<u>100.0</u>
Percentage	46.2	53.8	46.2	53.8	100.0	

^{1/} The beneficiaries would finance the costs in local currency for procurement of furnishings.

^{2/} Includes US\$13.8 million of indirect costs.

6. Use of IDB Loan Resources

The US\$30 million from the prospective IDB loan would be used exclusively to finance the direct import component (US\$16.2 million) and the indirect import component (US\$13.8 million) of the project. It is anticipated that this amount will be used to cover all expenses in foreign exchange incurred in the construction and furnishing of hotels and the cost of inspection and supervision. FONATUR and the financial intermediaries will contribute the remaining US\$35 million, corresponding to 53.8% of the amount of the project, which will be used exclusively for construction.

The direct import component (US\$16.2 million) to be financed by IDB loan resources is comprised of materials and equipment for hotel construction and furnishings. This amount was estimated in accordance with geographic location, since such areas of tourism receive preferential treatment with regard to customs duties on imports to be used for hotel purposes. The indirect import costs (US\$13.8 million) to be financed by IDB resources would be represented by depreciation of equipment and tools and by the cost of raw materials and imported parts for domestic manufacture of material and equipment used in construction and in the manufacture of furniture. 1/

III. EXECUTION OF FONATUR-IDB PROJECT

1. Eligible Financial Intermediaries

In accordance with Mexican law, all credit institutions operating in the country--deposit, financial or mortgage banks--are eligible to operate with FONATUR. Fifty six financial intermediaries engaged in credit operations with FONATUR between 1973 and 1976.

2. Operating Mechanism

The project would be executed by application of the provision enabling FONATUR to "discount to lending institutions instruments of credit issuing from loans to individuals engaged in tourism or related activities". 2/

1/ See Annex C of the Project Report for a summary of the study entitled "Analysis of cost variations according to origin of inputs in hotel projects for Mexico," RUAL, S.A. September, 1977, a revised version of which was delivered to the IDB by FONATUR in March 1978.

2/ FONATUR may use up to US\$12 million, equivalent to 24% of the IBRD loan, for direct loans and risk capital investment, provided that those operations are limited to the imported component, which is estimated to be on the order of 30%. These arrangements are not contemplated in the FONATUR-IDB operation, which will be entirely channeled through financial intermediaries and whose imported component amounts to 22.5% of the total cost of the project.

The operating mechanism of the investment credit for the FONATUR-IDB project will consist of discounting by FONATUR of instruments drawn by borrowers payable to the participating financial institution. It is anticipated that FONATUR will discount up to 90% of the credits for hotels granted by financial institutions, which must contribute their own resources covering at least 10% of the amount of the authorized credit.

To discount credit documents, ^{1/} FONATUR will require that these correspond to investment credits for tourism; that the intermediary undertake to supervise the investment of these funds and to protect and maintain the guarantee granted by the borrower; that such credits observe the ratios established by law with regard to guarantees; that the terms be consistent with existing legislation; and that investment credits be duly recorded in the corresponding public register.

3. Subjects of Credit

Credits may be granted to private sector individuals and juridical persons displaying the proper administrative, technical and financial capacity to execute and operate the corresponding project for hotel expansion, including any enterprises in which public sector ownership does not exceed 49%.

4. Interest Rates

In July 1977 the Banco de México, S. A. and the Secretaría de Hacienda y Crédito Público ratified the interest rate structure and financing terms that will govern FONATUR loans, as previously approved by the FONATUR Technical Committee on June 30, 1977 (see page 8). The new interest rates would be adjusted periodically in accordance with the average cost of credit on the financial market, whose index is published monthly by the Banco de México, S. A. On the date of its approval, that average cost was computed at 12.75%. The interest rates to be collected by FONATUR on its operations will enable it to reach the breakeven point, covering as a minimum the cost of obtaining resources plus its administrative expenses.

The system of fixed interest rates in effect from July 1974 to July 1977 meant that FONATUR's annual interest rates ranged from 2 to 4% lower than the current market rate for medium and long-term loans granted by the commercial banking sector. Under that fixed rate structure, FONATUR was unable to break even on its credit operations.

The new system of flexible interest rates will remedy that situation, since the national authorities have decided that FONATUR loans should reflect the terms of the financial market.

^{1/} In accordance with existing legal provisions applicable to FONATUR, the amount of total credits granted to a single person is limited to 100 million pesos (US\$4.4 million) for investment credits, or 15 million pesos (US\$660,000) for working capital and/or seed capital credits. In addition, the amortization period may not exceed 15 years and under no circumstances can the guarantee exceed 65% of the credit granted.

