

**CONFORMED COPY**

**GEF GRANT NUMBER TF095695-MX**

***Global Environment Facility***  
**Grant Agreement**

**(Sustainable Transport and Air Quality Project)**

**among**

**UNITED MEXICAN STATES**

**and**

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

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated February 12, 2010**

**GEF GRANT NUMBER TF095695-MX**

**GLOBAL ENVIRONMENT FACILITY  
GRANT AGREEMENT**

AGREEMENT dated February 12, 2010, entered into between: UNITED MEXICAN STATES (“Recipient”), represented by its signatories on page 6 of this Agreement (including SECRETARIA DE DESARROLLO SOCIAL (SEDESOL), acting as the Recipient's executing agency for purposes of the Grant); Banco Nacional de Obras y Servicios Públicos, S.N.C. (BANOBRAS), acting as the Recipient's financial agent for purposes of the Grant; and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

Whereas CAI has contracted from the World Bank, acting as an implementing agency of the GEF, a grant in an amount equal to two million nine hundred three thousand United States Dollars (\$2,903,000) to assist in the financing of a portion of the costs of the regional project (the Regional Project) in support of the first phase of the GEF Sustainable Transport and Air Quality Program (the Program) on terms and conditions set forth in an agreement entered into between CAI and the World Bank (the CAI GEF Grant Agreement).

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), 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 Standard Conditions or in this Agreement.

**Article II  
The Project**

- 2.01. The Recipient, through SEDESOL, declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient, through SEDESOL, shall carry out the Project with the assistance of the relevant Selected Municipalities, in accordance with the provisions of Article II of the Standard Conditions and pursuant to the terms of the corresponding Participation Agreements.

- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient, through SEDESOL, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III  
The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to five million three hundred seventy eight thousand United States Dollars (\$5,378,000) (“Grant”) to assist in financing the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV  
Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:
- (a) BANOBRAS shall have failed to perform any of its obligations under the *Convenio de Colaboración*.
  - (b) CAI shall have failed to perform any of its obligations under the CAI Cooperation Agreement.

**Article V  
Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the conditions specified below, and in Section 5.02 of this Agreement, have been satisfied:
- (a) the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized by all necessary governmental and corporate action;
  - (b) the *Convenio de Colaboración* has been duly executed by the parties thereto;

- (c) the CAI Cooperation Agreement has been executed by the parties thereto; and
  - (d) at least one Participation Agreement has been executed by the parties thereto.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the World Bank:
- (a) an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing, on behalf of the Recipient, through SEDESOL, and of BANOBRAS, that this Agreement has been duly authorized by, and executed and delivered on their behalf and is legally binding upon them in accordance with its terms;
  - (b) an opinion satisfactory to the World Bank of counsel for the Recipient, through SEDESOL, and for the corresponding Selected Municipality, acceptable to the World Bank, providing that the Participation Agreement entered into in satisfaction of the condition set forth in Section 5.01 (d) of this Agreement has been duly authorized by the Recipient, through SEDESOL, and the corresponding Selected Municipality and said Participation Agreement is legally binding upon the Recipient, through SEDESOL, and the Selected Municipality in accordance with its terms; and
  - (c) the following is specified as an Additional Legal Matter, to be included in the opinion or opinions to be furnished to the Bank, namely, that the Recipient, through SEDESOL (in its legal opinion) and BANOBRAS (in a separate legal opinion satisfactory to the Bank, issued by BANOBRAS's counsel acceptable to the Bank), indicate that the *Convenio de Colaboración* has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, through SEDESOL, and BANOBRAS and is legally binding upon the Recipient and BANOBRAS in accordance with the *Convenio de Colaboración's* terms.
- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 of this Agreement. If before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone, after consultation

with the Recipient, the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

- 5.04. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank after consideration of the reasons for delay, establishes a later date for the purpose of this Section, which may in no case be later than the eighteen (18) months after the World Bank's approval of the Grant which expire on June 23, 2011. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the *Titular de la Unidad de Asuntos Internacionales de Hacienda* of *SHCP*.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Secretaría de Hacienda y Crédito Público  
Unidad de Asuntos Internacionales de Hacienda  
Palacio Nacional, Patio de la Emperatriz,  
Edificio 12, Piso 2,  
Col. Centro  
México, D.F. 06000

Facsimile:

+52 55 3688 1216

With a copy to:

BANOBRAS  
Javier Barros Sierra No. 515  
Colonia Lomas de Santa Fe  
Mexico, D.F. 01219

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

Facsimile:

1-202-477-6391

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

UNITED MEXICAN STATES

By /s/ Ricardo Ochoa Rodriguez  
Authorized Representative

By /s/Luis Rodolfo Zamorano Ruiz  
Authorized Representative

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

By /s/ Alejandro Olivo Villa  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
Acting as an Implementing Agency of the  
Global Environment Facility

By /s/ Gloria M. Grandolini  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist the Selected Municipalities to: (i) reduce GHG emissions growth rates by fostering long term increases in the use of less energy intensive transport modes; and (ii) induce policy changes in favor of sustainable transport projects.

