

**CONFORMED COPY**

**LOAN NUMBER 7250-ME**

# **Loan Agreement**

**(State Judicial Modernization Supporting Access to Justice Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**BANCO NACIONAL DE OBRAS Y SERVICIOS PUBLICOS, S.N.C.**

**Dated November 21, 2005**

**LOAN NUMBER 7250-ME**

**LOAN AGREEMENT**

AGREEMENT, dated November 21, 2005, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and BANCO NACIONAL DE OBRAS Y SERVICIOS PUBLICOS, S.N.C. (the Borrower).

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

(B) by an agreement (the Guarantee Agreement) of even date herewith between the United Mexican States (the Guarantor) and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan provided for in Article II of this Agreement and to undertake such other obligations as set forth in the Guarantee Agreement;

(C) the Bank has relied on the representations and opinion (*Oficio No. 305.VII-092/2004* dated April 23, 2004) issued by the *Unidad de Crédito Público* of the Guarantor's Secretariat of Finance and Public Credit, confirming that the Project has been designed and will be carried out in a manner consistent with the provisions of Art. 117 (vii) of the Guarantor's Federal Constitution (*Constitución Política de los Estados Unidos Mexicanos*); and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## ARTICLE I

### General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans” of the Bank, dated September 1, 1999, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) Section 2.01 (8) is modified to read as follows:

“Conversion Date” means, in respect of a Conversion other than a Conversion under Section 2.10 of the Loan Agreement, the Interest Payment Date (or, in the case of a Currency Conversion of an unwithdrawn amount of the Loan, such other date as the Bank shall determine) on which the Conversion enters into effect, as further specified in the Conversion Guidelines and, in respect of a Conversion under Section 2.10 (Automatic Currency Conversion) the date of withdrawal from the Loan Account of the amount in respect of which the Conversion has been requested.”

- (b) Section 2.01 (47) (c) is modified to read as follows:

“upon a Currency Conversion to an approved Currency of a withdrawn amount of the Loan that shall accrue interest at a variable rate during the Conversion Period, the variable rate of interest applicable to such amount shall be equal to either: (i) the sum of (A) LIBOR, or such other base rate as may be agreed by the Borrower and the Bank, in respect of said Approved Currency; plus (B) the spread to LIBOR or to such other base rate, if any, payable by the Bank under the Currency Hedge Transaction relating to said Currency Conversion; or if the Bank so determines in accordance with the Conversion Guidelines, the interest rate component of the Screen Rate.”

- (c) The text in Section 5.01 which reads: “(a) an amount of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b)” is deleted in its entirety.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “AOP” means a consolidated annual operating plan referred to in Part A.3 (a) of Schedule 5 to this Agreement;

(b) “BANOBRAS” means *Banco Nacional de Obras y Servicios Públicos*, S.N.C., one of the Guarantor’s development banks, established and operating pursuant to the provisions of its Organic Law (as hereinafter defined), and any of its successor or successors thereto;

(c) “CCS” means the committee referred to in Part B.3 (a) (i) of Schedule 5 to this Agreement;

(d) “COMPRANET” means the Guarantor’s electronic public bidding system;

(e) “Credit” means *Crédito*, any of the credits made or proposed to be made by the Borrower, out of the Credit Program to a Participating State (as hereinafter defined);

(f) “Credit Agreement” means *Contrato de Apertura de Crédito Simple*, any of the agreements referred to in Section 3.02 (a) of this Agreement, and such term includes all schedules and agreements supplemental to the Credit Agreement;

(g) “Credit Program” means *Programa de Crédito para la Modernización del Sector Justicia a Nivel Estatal*; the Borrower’s judicial modernization credit program, including terms, conditions and other requirements for the provision of financing to Participating States (as hereinafter defined);

(h) “Eligibility Criteria” means the financial and technical criteria to be used by the Borrower in the selection of States (as hereinafter defined) to participate in the Project, as set forth in Annex B to the Implementation Letter (as hereinafter defined);

(i) “External Advisory Group” means the advisory group referred to in Part B. 2 of Schedule 5 to this Agreement;

(j) “Finance Secretariat” means *Secretaría de Finanzas*, the finance department of the State Executive (as hereinafter defined) of a participating State;

(k) “Financial Monitoring Report” or “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;

(l) “Implementation Letter” means the letter of even date herewith, from the Borrower to the Bank containing: (i) the Monitoring Indicators (as hereinafter defined); and (ii) the Eligibility Criteria;

(m) “Judicial Modernization Plan” means a document issued by the President of the Supreme Court in a Participating State (as hereinafter defined) detailing the judicial programs and activities proposed for the modernization of justice services in such State (as hereinafter defined), and such term includes all schedules and agreements supplemental to the Judicial Modernization Plan;

(n) “Judiciary” means *Poder Judicial*, the judicial branch of a Participating State (as hereinafter defined);

(o) “Letter of Intent” means *Carta de Intención*, a document sent by a State (as hereinafter defined) to the Borrower, expressing the State’s intention to obtain financing from the Borrower under the Credit Program, in accordance with the terms of the *Normatividad* (as hereinafter defined);

(p) “Monitoring Indicators” means the indicators to be used in monitoring and evaluating the implementation of the Project, including the Subprojects (as hereinafter defined) as set forth in Annex A to the Implementation Letter;

(q) “NCSC” means *Comisión Nacional de Tribunales Superiores de Justicia A.C.*, the national commission of state courts (comprising representatives of the Supreme Courts of Justice at the state-level), established and operating as a civil association governed by Mexican public law, pursuant to the provisions of its Bylaws, as amended on May, 2002;

(r) “*Normatividad*” means *Normatividad Aplicable en Materia de Deuda Pública*, the laws and regulations governing the legal and financial requirements to be met by a State (as hereinafter defined) to apply for, and receive financing from the Credit Program;

