

**CONFORMED COPY**

**LOAN NUMBER 7968-MX**

# **Loan Agreement**

**(Additional Financing for the Support to *Oportunidades* Project)**

**between**

**UNITED MEXICAN STATES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated December 2, 2010**

**LOAN NUMBER 7968-MX**

**LOAN AGREEMENT**

Agreement dated December 2, 2010, between UNITED MEXICAN STATES (“Borrower”) as represented by its Ministry of Finance and Public Credit and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement).

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Schedule 2 to this Agreement and for purposes of supporting the project described in Schedule 1 to this Agreement (“Project”)), shall be used in conformity with the requirements of the Borrower’s income, budgetary and public debt laws and the terms of this Agreement, the Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one billion two hundred and fifty million Dollars (\$1,250,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the Project described in Schedule 1 to this Agreement.
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. Unless the Borrower’s representative designated in Section 6.01 of this Agreement otherwise informs the Bank, the Borrower’s representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Director of International Financial Institutions (*Director de Organismos Financieros Internacionales*) of NAFIN or any person or persons whom such representative shall designate in writing.

- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.
- 2.05. The Payment Dates are August 15 and February 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may (or may cause NAFIN) 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 withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; 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 the 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 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 for which the Borrower (or NAFIN at the request of 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 4.05 (c) of the General

Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

### **ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through SEDESOL (through CN), and shall cause CONAFE to assist in carrying out Part 1(a) of the Project (as described in Schedule 1 to this Agreement), all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through SEDESOL (through CN) shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following, namely, that any of the parties to the *Contrato de Mandato*, the BANSEFI Agreement, the TELECOMM Agreement and/or the DICONSA Agreement shall have failed to perform any of its obligations under the *Contrato de Mandato*, the BANSEFI Agreement, the TELECOMM Agreement, and/or the DICONSA Agreement, respectively.
- 4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) the *Contrato de Mandato* has been duly executed by the parties thereto; and
  - (b) the Borrower (in SHCP's and SEDESOL's (through CN) legal opinions), NAFIN (in a separate legal opinion satisfactory to the Bank, issued by NAFIN counsel acceptable to the Bank) and CONAFE (in a separate legal opinion satisfactory to the Bank, issued by CONAFE counsel acceptable to the Bank), indicate that the *Contrato de Mandato* has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, NAFIN and CONAFE and is legally binding upon the

Borrower, NAFIN and CONAFE in accordance with the *Contrato de Mandato*'s terms.

- 5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on May 9, 2012.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. Except as set forth in Section 2.02 of this Agreement, the Borrower's Representative is the *Titular de la Unidad de Crédito Público* of SHCP. The authorized representative to make requests for Conversions or for an IBRD Hedge (as defined in the Hedging Guidelines) on behalf of the Borrower shall be (a) the *Titular de la Unidad de Crédito Público* of SHCP or any person or persons whom he or she shall designate in writing for this particular purpose, or (b) NAFIN's Director of International Financial Institutions (*Director de Organismos Financieros Internacionales*).

- 6.02. The Borrower's Address for the purposes of Section 10.01 of the General Conditions:

Secretaría de Hacienda y Crédito Público  
Unidad de Asuntos Internacionales de Hacienda  
Palacio Nacional  
Edificio 12, segundo piso  
Colonia Centro  
06000 México, D.F.  
Facsimile: 011-52-55-3688-1216

- 6.03. The Bank's Address is:

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)	1-202-477-6391

AGREED at Mexico City, United Mexican States, as of the day and year first above written.

**UNITED MEXICAN STATES**

**By /s/ Gerardo Rodríguez Regordosa**

**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By /s/ Gloria M. Grandolini**

**Authorized Representative**

## SCHEDULE 1

### Project Description

The objectives of the Project are to:

- (a) Increase the health, nutrition and education of poor families through investments in human capital by promoting regular health and nutrition check-ups among *Oportunidades* Beneficiaries, improving the health status of *Oportunidades* Beneficiaries, and raising school enrollment and attendance rates of the children of *Oportunidades* Beneficiaries; and
- (b) build sustainable connections between the *Oportunidades* Program and other social programs of the Borrower in order to improve health and education outcomes for the *Oportunidades* Beneficiaries.