TABLE OF INTEREST RATES APPROVED BY FONATUR TECHNICAL COMMITTEE
AT ITS JUNE 30, 1977 AND JANUARY 25, 1978 MEETINGS

	INTEREST RATE %			%	%	Y E A F
	Subborrower	Intermediary Institution	FONATUR	FONATUR Discount	Credit/ Investment	Total Term
(in Mexican pesos)						
Under \$2,000,000						
New	11.0	3.00	8.00	90	65	10
Expansion	13.0	3.00	10.00	90	65	10
From \$2,000,001 to \$10,000,000						
New	12.0	2.25	9.75	90	65	15
Expansion	14.0	2.25	11.75	90	65	10
From \$10,000,001 to \$100,000,000						
New	13.0	1.75	11.25	90	65	15
Expansion	15.0	1.75	13.25	90	65	10
Trailer Park **	14.0	2.00	12.00	90	80(A)	10
Hotel Condominiums	15.0	2.00	13.00	90	50(A)	5
Shared-time accommodation (condominiums)	16.0	1.75	14.25	90	50(B)	4
Apartment Hotels						
New	16.0	2.50	13.50	80	50	10
Expansion	17.0	2.50	14.50	80	50	10
Furnishings, equipment, improvements and remodeling	15.0	2.00	13.00	90	-	10
Projects for Tourism Facilities						
Other than Lodging **	17.0	2.50	14.50	90	65	15
Loans of more than \$100,000 **	17.0	2.50	14.50	90	65	15

- ES: A. Fixed Assets, not including value of land.
 B. Except for cases where the income from the advance sale cannot be used.
 * Included in total term.
 ** Not included in program financed by IDB Loan

5. Project operating rules

The granting of credit to beneficiaries would be governed by provisions of the Operating Rules specially formulated for the project, the text of which is included as an annex to this project report.

The following paragraphs refer to certain provisions of the Operating Rules that merit special mention and should be put into effect by the borrower prior to initial disbursement of the IDB loan:

- a) Resources for financing of the Program will be channeled by the Trustee through the intermediary financing agencies, enabling them to grant credits to beneficiaries for the purpose of construction, expansion, remodeling and equipment of small and medium-scale tourist hotels.
- b) The projects to be financed under the Program: i) must be feasible from a technical point of view; ii) must have a financial rate of return of at least 12%; and iii) when their total cost exceeds the equivalent of US\$1,000,000, must, in addition, have an economic internal rate of return of at least 12%. A project shall not be considered eligible under the program when it is primarily for the purpose of purchase of furnishings.
- c) The total number of rooms in a given hotel, upon completion of the respective project financed under the Program, shall not exceed 250. Moreover, in cases of construction or expansion, the cost per room, including the cost of land, may not exceed the equivalent of US\$35,000, based on current construction prices as of January 1, 1978.
1/ In exceptional instances, where fully justified and with prior approval of each instance by the Bank, the Trustee may authorize the granting of credits to increase up to 350 the number of rooms of a hotel having 250 rooms or fewer. No more than 15% of Program resources may be used for this purpose.
- d) Loan resources and Trustee contributions may be used to finance up to 90% of the credits granted under the Program, and the intermediaries shall contribute no less than 10% of the amount of each credit from their own resources.
- e) Credit amortization terms shall be from 10 to 15 years, with grace periods of 24 to 36 months, in accordance with the purpose of the particular project.
- f) Program resources may not be granted to a single beneficiary for credits amounting to less than the equivalent of US\$50,000, nor

1/ The cost will be adjusted in accordance with the "Construction Costs Index" of the Technical Department of the Cámara Nacional de la Industria de la Construcción de México.

for amounts separately or jointly exceeding the equivalent of US\$4.4 million. 1/

Nevertheless, credits may be granted to a single beneficiary in amounts exceeding the equivalent of US\$1.4 million and up to the equivalent of US\$4.4 million, provided that the Bank, after learning the opinion of the Borrower, has no objections.

- g) With the resources of the program, credits shall not be granted for:
- a) general and administrative expenses of the beneficiaries; b) working capital; c) acquisition of used equipment or real property, or d) refinancing of debts.

6. Operational mechanism

The borrower, the intermediary financing institution and FONATUR all take part in the processing of a credit operation. All candidates for hotel credits must apply to the intermediary institution of their choice, which channels the application to FONATUR after analysis and approval. The process consists of four distinct stages: preparation of the application; processing and analysis thereof; credit approval; and utilization of resources.

Presentation of the application entails its submittal to the intermediary banking institution with all data concerning the operation, such as investment budget, architect's plans, pro forma earnings statements, balance sheets and legal documentation substantiating the identity of the person or corporation applying. FONATUR receives from the intermediary institution the complete application, analyzed and tacitly approved with the application for discounting.

The analysis stage is the joint responsibility of the intermediary institution and FONATUR. The intermediary institution emphasizes the financial aspects of the operation. FONATUR, for its part, evaluates the specific features of the credit in terms of market research and a comprehensive evaluation of the project.

