



LOAN NUMBER 8447-MX

Loan Agreement

(Social Protection System Project)

between

UNITED MEXICAN STATES

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 19, 2014

LOAN AGREEMENT

Agreement dated November 19, 2014, between UNITED MEXICAN STATES (“Borrower”) duly represented by its Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) 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.A.3 of 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.

NOW THEREFORE 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. Noting that the Borrower has informed the Bank that the proceeds of the Loan shall be used in conformity with the requirements of the Borrower’s income, budgetary and public debt laws and the terms of this Agreement, but without limitation to the provisions of Section 8.01 of the General Conditions, the Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred fifty million Dollars (\$350,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement (“Loan”), to assist the Borrower in financing the Project.
- 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/a 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 Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. 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.
- 2.06. The Payment Dates are February 15 and August 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) 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 (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding 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 or the Reference 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 or the Reference 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 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, through SEDESOL, shall: (i) carry out Part 1 of the Project through CNP; and (ii) carry out Part 2 of the Project through SSPEDR, 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, through SEDESOL (through CNP, SSPEDR and OM), 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 party to the *Contrato de Mandato* and/or the BANSEFI Agreement, shall have failed to perform any of its obligations under the *Contrato de Mandato* and/or under the BANSEFI 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: namely that the *Contrato de Mandato* shall have been duly executed by the parties thereto; and
- 5.02. The Additional Legal Matters consists of the following:
 - (a) the Borrower, through a legal opinion satisfactory to the Bank, issued by a Borrower's counsel acceptable to the Bank, shall indicate that the *Contrato de Mandato*, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding

upon the Borrower in accordance with the terms of the *Contrato de Mandato*.

- (b) NAFIN, through a legal opinion satisfactory to the Bank, issued by NAFIN counsel acceptable to the Bank, shall indicate that the *Contrato de Mandato* has been duly authorized or ratified by, and executed and delivered on behalf of, NAFIN and is legally binding upon NAFIN in accordance with the terms of the *Contrato de Mandato*.

- 5.03. 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 April 22, 2016.

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 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.

- 6.02. The Borrower's Address is:
Secretaría de Hacienda y Crédito Público
Unidad de Asuntos Internacionales de Hacienda
Insurgentes Sur 1971, Torre III, Piso 3
Colonia Guadalupe Inn, 01020
Delegación Álvaro Obregón
México, Distrito Federal

- 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:

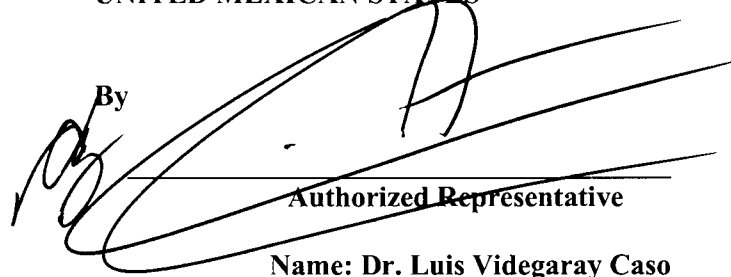
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Washington, D.C.

248423(MCI) or
64145(MCI)

1-202-477-6391

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

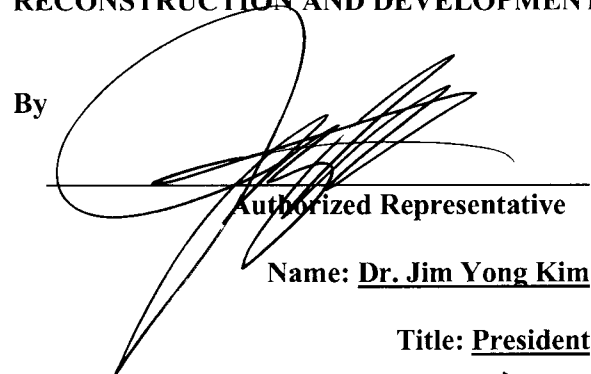
UNITED MEXICAN STATES

By 

Authorized Representative
Name: Dr. Luis Videgaray Caso

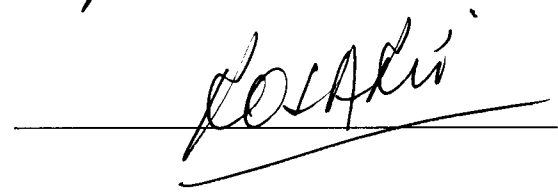
Title: Secretary of Finance and Public Credit