The Project consists of the following parts included in the Original Project and amended solely for the purposes of the Loan, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

#### **Part 1: *Oportunidades* Grants**

Provision of cash grants to families living in extreme poverty (identified in accordance with the methodology set forth in Section 3.2.1, 3.3 and 3.5 of the Operational Rules), as follows:

- (a) education grants, as referred to in Section 3.5.1 (*Componente Educativo*) of the Operational Rules, including all cash support under said Section 3.5.1 of the Operational Rules, but excluding (i) the financing under Section 3.5.1.3 (*Jóvenes con Oportunidades*) of the Operational Rules and (ii) the in-kind support (learning supplies) under Section 3.5.1.2 of the Operational Rules (but including the cash support under this same Section 3.5.1.2 of the Operational Rules); and
- (b) health related grants, as referred to in Section 3.5.2 (*Componente de Salud*) of the Operational Rules, including all cash support under Section 3.5.3 (*Componente Alimentario*) of the Operational Rules (including the *Apoyo Vivir Mejor* but excluding the *Apoyo Infantil Vivir Mejor*) and the cash support under Section 3.5.3.1 (*Apoyo Energético*), but excluding the financing under Section 3.5.2.4 (*Apoyo para Adultos Mayores*) and the in-kind support under Section 3.5.3 *ab initio* of the Operational Rules.

## **Part 2: Technical Assistance**

Provision of technical assistance to finance studies additional to the studies financed under the Original Project to, *inter alia*:

- (a) increase the quality and accessibility of the health and education services used by *Oportunidades* Beneficiaries;
- (b) develop strategies to increase the level of self-sufficiency of *Oportunidades* Beneficiaries so that they are able to increase their well-being;
- (c) improve the design and operation of the *Oportunidades* Program, including: (i) a review of the reasons for the incomplete take-up of the education grants referred under Part 1 (a) above by school-age children of *Oportunidades* Beneficiaries; and (ii) a study on possible community-level activities to support the Project; and
- (d) implement the IPP.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, throughout Project implementation the Borrower (i) through SEDESOL (through CN) shall provide the funds for the implementation of Parts 1(b) and 2 of the Project and, (ii) through SEDESOL (through CN) shall cause CONAFE to provide the funds for the implementation of Part 1(a) of the Project.
2. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through SEDESOL (through CN) shall carry out the Project (and shall cause CONAFE assist in the carrying out of Part 1(a) of the Project) in accordance with the Operational Manual, in coordination with SEP, Salud and IMSS as per Section I.A.5 of Schedule 2 to this Agreement. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive or fail to enforce any provision of the Operational Manual without the Bank's prior written approval. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.
3. The Borrower, through SEDESOL (through CN), shall maintain an operational manual, satisfactory to the Bank, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:
  - (i) the procurement, financial management and disbursement requirements thereof;
  - (ii) the Key Performance Indicators;
  - (iii) the Operational Rules;
  - (iv) the IPP; and
  - (v) the Anti-Corruption Guidelines.
4. Without limitation upon the provisions of Section I.C.1 of Schedule 2 to this Agreement, the Borrower, through SEDESOL (through CN), shall, by not later than a date ten (10) business days after the signing of this Agreement, issue a notice to BANSEFI, DICONSA and TELECOMM, including a copy of the Anti-

Corruption Guidelines, exhorting BANSEFI, DICONSA and TELECOMM to comply with the Anti-Corruption Guidelines when managing Loan proceeds (as disbursed in accordance with the provisions set forth in this Agreement).

5. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower, through SEDESOL (through CN), and the Bank may otherwise agree, throughout Project implementation the Borrower shall, under the overall coordination of SEDESOL (through CN):
  - (a) maintain a council and a technical committee (with the participation of SHCP, SEDESOL, CN, SEP, CONAFE, Salud and IMSS) which will, *inter alia*, provide general guidance for the *Oportunidades* Program, including the approval of the Operational Rules, the general supervision of the Project (and the *Oportunidades* Program), the approval of measures to ensure the efficient and transparent operation of the Project (and the *Oportunidades* Program), and the review of the performance of the Project in the States (and of the *Oportunidades* Program);
  - (b) provide the health and education services related to the Project through SEP, CONAFE, Salud, and IMSS; and
  - (c) maintain State level committees (with the participation of SEDESOL, SEP, CONAFE, Salud and IMSS), which will, *inter alia*, supervise and monitor the implementation of the Project at the State level.
6.
  - (a) The Borrower, through SEDESOL (through CN), shall maintain agreements, satisfactory to the Bank, with BANSEFI, DICONSA and TELECOMM whereby BANSEFI, DICONSA and TELECOMM shall agree to distribute the *Oportunidades* Grants to the *Oportunidades* Beneficiaries.
  - (b) The Borrower, through SEDESOL (through CN), shall exercise its rights and carry out its obligations under the Financial Institution Agreements in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower, through SEDESOL (through CN), shall not amend, terminate, waive or fail to enforce any provision of the Financial Institution Agreements in a manner that affects the compliance by the Borrower, through SEDESOL (through CN), of the Borrower's obligations under the Loan Agreement (including the provisions related to the Anti-Corruption Guidelines). In case of any conflict between the terms of the Financial Institution Agreements and those of this Agreement, the terms of this Agreement shall prevail.

7. The Borrower, through SEDESOL (through CN), shall ensure that the *Oportunidades* Beneficiaries comply with the obligations set forth under Section 3.6 (*Derechos, corresponsabilidades y suspensiones de las familias beneficiarias*) of the Operational Rules, including the following:
  - (a) all household members shall visit health centers with the frequency established in the Operational Rules (said frequency to vary depending on the age and particular health circumstances of the relevant household member);
  - (b) children or youth up to 21 years old enroll in school and attend classes on a regular basis as described in the Operational Rules; and
  - (c) an adult member of each *Oportunidades* Beneficiary attends the *Oportunidades* Program monthly health information group sessions.

**B. *Contrato de Mandato***

1. The Borrower, through SHCP, shall enter into a contract (*Contrato de Mandato*) among NAFIN, SEDESOL (through CN) and CONAFE, satisfactory to the Bank, whereby:
  - (a) NAFIN agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, *inter alia*, NAFIN agrees to represent the Borrower *vis-à-vis* the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds and agrees to maintain and operate the designated account (referred to in the additional instructions cited in Section IV.A.1 of Schedule 2 to this Agreement) in compliance with the terms of this Agreement;
  - (b) NAFIN agrees to abide by the Anti-Corruption Guidelines;
  - (c) the Borrower, through SEDESOL (through CN), agrees to carry out the Project in accordance with the provisions of this Agreement, including the IPP, the Anti-Corruption Guidelines, and the Operational Manual;
  - (d) CONAFE agrees that, in its assistance to SEDESOL for the carrying out of Part 1(a) of the Project, CONAFE shall comply with the Anti-Corruption Guidelines;
  - (e) the Borrower, through SHCP, shall have the right to, in case of fraud or corruption (as defined in the Anti-Corruption Guidelines) provide for the early termination of the *Contrato de Mandato*, or temporarily suspend its

effects, or, if applicable, require the restitution of funds transferred to NAFIN under said *Contrato de Mandato*; and

- (f) the Borrower agrees that, through SEDESOL (through CN), the Borrower shall, and shall cause CONAFE to, cooperate fully with NAFIN to ensure that NAFIN is able to comply with all of NAFIN's obligations referred to in paragraph (a) and (b) of this Section.
2. The Borrower shall exercise its rights and carry out its obligations under the *Contrato de Mandato* in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend, terminate, waive or fail to enforce any provision of the *Contrato de Mandato*. In case of any conflict between the terms of the *Contrato de Mandato* and those of this Agreement, the terms of this Agreement shall prevail.

