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Mexico

TRANSLATION

**Passage of Promotion Law by Senate**

The Federal Law that Promotes the Social Development Activities Conducted by Civil Organizations was passed by the House of Representatives on the 15<sup>th</sup> day of December, 2003.

Mexico City, Federal District, on this 5<sup>th</sup> day of January, 2004. CEMEFI. Consueio Castro.

On December 15, 2003 the House of Representatives passed the Federal Law that Promotes the Social Development Activities Conducted by Civil Organizations, which had been initially passed by the House of Representatives in December 2002, and then delivered to the Senate. On November 18<sup>th</sup>, 2003 said bill was passed, including the amendments thereto by the Senate. Thus, the next step to be taken is the delivery of the bill back to the House of Representatives for approving such amendments. Following is the text at issue:

**Federal Law that Promotes the Activities  
Conducted by Civil Organizations**

Secretaries of the Directive Board of the House of Representatives  
Present

The Committee on Citizen Participation of the House of Representatives, in accordance with Articles 39, 45 and other applicable of the Organic Law for the Congress of the United Mexican States, and 60, 65, 85, 87, 88 and other applicable of the Internal Regulations for the Congress of the United Mexican States, hereby submits to the House of Representatives, based upon the antecedents and considerations set forth herein below, the resolution rendered in respect of the Bill for the Law that Promotes Social Development Activities Conducted by Civil Organizations.

**Methodology**

A) A first section entitled Antecedents makes a brief reference related to the origin of the proposal of civil organization networks, as introduced to the House of Representatives by the Federal Representative Miguel Gutiérrez Hernández on April 23, 2002, which is being discussed today;



B) A section entitled Considerations sets forth the reasons that led to these resolutions, as explained by the Committee, as well as the reasons to approve the applicable amendments.

### Antecedents

1. On April 23, 2002 the Federal Representative Miguel Gutiérrez Hernández, acting on behalf of a number of Federal Representatives that formed part of the Committee on Citizen Participation, and a number of civil organizations, introduced a Bill for the Law that Promotes Social Development Activities Conducted by Civil Organizations.
2. On such date, the Chairman of the Directive Board of the House of Representatives admitted the bill and referred it to the "Committees on Citizen Participation and Social Development".
3. On November 26, 2002, upon request dated as of October 22, 2002, the Directive Board of the House of Representatives, based upon the fact that the subject matter of this resolution is of the exclusive competence of this Committee and having no inconvenient from the Committee on Social Development, redirected the bill by referring it solely to the Committee on Citizen Participation.

### Considerations

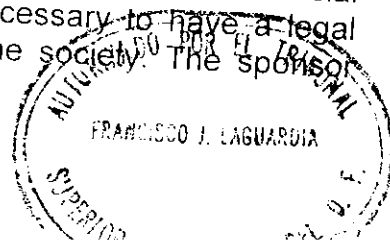
I. This Committee is competent to learn the subject matter of the bill at issue, as provided for in Article 39 of the Organic Law for the Congress of the United Mexican States, the Resolution of the Board for Political Coordination, the Subdivision and Creation of Ordinary Committees of the House of Representatives, and the admission and referral made by the Directive Board on the 23<sup>rd</sup> day of April, 2002.

II. Based upon the findings of the aforementioned bill, this Committee deems that it is advisable to propose the passage of the bill at issue by this House of Representatives, with the amendments to the form and terms set forth herein below:

1. Summary of the Bill.

a) Findings.

As part of the findings of the bill, the sponsor states that during the recent years the civil organizations have been promoting a legal frame that may promote their social development activities, and therefore, it has become necessary to have a legal instrument that may strengthen their work in favor of the society. The sponsor



further mentions that the ultimate goal of such activities is to promote a civic and social culture in the core of the Mexican society.

The above is valid since the Federal Constitution of the United Mexican States protects and promotes the right to freely associate, provided that the sought goal thereof is not illegal. Thus, the lawfulness of the activities of said groups listed in the bill, which are contained in a number of federal and state statutes, leads to deem that the same are protected and promoted by the Constitution, and therefore, deserve to be promoted in order to prevent that the same may be forgotten or abandoned due to the lack of encouragement.

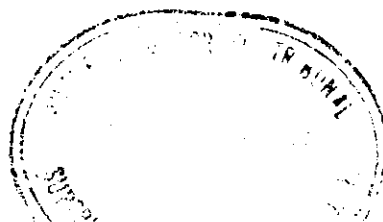
In a different section, the sponsor mentions that a bill for the "Law that Promotes Welfare and Social Development Activities" was introduced and referred to the Special Committee on Citizen Participation of the LVI Congress in 1995, which was discussed and resulted in another bill for the "General Law for Social Development Civil Groups and Organizations", which in turn was introduced to the House of Representatives on the 29<sup>th</sup> day of April, 1997 by the majority of the representatives of the political parties present at Congress. The sponsor states that the same was referred to the Committee on Internal and Constitutional Affairs, which failed to render a resolution on the same.