(s) “Operational Manual” means the manual referred to in Part A.1 of Schedule 5 to this Agreement;

(t) “Organic Law” means *Ley Orgánica de Banco Nacional de Obras y Servicios Públicos, S.N.C.*, the Guarantor’s law setting forth the mandate, organization and functions of BANOBRAS and providing the basic legal framework for its legal responsibilities as Project executing agency, dated January 20, 1986, and published in the Guarantor’s Official Gazette (*Diario Oficial de la Federación*) on January 20, 1986, as

amended by Decree issued by the Guarantor's Congress on April 30, 2002, and published in the Guarantor's Official Gazette on June 24, 2002;

(u) "Participating State" means a State (as hereinafter defined) which has met the Eligibility Criteria and has been approved by the Borrower to participate in the Project Credit Program;

(v) "PCU" means the unit to be established in each Participating State pursuant to the provisions of Part B.3 (a) (ii) of Schedule 5 to this Agreement;

(w) "peso" or in plural "pesos" means the lawful currency of the Guarantor;

(x) "Procurement Law" means: (a) the *Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*, published in the Guarantor's Official Gazette on January 4, 2000, as amended to the date of this Agreement; (b) the *Reglamento de la Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*, published in the Guarantor's Official Gazette on August 20, 2001, as amended to the date of this Agreement; (c) the *Ley de Obras Públicas y Servicios Relacionados con las mismas*, published in the Guarantor's Official Gazette on January 4, 2000, as amended to the date of this Agreement; and (d) the *Reglamento de la Ley de de Obras Públicas y Servicios Relacionados con las mismas*, published in the Guarantor's Official Gazette on August 20, 2001, as amended to the date of this Agreement;

(y) "Procurement of Goods Law" means the *Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público* published in the Guarantor's Official Gazette (*Diario Oficial de la Federación*) on January 4, 2000, as amended to the date of this Agreement and its related regulations (*Reglamento de la Ley de Adquisiciones, Arrendamientos y Servicios del Sector Público*) published in the Guarantor's Official Gazette (*Diario Oficial de la Federación*) on August 20, 2001, as amended to the date of this Agreement;

(z) "Procurement of Works Law" means the *Ley de Obras Públicas y Servicios Relacionados con las Mismas* published in the Guarantor's Official Gazette (*Diario Oficial de la Federación*) on January 4, 2000, as amended to the date of this Agreement, and its related regulations (*Reglamento de la Ley de Obras Públicas y Servicios Relacionados con las Mismas*) published in the Guarantor's Official Gazette (*Diario Oficial de la Federación*) on August 20, 2001, as amended to the date of this Agreement;

(aa) "Procurement Plan" means the procurement plan, to be provided to the Bank, prior to the Effective Date, taking into account the expected procurement needs of the Participating States under the Subprojects (as hereinafter defined), covering the initial

18 month period (or longer) of Project implementation, as the same shall be updated every year, in accordance with the provisions of Section 3.03 (b) to this Agreement, to cover the succeeding 18 month period (or longer) of Project implementation;

(bb) “Special Account” means the account referred to in Section 2.02 (b) of this Agreement;

(cc) “State” means any of the Guarantor’s thirty-one political subdivisions (*Estado*) and the Federal District (*Distrito Federal*);

(dd) “State Executive” means *Poder Ejecutivo*, the executive branch of a Participating State;

(ee) “State Legislature” means *Congreso Estatal*, the legislative branch of a Participating State;

(ff) “State Organic Law” means *Ley Orgánica del Poder Judicial del Estado*, the law issued by the State Legislature setting forth the organization, roles and responsibilities of the Judiciary;

(gg) “Subproject” means any of the Judicial Modernization Plans referred to in Parts A, B, C, D, and E.1 of the Project;

(hh) “Subproject Agreements” means, collectively, the legal documentation to be executed by a Participating State in order to receive a Credit from the Borrower, including, *inter alia*, the Letter of Intent, Credit Agreement, and Transfer Agreement (as hereinafter defined);

(ii) “Subproject Investment Activity” means any of the activities included in a Judicial Modernization Plan; and

(jj) “Transfer Agreement” means the agreement referred to in Section 3.02. (b) of this Agreement, and such term includes all schedules and agreements supplemental to the Transfer Agreement.

## ARTICLE II

### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to thirty million Dollars (\$30,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 and 2.10 of this Agreement.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) expenditures made (or if the Bank shall so agree, to be made) by the Borrower in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan; and (ii) any premium in respect of an Interest Rate Cap or Interest Rate Collar payable by the Borrower in accordance with Section 4.04 (c) of the General Conditions.

(b) The Borrower may, for the purposes of the Project, open and maintain in *pesos* a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into and payments out of the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 2010 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one per cent (1%) of the amount of the Loan. Such fee shall be payable not later than 60 days after the Effective Date.

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

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Variable Rate; provided, that upon a Conversion of all or any portion of the



principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on February 1, and August 1, in each year.

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

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

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

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

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

Section 2.10. Without limitation upon the provisions of paragraph (a) of Section 2.09 of this Agreement and unless otherwise notified by the Borrower to the Bank in accordance with the provisions of the Conversion Guidelines, any amount withdrawn from the Loan Account shall be converted from Dollars into *pesos* for the full maturity of such amount with effect from the Conversion Date and shall be carried out in accordance with the terms and conditions of the Currency Conversion Letter.

