

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7708-MX

Loan Agreement

(Support to *Oportunidades* Project)

between

UNITED MEXICAN STATES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 25, 2009

Public Disclosure Authorized

LOAN AGREEMENT

Agreement dated April 25, 2009, between UNITED MEXICAN STATES (“Borrower”), as represented by its SHCP, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Section IV of Schedule 2 to this Agreement and for purposes of supporting the Project described in Schedule 1 to this Agreement), 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 five hundred and three million seven hundred fifty nine thousand and three hundred ninety eight Dollars (\$1,503,759,398), 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 (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the *Director Internacional* of NAFIN or any person or persons whom he or she 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 LIBOR 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 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 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; 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, 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 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 or the TELECOMM Agreement shall have failed to perform any of its obligations under the *Contrato de Mandato*, the BANSEFI Agreement or the TELECOMM 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 October 11, 2010.

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 Currency Conversions on behalf of the Borrower shall be the *Titular de la Unidad de Crédito Público* of SHCP or NAFIN's *Director Internacional* (or any person or persons whom he or she shall designate in writing for this particular purpose).
- 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 the District of Columbia, United States of America, as of the day and year first above written.

UNITED MEXICAN STATES

By /s/ Agustín Carstens Carstens

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By /s/ Robert B. Zoellick

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, 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 grants to families living in extreme poverty (identified in accordance with the methodology set forth in Section 3.3.2 of the Operational Rules), as follows:

- (a) education grants, as referred to in Section 3.4.1 (*Componente Educativo*) of the Operational Rules, including all cash support under said Section 3.4.1 of the Operational Rules, but excluding: (i) the financing under Section 3.4.1.3 (*Jóvenes con Oportunidades*) of the Operational Rules; and (ii) the in-kind support (learning supplies) under Section 3.4.1.2 of the Operational Rules (but including the cash support under this same Section 3.4.1.2 of the Operational Rules); and
- (b) health related grants, as referred to in Section 3.4.2 (*Componente de Salud*) of the Operational Rules, including all cash support under Section 3.4.3 (*Componente Alimentario*) of the Operational Rules (including the *Apoyo Alimentario* and the *Apoyo Alimentario Vivir Mejor*) and the cash support under Section 3.4.3.1 (*Apoyo Energético*), but excluding: (i) the financing under Section 3.4.2.4 (*Apoyo para Adultos Mayores*) of the Operational Rules; and (ii) the in-kind support for pregnant women and infants under Section 3.4.3 of the Operational Rules.

Part 2: Technical Assistance

Provision of technical assistance 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 to carry out Part 1(a) of the Project) in accordance with the Operational Manual, in coordination with SEP, Salud and IMSS. 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; and
 - (iv) the IPP.
4. 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.
5. (a) The Borrower, through SEDESOL (through CN), shall maintain agreements, satisfactory to the Bank, with TELECOMM and BANSEFI whereby TELECOMM and BANSEFI 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 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, waive or fail to enforce any provision of the Financial Institution Agreements. 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.
6. The Borrower, through SEDESOL (through CN), shall ensure that the *Oportunidades* Beneficiaries comply with the obligations set forth under Section 3.5 (*Derechos, corresponsabilidades y suspensiones de las familias beneficiarias*) of the Operational Rules, including the following:
- (a) all household members shall visit health centers at least twice a year (more frequently in the case of pregnant women, newborns and children under 2 years old);
 - (b) children or youth from 3rd grade (primary level) to 21 years old enroll in school and, in the case of children from 3rd grade of primary school to 3rd level of secondary school, attend classes no less than 85 percent of the time, and
 - (c) an adult member of each *Oportunidades* Beneficiary attends the 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; and

- (b) 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) 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 Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend, 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

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 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 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 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 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 and/or TELECOMM, as the case may be, of any amount of the Loan with respect to which fraud and corruption has occurred,

all the above pursuant to audit, transparency, control, restitution and information sharing clauses within the BANSEFI Agreement, the TELECOMM Agreement, the Operational Rules and/or any other means.

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 sixty (60) 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, commencing with the fiscal year in which the Project becomes effective. 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 out of the proceeds of 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.

<u>Procurement Method</u>
(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), to finance Eligible Expenditures.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of 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.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) <i>Oportunidades</i> Grants	1,498,500,000	100%
(2) Consultants services	1,500,000	100%
(3) Front-end fee	3,759,398	
(4) 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
TOTAL AMOUNT	1,503,759,398	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; and
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$450,000,000 equivalent may be made for payments made within twelve (12) months prior to the date of this Agreement but not before July 1, 2008.

2. The Closing Date is December 31, 2010.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on April 15, 2025.

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.
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 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 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.

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. “Financial Institution Agreement” means the TELECOMM Agreement or the BANSEFI Agreement and “Financial Institution Agreements” means both the TELECOMM Agreement and the BANSEFI Agreement.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
13. “IPP” means the Borrower’s indigenous peoples plan furnished to the Bank on February 19, 2009.
14. “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.
15. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives, set forth in the Operational Manual.
16. “NAFIN” means *Nacional Financiera, S.N.C.*, a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan.
17. “Operational Manual” means the manual referred to in Section I.A.3 of Schedule 2 to this Agreement, dated March 12, 2009, as said manual may be amended from time to time with the Bank’s prior approval.
18. “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, 2008 as these may be amended from time to time in agreement with the Bank.
19. “*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.
20. “*Oportunidades* Grant” means any of the grants to be provided under Part 1 of the Project.
21. “*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.
22. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

23. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 9, 2009 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.
24. “Salud” means *Secretaría de Salud*, the Borrower’s Health Secretariat.
25. “SEDESOL” means *Secretaría de Desarrollo Social*, the Borrower’s Social Development Secretariat.
26. “SEP” means the Borrower’s Public Education Secretariat (*Secretaría de Educación Pública*).
27. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.
28. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Finance and Public Credit Secretariat.
29. “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).
30. “State” means any of the thirty one political subdivisions of the Borrower and the Federal District.
31. “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).
32. “TELECOMM Agreement” means the agreement entered into between the Borrower and TELECOMM on March 23, 2004, and any other renewal or amendment thereof (including, but not limited to, the agreement dated February 27, 2008), 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.
33. “TELECOMM Decree” means the Borrower’s decree *Decreto por el que se crea un Organismo Descentralizado 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 General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05. *Eligible Expenditures*

... (a) the payment is for the financing of the reasonable cost of goods, works, services or grants required for the Project, to be financed out of the proceeds of the Loan and procured, in the case of goods, works and services, all in accordance with the provisions of the Legal Agreements;”

2. Paragraph (a) of Section 2.07 is modified to read as follows:

“Section 2.07. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

3. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

... (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Association.”

4. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (b) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”