He further mentions that on the 24<sup>th</sup> day of November, 1998 the aforementioned organizations submitted once again a proposal to the Committees on Citizen Participation, Internal and Constitutional Affairs and Social Development of the LVII Congress, which was named bill for the "Law that Promotes the Social Development Activities of Civil Organizations".

During said Congress, on the 27<sup>th</sup> day of April 2000, the former proposal was retaken and introduced to the House of Representatives as the bill for the "General Law for Social Development Civil Organizations", which was referred to the Committee on Internal and Constitutional Affairs. Such Committee (currently the Committee on Internal Affairs and Public Security), rejected the bill.

He states that in April, 2001 the Committee on Citizen Participation, acting as an ordinary committee, formally received a proposal as to the "Bill for the Law that Promotes the Social Development Activities Conducted by Civil Organizations" from representatives of Civil Organizations. This proposal was improved by the respective committees and the final draft was submitted on the 10<sup>th</sup> day of April, 2002.

The foregoing evidences that the draft whose approval by the House of Representative is being sought has formed part of an historic process of general interest, grounded on the plurality of ideas and enhanced by the expert parties that form part of the society, which makes it legitimate and ad-hoc to meet the needs of the addressees of the law.



The bill mentions that the need to create a legal frame to strengthen the civil organizations in order to promote the general welfare is grounded on the fact that during the last decades the citizens have autonomously organized to collaborate in a voluntary, active and subsidiary manner, assisting the lower income population by promoting actions and projects aimed at meeting social needs and procure goods and services that are required from a social perspective.

He asserts that nowadays Mexico has a vigorous and growing number of Civil Organizations committed to social welfare, whose actions need to be encouraged by the State, recognizing the experience and philanthropic capacity that said organizations have attained during a number of years in which they have worked directly with the lower income population, as well as in the sustainable development and the promotion of human rights.

Consequently, the sponsor states that it is essential to create a new relationship between the State and the society, under a legality and co-responsibility atmosphere. This new link would encourage the proposals and goals of the organized and independent civil sector to recognize and promote its social, civic and humanitarian activities under the democratic plan of the national development.

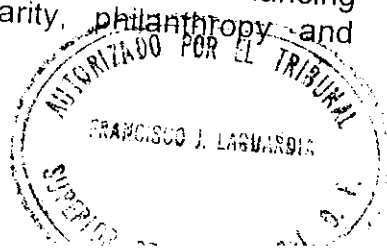
The Committees are convinced of the need to promote the social development activities, since we acknowledge that the citizen participation is an efficient tool in implementing public policies that encourage the quantitative and qualitative growth of the society in general.

#### b) Constitutional Fundament of the Bill

The sponsor mentions that our Federal Constitution recognizes, promotes and protects the free association of individuals. A number of political, economic and social consequences arise out of such right, which consequences form part of the day-to-day life of a free, democratic and plural society. He states that the association spirit is one of the essential instincts of the human being, who becomes a powerful element for social development and perfectionism purposes, through a willful and responsible act. In order to accomplish such associative goal, the Mexican citizens create associations under diverse names and working natures.

We agree that the project is not of a regulatory but promotional nature, since the same does not refer to the administrative and legal structure, as well as to the incorporation modalities, which provisions are presently contained in a number of statues of a civil, commercial, social and financial nature.

This project specially refers to the activities conducted by social organizations in order to promote cultural, educational, public security, altruists or mutual support activities, this is, organizations that try to accomplish certain goals for enhancing the community based on voluntary participation, charity, philanthropy and solidarity.



We believe that the project is constitutional, since it is in conformity with Article 9, first paragraph, of our Federal Constitution, which establishes the right to freely associate in order to accomplish a lawful goal. We further strongly believe that the freedom of association enable individuals to create in their own name, or with other persons, groups with own legal capacity, different from such capacity of their members, in order to accomplish a goal freely set by them, provided that such goal is not illegal.

Said Article 9 is related to Article 35 of said Federal Constitution, provided that this right belongs to the citizens, after considering that paragraph III provides that the Mexican citizens may freely associate to peacefully participate in the political affairs of the country.

Consequently, we support the efforts to promote the free association of individuals intending to conduct important activities such as philanthropy, poverty and discrimination fighting, health, education and any other purpose that is lawful and results in social benefits.