### **C. Anti-Corruption**

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines. In this regard, the Borrower, through SEDESOL (through CN) or through any other entity as the Borrower may deem appropriate, shall, *inter alia*, ensure compliance with paragraph 9 (d) of the Anti-Corruption Guidelines as follows:
  - (a) by requiring BANSEFI, DICONSA and TELECOMM to take appropriate measures to prevent, inform on, respond to and investigate corrupt, fraudulent, collusive, coercive and obstructive practices with respect to their payment (or that of their agents) of *Oportunidades* Grants;
  - (b) by allowing the Bank to inspect accounts, records and other documents of BANSEFI, DICONSA and/or TELECOMM relating to the Project upon the Bank's request and in the company of SEDESOL representatives (through CN);
  - (c) by allowing the Bank, at its request, to have such accounts, records and other documents audited by or on behalf of the Bank, using the Bank's terms of reference for such purpose, with the collaboration of the Borrower, through SEDESOL (through CN);
  - (d) by agreeing to suspend or terminate BANSEFI's, DICONSA'S and/or TELECOMM's right to process Bank financed proceeds derived from the Loan or from any other agreement with the Bank, if the Bank has declared BANSEFI, DICONSA and/or TELECOMM, as the case may be, ineligible under paragraph 11 of the Anti-Corruption Guidelines; and

- (e) by agreeing to obtain restitution from BANSEFI, DICONSA and/or TELECOMM, as the case may be, of any amount of the Loan with respect to which fraud and corruption has occurred,

all of the above pursuant to audit, transparency, control, restitution and information sharing clauses within the BANSEFI Agreement, the DICONSA Agreement, the TELECOMM Agreement, the Operational Rules and/or any other means (including, but not limited to the Borrower's rights under the Federal Budget and Fiscal Responsibility Law, and the General Public Debt Law).

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

The Borrower, through SEDESOL (through CN), shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of Key Performance Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.

### **B. Financial Management, Financial Reports and Audits**

1. The Borrower, through SEDESOL (through CN), shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower, through SEDESOL (through CN), shall prepare and furnish to the Bank as part of the Project Report not later than forty five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.
3. The Borrower, through SEDESOL (through CN), shall have the Project Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Consultants' Services.** All consultants' services required for the Project and to be financed with an amount equivalent to the amount in Dollars provided under the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.
3. **Special Provisions.** The Borrower, through SEDESOL (through CN) shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (b) update the Procurement Plan at least every year, or as required by the Bank, to reflect the actual Project implementation needs and progress and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.

**B. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) Selection under a Fixed Budget
(b) Least-Cost Selection
(c) Single Source Selection
(d) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the selection of Individual Consultants

**C. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions).
2. The Bank shall, on behalf of the Borrower, withdraw from the Loan Account on or after the Effective Date and pay to itself the Front-end Fee payable pursuant to Section 3.01 of the General Conditions. The remaining proceeds of the Loan shall be disbursed in Dollars unless otherwise agreed between the Borrower and the Bank and so reflected in the additional instructions referred in Section IV.A.1 immediately above. Consistently with Section 2.05 of the General Conditions, the Borrower shall use an amount equivalent to the amount in Dollars provided under the Loan Agreement to finance Eligible Expenditures.
3. The following table specifies the categories of Eligible Expenditures that may be financed with an amount equivalent to the amount in Dollars provided under the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b><u>Category</u></b>	<b><u>Amount of the Loan Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be financed (inclusive of Taxes)</u></b>
(1) <i>Oportunidades</i> Grants	1,244,000,000	100%
(2) Consultants Services	2,345,000	100%
(3) Operating Costs	530,000	100%
(4) Front-end fee	3,125,000	100%

(5) Premia for Interest Rate Caps and Interest rate Collars (amounts due under section 2.07 (c) of this Agreement)	0	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>TOTAL AMOUNT</b>	1,250,000,000	

For purposes of this Section IV.A the term “Operating Costs” means the reasonable costs for salaries of staff of the Borrower in charge of Project implementation, which would have not been incurred absent the Project.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$250,000,000 equivalent may be made for payments made within twelve (12) months prior to the date of this Agreement but not before March 1, 2010; and
  - (b) under Category (1) unless the Borrower, through SEDESOL (through CN), has issued a notice to BANSEFI, DICONSA and TELECOMM including a copy of the Anti-Corruption Guidelines, exhorting BANSEFI, DICONSA and TELECOMM to comply with the Anti-Corruption Guidelines when managing Loan proceeds (as disbursed in accordance with the provisions set forth in this Agreement).
2. The Closing Date is December 31, 2013.