Section 2.11. The *Director de Finanzas* of BANOBRAS and any person or persons whom he or she shall designate in writing is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

### **ARTICLE III**

#### **Execution of the Project**

Section 3.01. (a) The Borrower declares its commitment to the objective of the Project as set forth in Schedule 2 to this Agreement, and, to this end shall: (i) carry out Part E.2 of the Project, in consultation with the NCSC, as needed (for Part E.2 (a) of the Project); (ii) cause the Participating States to carry out their respective activities under the Project, including the Subprojects, all with due diligence and efficiency and in conformity with appropriate administrative, banking, financial, technical, auditing, participatory, environmental and social standards and practices (including gender, youth and indigenous sensitive practices), on the part of both the Borrower and the Participating States; and (iii) provide, or cause the Participating States to provide, in a timely manner and as needed, the funds, facilities, services and other resources required for the Project, including the Subprojects, all with due regard to the provisions of the *Normatividad* and the State Organic Law of the Participating States.

(b) Without limitation upon the provisions of paragraph (a) of this Section, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall: (i) carry out Part E.2 of the Project; and (ii) cause the Participating States to carry out their respective activities under Project, including the Subprojects, all in accordance with the provisions of the Implementation Letter, the Operational Manual and the provisions set forth in Schedule 5 to this Agreement.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) lend the proceeds of the Loan to the Participating States under the particular terms and conditions of an agreement (the Credit Agreement), to be entered into between the Borrower and a Participating State, pursuant to contractual provisions,

which shall have been approved by the Bank as set forth in the Operational Manual, including, *inter alia*, the terms detailed in Part A. 2. (d) (i) of Schedule 5 to this Agreement; and

(b) cause each Participating State to transfer to the Judiciary the proceeds referred to in paragraph (a) of this Section under an agreement (the Transfer Agreement) to be entered into between the Participating State and the Judiciary, pursuant to contractual provisions, which shall have been approved by the Bank, reflecting the *Normatividad*, including, *inter alia* the provisions set forth in the Operational Manual, and the terms detailed in Part A.2. (d) (ii) of Schedule 5 to this Agreement.

(c) The Borrower: (i) shall exercise its rights and comply with its obligations under the Credit Agreements in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Project, including the Subprojects, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Credit Agreements; and (ii) shall cause the Participating States to exercise their rights and comply with their respective obligations under the Credit Agreements and the Transfer Agreements, in such manner as to protect the interests of the Borrower and the Bank, and to accomplish the purposes of the Project, including the Subprojects, and, except as the Bank shall otherwise agree, shall cause the Participating States not to assign, amend, abrogate, waive or fail to enforce the respective Credit Agreements and the Transfer Agreements.

(d) The Borrower shall promptly notify the Bank in case of an event of noncompliance by any of the Participating States with the terms and conditions of its respective Credit Agreement or Transfer Agreement.

(e) In case of any conflict between the terms of the agreements referred to in paragraphs (a) and (b) of this Section and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.03. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project, under the Credit Program, shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall, in close consultation with the Participating States, update the Procurement Plan in accordance with terms of reference acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

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

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan designed to ensure the sustainability of the Project, including the Subprojects; and

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

#### **ARTICLE IV**

##### **Financial Covenants**

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project, including the Subprojects (regardless of whether said expenditures are financed with Loan proceeds or with any other sources of financing).

(b) The Borrower (for the purposes of the provisions of Part A.2. (d) (i) of Schedule 5 to this Agreement), shall:

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

and concerning said auditors, as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, as well as for all expenditures financed from sources other than Loan proceeds, the Borrower (for the purposes of Part A.2. (d) (i) of Schedule 5 to this Agreement), shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank) referred to paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Part C.1 (b) of Schedule 5 to this Agreement, the Borrower shall prepare, and furnish to the Bank a financial monitoring report (FMR), in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, including the Subprojects, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, including the Subprojects, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementations; and
- (iii) sets forth the status of procurement under the Project, including the Subprojects, as at the end of the period covered by said report.

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

## **ARTICLE V**

### **Remedies of the Bank**

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

(a) The Organic Law or the State Organic Law of any of the Participating States, or any provision thereof shall have been amended, suspended, abrogated, repealed or waived or not enforced in such manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower or any of the Participating States to carry out any of their respective obligations under this Agreement, or the ability of the Borrower to carry out its obligations under the Credit Program.

(b) The Borrower shall have failed to enforce its legal remedies under any of the Credit Agreements, or a situation shall have arisen so as to materially and adversely affect, in the opinion of the Bank, the ability of a Participating State to carry out any of its obligations under the Credit Agreement.

(c) Any authority having jurisdiction, shall have taken any action concerning the Judiciary in any of the Participating States that would materially and adversely affect, in the opinion of the Bank, the ability of such Judiciary to carry out its Judicial Modernization Plan.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional events are specified, namely, that any of events specified in paragraphs (a), (b) or (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty (60) days after notice thereof shall have been given by the Bank to the Borrower.

## ARTICLE VI

### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that the Operational Manual shall have been approved by the Bank;
- (b) that the Procurement Plan, satisfactory to the Bank, covering the initial 18 month period (or longer) of Project implementation has been furnished by the Borrower to the Bank; and
- (c) that the Credit Program, satisfactory to the Bank, shall have been approved by the Borrower.

Section 6.02. The date February 20, 2006 is hereby specified for the purposes of Section 12.04 of the General Conditions.

## ARTICLE VII

### Representative of the Borrower; Addresses

Section 7.01. Except as provided in Section 2.11 of this Agreement, the *Subdirector de Planeación y Programación* of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for  
Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI); or  
64145 (MCI)

(202) 477-6391

For the Borrower:

Avenida Javier Barros Sierra 515, piso 8º  
Colonia Lomas de Santa Fé,  
Delegación Alvaro Obregón  
México, D.F. 01219

Facsimile: 011-52-55-5270-1633



IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Mexico City, United States of Mexico, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By/s/ Isabel Guerrero

Acting Regional Vice President  
Latin America and the Caribbean

BANCO NACIONAL DE OBRAS Y  
SERVICIOS PUBLICOS, S.N.C.