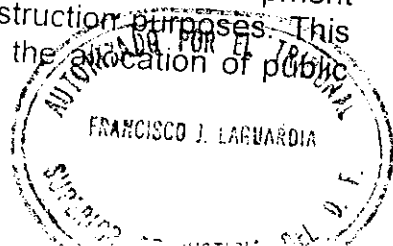
We agree that free association is a natural expression of the citizen participation. Additionally, as mentioned by Representative Gutiérrez, the Federal Constitution refers to social participation in economic and political matters, specifically regarding planning matters.

This reference is found in Articles 25 and 26 of the Federal Constitution. Article 25 establishes the right of the so-called "private sector" to cooperate in the economic development of the country, while Article 26 provides that the State shall organize a system of democratic planning for the national development, which shall give a system of democratic planning for the national development, which shall give solidity, dynamism, permanence and equity to the economic growth for the independency and the political, social and cultural democratization of the Nation.

The Committee believes that the involvement in this participative and democratic context is of paramount importance to promote the activities conducted by civil organizations. On the one hand, we understand that the individuals forming part of them are freely entitled to gather and create a legal entity in order to accomplish lawful goals, and favor their community. On the other hand, the Mexican State is obliged to promote the participation of the citizens, whether natural or legal persons. Thus, it becomes necessary to establish legal provisions that may promote such generous civil tasks.

### c) Description of the Content of the Bill

The proposed bill is comprised of five chapters; the first one, which refers to general provisions, reflects the purpose of the Law; establishes the definitions to be utilized therein for construction purposes; details the social development activities; and makes a referral to the regulations for construction purposes. This section further establishes a number of benefits, such as the allocation of public



resources, whether funds or subsidies, and the granting of tax benefits, as provided in the effective administrative laws.

The second chapter refers to the Registry of Organizations; the requirements to be fulfilled for registration purposes; and the federal agency of the Executive Branch that shall keep the registry, proposing that it should be the Ministry of Social Development through the National Institute of Social Development.

The third chapter refers to the rights and obligations of the organizations duly registered, including a catalog of their powers and obligations, such as the obligation not to participate in political activities, in favor or against of any political party or candidate for publicly-elected offices, religious activities, among others.

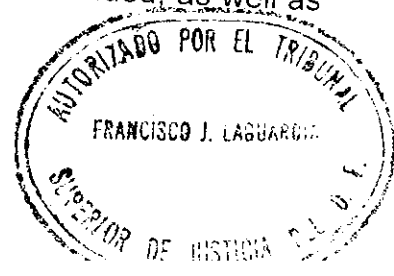
The fourth chapter details the violations that may be infringed by, and penalties that may be imposed on, an organization under the law. Regarding penalties, the same may include a warning, the cancellation of the registration with the registry or a fine, as applicable.

Finally, the fifth and last chapter refers to the administrative actions that may be brought against the resolutions rendered under the Law.

## 2. Amendments to the Bill

The proposed amendments intend to improve the wording and perfect the administrative structures forming part of the bill that are referred to this House of Representatives. The proposed spirit or intentions are not amended at all, since we believe that they are fair enough and respond to the people demands.

- a) The goals of the Law are established in a more precise manner.
- b) The law is characterized as a Federal one, to make a difference in respect of the existing State laws.
- c) The wording of the Law is edited, establishing a systematic order and creating new chapters, such as the chapter that refers to the Authorities and the Technical Board of the Registry.
- d) The description of the activities regulated by this Law is improved, regarding syntax and wording, in order to synthesize those that seemed to be repetitive and specify others than deserve more relevance therein. This is the main reason to change the name of the Law, since we realized that the activities do not refer to Social Development activities but to a number of activities of different natures.
- e) Material definitions and concepts being used in the Law were added, as well as amendments and changes made by the reviewers.



f) An Inter-Ministry Commission to be comprised of 11 Ministries was created in order to keep the Civil Organization Registry. A representative of the National Woman Institute will join this Commission due to the importance that this Reviewer has for equity purposes. The technical secretary of said commission shall be of a collegiate nature and handled by representatives of the agencies referred to in article 7 of the future Law contained in this resolution, provided that the regulations shall administratively establish the powers thereof that are contained in the Law.

g) The chapter referring to the Registry is improved by delimiting its powers, establishing its goals and specifying the obligations of the civil organizations pretending to be registered therewith.

h) The composition of the Technical Board is changed by adding two representatives of the Federal Legislative Branch, one representing the House of Representatives and one representing the Senate, stressing the need to have experience in the subject matter.

i) A fifth transitory article was further added in order to establish that the Inter-Ministry Commission shall be in charge of electing once the members that shall initially represent the Civil Organizations at the Board of the Registry.

j) The term civil organism was replaced by the term Civil Organizations, since the latter is more precise and worldwide recognized.