In the third stage, the time schedule of provisions and the issue of certificates or promissory notes are established in contract form. The operation becomes the subject of a credit contract between FONATUR and the intermediary institution.

The fourth or implementational stage is simply the execution of the particular project being financed, subject to supervision by the intermediary agency and the right to inspection by FONATUR.

Disbursements are made upon presentation of partial documents for each installment until the total amount of the credit has been covered. Thereupon

1/ This figure is reached by considering the maximum size of an eligible project to be 250 rooms at US\$35,000 each, making a total of about US\$8.8 million. Since 50% of that amount equals US\$4.4 million, this is the maximum possible credit, inasmuch as the beneficiary must contribute a like amount from his own resources.

these documents are exchanged for a certificate of custody covering the entire amount of the credit, with the accrediting institution responsible for disbursements to the recipient in accordance with the established schedule.

FONATUR is an active participant during the entire process, suggesting to the credit recipient and the intermediary institution any changes it feels might improve the project under study, in accordance with the experience of its technical personnel.

7. Evaluation of credits by FONATUR

FONATUR's evaluation of each application is governed by the following criteria:

- Local indicators. These include the basic features of the place for which financing is sought, such as the number of hotels, their development, rates, percentage of occupancy and employment generated.
- Statement of earnings. The prospective operation is analyzed on the basis of the conditions ascertained through market research, the compatibility thereof with the amount of the investment, percentage of employment, rates, etc., applicable to the location under investigation.
- Pro forma financial statements. These serve as a basis for determining whether the project can generate sufficient resources to cover the financial commitment applied for.
- Evaluation of construction investment. This serve as basis for determination of the source and use of funds; cost per room, and percentages of the total investment allocated to each cost component.
- Guarantees. This aspect governs the maximum financing possibilities and the proportion of credit to total investment.

IV. PROJECT JUSTIFICATION

1. Institutional and financial feasibility

- a) FONATUR is considered to have the proper capacity for evaluation and administration of the project inasmuch as it has skilled human resources, proven work systems and methods and satisfactory technical facilities. It should be noted that in the three year period 1974-76, FONATUR authorized 382 credit operations to finance construction of 18,500 rooms, that is, an average of around 6,200 hotel accommodations per year. In the light of that experience, the proposed new program anticipates a gradual increase in the annual number of rooms financed by FONATUR from 5,800 in 1978 to 7,000 in 1979 and 8,200 in 1980. However, to strengthen its institutional capacity, the new executives of FONATUR informed the Bank in March 1978 that the institutional structure of the Trust Fund is undergoing reorganization to achieve coordinated and flexible action in its administrative, technical, accounting and financial departments.

- b) Local contribution for the project would be provided by government budgetary allocations and through purchase by the Banco de México, S.A. of participation certificates issued by NAFINSA in its capacity as trustee for FONATUR; by recoveries from previous FONATUR loans for hotel construction; and by contribution of resources of financing institutions acting as intermediaries for each individual credit. Between 1974 and 1976, the value of the six series of participation certificates designed to increase FONATUR resources and securities and absorbed by the Banco de México, S.A. amounted to 2.020 million pesos (equivalent to US\$143.6 million). The Federal Government has announced its decision to continue budgetary allocations to FONATUR, which has also begun to receive recoveries from previous credits. The intermediary commercial banks have traditionally contributed from their own resources, 10% of the amount of individual credits granted, since a maximum of 90% of the face value thereof is discounted by FONATUR.

2. Economic feasibility of the program

- a) The market study conducted for the program as a whole shows that approximately 33,000 rooms are required to meet overall demand for new hotel accommodations needed in the period between 1978 and 1980 to satisfy increased requirements of both foreign and national tourism. (See paragraph 2.53 of the Project Report). Of that potential demand, the evaluation made of the FONATUR program confirms the fact that tourist needs would absorb 21,000 additional rooms scheduled for construction in the next three years, particularly since this represents only 64% of the potential demand amounting to 33,000 rooms.
- b) Positive socio-economic effects of the program would include: i) an additional 30,000 direct and 30,000 indirect jobs, of which at least 31,000 would be unskilled labor from the neediest sector of the population; ii) US\$117 million in additional foreign exchange income per year; iii) the dynamic impact on the economy of the additional market provided every year by the 1.2 million tourists who would utilize the 21,000 hotel accommodations to be constructed.

V. SPECIAL FEATURES

- 1. Because this is the first operation exclusively for the purpose of partial financing of a global hotel program to be brought before the Board of Executive Directors since approval of policy for the tourism sector, emphasis should be placed on the compatibility of this operation with such policy by virtue of the following:
 - a) The program envisaged would be for small and medium-scale hotels so as to bring hotel availability into line with the type of accommodation desired and the socio-economic level of tourists to be absorbed, thus providing medium-income foreign and national tourism with satisfactory accommodations at competitive prices.