By/s/ Verónica Baranda Sepúlveda

Authorized Representative

**SCHEDULE 1**

**Withdrawal of the Proceeds of the Loan**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in US Dollars)</u>	<u>% of Expenditures To be Financed</u>
(1) Works under Subprojects	8,920,000	70%
(2) Goods under Subprojects	11,000,000	86% of local expenditures and 100% of foreign expenditures
(3) Consultants' services (including audits) under Subprojects	6,010,000	83%
(4) Training under Subprojects	4,070,000	83%
(5) Premia for Interest Rate Caps and Interest Rate Collars	- 0 -	Amount due under Section 2.09 (c) of This Agreement
	<hr/>	
TOTAL:	30,000,000	
	=====	

2. For the purposes of this Schedule:

(a) the term "Training" means reasonable expenditures (other than for consultants' services) incurred for: (i) training materials; (ii) rental of training facilities and other expenditures related to the organization of training events; and (iii) local and foreign transportation costs and related subsistence expenses for judges and judicial personnel selected to participate in training events which shall have been included in

Subprojects approved by the Borrower, pursuant to the provisions of the Operational Manual;

(b) the term “Works” means expenditures incurred by the Judiciary in any of the Participating States for civil works which shall have been included in Subprojects approved by the Borrower: (i) required for construction of new court infrastructure and buildings; and refurbishing, remodeling or rehabilitating existing court infrastructure and buildings; (ii) to be carried out in sites, buildings and infrastructure owned by, and legally titled to the Judiciary (at the time of initiating the procurement procedure to build the corresponding civil works); (iii) which do not require the acquisition or occupation of new land, buildings or infrastructure, and therefore, do not cause the involuntary resettlement of owners, tenants or occupants of such land, buildings or infrastructure; and (iv) procured in accordance with contracts awarded pursuant to the provisions of Schedule 4 to this Agreement;

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

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

3. Notwithstanding the provisions of paragraph 1 of this Schedule, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$3,000,000 may be made in respect of Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures up to one year before that date but after May 3, 2004;

(b) in respect of payments made for expenditures under Categories (1), (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule, in respect of a Participating State, unless the Bank has been furnished with: (i) documentary evidence, satisfactory to the Bank, confirming that the respective Subproject Agreements have been executed by the Borrower and the respective Participating State, and the Participating State and the Judiciary, respectively; and (ii) the Borrower and the Participating State have issued separate legal opinions to the Bank, issued by counsel acceptable to the Bank, indicating that the Subproject Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Participating State, and the Participating State and the Judiciary, and are legally binding upon, the Borrower, the

Participating State and the Judiciary, in accordance with the terms of the Subproject Agreements; and

(c) any expenditures under any category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under: contracts for works, goods, training, and consultants' services required for the Project, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower with the implementation of its judicial modernization credit program by supporting the efforts of the Participating States to: (a) strengthen justice sector institutions and promote cultural change and knowledge sharing among such institutions and with civil society; (b) develop efficient and effective judicial services; (c) increase judicial transparency; (d) enhance access to justice for the poor and disadvantaged populations of the Participating States; and (e) disseminate good practices and learning-by-doing strategies within and among Participating States; and promote efficient monitoring and evaluation procedures, including consultation with Project stakeholders.

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

#### Part A: Strengthening Institutional Capabilities, Culture and Knowledge

The carrying out of Judicial Modernization Plans, comprising a series of investment activities, including, *inter alia*:

1. The carrying out of studies and institutional assessments of the Judiciaries.
2. The development and implementation of systems and action programs to improve the Judiciaries' institutional capabilities in critical areas, *inter alia*, strategic planning, budget programming, performance evaluation, user satisfaction, judicial organization, technology, institutional innovation, social communication, evaluation of public feedback, and civil society participation in the judicial modernization process.
3. The development and implementation of: (a) programs aimed at promoting cultural change within the Judiciary and achieving the improvement of service delivery, human resource development, leadership and change management strategies; and (b) public outreach and educational campaigns to promote a change of perception of, and attitude regarding the Judiciary.
4. The carrying out of a knowledge sharing program for judges and judicial personnel, members of public sector institutions, universities and research institutions to disseminate the objectives and contents of the judicial modernization process, including: (a) an international exchange program for judges and judicial operators; (b) a workshop and seminar program on judicial reform topics; and (c) a publication program.

Part B: Efficiency and Effectiveness of Judicial Services

The carrying out of Judicial Modernization Plans, comprising a series of investment activities, including, *inter alia*:

1. The carrying out of studies and institutional assessments of the institutional efficiency and effectiveness of the Judiciaries in, *inter alia*, the following areas: court procedures and regulations governing the jurisdictional function; access to justice for different social groups; alternative dispute resolution mechanisms; demand for judicial services among the population; cost of judicial services; judicial federalism; and judicial performance measurement and enforcement of judicial resolutions.
2. The development and implementation of model procedures and programs for the improvement of the managerial, procedural and organizational capabilities of the Judiciaries, including, *inter alia*, case backlog reduction and improved case distribution programs.
3. The development and implementation of professional development and judicial career systems, including a performance evaluation for judicial and administrative personnel, a comparative study of salary structures, an incentive system and a retirement plan for judicial personnel, including social security benefits.
4. The systematization and automation of jurisdictional and administrative procedures, including the development and implementation of integrated case management and documentation systems and administration, finance and human resource systems.
5. The establishment and operation of support units within the Judiciaries for the carrying out of training, continuing education and research activities for judicial and administrative personnel, including, *inter alia*, the development of pilot virtual classrooms, virtual libraries and judicial documentation centers.
6. The provision of infrastructure and equipment for, *inter alia*, the operation of information technology systems, the carrying out of civil works for the construction of new, and refurbishing, remodeling and rehabilitation of existing court and judicial buildings and the installation of networks and communication platforms.