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By 

Authorized Representative
Name: Dr. Jim Yong Kim

Title: President



Witness

Name: Mtra. Rosario Robles Berlanga

Title: Secretary of Social Development

SCHEDULE 1

Project Description

The objectives of the Project are to support the Borrower's effort to: (i) increase access of *PROSPERA* Beneficiaries to social and productive programs; and (ii) develop instruments for an integrated social protection system.

The Project consists of the following parts:

Part 1. Support to the *PROSPERA* Program and its Linkage with Social and Productive Programs.

- (a) Promoting the investment in human capital through the provision of *PROSPERA* Conditional Support to *PROSPERA* Beneficiaries for:
 - (i) education, pursuant to Section 3.5.1 (*Componente Educativo*), or its successor thereto satisfactory to the Bank, of the Operational Rules.
 - (ii) health and nutrition, as referred to in Section 3.5.2 (*Componente de Salud*) and Section 3.5.3 (*Componente Alimentario*), or their successors thereto satisfactory to the Bank, of the Operational Rules, but excluding any in-kind support referred to under Section 3.5.2. of the Operational Rules.
- (b) Strengthening the CNP's operational capacity to promote the *PROSPERA* Beneficiaries' access to Social and Productive Programs through, *inter alia*:
 - (i) defining roles and responsibilities of CNP's staff assigned to work in the implementation of the *PROSPERA* Program to support the coordination with Social and Productive Programs;
 - (ii) designing capacity building activities to strengthen the implementation of the *PROSPERA* Program by CNP's staff, to promote the linkages between said program and complementary Social and Productive Programs;
 - (iii) updating the communication strategy for the *PROSPERA* Program to target groups including, *inter alia*, youth and indigenous peoples; and
 - (iv) designing and piloting coordination models for the inclusion of *PROSPERA* Beneficiaries in Social and Productive Programs.

- (c) Strengthening CNP's monitoring and evaluation tools and strategy through, *inter alia*:
 - (i) updating the *PROSPERA* Program targeting and recertification methodology through, *inter alia*: (1) revising the targeting methodology; and (2) monitoring *PROSPERA* Beneficiaries that have concluded their participation in the *PROSPERA* Program.
 - (ii) developing a digital platform containing information on the *PROSPERA* Beneficiaries and the Social and Productive Programs supply to support and monitor the implementation of the coordination models designed under Part 1(b)(iv) of the Project;
 - (iii) supporting the linkages and coordination between the *PROSPERA* Program and the Social and Productive Programs through, *inter alia*: (1) the carrying out of studies and the preparation of the pertinent evaluation reports; and (2) data collection on the *PROSPERA* Beneficiaries perception of said coordination; and
 - (iv) carrying out an evaluation of the long term impact of the *PROSPERA* Program.

Part 2. Strengthening the Social Protection System

- (a) Developing and implementing an integrated Social Information System (SIS) through, *inter alia*:
 - (i) carrying out an assessment of the current ICT infrastructure needs for the development of the SIS.
 - (ii) developing the SIS;
 - (iii) supporting the implementation of the SIS, through, *inter alia* the acquisition of software and the provision of ICT Services;
 - (iv) developing an operational manual documenting the processes involved in the operation of the SIS;
 - (v) developing capacity building mechanisms for the use of the SIS through, *inter alia*, the development of capacity building software; and
 - (vi) reviewing the existing legal framework and developing protocols for the exchange of information through the SIS among the Borrower's ministries and agencies responsible for the implementation of the *PROSPERA* Program and the Social and Productive Programs.