- b) The importance of this program of hotel investment support lies in the fact that it constitutes an integral part of the national strategy for tourism, designed to foster growth at a rate set for effective supply of such services.
 - c) The vital importance of tourism to Mexico stems from the impact of the extensive benefits derived from this sector as reflected in the balance of payments, generation of employment and reduction of imbalances among the country's geographic regions.
 - d) The proposed global hotel program would also allow fuller utilization of the tourism infrastructure, facilities and attractions in which Mexico has been investing substantial amounts, since these would be complemented by expansion of small and medium-scale hotel establishments.
 - e) Mexico plans to continue providing financial support to tourist sector enterprises in order to bring about increased investment in hotels (at present on the order of US\$2.9 billion, without deduction for depreciation). Under the proposed program, the private sector would make substantial contributions of around US\$275 million, the aggregate amount of which (US\$500 million) will require public sector contributions to be complemented by funding from international credit sources of up to US\$100 million.
 - f) In emphasizing private sector contributions for the development of the tourism sector, special focus should be placed on the catalyzing role performed by FONATUR in obtaining increasing participation of financial institutions to accelerate the growth rate of that sector. FONATUR has been outstanding in this respect: as a result of its efforts banks have extended credits with their own resources on 12 and 15-year terms since they recognize that the individual projects and market possibilities have been properly evaluated by prestigious agencies which have an overall view of the tourism sector.
2. The evaluation of the economic feasibility of the 21,000-room program made it very clear that the FONATUR-IDB project would restrict eligibility for financing exclusively to hotels having no more than 250 rooms the individual cost of which does not exceed US\$35,000, per room including land. ^{1/} These restrictions limit financing eligibility to approximately 12,000 rooms belonging to small and medium-sized hotels. Within the group of eligible establishments, the FONATUR-IDB project would be able

^{1/} Such establishments belong to the category of small and medium-scale hotels which, in the case of Mexico, correspond to those possessing up to 350 rooms at a cost of US\$35,000 each. (See page 9 of this document and Annex A of the Project Report). In addition, it has been agreed that in exceptional cases, amply justified and previously approved by the Bank in each instance, the Trustee may authorize the granting of credit to increase up to 350 the number of rooms of a hotel that has 250 or more. No more than 15% of the Program resources may be used for this purpose.

to finance only about 6,000 rooms because the total amount of resources for the project is US\$130 million. This is based on the assumption that the average cost per room financed is US\$22,000. In conclusion, the FONATUR-IDB project would finance: a) 50% of small and medium hotel eligible establishments; b) 28% of the number of rooms envisaged under the overall FONATUR program; and c) 18% of total hotel needs, estimated at 33,000 rooms for the three-year period 1978-1980.

3. The contribution of the private sector toward development of the tourism sector should also be noted. In this respect, suffice it to state that the Mexican banking system, which is very well organized, includes about 200 public, private and mixed institutions that have played an outstanding part in promoting the growth of the productive sectors of the economy, including tourism. The banking system has traditionally proven capable of mobilizing large amounts of savings as a result of monetary stability and policies allowing the establishment of suitable interest rates, which make it possible to maintain real interest rates at a small premium over those offered by banks in the United States. Despite the progress made by the banking system, certain structural weaknesses began to be apparent in the early seventies. One of these was the traditional pattern of credit distribution. Financial institutions tended to require guarantees substantially exceeding the legal minimum, sometimes as much as 133% of the credit granted. Even credits for projects requiring financing on acceptable terms were judged exclusively by the solvency of the applicant, with little or no consideration given to project features and potential generation of income as well as potential risks. While understandable from the point of view of reducing credit risk, such attitudes tended to concentrate credit in the hands of firms and sectors with a good performance record, to the detriment of new companies and activities in need of credit. It was precisely to remedy this shortcoming that the Mexican financial authorities worked out a system of special Funds, with Trusts whose resources stemmed specifically from the deposit reserves maintained with the Bank of Mexico, in order to channel credit to specific activities that had not received it in proper amounts from the banking system. One of those funds, FONATUR, was established precisely for the purpose of channeling resources to the priority tourism sector. These Trust Funds usually provide only a small portion of the total credit granted but their importance lies in the fact that they are much more useful in the long term, since they induce the banking system to grant credits that would assuredly not be made available if those Funds failed to exist.