Part C: Increasing Judicial Transparency

The carrying out of Judicial Modernization Plans, comprising a series of investment activities, including, *inter alia*:

1. The carrying out of studies and institutional assessments of the Judiciaries aimed at promoting greater judicial transparency in critical areas such as accountability mechanisms, judicial ethics, disciplinary system, access to information and anti-corruption measures.
2. The creation of new, or the strengthening of existing organizational units responsible for the dissemination of information about jurisdictional and administrative procedures, and for the management of judicial documentation to support judges and judicial operators, including the establishment of judicial information and documentation centers and information and citizen orientation offices; the carrying out of outreach campaigns to provide information about the functioning and structure of the judicial system; and the development of annual performance reports by the Judiciaries including relevant auxiliary institutions.
3. The development and implementation of discipline and accountability mechanisms, including, *inter alia*, the implementation of an oversight, investigation and discipline system for judicial operators, the development of a judicial code of ethics and a system to file complaints against judicial operators, the design and implementation of accountability mechanisms for judicial personnel, and improved access to information systems.
4. The organization and implementation of a program of events aimed at disseminating the benefits of enhanced transparency of judicial processes, such as, the strengthening of oral trials.

Part D: Strengthening of Access to Justice for all Users

The carrying out of Judicial Modernization Plans, comprising a series of investment activities, including, *inter alia*:

1. The carrying out of studies and institutional assessments of the Judiciaries for the strengthening of access to justice for the public at large, with special emphasis on the poor and disadvantaged populations of the Participating States.
2. The development and implementation of special programs to improve access to justice for women, minors, indigenous peoples and other poor and socially disadvantaged

users of the judicial services and small entrepreneurs, including, *inter alia*: (a) outreach events to provide citizens with a greater understanding of the judicial branch, of their rights and responsibilities, and help judges to gain a greater understanding of the realities of their social context; (b) school orientation and education programs for children and adolescents to gain a greater understanding of justice administration; and (c) community outreach seminars and workshops on gender-based violence, promoting a gender dimension of judicial systems, and access to justice for indigenous populations.

3. The creation of new, or the strengthening of existing, alternative dispute resolution institutional mechanisms, including the provision of training of skilled personnel, materials and equipment and existing infrastructure rehabilitation, and the carrying out of awareness-raising and educational campaigns.

4. The development and implementation of innovative programs aimed at diversifying the range of judicial services, including the strengthening of existing small claims justice at the municipal level (including the rehabilitation of existing infrastructure) and the creation of mobile small claims courts in judicial districts.

5. The establishment of new information and orientation centers at key judicial buildings and the rehabilitation of existing judicial centers to provide better user attention services.

6. The design and implementation of training programs for public defenders, legal aid providers and staff of public prosecutor's offices, including the development of a pilot legal aid and orientation program, and the organization of workshops and seminars to develop public consensus on problems facing the Judiciary.

7. The development and implementation of programs to improve the interactions between the Judiciary and legal professionals, including private attorneys and bar associations.

#### Part E: Project Coordination, Monitoring and Evaluation, and Learning

1. The carrying out of Judicial Modernization Plans, comprising a series of investment activities, including, *inter alia*:

(a) the strengthening of the coordination, monitoring and evaluation capabilities of the Participating States, through the establishment and operation of a PCU in each Participating State and the provision of training for PCU staff;

(b) the development of project administration, financial management and procurement administration capabilities for Project staff;



(c) the development and organization of inter and intra State knowledge sharing programs to promote good practices, the results and lessons learned during the implementation of the Judicial Modernization Plans, in partnership with NCSC and other relevant institutions; and

(d) the development of strategic actions and the carrying out of studies which may contribute to the development of sector-wide judicial modernization.

2. The strengthening of the Borrower's capability (at the central and regional levels) to supervise the Subprojects and promote learning among Participating States, including:

(a) the carrying out of semi-annual Project monitoring and evaluation reviews and the dissemination of the results of such reviews; and

(b) the provision of technical assistance for: (i) the identification of new States interested in participating under the Project, and the preparation of Judicial Modernization Plans for such States; and (ii) the preparation of future projects aimed at supporting the implementation of Judicial Modernization Plans not financed under the Project.

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The Project is expected to be completed by March 31, 2010.

### SCHEDULE 3

#### Amortization Schedule

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

<u>Date Payment Due</u>	<u>Installment Share (Expressed as a %)</u>
On each February 1 and August 1, beginning on August 1, 2009 through February 1, 2019.	5%

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

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

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable

on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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

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

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

## **SCHEDULE 4**

### **Procurement**

#### Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May, 2004 (the Procurement Guidelines), and with the provisions of this Schedule. If the Borrower employs any procurement or inspection agents, it shall ensure that the requirements of Section 3.10 and 3.11 of the Procurement Guidelines are met.

B. All consultants' services shall be procured in accordance with Section I, paragraphs 3.15 through 3.20, and Section IV of, and Appendix 2 to, the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May, 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

#### Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

##### Part A: International Competitive Bidding.

Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of international competitive bidding in accordance with the provisions of Section II and paragraphs 3.14 and 3.15 of the Procurement Guidelines, and the following additional procedures:

##### 1. Dispute Review Board

Each contract for works estimated to cost \$50,000,000 equivalent or more shall include the provisions for a dispute review board set forth in the standard bidding documents for works referred to in paragraph 2.43 of the Procurement Guidelines.

##### 2. Grouping of Contracts

To the extent possible, contracts for goods and services (other than consultants' services) shall be grouped in bid packages to cost \$500,000 equivalent or more each and contracts for works shall be grouped in bid packages to cost \$10,000,000 equivalent or more each.