### **SCHEDULE 3**

#### **Amortization Schedule**

The Borrower shall repay the principal amount of the Loan in full on August 15, 2027.

## APPENDIX

### Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
2. “BANSEFI” means *Banco del Ahorro Nacional y Servicios Financieros, S.N.C.*, a Mexican development bank created pursuant to the BANSEFI Organic Law (or any successor thereto acceptable to the Bank).
3. “BANSEFI Agreement” means the agreement entered into between the Borrower, through SEDESOL (through CN), and the BANSEFI on January 22, 2002, and any other renewal or amendment thereof (including, but not limited to, the agreement dated September 26, 2007), whereby BANSEFI will continue to make available to each *Oportunidades* Beneficiary the *Oportunidades* Grants in accordance with the provisions of this Agreement under terms and conditions to such effect, satisfactory to the Bank.
4. “BANSEFI Organic Law” means the Borrower’s law *Ley Orgánica del Banco del Ahorro Nacional y Servicios Financieros* published on June 1, 2001 in the Borrower’s Official Gazette (*Diario Oficial de la Federación*), and said term includes the regulations to said law, as said law and regulations have been amended to the date of this Agreement (including the amendment dated August 1, 2005).
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “CN” means *Coordinación Nacional del Programa de Desarrollo Humano Oportunidades*, a deconcentrated unit (*órgano desconcentrado*) within SEDESOL in charge of the implementation of the *Oportunidades* Program as created by the Borrower’s Decree published in the Borrower’s Official Gazette (*Diario Oficial de la Federación*) on August 8, 1997 as amended through March 6, 2002 (or any successor thereto acceptable to the Bank).
7. “CONAFE” means *Consejo Nacional de Fomento Educativo*, the Borrower’s National Council for Educational Development, a decentralized public entity of the Borrower, with its own budget and separate legal personality, created pursuant to the CONAFE Decree (or any successor thereto acceptable to the Bank).

8. “CONAFE Decree” means the Borrower’s decree dated September 9, 1971, as amended through December 31, 1981, published on February 11, 1982 in the Borrower’s Official Gazette (*Diario Oficial de la Federación*), and said term includes the regulations to said decree, as said decree and regulations have been amended to the date of this Agreement.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
10. “*Contrato de Mandato*” means the agreement to be entered into among the Borrower, through SHCP, SEDESOL (through CN), CONAFE and NAFIN (as hereinafter defined), pursuant to Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time.
11. “DICONSA” means “DICONSA, S.A. de C.V.” a company in which the Borrower’s controls the majority of its shares, originally incorporated on April 28, 1986 with the modifications approved by the company’s shareholders through the date of this Agreement (or any successor thereto acceptable to the Bank).
12. “DICONSA Agreement” means the agreement entered into between the Borrower, through SEDESOL (through CN), and the DICONSA on January 2, 2009, and any other renewal or amendment thereof, whereby DICONSA will continue to make available to each *Oportunidades* Beneficiary the *Oportunidades* Grants in accordance with the provisions of this Agreement under terms and conditions to such effect, satisfactory to the Bank.
13. “Federal Budget and Fiscal Responsibility Federal Law” means the Borrower’s *Ley Federal de Presupuesto y Responsabilidad Hacendaria*, as said law and its subsequent amendments have been published in the Official Gazette through September 4, 2009.
14. “Financial Institution Agreement” means the TELECOMM Agreement, the BANSEFI Agreement or the DICONSA Agreement and “Financial Institution Agreements” means the TELECOMM Agreement, the BANSEFI Agreement and the DICONSA Agreement.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
16. “General Public Debt Law” means the Borrower’s *Ley General de Deuda Pública*, as said law and its subsequent amendments have been published in the Official Gazette through December 21, 1995.