VII. RECOMMENDATION

For the foregoing reasons, approval of the proposed loan is recommended, and to that end the following normative documents are presented for consideration by the Board of Executive Directors:

- | | | |
|------------|---|-------------------------|
| Appendix 1 | - | Proposed Resolution |
| Appendix 2 | - | Recommendations |
| Appendix 3 | - | The Program |
| Appendix 4 | - | Program Operating Rules |

PROPOSED RESOLUTION

MEXICO. LOAN /IC-ME TO NACIONAL FINANCIERA, S.A.
(Hotel Credit Program)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with Nacional Financiera, S.A., of Mexico, as borrower, and the United States of Mexico, as guarantor, for the purpose of granting the former financing to cooperate in the execution of a program of credit for construction, expansion, remodeling and equipping of small and medium-sized tourist hotels in the private sector. This financing shall be subject substantially to the following conditions:

1. Amount and Currencies: Up to US\$30,000,000 or its equivalent in other currencies (except that of Mexico) which are part of the inter-regional capital resources of the Bank, to pay for goods and services of external origin and for such other purposes as may be specified in the loan contract. Payments of amortization and interest shall be made in the currencies disbursed.
2. Source of Funds: The inter-regional capital resources of the Bank.
3. Guarantee: Joint and several guarantee of the United States of Mexico.
4. Credit Fee: 1-1/4% per annum on the undisbursed portion of the financing, commencing to accrue 60 days after the date of the contract and payable in dollars of the United States of America on the same dates as the interest.
5. Amortization: The borrower shall amortize the loan in a period of 20 years from the date of the contract, by means of consecutive, semiannual and, insofar as possible, equal installments. The first installment shall be paid 6 months after the date established for the last disbursement of the financing.

6. Interest: 7.5% per annum (including the 1% special commission of the Bank), payable semiannually on principal amounts outstanding. The first payment shall be made 6 months after the date of the contract.
7. Commitment and Disbursement: Total commitment of the financing shall be made within a period of 3 years from the effective date of the contract, and total disbursement of the financing shall be made within a period of 4 years from the effective date of the contract.
8. Special Conditions:
 - (a) The resources of the loan shall be utilized in their entirety by the borrower, in its capacity as trustee of the Federal Government for the trust fund designated as Fondo Nacional de Fomento al Turismo (hereinafter called "FONATUR"). The borrower or the guarantor, as appropriate, shall inform the Bank, within a reasonable period, of any amendments or modifications to be introduced in the legal provisions or the basic contracts concerning the borrower, the Trustee and/or the Trust, or in the Operating Rules of the Program, so that the Bank may determine whether such modifications may affect or substantially alter the purposes and aims of the financing and may take such measures as it deems appropriate in accordance with provisions to be set forth in the loan and guarantee contracts.
 - (b) The loan shall be used to participate in the execution of a program of not less than the equivalent of US\$65,000,000. Consequently, the loan contract shall contain such provisions as the Bank deems appropriate to ensure that such national resources as may be necessary, in addition to the loan, for the complete execution of the program shall be duly provided in an amount of not less than the equivalent of US\$35,000,000, not including the contribution of the beneficiaries of the credits, in accordance with a schedule of investments satisfactory to the Bank.
 - (c) Prior to the first disbursement, the borrower shall present evidence to the Bank of having put into effect the Operating Rules of the Program agreed upon with the Bank.
 - (d) The beneficiaries of the credits shall be charged on account of interest, commissions, insurance, or any other charge, the annual rate or rates which, being consonant with the legislation and the policies of Mexico with respect to interest, are compatible with the policy of the Bank on rates of interest in this type of financing.

- (e) With the resources of the program, credits in amounts less than the equivalent of US\$50,000 or credits which, individually or in the aggregate, would exceed the equivalent of US\$4,400,000 may not be granted to a single beneficiary. However, credits in amounts exceeding the equivalent of US\$1,400,000 and up to the equivalent of US\$4,400,000, may be granted to a single beneficiary if the Bank has received the opinion of the borrower and stated that it has no objection to them.
- (f) With the resources of the program, credits shall not be granted for: (i) general and administrative expenses of the beneficiaries; (ii) working capital; (iii) acquisition of used equipment or real property; (iv) purchase of stock, or (v) refinancing of debts.
- (g) Funds deriving from amortization of credits granted with the loan resources, which accumulate in excess of the amounts necessary to service the loan, may be utilized only for the granting of new credits granted substantially in accordance with the conditions set forth in the contract and in the Operating Rules of the program, unless five years from the date of the final disbursement the Bank and the borrower agree to make other use of recoveries, or to reduce the term of validity of this obligation.
- (h) The Bank shall establish such inspection procedures as it deems necessary to assure the satisfactory execution of the program, and the borrower and the guarantor shall extend all cooperation which is required for the most effective accomplishment of this purpose. Of the amount of the financing, the sum of US\$300,000 shall be allocated for credit to the general income accounts of the Bank to meet expenses of general inspection and supervision.