Now, therefore, based upon the above, the undersigned members of the Committee on Citizen Participation at the ordinary session held on this 4<sup>th</sup> day of December, 2002 referred to this House of Representative, for discussion and approval purposes, as the case may be, the following:





## DECREE

**Unique Article.**- The Federal Law that Promotes the Activities Conducted by Civil Organization is hereby passed to read as follows:

### Federal Law that Promotes the Activities Conducted by Civil Organizations

#### Chapter First General Provisions

Article 1.- This law is of public order and social interest, and aimed at:

- I. Establishing the basis upon which the federal public administration shall promote the welfare and human development activities conducted by Civil Organizations;
- II. Determining what authorities shall apply this law and the bodies that shall provide assistance in respect of the same;
- III. Creating the Civil Organization Registry and its Information System;
- IV. Establishing rights and obligations of the organizations relating to the activities referred to in this Law; and
- V. Establishing the penalties to be applied upon violation of this Law, and the available actions to contest the same.

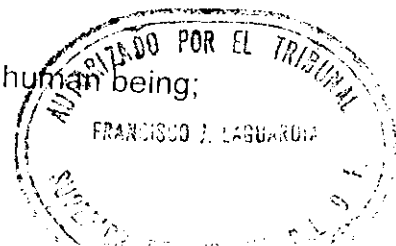
Article 2.- Any organizations incorporated under Mexican law shall be subject to this Law, regardless of the legal form thereof.

They shall be created not to obtain self-benefits or mutual benefits but third-party benefits; destine their assets to accomplish its corporate purpose, without making individual designations of beneficiaries; and conduct the activities referred to herein on a non-profit, non-political, and non-religious basis.

The organizations incorporated, or to be incorporated, as associations or charity associations shall continue being subject to the regulation, supervision and obligations established in applicable special statutes, provided that they shall be entitled to participate in the benefits set forth herein, subject to the fulfillment of the requirements set forth herein.

Article 3.- For the purposes of this Law, the Civil Organizations shall be entitled to:

- I. Strengthen the enjoyment, exercise, promotion and defense of human rights;
- II. Promote the social conditions favoring the welfare and human development;
- III. Promote actions aimed at attaining better life conditions, and the productive development of low-income population;
- IV. Promote actions aimed at attaining better life conditions for vulnerable population sectors;
- V. Promote mankind equity and equal opportunities;
- VI. Avoid any type of discrimination and violence against the human being;

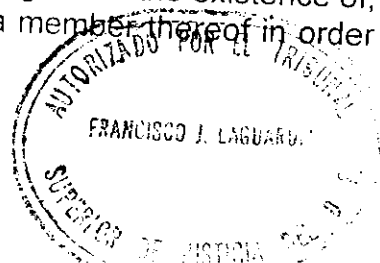


- VII. Strengthen and promote public security programs to prevent delinquency and overcome corruption;
- VIII. Develop programs to assist low-income sectors and improve life conditions, stressing this activity in indigenous communities;
- IX. Promote the sustainable utilization of natural resources, environmental protection, preservation and restoration of environmental equilibrium, and promotion of sustainable development of urban and rural regions from a regional and community perspective;
- X. Conduct civil protection actions;
- XI. Conduct social assistance activities, as well as activities to support social service providers and promote volunteers;
- XII. Encourage the participation of the people subject to public interest co-responsibility principles and public interest commitment;
- XIII. Develop educational services; promote civism education; and strengthen the knowledge, diffusion, respect and roots of the Mexican Coat of Arms, Flag and Anthem among the people;
- XIV. Render personal services or provide physical or financial resources in favor of public health;
- XV. Support the territorial ordering of human settlements and urban development of population centers;
- XVI. Promote the preservations and improvement of the social harmony conditions;
- XVII. Promote the progress of knowledge and cultural development;
- XVIII. Promote and develop scientific or technological research;
- XIX. Promote the fine arts, popular traditions, restoration and maintenance of monuments and archeological, artistic and historical sites; and preserve cultural assets;
- XX. Act as food and other goods collection centers in order to distribute the same to low-income or vulnerable population, whether directly or through other civil organizations or non-profit similar institutions; and
- XXI. Render services to support the creation and strengthening of organizations conducting the activities promoted by this Law, through:

1. The procurement, obtaining and allocation of financial and physical resources, and the rendition of personal services;
2. The use of communication means;
3. The rendition of technical assistance and consultation services;
4. The training promotion; and
5. Such other established by other laws and the Executive Branch due to their relation to the activities set forth herein.