- (b) Supporting the development and implementation of RSDS through, *inter alia*:
- (i) carrying out diagnostic studies in the Borrower's territory to: (A) identify challenges in the development of social interventions to be addressed by SEDESOL; and (B) develop the RSDS based on the recommendations of the studies referred to in (A) herein;
 - (ii) defining SEDESOL's organizational structure needs to implement the RSDS;
 - (iii) developing institutional capacity to support SEDESOL's implementation of the RSDS through, *inter alia*, the development of capacity building modules and the related software;
 - (iv) developing the technological infrastructure required to obtain and analyze information on the supply of the Borrower's social programs and the social needs of the population at the local and regional levels;
 - (v) developing and implementing a monitoring and evaluation system for the RSDS including, *inter alia*, the acquisition of software and hardware, and the provision of ICT Services.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. For purposes of carrying out Part 1 of the Project, and except as the Borrower, through SEDESOL (through CNP) and the Bank may otherwise agree, throughout Project implementation, the Borrower, through SEDESOL (through CNP) shall, under its overall coordination:
 - (a) maintain a council comprised of representatives of SEDESOL, SHCP, SEP, SS, SE, STPS, SAGARPA and CNP responsible of, *inter alia*, general guidance on the implementation of the *PROSPERA* Program;
 - (b) maintain a technical committee comprised of representatives of SHCP, SEDESOL, SEP, SS, SE, STPS, SAGARPA, IMSS and CNP responsible of, *inter alia*, providing, supervision, transparent operation and performance review for the *PROSPERA* Program, including the approval of the Operational Rules;
 - (c) provide the health and education services related to the *PROSPERA* Program through SEP, SS, and IMSS; and
 - (d) maintain State level committees (with the participation of, *inter alia*, SEDESOL, SEP, Salud and IMSS), which will, *inter alia*, supervise and monitor the implementation of the *PROSPERA* Program at the State level.
2. The Borrower, through SEDESOL (through CNP), shall ensure that the *PROSPERA* Beneficiaries comply with the obligations set forth under Section 3.6 (*Derechos, corresponsabilidades, compromisos y suspensiones de las familias beneficiarias*), or its successor thereto satisfactory to the Bank, of the Operational Rules, including, *inter alia*:
 - (a) children or youth up to 21 years old shall be enrolled in school and attend classes on a regular basis as described in the Operational Rules;
 - (b) all household members shall be registered and visit health centers with the frequency established in the Operational Rules; and
 - (c) household members invited must attend the health information sessions, as established in the Operational Rules.

B. *Contrato de Mandato*

1. The Borrower, through SHCP and SEDESOL (through SSPEDR, OM, and CNP), shall enter into a contract (*Contrato de Mandato*) with NAFIN, 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, if requested by the Borrower (through SHCP), 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 SSPEDR, OM and CNP), agrees to carry out the Parts of the Project under its responsibility, in accordance with the provisions of this Agreement, including the IPP, the Anti-Corruption Guidelines, and the Operational Manual;
 - (d) 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 an amount equivalent to the funds transferred to NAFIN under said *Contrato de Mandato*; and
 - (e) the Borrower, through SEDESOL (through SSPEDR, OM and CNP), agrees 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. BANSEFI Agreement and Payment Agent Agreements

