Re: Mexico: Loan 7622-MX (Results-Based Management and Budgeting Project)

Amendment to Loan Agreement

Dear Sir,

We refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the United Mexican States (the “Borrower”) dated April 21, 2009, with respect to the above-captioned Project (“Loan Agreement”). Please note that capitalized terms used in this letter (the “Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

Pursuant to your letter dated August 8, 2011 wherein a request is made to: (a) amend the Loan Agreement; and (b) cancel twelve million seven hundred fifty six thousand three hundred ninety two Dollars (U.S.$ 12,756,392) from the Loan, pursuant to the provisions of Section 7.01 (Cancellation by the Borrower) of the General Conditions for Loans; we are pleased to inform you that the Bank acknowledges your partial cancellation request as of August 8, 2011 and agrees to amend the Loan Agreement as follows:

1. Section 3.01 of the Loan Agreement is hereby amended to read in its entirety as follows:

   “3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through SHCP’s Subsecretaria de Egresos shall carry out the Project, in accordance with the provisions of Article V of the General Conditions.”

2. The first paragraph of Schedule 1 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “The objective of the Project is to strengthen SHCP’s capacity to: (i) allow the use of standardized performance information of priority public programs during budget preparation; (ii) generate harmonized sub-national fiscal information; and (iii) disseminate budget performance information to the Borrower’s citizens on a regular basis.”
3. Parts 1 and 2 of the Project, referred to in Schedule 1 to the Loan Agreement, are hereby deleted in their entirety.

4. Part 4 of the Project, referred to in Schedule 1 to the Loan Agreement, is hereby amended to include a new subsection (iv) to read in its entirety as follows:

“(iv) the provision of support to the Borrower's fiscal transparency initiatives, including: (A) the participatory design and implementation of an integrated fiscal transparency web portal; and (B) the design of guidelines and regulations to foster fiscal transparency in the Borrower's federal, state and municipal levels of government.”

5. Part 5 of the Project, referred to in Schedule 1 to the Loan Agreement, is hereby amended to read in its entirety as follows:

“Part 5: Monitoring and Evaluation

Provision of technical assistance and training to SHCP to develop the necessary organizational and evaluation capacity to monitor the progress and to evaluate the implementation of the Borrower's Sistema de Evaluación del Desempeño and related institutional reforms.”

6. Section I.A.1 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through SHCP's Subsecretaria de Egresos, shall carry out the Project in accordance with the Operational Manual. Except as the Bank shall otherwise agree, the Borrower shall not amend or waive any provision of these documents without the Bank's prior written approval. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.”

7. The heading of Section I.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“2. The Borrower, through SHCP's Subsecretaria de Egresos, shall maintain an operational manual, satisfactory to the Bank, containing, inter alia, specific provisions on detailed arrangements for the carrying out of the Project, including:”

8. The heading of Section I.A.3 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“3. The Borrower, through SHCP's Subsecretaria de Egresos, shall:”

9. Section I.A.3 (a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“(a) maintain, in SHCP's Subsecretaria de Egresos, at all times during Project implementation, an implementation team, within SHCP’s regular structure, with a structure, functions and responsibilities acceptable to the Bank, with respect to
the Project, including, *inter alia*, the responsibility to coordinate and monitor the
carrying out of the Project; and”

10. The heading of Section I.B.1 of Schedule 2 to the Loan Agreement is hereby amended to
read in its entirety as follows:

“1. For purposes of the Loan, the Borrower, through SHCP, shall amend the
*Contrato de Mandato* not later than sixty (60) days after the date of this Amendment
Letter, under terms and conditions acceptable to the Bank, whereby:”

11. Section I.B.1 (b) of Schedule 2 to the Loan Agreement is hereby amended to read in its
entirety as follows:

“(b) the Borrower agrees that, through SHCP’s *Subsecretaría de Egresos*, the
Borrower shall cooperate fully with NAFIN to ensure that NAFIN is able to comply with
all of NAFIN’s obligations referred to in paragraph (a) of this Section.”