3. Notification and Advertising

(a) The General Procurement Notice shall be published in accordance with the procedures referred to under Section 2.7 of the Guidelines. A similar invitation to bid shall also be published in COMPRANET.

(b) The results of the awards shall be subject to publication in accordance with the procedures referred to under Section 2.60 of the Guidelines and published in COMPRANET.

Part B: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the procedures referred to under Art. 26, Section I (*Licitación Pública*) of the Guarantor's Procurement of Goods Law; and

(b) works estimated to cost less than \$10,000,000 equivalent per contract, may be procured under contracts awarded on the basis of national competitive bidding in accordance with the procedures referred under Art. 27, Section I (*Licitación Pública*) of the Guarantor's Procurement of Works Law shall apply.

2. Shopping

(a) Goods estimated to cost less than \$100,000 equivalent per contract, may be procured in accordance with the procedures referred to under Art. 26, Section II (*Invitación a cuando menos tres personas*) of the Guarantor's Procurement of Goods Law; provided that the Bank has authorized the use of the said procedures by notice to the Borrower in writing; and

(b) works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded on the basis of the procedures referred under Art. 27, Section II (*Invitación a cuando menos tres personas*) of the Guarantor's Procurement of Works Law, provided that the Bank has authorized the use of the said procedures by notice to the Borrower in writing.

3. Direct Contracting

Goods and works which meet the requirements for direct contracting referred to in paragraphs 3.1, 3.6 and 3.7 of the Procurement Guidelines may, with the Bank's prior agreement, be procured in accordance with the provisions of: (i) said paragraphs; or (ii) the procedures referred to under Art. 26, Section III (*Adjudicación Directa*) of the Guarantor's Procurement Law.

Section III. Particular Methods of Procurement of Consultants' Services

Part A: Quality- and Cost-based Selection

Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of quality and cost in accordance with the provisions of Section II of the Consultant Guidelines and the following provision: for purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

Part B: Other Procedures

1. Quality-based Selection

Services for assignments which meet the requirements set forth in paragraph 3.2 of the Consultant Guidelines may be procured under contracts awarded on the basis of quality in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Least-cost Selection

Services for training and knowledge sharing, including international and local conferences, seminars, courses, workshops may be procured under contracts awarded on the basis of lowest cost in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications

Services estimated to cost less than \$200,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection

Services for tasks in circumstances that meet the requirements of paragraph 3.10 of the Consultant Guidelines for single source selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants

Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Bank.

Section IV: Review by the Bank of Procurement Decisions

Part A: Prior Review

The following review procedures shall apply to contracts for which the Procurement Plan provides for prior review by the Bank:

1. Goods, Works and Services (other than Consultants' Services)

The prior review procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Procurement Guidelines shall apply to contracts for goods, works or services (other than consultants' services). However, if such contracts are to be procured on the basis of direct contracting procedures, the following procedures shall apply instead: (a) prior to the execution of such contract, the Borrower shall provide to the Bank a copy of the specifications and the draft contract for its approval; (b) the contract shall be awarded only after the Bank's approval shall have been given; and (c) the procedures set forth in paragraphs 2 (h) and 3 of Appendix 1 to the Guidelines shall apply.

2. Consultants' Services Provided by Firms

The prior review procedures set forth in paragraphs 2, 3 and 4 of Appendix 1 to the Consultant Guidelines shall apply to contracts for consultants' services provided by firms. However, if such contracts are to be procured on the basis of single source selection, the following procedures shall apply instead: (a) the qualifications, experience,

terms of reference and conditions of employment of the consultants shall be furnished to the Bank for its prior review and approval; (b) the contract shall be awarded only after the Bank's approval shall have been given; and (c) the provisions of paragraphs 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

3. Consultants' Services Provided by Individuals

The following prior review procedures shall apply to contracts for the employment of individual consultants: (a) the report on the comparison of the qualifications and experience of candidates, terms of reference and terms of employment of the consultants (or, if the consultant is to be selected on a sole source basis, the qualifications, experience, terms of reference and terms of employment of the consultants) shall be furnished to the Bank for its prior review and approval; (b) the contract shall be awarded only after the Bank's approval shall have been given; and (c) the provisions of paragraph 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply to the contract.

Part B: Post Review

The following post review procedures shall apply to all contracts for which the Procurement Plan does not provide for prior review by the Bank:

1. With respect to contracts for goods, works or services (other than consultants' services), the post review procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.
  
2. With respect to contracts for consultants' services, the post review procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.



## SCHEDULE 5

### Implementation Program

#### Part A: Implementation Actions

##### 1. Operational Manual

Except as the Borrower and the Bank shall otherwise agree:

(a) the Borrower and the Participating States shall carry out their respective activities under the Project, including the Subprojects, in accordance with the terms of a manual, satisfactory to the Bank (the Operational Manual). The Operational Manual shall include provisions detailing procedures and guidelines of Project implementation pertaining to:

- (i) the Eligibility Criteria, and procedures for the Borrower to assess whether a State meets such criteria;
- (ii) terms, conditions and standard contractual provisions for the Credit Agreements and Transfer Agreements;
- (iii) terms of reference for the Participant States, procedures and timetable for the provision of counterpart funds and the establishment and maintenance of financial management, disbursement accounting and auditing systems for the Project, including the Subprojects;
- (iv) guidelines for the development of Judicial Modernization Plans, including the identification of indicators to monitor progress in the implementation of such plans; procedures, requirements and standard contractual terms for the procurement of works, goods and consultants' services financed under the Project, including the Subprojects;
- (v) terms of reference and procedures for the monitoring and evaluation of Project implementation, (for the Borrower) and the Subprojects (for the Participating States); and

- (vi) guidelines for consultation with civil society and the media, and dissemination of information related to the Project, including the Subprojects; and (vii) a prohibition on the carrying out of any works under the Project that would trigger the involuntary resettlement of people and/or businesses from the work sites; and

(b) the Borrower shall not, and shall cause the Participating States not to amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

## 2. Subproject Approval Procedures

(a) A State interested in requesting financing under the Credit Program shall, through its State Executive, send to the Borrower a letter (Letter of Intent) including, *inter alia*:

- (i) a draft Judicial Modernization Plan prepared in accordance with the Eligibility Criteria, supported by appropriate documentary evidence and other data that the Borrower may reasonably request; and
- (ii) the State's commitment to allocate the Credit Program funds, if approved, to the carrying out of a plan for the modernization of its Judiciary (the Judicial Modernization Plan).