Article 4.- In this Law:

- I. Activities: shall mean the activities referred to in Article 3 hereof;
- II. Self-Benefit: shall mean the good, profit or benefit arising out of the existence of, or activities conducted by, an organization received by a member thereof in order to favor himself;



- III. Third-Party Benefit: shall mean the good, profit or benefit arising out the existence of, or activities conducted by, the respective organizations received by other persons or organizations;
- IV. Mutual Benefit: shall mean the good, profit or benefit arising out of the existence of, or activities conducted by, an organization jointly received by the members thereof;
- V. Commission: shall mean the Inter-Ministry Commission referred to in Article 7 hereof;
- VI. Board: shall mean the Technical Board of the Registry;
- VII. Agencies: shall mean the governmental agencies forming part of the Centralized Federal Public Administration;
- VIII. Human Development: shall mean the expansion of the election range of the persons through investments made in the human skills and abilities, the education and health, so that the beneficiaries may work productively and creatively;
- IX. Entities: shall mean the entities forming part of the Non-Centralized Federal Public Administration.
- X. Law: shall mean the Federal Law that Promotes the Activities Conducted by Civil Organizations;
- XI. Organizations: shall mean the civil associations and groups organized pursuant to Article 2 hereof that conduct any of the activities referred to in Article 3;
- XII. Registry: shall mean the Civil Organization Registry;
- XIII. Regulations: shall mean the Regulations to this Law issued by the Executive Branch; and
- XIV. Information System of the Registry: shall mean the set of technical procedures through which all the information relating to the registered organizations shall be processed.

## Chapter Second Authorities

Article 5.- The agencies and entities shall be in charge of conducting the promotional activities subject matter of this Law, without violating the freedoms and rights established in the Federal Mexican Constitution.

Article 6.- The agencies and entities shall promote the activities referred to in the preceding article, without violating the jurisdiction, programs and budgetary availability of each of them, by:

- I. Promoting the participation of the organizations in the design, performance, follow-up and evaluation of public policies, programs and actions in accordance with this Law;
- II. Establishing actions, information instruments, incentives and supports in favor of the organizations, in conformity with their budgetary allocation;
- III. Strengthening the mechanisms to reach agreements with the organizations.



- IV. Designing and applying instruments and mechanism that may enable the organizations to exercise their rights and fulfill their obligations in accordance with this Law;
- V. Conducting studies and researches to assist the organizations in developing their activities;
- VI. Entering into coordination agreements with the Federal Government and the States, and, as the case may be, with the participation of the municipalities to promote the activities subject matter of this Law; and
- VII. Granting tax incentives to the organizations, such as the exemption from taxes and duties, and the authorization to issue donation receipts deductible for tax purposes, in accordance with applicable tax laws.

Article 7.- The Federal Executive Branch shall create an Inter-Ministry Commission, which shall create and keep the Registry referred to in this Law and be comprised of one representative of the following agencies:

- a) Ministry of Internal Affairs;
- b) Ministry of Finance and Public Credit;
- c) Ministry of Social Development;
- d) Ministry of Agriculture, Livestock, Fishing and Food;
- e) Ministry of Internal Audit and Administrative Development
- f) Ministry of Economy;
- g) Ministry of Public Education;
- h) Ministry of Environment and Natural Resources;
- i) Ministry of Foreign Affairs;
- j) Ministry of Health; and
- k) Ministry of Public Security.

A representative of the National Woman Institute and a representative of the National Youth Institute shall join this commission. A representative of the Office of the Attorney General and a representative of the National Human Rights Commission shall act as guests.

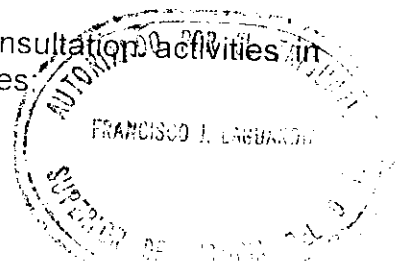
The technical secretary of this commission shall be collegiate and comprised of the representatives of the agencies referred to in paragraphs a, b and c of this article.

The federal executive branch shall issue the regulations to provide the applicable administrative provisions necessary to comply with this Law.