RECOMMENDATIONS

It is recommended that the following conditions, to be fulfilled to the Bank's satisfaction, be included in the contract in addition to the conditions set forth in the resolution:

1. Within the first 30 days of each fiscal year, and during 4 years from the date of the contract, the borrower shall present to the Bank a five-year projection of the origin and application of funds for the credit operations of the program, with their respective sources of financing.
2. Up to 90% of the credits granted under the program may be financed with the resources of the loan and the contributions of the borrower; the banks and other intermediary institutions shall contribute from their own resources at least 10% of the amount of each credit.
3. The borrower, through FONATUR, shall present to the Bank at the end of the fourth year after the date of the last disbursement, an ex-post evaluation of the results of the program, which shall include the information detailed in Section V of Appendix 3 to this document. To this end:
 - (a) Within 12 months after the effective date of the contract, FONATUR shall present to the Bank:
 - (i) the initial base-line data, in accordance with the categories listed in the aforementioned Section V, and
 - (ii) a description of the system to be used in collecting and processing such data;
 - (b) beginning in the first year after the effective date of the contract and annually until the third year after the date of the last disbursement of the loan, FONATUR shall present the annual comparison of the data referred to in Section V.
4. Starting with the fiscal year corresponding to the year in which the execution of the program begins, and continuing throughout the term of the loan contract, the annual financial statements of NAFINSA, FONATUR, and the program, shall be presented certified by a firm of independent public accountants acceptable to the Bank, designated by the Mexican authorities and selected in accordance with procedures satisfactory to the Bank.
5. The loan contract shall include an annex substantially similar in content to Appendix 3 to this document.

THE PROGRAM

(Annex A to Loan Contract)

I. Program Description

The Program is a global hotel program, designed to provide credits for construction, expansion, remodeling and equipping of small and medium-sized tourist hotels of the private sector, to be carried out by the Borrower, through the Fondo Nacional de Fomento al Turismo (FONATUR), with the participation of banks and financial institutions of the banking system of Mexico.

II. Program Cost

The total cost of the Program is estimated at the equivalent of US\$65,000,000, which will be financed with the resources indicated in Part III of this Appendix, invested approximately as follows:

(in US\$ millions or equivalents)

Investment Categories	LOAN		NATIONAL RESOURCES				
	Foreign Exchange	Total	FONATUR Local	Interme-	Total Local	Total Program	%
				diaries Local			
(a) Investment Credit	29.7 ^{a/}	29.7	28.5	6.5	35.0	64.7	99.5
(b) Inspection and Supervision	0.3	0.3	-	-	-	0.3	0.5
TOTAL	30.0	30.0	28.5	6.5	35.0	65.0	100.0
Percentages	46.2	46.2	43.8	10.0	53.8	100.0	

1/ Includes US\$13,800,000 estimated as indirect foreign exchange costs.

III. Sources and Use of Funds

The origin and use of funds will be as follows:

(in US\$ millions or equivalent)

	Currency of Origin		Expenditures to be Incurred		Total	%
	Foreign Exchange	Local Currency	Foreign Exchange	a/ Local Currency		
Bank Loan (IC)	30.0	-	30.0	-	30.0	46.2
National Resources	-	35.0	-	35.0	35.0	53.8
- FONATUR	-	28.5	-	28.5	28.5	43.8
- Financial Intermediaries	-	6.5	-	6.5	6.5	10.0
TOTAL	30.0	35.0	30.0	35.0	65.0	100.0
Percentages	46.2	53.8	46.2	53.8	100.0	

a/ Includes US\$13,800,000 estimated as indirect foreign exchange costs.

IV. Eligibility and Profitability Criteria

- (a) The projects to be financed under the Program: (i) must be feasible from a technical point of view; (ii) must have a financial rate of return of at least 12%; and (iii) when their total cost exceeds the equivalent of US\$1,000,000, must, in addition, have an economic internal rate of return of at least 12%.
- (b) Natural and juridical persons of the private sector that provide evidence of having adequate administrative, technical and financial capacity to execute and operate the respective project may be beneficiaries of credit under the Program.

V. Program Evaluation (Ex-Post)

The ex-post evaluation of the Program to be presented by the Borrower to the Bank shall include, with respect to the hotels financed in whole or in part under the Program, among other information, the following, distributed by states:

- Number of rooms financed;

- Number of guests, stating their origin, either foreign or national;
- An estimate of the hotel expenditures per guest, broken down by rates and other expenses;
- Monthly occupancy rates for each hotel, with an evaluation of the impact of those rates on other nearby hotel facilities.
- Cost of each hotel, broken down according to the following items: land, construction, equipment, furnishings, working capital and preoperating expenses;
- Annual operating costs, broken down by labor and others. The level of salaries paid to skilled, semi-skilled and unskilled employees, with an indication, where possible, of their previous employment and an estimate of the average level of income they were receiving in such employment.

