The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
1818 H Street N.W.
Washington, D.C. 20433
U.S.A.
(202) 477-1234
Cable Address: INTBAFRAD
Cable Address: INDEVAS

January 9, 2012

Mr. Juan Manuel Portal Martínez
Auditor Superior de la Federación
Auditoría Superior de la Federación
Av. Coyoacán 1501
Col. Del Valle
México D.F. 03100

Mr. Ricardo Ochoa Rodríguez
Titular de la Unidad de Asuntos Internacionales
Secretaría de Hacienda y Crédito Público
Insurgentes Sur 1971
Torre III, piso 3
Col. Guadalupe Inn
México, D.F. 01020

Ms. Esthela Damián Peralta
Presidenta de la Comisión de Vigilancia de la Auditoría Superior de la Federación
Cámara de Diputados
Av. Congreso de la Unión No. 66
Edificio F, 2do Piso
Col. El Parque
México, D.F. 15969

Re: MEXICO: IDF Grant for Development of Professional Competencies of ASF’s Staff Project
IDF Grant No. TF010934

Dear Madam and Messrs:

In response to the request for financial assistance made on behalf of the Auditoría Superior de la Federación ("ASF" or "Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank") proposes to extend to the Recipient, for the benefit of the United Mexican States ("Member Country"), a grant from the World Bank’s Institutional Development Fund ("IDF") in an amount not to exceed three hundred forty-five thousand United States Dollars (US$345,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective in accordance with Section 4.01 (c) of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within 90 days after the date of signature of
this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: [Signature]
Gloria M. Grandolini
Director
Colombia and Mexico
Latin America and the Caribbean Region

AGREED:

AUDITORÍA SUPERIOR DE LA FEDERACIÓN

By: [Signature]
(Authorized Representative)
Name: C.P.C. Juan Manuel Portal Martínez
Title: Auditor Superior de la Federación
Date: 1 de marzo de 2012

IN WITNESS:

UNITED MEXICAN STATES
SECRETARÍA DE HACIENDA
Y CRÉDITO PÚBLICO

By: [Signature]
(Authorized Representative)
Name: Ricardo Ernesto Ochoa Rodríguez
Title: Titular de la Unidad de Asuntos Internacionales de Hacienda
Date: 27 de marzo de 2012

UNITED MEXICAN STATES
CÁMARA DE DIPUTADOS
CONGRESO DE LA UNIÓN

By: [Signature]
(Authorized Representative)
Name: Dip. Esteban Díaz Pérez
Title: Presidente Comisión de Hacienda
Date: 6 de marzo de 2012
Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 ("Standard Conditions") constitute an integral part of this Agreement.

1.02. **Definitions.** 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.

(a) "Advisory Council" means the committee, acceptable to the World Bank, referred to in Section 2.03 of this Agreement.

(b) "ASF" means Auditoría Superior de la Federación, the Member Country Supreme Audit Institution or any successor entity thereto satisfactory to the World Bank.

(c) "ICADEFIS" means Instituto de Capacitación y Desarrollo en Fiscalización Superior, the Recipient’s directorate for auditing training and development or any successor entity thereto satisfactory to the World Bank.

(d) "INTOSAI" means the International Organization of Supreme Audit Institutions, a worldwide affiliation of SAIs from countries’ members of the United Nations.

(e) "SAI" means a Supreme Audit Institution, the public body of a country that exercises the highest public auditing function of said country.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective is to support the institutional strengthening of the Recipient, through the development and initial implementation of a Learning and Certification Program (the "Learning Certification Program" or "Program") to enhance professional competencies of the Recipient’s staff. The Project consists of the following parts:

Part 1: Design and Development of Learning and Certification Program

(a) Development of an overall framework for the Learning and Certification Program focusing on INTOSAI’s international standards for SAIs and key audit areas related to the oversight of public funds at the federal and sub-national levels: (i) the Program’s academic curriculum; (ii) the Program’s administration standards; (iii) the creation of the Advisory Council; and (iv) the review of existing certification programs to draw on best practices and to ensure that the Program is suited to the Recipient’s institutional context and needs.

(b) Development and preparation of the materials for the Learning and Certification Program, including, inter alia: (i) the training modules; (ii) the methodology for the certification exam; and (iii) the certification exam.
Part 2: Implementation of the E-learning and Certification Program

(a) (i) Design and implementation of an e-learning platform for delivering the Learning and Certification Program (E-learning Platform); and (ii) provision of the information technology hardware infrastructure needed for the implementation of the E-learning Platform.

(b) (i) Carrying out of pilot tests with the participation of selected staff of the Recipient to validate the Learning and Certification Program and the E-learning Platform; (ii) carrying out of workshops to disseminate the Learning and Certification Program and the E-learning Platform; and (iii) preparation of a final report of the Learning and Certification Program and the E-learning Platform by a working group of the Recipient, including, inter alia: (A) recommendations on future implementation and scope; (B) measures to be taken to ensure continuity; and (C) any adjustments to the Program’s framework.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. Institutional and Other Arrangements. For purposes of carrying out the Project, the Recipient shall establish and thereafter maintain, until the completion of the Project, an advisory council (the “Advisory Council”), acceptable to the World Bank, comprising representatives of the Recipient, chaired by the Recipient and coordinated by the general director of ICADEFIS to: (a) provide overall strategic and technical guidance during the implementation of Project activities; (b) oversee progress in achieving the objectives of the Project; and (c) define the requirements for the selection of participants of the Learning and Certification Program, and for continuing professional education after completing the Learning and Certification Program.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and, upon the World Bank’s request, prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. 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 (45) after the date of such request.

(b) The Recipient shall, upon the World Bank’s request, 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 five months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that financial management arrangements are maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty five days (45) after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.
2.06. **Procurement.**

(a) **General.** All goods, non-consulting 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:

(i) Section I of 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 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services.** Goods and non-consulting services shall be procured under contracts awarded on the basis of Shopping.

(d) **Particular Methods of Procurement of Consultants’ Services.**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments 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) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) 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.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 following table. The 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ Services</td>
<td>251,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Training and Workshops</td>
<td>25,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods</td>
<td>69,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>345,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this Section, the term “Training and Workshops” means reasonable non-consultant expenditures incurred in connection with the provision of training and workshops conducted in the territory of the Member Country, including purchase and publication of materials and rental of facilities.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made prior to the date of countersignature of this Agreement by the Recipient.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is three years after the date of countersignature of this Agreement by the Recipient.
Article IV
Effectiveness; Termination

4.01. Effectiveness. (a) This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied, namely that the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary governmental and corporate action;

(b) as part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank indicating that this Agreement has been duly authorized or ratified by the Recipient, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms; and

(c) 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 4.01 ("Effectiveness Date").

4.02. Termination for Lack of Implementation or Disbursement. This Agreement and all obligations of the parties under it shall terminate if the Grant has not been implemented or has not disbursed any funds by June 26, 2012, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. Recipient's Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Auditoría Superior de la Federación.

5.02. Recipient's Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Auditoría Superior de la Federación
Av. Coyoacán 1501
Col. Del Valle
México D.F. 03100

5.03. World Bank’s Address. 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: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391