### **Chapter Third Rights and Obligations of the Organizations**

Article 8.- Any organization duly registered with the Registry shall be entitled to:

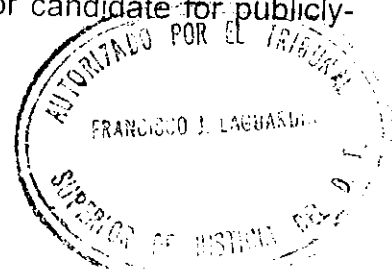
- I. Participate as a vehicle to promote participation and consultation activities in accordance with the Planning Act and other applicable statutes;



- II. Form part of the participation and consultation bodies related to the activities subject matter of the Law established or operated by the agencies and entities in accordance with the Regulations;
- III. Participate, upon receiving an express invitation, in mechanisms for social audit purposes established or operated by the agencies and entities in accordance with applicable laws and administrative provisions;
- IV. Receive the assets of other organizations extinguished in accordance with their by-laws, without prejudice to the provisions established in other statutes;
- V. Receive the public resources and funds established in respect of the activities subject matter of this Law by applicable laws and administrative provisions;
- VI. Receive subsidies, tax incentives and other economic and administrative supports, in accordance with applicable laws;
- VII. Receive donations and contributions, in accordance with applicable tax laws;
- VIII. Assist the competent authorities pursuant to the agreements executed for such purposes, in rendering the public services related to the activities referred to in Article 3 of this Law;
- IX. Receive the benefits established in favor of the organizations under the international treaties related to the activities and purposes subject matter of this Law, in accordance therewith;
- X. Receive, upon request, advisory and training services, as well as assistance, from the agencies and entities in order to accomplish its goals and conduct its activities in an enhanced manner, in conformity with the programs prepared by said agencies and entities for the aforementioned purposes;
- XI. Learn the policies, programs, projects and processes established or carried out by the agencies and entities in connection with the activities referred to in Article 3 of this Law; and
- XII. Be respected when exercising its internal autonomy.

Article 9.- Any organization duly registered with the Registry, in addition to any other obligation established in applicable laws, shall be obliged to:

- I. Inform to the Registry any amendments to its Articles of Incorporation or By-laws, and any relevant change to the information provided when requesting its registration, within a forty five (45) business day period from the respective amendment or change;
- II. Make available to the competent authorities and the general public the information relating to the activities conducted by it and the financial information relating the allocation of the utilized public funds, in order to keep the Information System updated and warrant the transparency of its activities;
- III. Transfer, upon dissolution, its assets to other duly registered organization with similar goals;
- IV. Destine its assets and resources solely to accomplish its corporate purposes;
- V. Refrain from conducting any activity that may have results equivalent to political activities, whether in favor or against any political party or candidate for publicly-elected offices.



- VI. Refrain from conducting political activities or advertising activities for religious purposes; and
- VII. Promote the professionalism and training of its members.

Article 10.- Any organization receiving federal public resources shall comply with the applicable laws and administrative provisions.

Any organization receiving economic resources from third parties or abroad shall carry out the respective transactions in accordance with applicable tax laws effective in Mexico or the international treaties signed by our country.

#### **Chapter Fourth** **Civil Organization Registry and Information System**

Article 11.- The main goals of the Registry are to:

- I. Register any organizations that fulfill the requirements established in this Law and issue the respective registration certificate in favor of them;
- II. Create an information system for the Registry, which may identify, on the basis of actions performed, the activities being conducted by the organizations, and enable the agencies and entities to have elements necessary to comply with this Law;
- III. Provide the agencies, entities and people in general, with information that may enable them to verify the fulfillment by the organizations of the obligations referred to in this Law, and, as the case may be, request the Commission to impose the corresponding penalties;
- IV. Keep the information relating to the organizations subject matter of this Law updated;
- V. Keep (in such cases in which the registration of an organization has been rejected, suspended or canceled in accordance with this Law) certificates evidencing the registration process;
- VI. Grant access to the information relating to the actions taken by the organizations that conduct the activities subject matter of this Law, in accordance with applicable laws and transparency norms;
- VII. Supervise the compliance with applicable provision established in this Law; and
- VIII. Conduct any other activity established in the Regulations to this Law and other applicable laws.

Article 12.- The office through which the registration applications are to be filed shall be operated solely by the Registry.

Article 13.- In order to obtain or maintain a registration, the organizations shall:

- I. File a registration application in such form established by the Registry



- II. State that they conduct any of the activities to be conducted for promotional purposes in accordance with Article 3 of this Law;
- III. File copies of their articles of incorporation, and, as the case may be, any amendments to their by-laws, providing that in any case originals are to be enclosed thereto for collation purposes;
- IV. Establish in their articles of incorporation or by-laws that all of their assets shall be utilized for accomplishing their corporate purposes;
- V. Establish in their articles of incorporation or by-laws that they shall allocate no amounts among their partners and that should any dissolution take place, they shall transfer their assets to other organization duly registered with the Registry;
- VI. Furnish their registered office; and
- VII. File a copy of the public instrument containing the power of attorney granted in favor of their legal representative.

Article 14.- The Registry shall reject the registration whenever:

- I. There is evidence that the organization does not conduct at least one of the activities referred to in Article 3 of this Law;
- II. The submitted documentation is incomplete or irregular;
- III. There is evidence that the organization committed serious or continuous violations of this Law or other legal provisions in conducting its activities; and
- IV. There is evidence that the organization fails to accomplish the corporate purpose established in its Articles of Incorporation or By-laws.