The Project consists of the following parts:

#### **Part 1. Freight Management**

Provision of technical assistance to improve the planning, management and control of freight transport in Ciudad Juarez, including:

- (i) the provision of technical assistance to improve the regulatory framework for freight transport in Ciudad Juarez; and
- (ii) the provision of technical assistance to carry out of an integral plan for regulation of freight transport, including a route system and a traffic control and supervision system, in order to reduce traffic emissions of GHG in Ciudad Juarez.

#### **Part 2. Land Use and Transport Coordination**

Provision of technical assistance to develop a sustainable approach to address urban mobility patterns and lessen barriers to better integrated planning in Ciudad Juarez and Puebla, including:

- (i) the creation of a specialized entity responsible for urban transport planning within the municipality in Puebla;
- (ii) the development of a medium-term plan for improving pedestrian mobility; and
- (iii) the carrying out of studies for promoting the usage of non motorized transport and for recovering public spaces in the historical center in Ciudad Juarez.

#### **Part 3. Public Transport Enhancement**

Provision of technical assistance and training to the Selected Municipalities to facilitate the improvement of public transport systems, the effectiveness and interconnectivity of those systems with other modes of transport, and induce mode switching away from the use of private cars, including the carrying out of studies for the:



- (i) planning and design of additional corridors and terminals for the BRT network in Leon, in order to expand the integrated transport system in said municipality;
- (ii) planning and design of a BRT-type busway corridor in Monterrey, in order to establish the first stage of the multimodal integration with other existing systems, as well as with non motorized transport systems;
- (iii) planning and design of the 2002 BRT Project (*Corredor Tecnológico*) in Ciudad Juarez;
- (iv) design of the rationalization of routes and of a BRT corridor project in Puebla; and
- (v) development of strategies for the participation of the private sector in the urban transport management in the Selected Municipalities.

#### Part 4. Non-motorized Transport

Provision of technical assistance to the Selected Municipalities to better integrate walking and biking into the municipalities' cultural and planning processes and to create incentives for their use as a viable and safe alternative to traditional motorized transport systems, including:

- (i) carrying out studies for the design and the implementation of a non-motorized urban mobility system; and
- (ii) carrying out studies and design of projects for the construction of bike paths in the Selected Municipalities.

#### Part 5. Project Management

Provision of technical assistance and financing for short-term technical support staff of the PCU for the supervising and monitoring of the implementation of the Project in the Selected Municipalities.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

##### **A. Anti-Corruption**

Without limitation to the provisions of Section 2.01 of this Agreement, the Recipient, through SEDESOL, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

##### **B. Operational Manual**

(a) Without limitation to the provisions of Section 2.01 of this Agreement, the Recipient, through SEDESOL, shall ensure that the Project is carried out in accordance with the provisions of the Operational Manual.

(b) In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.

##### **C. Implementation Arrangements**

(a) The Recipient, through SEDESOL, shall operate and maintain, at all times during Project implementation, a Project coordination unit (“PCU”) within SEDESOL, with a structure, functions and responsibilities acceptable to the World Bank.

(b) The Recipient, through SEDESOL, shall ensure that the PCU is, at all times during Project implementation, assisted by professional staff (including, *inter alia*, a Project coordinator, technical support advisors, and administrative staff), all in numbers and with terms of reference, and qualifications and experience, acceptable to the World Bank.

##### **D. Participation Agreement**

(a) Prior to the carrying out of any Project activity in a given Selected Municipality, the Recipient, through SEDESOL, shall enter into an agreement (the Participation Agreement) with the relevant Selected Municipality, all under terms and conditions which shall have been approved by the World Bank, including: (a) the Selected Municipality’s obligations to provide the counterpart funds, facilities, services and other resources, necessary or appropriate to enable the Recipient to carry out the Project; and (b) the Recipient’s obligation to spend Grant proceeds on the Selected Municipalities’ behalf.

- (b) The Recipient, through SEDESOL, shall exercise its rights and carry out its obligations under each Participation Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant; and except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, terminate, waive or fail to enforce any Participation Agreement or any provision thereof.

**E. Environmental Provisions**

- (a) The Recipient, through SEDESOL, shall carry out and shall cause the Project to be carried out in accordance with the provisions and recommendations of the ESMF.
- (b) The Recipient, through SEDESOL, shall ensure that the terms of reference for any consultancies related to studies or technical assistance provided under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall require that the advice conveyed through such studies and technical assistance shall be consistent with the World Bank safeguards policies.

