Loan Agreement

(Results-Based Management and Budgeting Project)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated April 21, 2009
LOAN AGREEMENT

Agreement dated April 21, 2009, between UNITED MEXICAN STATES (“Borrower”), as represented by its SHCP, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”).

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Schedule 2 to this Agreement and for purposes of supporting the Project described in Schedule 1 to this Agreement), shall be used in conformity with the requirements of the Borrower’s income, budgetary and public debt laws and the terms of this Agreement, the Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of seventeen million two hundred forty three thousand Dollars ($17,243,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Director Internacional de NAFIN or any person or persons whom he or she shall designate in writing.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the
interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.

2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may, or may cause NAFIN to, 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 unwound, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower 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 objective of the Project. To this end, the Borrower shall carry out:

(a) Part 1 of the Project through SFP;

(b) Parts 2, 3 and 4(i)B, 4(ii) and 4(iii) of the Project through SHCP’s Subsecretaría de Egresos;

(c) Part 4(i)(A) of the Project through SFP and SHCP’s Subsecretaría de Egresos jointly; and

(d) Part 5 of the Project through SHCP’s Subsecretaría de Egresos (in close technical coordination with SFP).
all in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

4.01. The Additional Event of Suspension consists of the following, namely that any of the parties to the Contrato de Mandato shall have failed to perform any of its obligations under the Contrato de Mandato.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Contrato de Mandato has been duly executed by the parties thereto; and

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

5.02. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank’s approval of the Loan which expire on June 11, 2010.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. Except as set forth in Section 2.02 of this Agreement, the Borrower’s Representative is the Titular de la Unidad de Crédito Público de Hacienda of SHCP.

6.02. The Borrower’s Address for the purposes of Section 10.01 of the General Conditions:

Secretaría de Hacienda y Crédito Público
Unidad de Asuntos Internacionales de Hacienda
Palacio Nacional
Edificio 12, segundo piso
Colonia Centro
06000 México, D.F.

Facsímile: 011-52-55-3688-1216
6.03. The Bank’s Address is:

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

Cable address: INTBAFRAD  
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/ Gerardo Rodríguez Regordosa  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Axel van Trotsenburg  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Borrower’s capacity (through its federal departments and agencies) to provide decision makers and the public with rigorous, timely, user-friendly information on the efficiency and effectiveness of government organizations and their program expenditures.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve its objective:

Part 1: Management Improvement Program

Provision of technical assistance and training for the design an implementation of selected management improvement and austerity systems, including, inter alia:

(a) assistance to the design of the institutional module of the Borrower’s Programa Especial de la Mejora de la Gestión en la Administración Pública Federal 2008-2012;

(b) assistance for technical groups established and to be established with respect to each of said management improvement and austerity systems; and

(c) capacity building for actors responsible for the implementation of said management improvement and austerity systems.

Part 2: Results-Based Management and Budgeting Integrated Information Systems

Provision of technical assistance and training to support the development of an integrated information system, including, inter alia, the development of the necessary institutional arrangements, procedures, and an associated electronic database to: (a) receive budget and other expenditure information from different sources; (b) organize and analyze said information; and (c) produce abridged, user-friendly reports with key messages to inform various stakeholders and improve transparency of budget execution.

Part 3: Financial Management Strengthening for Results-Based Budgeting

Provision of technical assistance and training to strengthen the quality and integrity of financial data, including, inter alia:

(a) modernization of the Borrower’s public accounts (Cuenta Pública) and the underlying government accounting systems to strengthen the usefulness, integrity and transparency of public accounting records and related accounting management systems for management decision making and public accountability; and
(b) strengthening of the quality and timeliness of the Borrower’s budget execution reporting.

Part 4: Results-Based Management and Evaluation System Consolidation

Provision of technical assistance and training to: (a) address government’s capacity limitations to carry out, contract and use evaluations of government programs; and (b) consolidate a system to evaluate the effectiveness of federal policies and programs through, *inter alia*:

(i) (A) creation and consolidation of a *Sistema de Evaluación del Desempeño* in the Borrower’s government; and

(B) strengthening of the alignment of the Borrower’s National System for Democratic Planning components, including, Vision 2030, National Development Plan, sector strategies and budgetary programs and the strengthening of a selected set of strategic indicators based on sharper program design, and ownership building of these indicators among the Borrower’s line secretariats;

(ii) strengthening the generation of performance data for the analysis of the *Programas Federales*; and

(iii) implementation of results-based management approaches at the state level.

Part 5: Monitoring and Evaluation

Provision of technical assistance and training to SFP and 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.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank may otherwise agree, the Borrower, through SFP and SHCP’s Subsecretaría 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.