1. (a) The Borrower, through SEDESOL (through CNP), shall maintain, throughout Project implementation, the BANSEFI Agreement with contents satisfactory to the Bank, whereby BANSEFI, shall agree to distribute the *PROSPERA* Conditional Support to the *PROSPERA* Beneficiaries.
- (b) For purposes of carrying out Part 1(a) of the Project, the Borrower, through SEDESOL (through CNP), shall exercise its rights and carry out its obligations under the BANSEFI Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. The Borrower, through SEDESOL (through CNP), shall not amend, suspend, terminate or waive any provision of the BANSEFI Agreement in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to comply with its Project related obligations set forth in this Agreement (including the provisions related to the Anti-Corruption Guidelines). In case of any conflict between the terms of the BANSEFI Agreement and those of this Agreement, the terms of this Agreement shall prevail.
2. (a) For purposes of carrying out Part 1(a) of the Project, and prior to the distribution of *PROSPERA* Conditional Support to the *PROSPERA* Beneficiaries by each Payment Agent, the Borrower, through SEDESOL (through CNP), shall ensure that BANSEFI shall have entered into a separate agreement with said Payment Agent (the Payment Agent Agreement), with contents satisfactory to the Bank, including, *inter alia*, the obligation of: (i) each Payment Agent to distribute, on behalf of BANSEFI, the *PROSPERA* Conditional Support to the *PROSPERA* Beneficiaries; and (ii) each Payment Agent and BANSEFI to comply with the Anti-Corruption Guidelines.
- (b) The Borrower, through SEDESOL (through CNP), shall ensure that BANSEFI shall exercise its rights and carry out its obligations under each Payment Agent Agreement in such a manner as to protect the interests of the Borrower, BANSEFI and the Bank and to accomplish the purposes of the Loan. The Borrower, through SEDESOL (through CNP), shall ensure that BANSEFI shall not amend, suspend, terminate or waive any provision of the Payment Agent Agreement in such a manner so as to affect materially and adversely, in the opinion of the Bank, the ability of the Borrower to comply with its Project related obligations set forth in this Agreement (including the provisions related to the Anti-Corruption Guidelines). In case of any conflict between the terms of each Payment Agent Agreement and those of this Agreement, the terms of this Agreement shall prevail.

D. Operational Manual

1. The Borrower, through SEDESOL (through SSPEDR, OM and CNP) shall carry out the Project in accordance with the provisions of a manual (the Operational Manual) satisfactory to the Bank, containing, *inter alia*: (i) specific provisions on detailed arrangements for the carrying out of the Project; (ii) the procurement, financial management and disbursement requirements thereof; (iii) the performance indicators; (iv) the Operational Rules; (v) the IPP; and (vi) the Anti-Corruption Guidelines.
2. The Borrower through SEDESOL (through SSPEDR, OM and CNP) 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.

E. 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 CNP) 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, to take appropriate measures to prevent, inform on, respond to and investigate corrupt, fraudulent, collusive, coercive and obstructive practices with respect to their payment of *PROSPERA* Conditional Support;
 - (b) by allowing the Bank to inspect accounts, records and other documents of BANSEFI relating to the Project upon the Bank's request and in the company of CNP representatives;
 - (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 CNP);
 - (d) by agreeing to suspend or terminate BANSEFI'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 ineligible under paragraph 11 of the Anti-Corruption Guidelines; and
 - (e) by agreeing to obtain Restitution from BANSEFI 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 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).

2. Without limitation upon the provisions of Section I.C.1 of Schedule 2 to this Agreement, and Section 9.03(b) of the General Conditions, the Borrower, through SEDESOL (through CNP), shall, no later than the date ten (10) business days after the date of this Agreement, issue a notice to BANSEFI (the ACG Notice) in a manner acceptable to the Bank, including:
 - (a) a copy of the Anti-Corruption Guidelines; and
 - (b) exhorting BANSEFI to comply with the Anti-Corruption Guidelines when managing Loan proceeds (as disbursed in accordance with the provisions set forth in this Agreement);

F. Safeguards

1. The Borrower, through SEDESOL shall carry out the Project in accordance with the IPP.
2. The Borrower, through SEDESOL shall ensure that the terms of reference for any consultancy in respect to Parts 1(c)(iii)(1) and 2(b)(i) of the Project shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the Bank Safeguards Policies then in force, as applied to the advice conveyed through such technical assistance.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower, through SEDESOL (through CNP), 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 indicators set forth in the Operational Manual. 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 CNP), 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 CNP), shall prepare and furnish to the Bank, as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent calendar semester, in form and substance satisfactory to the Bank.
3. The Borrower through SEDESOL (through CNP), shall have its 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. **Goods and Non-consulting Services.** All goods and non-consulting 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 Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **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.
3. **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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
4. **Special Provisions.** The Borrower, through SEDESOL (through SSPEDR, OM and CNP) shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 45 days after the date of this Agreement; 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 Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following method, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

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 contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. 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 shall 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 as set forth in the table in paragraph 3 below.