(b) The Borrower shall review the Letter of Intent, and assess whether the State meets the Eligibility Criteria. The State, if it meets such criteria, shall be eligible for participation under the Credit Program (Participating State) and shall submit a formal Credit application to the Borrower.

(c) All Credit applications shall be reviewed by the Borrower's operations committee (*Comité Interno de Crédito*) pursuant to the provisions of the Borrower's credit manual (*Manual de Normas de Crédito*), which sets forth, *inter alia*:

- (i) the criteria, terms and conditions for the provision of Credits, including the maximum Credit amount, collateral, repayment terms, maturity, and other legal and financial requirements; and

- (ii) the criteria for the suspension or cancellation of funds under the Credit in case of noncompliance by the Participating State under the Credit Agreement including the failure to provide, on a timely fashion, the counterpart funds required for the implementation of a Subproject.
- (d) Following the approval of a Credit application, the Borrower shall:
- (i) enter into a Credit Agreement with the Participating State, including, *inter alia*, the agreement of the Participating State to: (A) use the Credit funds to carry out, or cause to be carried out, the Subproject in accordance with the terms and conditions of the Credit Agreement, the Operational Manual, and the Implementation Letter; (B) keep, or cause to be kept records and accounts for the expenditures financed under the Subproject and furnish them to the Borrower, in a timely fashion, throughout the life of the Subproject in order to enable the Borrower to comply with its obligations under Sections 4.01 (b), 4.01(c) and 4.02 of this Agreement; (C) enable the Borrower to review the accounts and other records, including contract documentation for the procurement of works, goods, and consultants' services required for the implementation of the Subproject; (D) provide the Borrower with all information and documentation related to the monitoring and evaluation of the Subproject; and (E) comply with the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of works, goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively); and
  - (ii) shall cause the Participating State to enter into a Transfer Agreement with the respective Judiciary, including, *inter alia*: the agreement of the State Executive to transfer Credit funds to the Judiciary for the implementation of the Judicial Modernization Plan, and the Judiciary's agreement to: (A) provide, in a timely manner and as needed, the funds, facilities, services and other resources required for the Subproject, including the counterpart funds required to ensure the timely implementation of the Judicial Modernization Plan; and (B) carry out its respective activities under the Subprojects, with due diligence and efficiency and in conformity with appropriate administrative, banking, financial, procurement, auditing, participatory, environmental and social standards and practices (including gender, youth and indigenous sensitive strategies), with due regard to the provisions of the terms and conditions of

the Credit Program and the provisions of the respective State Organic Law.

3. Annual Operating Plan

For the purposes of carrying out the Project, the Borrower in close consultation with the Judiciary in each Participating State shall:

(a) prepare, in accordance with guidelines detailed in the Operational Manual, and by not later than January 31, in each year of Project implementation, starting on January 31, 2006, and submit to the Bank a consolidated annual operating plan (AOP) satisfactory to the Bank, including a description of activities (based on the individual annual operating plans prepared by each one of the Participating States) proposed for the upcoming year, a budget, a financial plan (detailing the amount of counterpart funds to be provided in such year), a training and knowledge sharing program and a Procurement Plan for the procurement of works, goods and consultants' services required to carry out such activities;

(b) review with the Bank said AOP, within two weeks following the submission of said plan; and

(c) thereafter, take all measures required to ensure the efficient completion and achievement of said AOP, based on the views of the Borrower and the Bank on said plan.

Part B: Implementation Arrangements

1. For the purposes of carrying out the Project, the Borrower shall appoint, and thereafter maintain, until the completion of the Project, the following implementation staff:

(a) a team of technical staff (the liaison team) drawn from the Borrower's headquarters' offices, which shall be responsible, *inter alia*, for:

(i) carrying out supervision, monitoring and evaluation of Project activities, including the Subprojects;

(ii) ensuring effective coordination and timely exchange of information among the staff of the Borrower, the Participating State, the Judiciary and the Bank;

- (iii) overseeing the effectiveness of dissemination and knowledge sharing activities referred to under Part E.1 (d) of the Project; and
- (iv) overseeing the efficacy and quality of learning programs and events proposed for financing under the Subprojects and monitoring and evaluation procedures; and

(b) dedicated regional staff in the Borrower's decentralized offices (*Delegaciones*), which shall be responsible, *inter alia*, for: (i) day-to-day coordination of Subprojects with the Participating States and the Judiciaries; (ii) ensuring the timely completion of technical, financial, impact analysis and progress reports to be submitted by the Participating States to the Borrower; and (iii) ensuring that procurement, financial management and disbursement documentation is submitted to the Borrower.

## 2. External Advisory Group

(a) The Borrower may seek the opinion of an advisory group (the External Advisory Group), comprising, *inter alia*, independent legal and judicial experts, members of bar associations, academic and research institutions, and recognized experts from different disciplines and regions of Mexico.