17. “Hedging Guidelines” means the Bank’s Guidelines for Using Hedging Products dated March 23, 2009 or any later guidelines issued by the Bank to replace said guidelines.
18. “IMSS” means *Instituto Mexicano del Seguro Social*, a decentralized public entity of the Borrower, with separate legal personality, separate budget and fiscal autonomy, created pursuant to the Social Insurance Law, or any successor thereto acceptable to the Bank.
19. “IPP” means the Borrower’s indigenous peoples plan furnished to the Bank on February 19, 2009, as said plan may be updated, from time to time, to reflect the lessons learned through the implementation of the Original Project, with the agreement of the Borrower, through SEDESOL (through CN), and the Bank.
20. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives, set forth in the Operational Manual.
21. “NAFIN” means *Nacional Financiera, S.N.C.*, a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan.
22. “Official Gazette” means the Borrower’s *Diario Oficial de la Federación*.
23. “Operational Manual” means the manual referred to in Section I.A.3 of Schedule 2 to this Agreement, dated October 4, 2010, as said manual may be amended from time to time with the Bank’s prior approval.
24. “Operational Rules” means the Borrower’s operational rules for the *Oportunidades* Program published in the Borrower’s Official Gazette (*Diario Oficial de la Federación*) on December 29, 2009 as these may be amended from time to time as discussed with the Bank.
25. “*Oportunidades* Beneficiary” means any of the families referred to in Part 1 of the Project and “*Oportunidades* Beneficiaries” means any two or more of said families.
26. “*Oportunidades* Grant” means any of the grants to be provided under Part 1 of the Project.
27. “*Oportunidades* Program” means the Borrower’s program to assist poor families through the provision of cash transfers conditional on compliance with conditions referred to in the Operational Rules.

28. “Original Project” means the project described in Schedule 1 to the Loan Agreement entered into between the Borrower and the Bank, dated April 25, 2009 (Loan No. 7708-MX).
29. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated August 9, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
30. “Salud” means *Secretaría de Salud*, the Borrower’s Health Ministry.
31. “SEDESOL” means *Secretaría de Desarrollo Social*, the Borrower’s Social Development Ministry.
32. “SEP” means the Borrower’s Public Education Ministry (*Secretaría de Educación Pública*).
33. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.
34. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Finance and Public Credit Ministry.
35. “Social Insurance Law” means the Borrower’s law (*Ley del Seguro Social*) published on December 21, 1995 in the Borrower’s Official Gazette (*Diario Oficial de la Federación*), and said term includes the regulations to said law, as said law and regulations have been amended to the date of this Agreement (including the amendment to said law dated December 4, 2008 and published in the Borrower’s Official Gazette (*Diario Oficial de la Federación*) on January 16, 2009).
36. “State” means any of the thirty one political subdivisions of the Borrower and the Federal District.
37. “TELECOMM” means *Telecomunicaciones de México*, a decentralized public entity of the Borrower, with separate legal personality, created pursuant to the TELECOMM Decree (or any successor thereto acceptable to the Bank).
38. “TELECOMM Agreement” means the agreement entered into between the Borrower through SEDESOL (through CN), and TELECOMM on March 23, 2004, and any other renewal or amendment thereof (including, but not limited to, the agreement dated November 30, 2009), whereby TELECOMM will continue to make available to each *Oportunidades* Beneficiary the *Oportunidades* Grants in accordance with the provisions of this Agreement under terms and conditions to such effect, satisfactory to the Bank.

39. “TELECOMM Decree” means the Borrower’s decree *Decreto por el que se crea un Organismo Decentralizado denominado Telégrafos Nacionales* published on August 20, 1986 in the Borrower’s Official Gazette (*Diario Oficial de la Federación*), and entered into effect on August 21, 1986, and said term includes the regulations to said law, as said law and regulations have been amended to the date of this Agreement.

## **Section II. Modifications to the Anti-Corruption Guidelines**

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“... (b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”
2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”