VI. Credit Analysis Methodology

FONATUR's methodology for analysis of credit applications shall include: (i) an evaluation of the administrative capacity of the management levels of the credit beneficiaries responsible for each specific project; (ii) a market analysis containing, among other details: (a) data substantiating the demand; (b) expected occupancy rates; (iii) justification of the location selected; and (iv) justification of the hotel rates used in the analysis of each credit.

APPENDIX 4

OPERATING RULES FOR THE HOTEL CREDIT PROGRAM TO BE FINANCED IN
ACCORDANCE WITH LOAN CONTRACT No. / -ME ENTERED INTO BY
NACIONAL FINANCIERA, S.A., AND THE INTER-AMERICAN DEVELOPMENT
BANK

A. DEFINITIONS

TRUSTEE: Nacional Financiera, S.A. in its capacity as trustee
 of the Federal Government of the United States of
 Mexico for the Trust Fund designated as "Fondo
 Nacional de Fomento al Turismo" (FONATUR).

IDB: Inter-American Development Bank.

LOAN CONTRACT: Loan Contract No. / -ME, entered into by the
 Trustee and the IDB on , 197 .

BENEFICIARIES: Natural or juridical persons that, by reason of
 having adequate administrative, technical and financial
 capacity to execute and operate the respective project,
 obtain credits under the program, and that are in the
 private sector, including enterprises in which the
 capital ownership of the public sector does not
 exceed 49%.

PROGRAM: Total amount of credits for construction, expansion,
 remodeling and equipping of small and medium-sized
 tourism hotels to be financed with the resources
 specified in the Loan Contract, with "hotel" under-
 stood to refer to any type of tourist accomodation
 except a Trailer Park.

FINANCIAL

INTERMEDIARIES: Credit institutions operating within the Mexican
 banking system.

B. GENERAL CONDITIONS

FIRST: The resources for the financing of the Program will be
channeled by the Trustee through the Financial Intermediaries so
that the latter may grant credits to the beneficiaries for the
purpose of constructing, expanding, remodeling and/or equipping
small and medium-sized tourism hotels.

SECOND: The credits shall have as their purpose the financing of projects which must: i) be feasible from a technical point of view; (ii) have a financial rate of return of at least 12%; and (iii) when their cost exceeds the equivalent of US\$1,000,000, have an economic internal rate of return of at least 12%. Projects primarily involving the purchase of furnishings will not be considered eligible under the Program.

THIRD: The total number of rooms in a hotel, once the pertinent project financed under the Program is completed, shall not exceed two hundred fifty. Furthermore, in the case of construction or expansion projects, the cost per room, including cost of the land, may not exceed the equivalent of US\$35,000 on the basis of the construction prices prevailing on January 1, 1978. 1/ In exceptional cases which are fully justified, and with the prior approval of the Bank in each case, the Trustee may authorize the granting of credit for increasing up to 350 the number of rooms in a hotel having 250 rooms or fewer. No more than 15% of the Program resources may be used for this purpose.

FOURTH: Up to 90% of the credits granted under the Program may be financed with the resources of the loan and the contributions of the Trustee; the intermediaries shall contribute from their own resources at least 10% of the amount of each credit.

FIFTH: The term of amortization of the credits shall be ten to fifteen years, with grace periods of twenty-four to thirty-six months, depending upon the purpose of the project in question.

SIXTH: The interests shall be determined in accordance with the table appearing as an annex to this document.

SEVENTH: Disbursements for these credits shall be made in accordance with the periods established in the Loan Contract.

EIGHT: With the resources of the Program, credits in amounts less than the equivalent of US\$50,000 or credits which, individually or in the aggregate, would exceed the equivalent of US\$4,400,000 may not be granted to a single beneficiary. However, credits in amounts exceeding the equivalent of US\$1,400,000 and up to the equivalent of US\$4,400,000 may be granted to a single beneficiary if the Bank has received the opinion of the Borrower and stated that it has no objection to them.

1/ The cost will be adjusted in accordance with the "Index of construction Costs" of the Technical Department of the National Chamber of the Construction Industry of Mexico.

NINTH: With the resources of the Program, credits shall not be granted for: a) general and administrative expenses of the beneficiaries; b) working capital; c) acquisition of used equipment or of real property; d) purchase of stock; or (e) refinancing of debts.