**F. Cooperation Agreement**

- (a) To facilitate the carrying out of the Project, the Recipient, through SEDESOL, shall execute a cooperation agreement (“CAI Cooperation Agreement”) with CAI, under terms and conditions approved by the World Bank, which shall include, *inter alia*, provisions concerning the definition of the process and methods for the coordination of the Project activities, data collection, information exchange, knowledge sharing and dissemination of results and the nature, extent and frequency of technical assistance, training and workshops.
- (b) The Recipient, through SEDESOL, shall exercise its rights and carry out its obligations under the CAI Cooperation Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient, through SEDESOL, shall not assign, amend, abrogate, terminate, waive or fail to enforce the CAI Cooperation Agreement or any of its provisions.

**G. *Convenio de Colaboración***

- (a) The Recipient, through SEDESOL, shall enter into a contract (*Convenio de Colaboración*) with BANOBRAS, satisfactory to the Bank which shall include the Recipient's, through SEDESOL, and BANOBRAS's obligations under the Project, namely:
- (i) BANOBRAS agrees to act as financial agent of the Recipient with regard to the Grant, meaning that, *inter alia*, BANOBRAS agrees to represent the Recipient *vis-à-vis* the Bank for purposes of submitting Grant withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Recipient of Grant proceeds and agrees to maintain and operate the bank account which shall be opened by BANOBRAS (referred to in the instructions cited in Section IV.A.1. of this Schedule) in compliance with the terms of this Agreement; and
  - (ii) the Recipient, through SEDESOL, agrees that it shall cooperate fully with BANOBRAS to ensure that BANOBRAS is able to comply with all of BANOBRAS's obligations referred to in this Section.
- (b) The Recipient, through SEDESOL, shall exercise its rights and carry out its obligations under the *Convenio de Colaboracion* in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Grant. Except as the Bank may otherwise agree, the Recipient, through SEDESOL, shall not amend or fail to enforce any provision of the *Convenio de Colaboracion*. In case of any conflict between the terms of the *Convenio de Colaboracion* and those of this Agreement, the terms of this Agreement shall prevail.

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

**A. Project Reports; Completion Report**

1. The Recipient, through SEDESOL, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty five days after the end of the period covered by such report.
2. The Recipient, through SEDESOL, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The

Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient, through SEDESOL, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient, through SEDESOL, shall prepare and furnish to the Bank, not later than forty five days after the end of the calendar semester, as part of the Project Reports mentioned in Section II. A.1 of this Schedule, interim unaudited financial reports for the Project covering each calendar semester, in form and substance satisfactory to the World Bank.
3. The Recipient, through SEDESOL, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods, non-consultant services and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of the Procurement Guidelines in the case of goods and non-consultants services, and Sections I and IV of the Consultant Guidelines in the case of consultants' services; and
  - (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World 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 Recipient, through SEDESOL, shall: (a) supply the *Sistema de Ejecución de Planes de Adquisiciones* (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 once a 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 Goods and Non-Consultant Services**

1. The following methods may be used for procurement of goods and non-consultant services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) direct contracting, with Bank's prior approval.

**C. 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Least Cost Selection; (b) Selection under a Fixed Budget; (c) Single-source Selection with Bank's prior approval; and (d) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants.

**D. Review by the World Bank of Procurement Decisions**

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

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may, or may cause BANOBRAS to withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to

such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 3 below.

2. The Recipient representative for purposes of taking any action required or permitted to be taken pursuant to this Section is BANOBRAS.
3. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods	35,000	100%
(2) Consulting Services	5,053,000	100%
(3) Operating Costs and Training	290,000	100%
<b>TOTAL AMOUNT</b>	<b>5,378,000</b>	

For purposes of this table:

- (a) the term “Operating Costs” means reasonable recurrent expenditures, based on an annual budget previously approved by the World Bank, that would not have been incurred by the PCU absent the Project, for transportation and per-diem costs of PCU’s staff, Project administration costs, operation and maintenance of office equipment (including non-durable goods, but excluding salaries); and
- (b) the term “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient, through SEDESOL, as approved by the World Bank on the basis of an annual budget acceptable to the World Bank, to finance reasonable transportation costs and per-diem of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under 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 \$1,075,600.00 equivalent may be made for payments made prior to this date but on or after January 31, 2008, for Eligible Expenditures.
  - (b) for payments to finance Eligible Expenditures under Categories (1) and (2) in respect of Project activities to be carried out in the territorial jurisdiction of, and/or to benefit, any given Selected Municipality, unless: (i) the relevant Participation Agreement has been signed by the parties thereto; and (ii) counsel for the Recipient, through SEDESOL, and for the corresponding Selected Municipality, acceptable to the World Bank, has each issued an opinion or opinions, acceptable to the World Bank, providing that the pertinent Participation Agreement has been duly authorized by the Recipient, through SEDESOL, and the corresponding Selected Municipality and is legally binding upon the Recipient, through SEDESOL, and said Selected Municipality in accordance with its terms.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2013.