12. Section II.A of Schedule 2 to the Loan Agreement is hereby amended to read in its
entirety as follows:

“A. Project Reports

The Borrower through SHCP’s *Subsecretaría de Egresos* pursuant to the
*Contrato de Mandato* shall monitor and evaluate the progress of the Project and prepare
Project Reports in accordance with the provisions of Section 5.08 of the General
Conditions and on the basis of Key Performance Indicators 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 sixty (60) days after the end of the period covered
by such report.”

13. Section II.B of Schedule 2 to the Loan Agreement is hereby amended to read in its
entirety as follows:

“B. Financial Management, Financial Reports and Audits

1. The Borrower, through SHCP’s *Subsecretaría de Egresos*, 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 SHCP’s *Subsecretaría de Egresos*, shall prepare and furnish to the Bank as part
of the Project Report not later than sixty (60) days after the end of each calendar
semester, interim unaudited financial reports for the Project covering the semester, in
form and substance satisfactory to the Bank.

3. The Borrower, through SHCP’s *Subsecretaría de Egresos*, shall have the Project
Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the
General Conditions. Each audit of the Financial Statements shall cover the period of one
fiscal year of the Borrower, commencing with the fiscal year in which the Project
becomes effective. The audited Financial Statements for each such period shall be
furnished to the Bank not later than six months after the end of such period.”
14. Section III.A.4 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

"4. **Special Provisions.** The Borrower through SHCP’s *Subsecretaría de Egresos* shall: (i) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (ii) update the Procurement Plan at least every six months, 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."

15. The table in Section IV.A.2 of Schedule 2 to the Loan Agreement is amended to: (i) reflect the cancellation by the Borrower in the amount of twelve million seven hundred fifty six thousand three hundred ninety two Dollars (U.S.$12,756,392); and (ii) reallocate Loan proceeds. Consequently, the revised table is hereby replaced to read as set forth in the Annex to this Amendment Letter.

16. The Appendix to the Loan Agreement is hereby amended as follows:

(a) The following definition is hereby deleted: “SFP” (as a result, the remaining definitions are renumbered).

(b) The following definitions are hereby amended and replaced to read in their entirety as follows:

(i) ""Contrato de Mandato" means the Agreement dated January 29, 2010 entered into between the Borrower, through *Secretaría de la Función Pública* (SFP), SHCP’s *Subsecretaría de Egresos* and NAFIN (as hereinafter defined), as the same may be amended from time to time with the agreement of the Bank."

(ii) ""Consultant Guidelines" means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010."

(iii) ""Procurement Guidelines" means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006 and May 2010."

(iv) ""Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 30, 2012, approved by the Bank on May 7, 2012 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."

Please confirm your agreement with the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the Loan Agreement except as amended through this Amendment Letter shall remain in full force and effect. This Amendment Letter shall be executed in two (2) counterparts each of which shall be an original.
The provisions set forth in this Amendment Letter shall become effective as of the date above-written, upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the approved Restructuring Paper dated October 3, 2012 will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Gloria M. Grandolini
Director
Colombia and Mexico
Latin America and the Caribbean Region

AGREED:

UNITED MEXICAN STATES

By:

Authorized Representative

Name: ALEJANDRO DIAZ DE LEON CARRILLO

Title: TITULAR DE LA UNIDAD DE CREDITO PUBLICO
SECRETARIA DE HACIENDA Y CREDITO PUBLICO

Date: NOVEMBER 29, 2012
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<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
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<td>(1) Goods</td>
<td>0</td>
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<td>(2) Consultants' services</td>
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<td>(3) Training</td>
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<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions.</td>
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<td>(5) Premia for Interest Rate Caps and Interest rate Collars (amounts due under section 2.07 (c) of this Agreement)</td>
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<td>Canceled as of August 8, 2011</td>
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<td>Original Loan Amount</td>
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