C. OTHER CONDITIONS OF THE CREDITS

TENTH: The Trustee shall see to it that, among the conditions established in the contracts with the beneficiaries, the following are included: a) an undertaking by the Beneficiary that the goods and services financed with the credit will be use exclusively in the execution of the project in question; b) the right of the Trustee and the IDB to examine the goods, sites, works and construction of the project in question; c) the obligation to provide all information that the Trustee may request from the Beneficiary with respect to the project and its financial situation; d) the right of the Trustee to suspend disbursements under the credit if the Beneficiary does not fulfill its obligation; e) a commitment by the Beneficiary to take whatever measures are necessary so that the construction and service contracts, as well as all purchases of goods for the project, will be made at reasonable cost, which will generally be understood to mean the lowest price available in the market, taking into account quality, efficiency and other pertinent factors; f) the establishment by the Beneficiary of sufficient specific guarantees; g) a commitment by the Beneficiary to insure the goods included in the project for such values and against such risks as are customary in the trade, within the possibilities existing in the country; h) the obligation not to grant to the owners and/or shareholders of the hotel, preferential rights of use for more than two periods exceeding 15 days each or in any event, for more than 30 days in a given year; and i) a stipulation that the debt will become due and payable forth-with the event that the building is used for a purpose other than hotel accomodation for tourists.

D. PROCESSING OF CREDIT APPLICATIONS

ELEVENTH: a) Any natural or juridical person desiring to obtain a credit under the Program shall present to the Financial Intermediary of its choice, an application completed in accordance with the Trustee's guidelines in which, he (it) shall specify the project for the financing of which the credit is sought, with an indication of the goods and services needed for executing the project, together with all the technical, economic, financial and juridical information needed for studying the application.

b) The Financial Intermediary will study the application and all the information referred to in a) above and will verify that the applicant and the project satisfy all the financial requirements by virtue of which the requested credit can be granted in the light of this document.

(c) Once the requirements in (b) above have been satisfied, the Financial Intermediary will expressly recommend to the Trustee that the credit be granted, attaching to such recommendation all the information mentioned in (a) and (b) above, together with any additional information the Trustee may require.

(d) The Trustee will study the application and other background material and decide whether or not to authorize the granting of the credit in the light of the provisions of this document and the Loan Contract.

(e) As soon as the Trustee has decided on the granting of the credit, in accordance with the provisions in (d) above, it will communicate its decision to the Financial Intermediary, so that the latter may in turn inform the applicant.

(f) The Financial Intermediary will enter into a contract with the Beneficiary to establish the conditions of the credit. An authenticated copy of such contract shall be provided by the Financial Intermediary to the Trustee.

TWELFTH: The Financial Intermediary will make disbursements directly to the Beneficiaries once the Beneficiaries have presented to its satisfaction all the documentation pertaining to each disbursement.

THIRTEENTH: The Trustee will make disbursements to the Financial Intermediary, in accordance with such schedule of investments and disbursement timetable as the Trustee may have approved, once the Financial Intermediary has presented to its satisfaction the documents pertaining to each disbursement.

E. FINAL PROVISIONS

FOURTEENTH: Funds deriving from amortization of credits granted with the resources of Loan No. / -ME; which accumulate in excess of the amounts necessary to service such Loan, may be utilized only for the granting of new credits that are substantially in accordance with the conditions set forth in the Loan Contract and in this document, unless five years from the date of the final disbursement of the financing of the IDB the latter and the Trustee agree to make other use of recoveries or to reduce the period of validity of this obligation.

FIFTEENTH: This document and its Annex may be modified by agreement between the Trustee and the IDB.

ANNEX

TABLE OF INTEREST RATES APPROVED BY FONATUR TECHNICAL COMMITTEE
AT ITS JUNE 30, 1977 AND JANUARY 25, 1978 MEETINGS

	INTEREST RATE %			%	%	Y E A
	Subborrower	Intermediary Institution	FONATUR	FONATUR Discount	Credit/ Investment	Total Term
(in Mexican pesos)						
Under \$2,000,000						
New	11.0	3.00	8.00	90	65	10
Expansion	13.0	3.00	10.00	90	65	10
From \$2,000,001 to \$10,000,000						
New	12.0	2.25	9.75	90	65	15
Expansion	14.0	2.25	11.75	90	65	10
From \$10,000,001 to \$100,000,000						
New	13.0	1.75	11.25	90	65	15
Expansion	15.0	1.75	13.25	90	65	10
Trailer Park **	14.0	2.00	12.00	90	80(A)	10
Hotel Condominiums	15.0	2.00	13.00	90	50(A)	5
Shared-time accommodation (condominiums)	16.0	1.75	14.25	90	50(B)	4
Apartment Hotels						
New	16.0	2.50	13.50	80	50	10
Expansion	17.0	2.50	14.50	80	50	10
Furnishings, equipment, improvements and remodeling	15.0	2.00	13.00	90	-	10
Projects for Tourism Facilities						
Other than Lodging **	17.0	2.50	14.50	90	65	15
Loans of more than \$100,000 **	17.0	2.50	14.50	90	65	15

- TES: A. Fixed Assets, not including value of land.
 B. Except for cases where the income from the advance sale cannot be used.
 * Included in total term.
 ** Not included in program financed by IDB Loan