(b) The External Advisory Group may be consulted, on as needed basis, for: (i) providing overall advice and strategic guidance on judicial modernization issues; (ii) ensuring effective knowledge sharing and learning among judicial staff in the Participating States; (iii) proposing effective mechanisms to maintain an ongoing dialogue with civil society, and the media, on the judicial modernization process in each Participating State; and (iv) assessing the soundness of the strategies and activities proposed under the existing and new Judicial Modernization Plans.

## 3. Subproject Implementation Arrangements

(a) For the purposes of carrying its respective activities under the Project, the Judiciary in each Participating State shall establish and thereafter maintain, at all times, within the *Presidencia del Supremo Tribunal de Justicia*, until the completion of the respective Judicial Modernization Plan:

- (i) a monitoring and evaluation committee of judicial experts (CCS) which shall prepare a monitoring and evaluation manual, gather data, and prepare impact evaluations reports to be furnished to the Borrower, on a periodic basis; and

- (ii) a judicial modernization support unit (PCU) with functions and responsibilities satisfactory to the Bank, including, *inter alia*, the following functions and responsibilities: (A) providing operational support to CCS; (B) developing, implementing and updating the Judicial Modernization Plan; (C) collecting and disseminating judicial statistics; (D) disseminating and publishing court resolutions; (E) conducting stakeholder surveys and public opinion campaigns; (F) carrying out learning and knowledge sharing events; (G) disseminating good practices and results achieved throughout the implementation of the Subproject; (H) preparing and submitting to the Borrower, which in turn will submit to the Bank, the reports referred to in Part C.1 (b) of this Schedule; (I) reviewing jointly with the Borrower and the Bank, progress achieved by the Judiciary in the implementation of its respective Subproject Investment Activities, on the basis of the annual operating plans referred to in Part A.3 of this Schedule; and (J) identifying any possible obstacle or difficulty affecting or threatening to affect Subproject implementation, and proposing appropriate solutions to such obstacle or difficulty.

(b) The PCU shall be staffed, at all times, throughout the implementation of the Subproject, by qualified and experienced judicial, technical and administrative staff in adequate numbers and with terms of reference and qualifications satisfactory to the Borrower and the Bank, including:

- (i) a coordinator who shall be responsible for day-to-day implementation of Subproject Investment Activities;
- (ii) a full-time procurement specialist who shall be responsible for the carrying out of procurement and contractual aspects required for the implementation of the Subproject, including, *inter alia*, the provision of no-objection for the award of contracts below the prior review provisions detailed in Section IV. A. of Schedule 4 to this Agreement, the review of all procurement procedures and bid evaluation reports and the maintenance of all relevant procurement documentation for review by the Borrower and the Bank; and
- (iii) a full-time financial specialist who shall be responsible for accounting, auditing and preparation of consolidated financial reports required by the Judiciary and the Borrower and the Bank.

Part C: Semi-Annual Project Reviews

1. Without limitation upon the provisions of Section 9.07 of the General Conditions, the Borrower shall, and shall cause the Participating States, until the completion of the Project to:

(a) maintain policies and procedures adequate to enable the Borrower and the Participating States to monitor and evaluate on an ongoing basis (in accordance with the Monitoring Indicators) the carrying out of the Project, including the Subprojects, and the achievement of the objectives thereof;

(b) prepare and furnish to the Bank, by not later than January 31, and July 31, in each year of Project implementation starting on July 31, 2006, until the completion of the Project, reports in a format satisfactory to the Bank, integrating the results of the monitoring and evaluation activities performed pursuant to subparagraph (a) of this paragraph, which reports shall include, *inter alia*:

- (i) a detailed description of activities completed during the twelve months preceding the date of said report;
- (ii) a detailed progress report, including lessons learned during Project implementation, good practices proposed for knowledge sharing among the Participating States and identifying any issue that may delay the implementation of the Project, including the Subprojects, and setting out the measures recommended to solve such issue; and
- (iii) the FMR referred to in Section 4.02 of this Agreement.

(c) review with the Bank, by March 31, and September 30, starting on September 30, 2006, until the completion of the Project the reports referred to in subparagraph (b) of this paragraph, and carry out two semiannual implementation reviews to, *inter alia*:

- (i) evaluate progress achieved in the implementation of the Judicial Modernization Plans, the fiscal impact of such plans, including an assessment of the need to adjust, update or amend such plans;
- (ii) assess the timeliness and adequacy of transfer of Credit funds to the Judiciaries and their provision of counterpart funds;

- (iii) exchange views on progress achieved in the implementation of the AOP, during the previous year, and proposed activities for the upcoming year;
  - (iv) identify any issues that may delay or impede the implementation of the Judicial Modernization Plans, and propose any solutions to resolve such issues;
  - (v) review the quality and efficacy of access to justice programs and strategies referred to in Part D of the Project, and propose any remedial action, if needed;
  - (vi) evaluate the quality and impact of the knowledge sharing programs to ensure wide dissemination of lessons learned and good practices; and
  - (vii) seek the views of the CCS in each Participating State, the NCSC, the External Advisory Group and other relevant civil society organization with regard to the implementation of the Judicial Modernization Plans; and
- (d) after each of the preceding reviews, take, and cause the Participating States to take, all measures required to ensure the efficient completion of the Project, including the Subprojects, and the objectives thereof, based on the conclusions and recommendations of the said reviews and the Bank's views on the matter.



## **SCHEDULE 6**

### **Special Account**

1. For the purposes of this Schedule:
  - (a) the term “eligible Categories” means Categories (1), (2), (3) and (4), set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
  - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
  - (c) the term “Authorized Allocation” means the amount of \$3,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$2,000,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$4,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
  - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
  - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

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

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

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

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure which is not an eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraphs (a), (b) and (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of this Agreement, including the General Conditions.