## APPENDIX

### Definitions

1. “Additional Legal Matter” means each matter specified in the Grant Agreement or requested by the Bank in connection with the Grant Agreements for the purpose of Section 5.02.
2. “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.
3. “BANOBRAS” means *Banco Nacional de Obras y Servicios Publicos, S.N.C.*, a Mexican development bank serving as the Recipient’s financial agent for purposes of the Loan.
4. “BRT” means bus rapid transit.
5. “CAI” means Clean Air Institute, a non-profit corporation created on April 21, 2006 under the laws of the District of Columbia, United States of America, for charitable and educational purposes, including but not limited to developing and promoting policies, technologies and strategies to enhance the global environment, reduce local, regional and global air pollution, and protect human health.
6. “CAI Cooperation Agreement” means the agreement referred to in Section I, paragraph F of Schedule 2 to this Agreement.
7. “CAI GEF Grant Agreement” means the agreement dated January 15, 2009, between CAI and the World Bank, referred to in the Whereas clause of this Agreement.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the Bank in May 2004 and revised in October 2006.

10. “*Convenio de Colaboración*” means the agreement to be entered into between the Recipient, through SEDESOL, and BANOBRAS, pursuant to Section I.G. of Schedule 2 to this Agreement, as the same may be amended from time to time.
11. “Effective Date” means the date referred to in Section 5.03 of this Agreement.
12. “ESMF” means Environmental and Social Management Framework (*Marco de Salvaguarda Ambiental y Social para el Transporte Urbano – MASTU-GEF*), the Recipient’s environmental and social framework for the Project, dated June 15, 2009 (duly published by the Recipient, through SEDESOL on October 29, 2009), which includes specific procedures to address the direct and indirect environmental impacts of the Project’s activities and specific guidelines and procedures to prevent, mitigate or compensate eventual environmental and social impacts, as well as organizational schemes which define institutional responsibilities of each of the Selected Municipalities and a Resettlement Framework (as hereinafter defined).
13. “GHG” means greenhouse gas.
14. “Operational Manual” means the Recipient’s manual dated October 29, 2009, acceptable to the World Bank, which sets forth, *inter alia*: (a) the structures, functions and responsibilities of the PCU (as defined below); (b) the Project’s chart of accounts and internal controls; (c) the format of: (A) the unaudited interim financial reports referred to in Section II. B.2 of Schedule 2 to this Agreement; and (B) the Financial Statements; (d) the terms of reference for carrying out the Project audits under Section II.B.3 of Schedule 2 to this Agreement; (e) the Project indicators (including the results framework); and (f) the Project disbursement and procurement procedures, as said manual may be updated and/or amended from time to time with the agreement of the World Bank.
15. “Participation Agreement” means any of the agreements to be entered into between the Recipient, through SEDESOL, and the Selected Municipalities, referred to in Section I.D of Schedule 2 to this Agreement.
16. “PCU” means the *Unidad Coordinadora del Proyecto*, the unit referred to in Section I.C (a) of Schedule 2 to this Agreement, established within SEDESOL.
17. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated October 29, 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.
19. “Program” means the initiative designed to reduce the rate of growth of GHG emissions from transport in Latin America through the promotion of less energy intensive and cleaner modes of transport, set forth in the Project appraisal document dated September 25, 2008 of the Regional Project, which Program will be partially financed with the proceeds of the Grant (as said terms are defined herein).
20. “Regional Project” means the project in support of the Program which objective is to develop an integrated regional strategy to improve air quality and reduce GHG in the transport sector in Latin America.
21. “Resettlement” means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently (as said term is defined herein).
22. “Resettlement Framework” means the Recipient’s framework, set forth in the ESMF (as defined above), which includes, *inter alia*, the principles and objectives governing Resettlement preparation and implementation, a description of the process for preparing and approving resettlement plans, and the applicable legal framework of the Recipient, through SEDESOL, and each Selected Municipality to address resettlement issues.
23. “SEDESOL” means the *Secretaría de Desarrollo Social*, the Recipient’s Secretariat of Social Development.
24. “Selected Municipalities” means the following Recipient’s municipalities: Ciudad Juarez (Chihuahua), Monterrey (Nuevo Leon), Leon (Guanajuato) and Puebla (Puebla), all of which meet the criteria, set forth in the Operational Manual, for assisting the Recipient in the carrying out of the Project.
25. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Secretariat of Finance and Public Credit.

26. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank Out of Various Funds”, dated July 1, 2008.