Article 15.- Once the application is admitted, the Registry shall decide whether the registration is applicable or not within a thirty (30) business day period.

If the Registry detects that the information set forth in the application is insufficient, it shall refrain from registering the organization and grant a thirty (30) business day period to it to cure the same. Upon expiration of said period, the application shall be dismissed.

Article 16.- The Registry shall inform to the competent authority the existence of any acts or facts that may constitute a criminal offence, so that the corresponding penalties may be imposed, as the case may be.

The Commission at any time may learn such acts or events by operation of law, regardless of the provisions referred to in the first paragraph of this article.

Article 17.- The administration and functioning of the Registry shall be organized in accordance with its internal regulations.

Article 18.- The Information System of the Registry shall operate by means of a data base distributed and linked through stations installed in all the agencies and entities related to the subject matter of this Law, which shall be obliged to upload thereon any information relating to the organizations of their jurisdiction.



Article 19.- All the information forming part of, or derived from, any action relating to the registration of the organizations with the Registry shall be concentrated at such Registry. Said information shall include all the actions taken by the agencies and entities in connection with the registered organizations.

Article 20.- Any agency, entity and registered organization may access the information existing at the Registry in order to learn the status of the registration procedures of the organizations.

Any persons desiring to receive the information existing at the Registry shall follow the procedure referred to in Title Second, Chapter III, of the Federal Transparency Act that Promotes Access to Governmental Public Information.

Article 21.- Any agencies and entities delivering public funds to the organizations duly registered with the Registry shall include the amount and allocation thereof into the Information System of the Registry.

### **Chapter Fifth Technical Board**

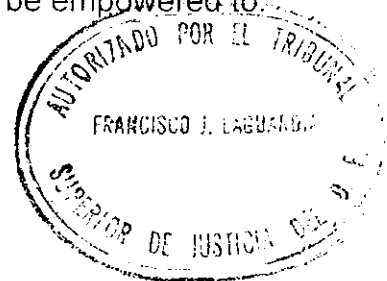
Article 22.- The Board is an honorific advisory and consulting body in charge of making proposals, rendering opinions and issuing recommendations in respect of the management, direction and operation of the Registry, as well as the actions to be taken for its optimal functioning.

Article 23.- The Board shall be comprised of renowned persons of the academic, professional, scientific and cultural sectors of the country, who shall have attendance and voting rights, as follows:

- I. A public servant to be designated by the Commission, who shall chair the same;
- II. A Executive Secretary to be designated by the Board, based upon the proposal made by the Chairman thereof;
- III. Two representatives of the Federal Legislative Branch, one to be designated by the House of Representatives and one to be designated by the Senate, whose legislative duties are related to the subject matter of this Law; and
- IV. Nine representatives of duly registered organizations, who shall hold office during a three (3) year term, and be substituted each year (one third per year).

Article 24.- The plenary ordinary sessions of the Board shall be held at least four times a year, while extraordinary session shall be held whenever they are convened by the Chairman or one third of the members of the Board.

Article 25.- In order to accomplish its goals, the Board shall be empowered to:





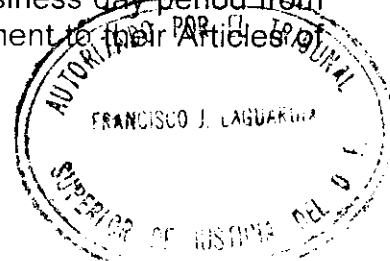
- I. Analyze the policies of the Mexican State relating to welfare and human development, render opinions and make proposals as to their application and orientation;
- II. Promote the participation of the people and the organizations in following-up, operating and evaluating the policies of the Mexican State regarding welfare and human development;
- III. Promote an ongoing dialogue among the public, social and private sectors in searching for formulae that may support actions to overcome poverty;
- IV. Create the commissions and task groups that may be necessary for exercising its powers;
- V. Study, and propose criteria to evaluate the applications filed by the organizations for their registrations with the Registry, whenever a Registry's doubt or reserve arises in respect of its applicability;
- VI. Suggest administrative and operating actions in order to accomplish its goals and efficiently perform its duties;
- VII. Provide assistance as to the supervision and application of this Law;
- VIII. Issue recommendations for determining the violations and their respective penalties in accordance with this Law. In any case, such recommendations shall have no binding effects; and
- IX. Issue the Operating Manual regulating its organization and functioning.