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 this Agreement to finance Eligible Expenditures.
3. 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.

<u>Category</u>	<u>Amount of the Loan Allocated (expressed in USD)</u>	<u>Percentage of Expenditures to be financed (inclusive of Taxes)</u>
(1) <i>PROSPERA</i> Conditional Support under Part 1(a) of the Project	301,525,000	100%
(2) Goods, non-consulting services, and consultants’ services and Project Incremental Costs under Parts 1(b), 1(c) and 2 of the Project	47,600,000	100%
(3) Front-end Fee	875,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.08(c) of this Agreement
TOTAL AMOUNT	350,000,000	

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 \$ 5,000,000 may be made for payments made prior to this date but on or after August 19, 2014, for Eligible Expenditures.
2. The Closing Date is June 28, 2019.

SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on August 15, 2030.

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APPENDIX

Section I. Definitions

1. “ACG Notice” means the notice issued by the Borrower, through CNP, to BANSEFI referred to in section I.E.2 of Schedule 2 to this Agreement.
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 and revised in January 2011.
3. “Bank Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 as said manual is published under www.worldbank.org/opmanual.
4. “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).
5. “BANSEFI Agreement” means the agreement entered into between the Borrower, through CNP, and BANSEFI on January 14, 2014, and referred to in Section I.C.1(a) of Schedule 2 to this Agreement, and any other renewal or amendment thereof, whereby BANSEFI will continue to make available to each *PROSPERA* Beneficiary the *PROSPERA* Conditional Support in accordance with the provisions of this Agreement, and under terms and conditions satisfactory to the Bank.
6. “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).
7. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
8. “CNP” means *Coordinación Nacional de PROSPERA Programa de Inclusión Social*, a deconcentrated unit (*órgano desconcentrado*) within SEDESOL responsible for the implementation of the *PROSPERA* Program as created by the Borrower’s Decree published in the Borrower’s Official Gazette (*Diario Oficial de la Federación*) on September 5, 2014 (or any successor thereto acceptable to the Bank).

9. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised on July 2014.
10. “*Contrato de Mandato*” means the agreement to be entered into among the Borrower, through SHCP, SEDESOL (through SSPEDR, OM and CNP), and NAFIN, pursuant to Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time.
11. “Federal Budget and Fiscal Responsibility Law” means the Borrower’s law (*Ley Federal de Presupuesto y Responsabilidad Hacendaria*), published in the Official Gazette on March 30, 2006, as amended to the date of this Agreement.
12. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.
13. “General Public Debt Law” means the Borrower’s law (*Ley General de Deuda Pública*) published in the Official Gazette on December 31, 1976, as amended to the date of this Agreement.
14. “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.
15. “ICT” means information and communication technology.
16. “ICT Services” means ICT management services including: data storage, database management, hardware lease, analytics of ICT use, data protection and software management services.
17. “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.
18. “IPP” means the Borrower’s indigenous peoples plan dated July 30, 2014 and published August 26, 2014 as said plan may be updated, from time to time, with the agreement of the Borrower and the Bank.
19. “Municipality” means any *municipio libre*, the Borrower’s political subdivision referred to in article 115 of the Borrower’s Constitution.
20. “NAFIN” means *Nacional Financiera, S.N.C.*, I.B.D, a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan.