2. The Borrower, through SFP and SHCP’s Subsecretaría 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:

(i) the procurement, financial management and disbursement requirements thereof; and

(ii) the Key Performance Indicators.

3. The Borrower, through SFP and SHCP’s Subsecretaría de Egresos, shall:

(a) maintain, in SFP and SHCP’s Subsecretaría de Egresos, at all times during Project implementation, implementation teams, one within SFP’s and another 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 of said teams to coordinate and monitor the carrying out of the Project; and

(b) ensure that the PITs are, at all times during Project implementation, led by a Project coordinator who is assisted by adequate professional and administrative staff (including procurement and financial specialists), in numbers and with experience and qualifications acceptable to the Bank, operating under terms of reference satisfactory to the Bank.

B. Contrato de Mandato

1. The Borrower, through SHCP, shall enter into a contract (Contrato de Mandato), satisfactory to the Bank, among SHCP’s Subsecretaría de Egresos, SFP and NAFIN, whereby:

(a) NAFIN agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, inter alia, NAFIN agrees to represent the Borrower vis-à-vis the Bank for purposes of submitting Loan withdrawal...
applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds and agrees to maintain and operate the designated account (referred to in the additional instructions cited in Section IV.A.1 of Schedule 2 to this Agreement) in compliance with the terms of this Agreement; and

(b) the Borrower agrees that, through SFP and 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.

2. The Borrower shall exercise its rights and carry out its obligations under the Contrato de Mandato in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the Contrato de Mandato. In case of any conflict between the terms of the Contrato de Mandato and those of this Agreement, the terms of this Agreement shall prevail.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower through SFP and SHCP’s Subsecretaría de Egresos (as the case may be) (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.

B. Financial Management, Financial Reports and Audits

1. The Borrower, through SFP and SHCP’s Subsecretaría de Egresos (as the case may be), 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 SFP and SHCP’s Subsecretaría de Egresos (as the case may be), 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 SFP and SHCP’s Subsecretaría de Egresos (as the case may be), shall have the Project Financial Statements audited in accordance with the provisions of
Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the Project becomes effective. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III.  Procurement

A.  General

1.  Goods. All goods 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

4.  Special Provisions. The Recipient through SFP and SHCP’s Subsecretaría de Egresos shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 30 days after the Project has been approved by the Bank; and (b) update the Procurement Plan at least every 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.

B.  Particular Methods of Procurement of Goods

1.  International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

2.  Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
</tbody>
</table>
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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Single Source Selection</td>
</tr>
<tr>
<td>(b) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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 (or may cause NAFIN to, pursuant to the Contrato de Mandato) 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 and /or to NAFIN (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 and the Front-end Fee as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants services</td>
<td>14,869,892</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>1,930,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>43,108</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(5) Premia for Interest Rate Caps and Interest rate Collars (amounts due under section 2.07 (c) of this Agreement)</td>
<td>-0-</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>17,243,000</td>
<td></td>
</tr>
</tbody>
</table>

3. For purposes of this Section IV.A the term “Training” means non-consultant expenditures incurred in connection with the provision of training under the Project, including training fees, logistics, materials, and per diem of trainers and trainees.

B. Withdrawal Period

1. The Closing Date is December 31, 2013.
SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on October 15, 2026.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “Contrato de Mandato” means the Agreement to be entered into between the Borrower, through SFP, SHCP’s Subsecretaría de Egresos and NAFIN (as hereinafter defined), pursuant to Section B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time.

5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).

6. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.

7. “NAFIN” means Nacional Financiera, S.N.C. a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan.


9. “National System for Democratic Planning” means the Borrower’s Sistema Nacional de Planeación Democrática, which system promotes equity, dynamism, and sustainability in the Federal development planning process.

10. “Operational Manual” means the manual referred to in Section I.A.2. of Schedule 2 to this Agreement, dated November 10, 2008, as said manual may be amended from time to time with the Bank’s prior approval.

11. “PIT” means a Project implementation team referred to in paragraph 3(a) of Section I.A of Schedule 2 to this Agreement.

13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 10, 2008 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.


15. “SEPA” means the Bank’s publicly accessible Procurement Plans Execution System.

16. “SFP” means Secretaría de la Función Pública, the Borrower’s Secretariat of Public Administration.

17. “SHCP” means Secretaría de Hacienda y Crédito Público, the Borrower’s Secretariat of Finance and Public Credit.

18. “Sistema de Evaluación del Desempeño” means the Borrower’s national performance evaluations system.

19. “Vision 2030” means Visión México 2030, the type of country that the Borrower envisions for the year 2030, as reflected in the National Development Plan.