## **Chapter Sixth**

### **Violations, Penalties, and Remedies**

Article 26.- It shall be deemed that a violation has occurred if any of the persons subject matter of this Law:

- I. Conducts self-benefit or mutual-benefit activities;
- II. Allocates amounts or assets among its members;
- III. Fails to allocate the received federal public funds for the authorized purposes;
- IV. Fails to conduct activities in conformity with the principles and goals referred to in Articles 1 and 3 of this Law;
- V. Conducts any type of activity that may result in political acts in favor or against any political party or candidate for publicly-elected offices;
- VI. Conducts religious promotional activities;
- VII. Conducts activities departing from its corporate purpose;
- VIII. Fails to destine the goods, resources, interest and yields for accomplishing the goals and conducting the activities for which it was created;
- IX. Fails to deliver the reports requested by the competent agency or entity that shall have provided or authorized the procurement of federal public funds;
- X. Fails to make available to the competent authorities and the general public information relating to the activities conducted by it and the allocation of public funds utilized by it;
- XI. Fails to inform to the Registry, within a forty five (45) business day period from the respective amendment provided for herein, any amendment to their Articles of



Incorporation or By-laws, or any relevant change to the information provided when requesting the registration with the Registry:

XII. Fails to promote the professionalism and training of their members; and

XIII. Fails to fulfill any obligation in accordance with this Law.

Article 27.- Should a duly registered organization commit any of the violations referred to in the preceding article, the agencies of competent jurisdiction shall impose the following penalties, as the case may be, on the organization:

I. Warning.- If the organization commits any of the violations referred to in the preceding article for the first time, it shall be warned to cure the same within a thirty (30) business day period from the reception of the respective notice;

II. Fine.- If the organization either fails to cure the violation within the period referred to in the preceding paragraph or commits any of the violations referred to in paragraphs VII, VIII, IX, X, XI, XII and XIII of Article 26 hereof, a fine amounting up to three hundred (300) times the minimum general wage effective in the Federal District shall be imposed;

III. Suspension.- For one year in respect of its registration with the Registry from the reception of the respective notice, in case of recidivists violating any obligation established herein that shall have prior led to the imposition of a fine on the organization; and

IV. Permanent Cancellation of Registration with the Registry.- In case of a repetitive or serious violation. The imposition of a suspension on an organization that shall have been prior subject to suspension shall be deemed a repetitive violation, regardless of what provisions of this Law were violated. The violations referred to in paragraphs I, II, III, IV, V and VI of Article 26 hereof are deemed serious violations.

The penalties referred to in this article shall be imposed without prejudice to the civil, criminal and administrative responsibilities that may arise in accordance with applicable laws and administrative norms.

Should a suspension or definitive cancellation of the registration with the Registry be imposed on an organization, the Commission, through the Registry, shall notify the corresponding tax authority within a fifteen (15) business day period from the reception of the notice informing the penalty, so that said tax authority may learn the same and render a resolution in accordance with applicable laws as to the tax benefits that shall have granted under this Law.

Article 28.- The actions established in the Federal Administrative Procedural Act may be brought to challenge any resolutions rendered under this Law, its regulations and other applicable laws.



## Transitory Articles

First.- This Law shall come into effect upon expiration of a sixty (60) business day period from its publication in the Official Gazette of the Federation.

Second.- The Federal Executive Branch shall issue the regulations to this law within a thirty (30) business day period from its publication in the Official Gazette of the Federation.

Third.- Regarding the registration of the organizations referred to in Article 2 of this Law, the Registry shall be created and start its operation within a sixty (60) day period from the date on which this Law comes into effect.

Fourth.- The conformation and installation of the Technical Board shall be carried out by the Inter-Ministry Commission within a sixty (60) day period from the date on which this Law comes into effect.

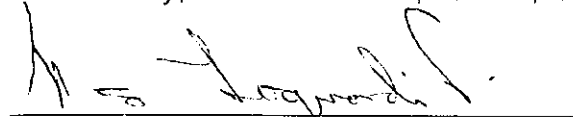
Fifth.- Regarding the conformation and installation of the Technical Board, for one single time, the members thereof representing the organizations shall be designated by an affirmative vote cast by the majority of the members of the Inter-Ministry Commission referred to in Article 7 of this Law, based upon the proposal made by the organizations.

Given at the Committee Room of the House of Representatives located in San Lázaro Palace, Federal District, on this 4<sup>th</sup> day of December of 2002.

## Committee on Citizen Participation

I, Francisco Laguardia, Expert Translator, duly recognized and authorized by the Mexican Superior Court of Justice in Mexico City, and by the American Embassy in Mexico City, do hereby certify that the preceding translation, is a true and authentic version of the original in Spanish, which I have translated to the best of my knowledge and understanding.

Mexico City, Federal District, June 2, 2004.



Francisco J. Laguardia  
Expert Translator