21. “Non-Consulting Services” means the reasonable expenditures incurred on account of Project implementation to cover reasonable costs of data collection services, translation services, ICT Services and other services in which the physical aspects of the activity predominate.
22. “OM” means *Oficialía Mayor*, the finance and administration unit within SEDESOL (or any successor thereto acceptable to the Bank).
23. “Operational Manual” means the Borrower’s manual, September 10, 2014 dated satisfactory to the Bank, referred to in Section I.D.1 of Schedule 2 to this Agreement, as such 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 30, 2013, as these may be replaced by the rules of the PROSPERA Program and amended from time to time as discussed with the Bank.
25. “Payment Agent” means any entity contracted by BANSEFI to assist in the carrying out of Part 1 (a) of the Project, and collectively referred to as “Payment Agents”.
26. “Payment Agent Agreement” means any of the agreements referred to in Section I.C.2(a) of Schedule 2 to this Agreement, and any other renewal or amendment thereof satisfactory to the Bank, and collectively referred to as “Payment Agent Agreements”.
27. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised on July 2014.
28. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated September 9, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. “Project Incremental Costs” means the reasonable incremental operating expenditures, based on an allocation previously approved by the Bank and the Borrower, incurred by SEDESOL, required for an efficient Project implementation, administration, supervision, monitoring and evaluation, including costs of said implementing entity’s operation and maintenance, but excluding salaries of SEDESOL’s officials and public servants of the Borrower’s civil service as set forth in the Operational Manual.

30. “*PROSPERA* Beneficiary” means any family living in poverty, identified in accordance with the methodology set forth in Section 3.2.1, 3.3 and 3.5, or any successor thereto acceptable to the Bank, of the Operational Rules, collectively referred to as “*PROSPERA* Beneficiaries”.
31. “*PROSPERA* Conditional Support” means a non-reimbursable contribution made out of the proceeds of the Loan to a *PROSPERA* Beneficiary.
32. “*PROSPERA* Program” means the Borrower’s program to assist poor families through the provision of conditional support on compliance with conditions referred to in the Operational Rules (or any successor thereto acceptable to the Bank).
33. “Restitution” means paying back the ill-gotten gains to the government or to the victim of the fraud and corruption, as set forth in the Anti-Corruption Guidelines.
34. “RSDS” means SEDESOL’s Regional Social Development Strategy referred to under Part 2(b) of the Project
35. “SAGARPA” means *Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, the Borrower’s Ministry of Agriculture, Livestock, Rural Development, Fisheries and Food, or any successor thereto acceptable to the Bank.
36. “SE” means *Secretaría de Economía*, the Borrower’s Ministry of Economy, or any successor thereto acceptable to the Bank.
37. “SEDESOL” means *Secretaría de Desarrollo Social*, the Borrower’s Social Development Ministry, or any successor thereto acceptable to the Bank.
38. “SEP” means *Secretaría de Educación Pública*, the Borrower’s Public Education Ministry, or any successor thereto acceptable to the Bank.
39. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.
40. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Ministry of Finance and Public Credit, or any successor thereto acceptable to the Bank.
41. “Social and Productive Programs” means any program of the Borrower, the States or the Municipalities, which supports: (i) closing gaps in access to health, nutrition, education, housing and other social services; (ii) generating income in rural areas; and/or (iii) labor in urban areas.

42. "Social Information System" or "SIS" mean the Borrower's integrated Social Information System developed under Part 2(a) of the Project.
43. "SS" means *Secretaría de Salud*, the Borrower's Health Ministry, or any successor thereto acceptable to the Bank.
44. "SSPEDR" means *Subsecretaría de Planeación, Evaluación y Desarrollo Regional*, the prospective planning and evaluation subsecretariat within SEDESOL, or any successor thereto acceptable to the Bank.
45. "State" means any of the thirty one political subdivisions of the Borrower and the Federal District, collectively referred to as "States".
46. "STPS" means *Secretaría de Trabajo y Previsión Social* the Borrower's Ministry of Labor and Social Security, or any successor thereto acceptable to the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the **Table of Contents**, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee; Commitment Charge*

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."
3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.