Mr. Vanessa Rubio Márquez  
_Titular de la Unidad de Asuntos Internacionales de Hacienda_  
_Secretaría de Hacienda y Crédito Público_  
Insurgentes Sur No. 1971  
Torre III, piso 3  
Colonia Guadalupe Inn  
01020 México, D.F.  

Mr. Julio Alberto Valle Pereña  
_Director General de Sustentabilidad_  
_Secretaría de Energía_  
Insurgentes Sur 890,  
Cp. Del Valle, Del. Benito Juárez  
03100 México, D.F.  

Ms. Danielle Pellat Thomé  
_Directora de Organismos Financieros Internacionales_  
_Nacional Financiera, S.N.C._  
Insurgentes Sur 1971  
Edificio Anexo, piso financiero  
01020 México, D.F.  

Re: UNITED MEXICAN STATES: Integrated Energy Services Project  
(GEF Grant No. TF091733)  
Amendment to the Grant Agreement  

Dear Ms. Rubio, Mr. Valle and Ms. Pellat Thomé,  

We refer to the Grant Agreement for the above-captioned Project between the United Mexican States (the “Recipient”) and the International Bank for Reconstruction and Development (the “World Bank”), acting as an Implementing Agency of the Global Environment Facility (the “GEF”), dated December 5, 2008 (the “Grant 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 Grant Agreement.  

Pursuant to our discussions on the subject, and in response to your request to amend the Grant Agreement as evidenced by a letter of May 12, 2011, we are pleased to inform you that the World Bank hereby agrees to amend the Grant Agreement as follows:  

1. All references to “Convenio de Colaboración” throughout the Grant Agreement are hereby replaced by “Contrato de Apoyo Financiero No Reembolsable” as appropriate.  

2. All references to “Bank” throughout the Grant Agreement are hereby replaced by “World Bank” as appropriate.
3. All references to “Director Internacional of NAFIN” throughout the Grant Agreement are hereby replaced by “Director de Organismos Financieros Internacionales of NAFIN” as appropriate.

4. All references to “Unidad de Crédito Público” throughout the Grant Agreement are hereby replaced by “Unidad de Asuntos Internacionales de Hacienda” as appropriate.

5. The phrase “financial administrator and” included in the second paragraph on the first page of the Grant Agreement is hereby deleted.

6. Section 2.01 of Article II of the Grant Agreement is hereby amended to read in its entirety as follows:

“2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient, through SENER, shall carry out the Project, in accordance with the provisions of Article II of the Standard Conditions.”

7. The phrase “through SENER” is hereby inserted in Section 2.02 of Article II of the Grant Agreement as appropriate.

8. The Recipient’s address included in Section 6.02 of Article VI of the Grant Agreement is hereby changed.

9. Schedule 1 (Project Description) to the Grant Agreement is hereby amended as follows:

9.1. The first paragraph of Schedule 1 is hereby amended to read in its entirety as follows:

“The objective of the Project is to increase access to efficient and sustainable integrated energy services in predominantly indigenous rural areas of the Recipient.”

9.2. Part 2 is hereby amended to read in its entirety as follows:

“Part 2, Rural Energy Sub-Projects

Carrying out of Rural Energy Sub-Projects.

9.3. Part 3 is hereby deleted.

9.4. Part 4 is hereby numbered as Part 3.

9.5. Part 5 is hereby renumbered as Part 4, which is also hereby amended to read in its entirety as follows:

“Part 4, Project Management

Provision of support for the functioning of the Administrative Unit.”
10 Section 1 of Schedule 2 (Project Execution) to the Grant Agreement is hereby amended as follows:

10.1. The title of Section I.A is hereby amended to read in its entirety as follows: "Institutional Arrangements".

10.2. The phrase "financial administrator" is hereby replaced by "financial agent" in Section I.A.1(a), as appropriate.

10.3. Section I.A.2 is hereby deleted and replaced to read in its entirety as follows:

"2. The Recipient, through SENER (through its Dirección General de Sustentabilidad), shall maintain, until completion of the Project, the unit within SENER (the "Administrative Unit"), with staff (including a procurement specialist and a financial management specialist), structure and functions satisfactory to the World Bank, which shall be responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including, without limitation, the carrying out of procurement and financial management activities under the Project, together with the responsibility for the preparation of the financial statements, financial reports, Project Reports, and maintenance of the records and accounts referred to in Section II of this Schedule 2."

10.4. Section I.A.3 is hereby deleted and replaced to read in its entirety as follows:

"3. For the purposes of implementing Part 2 of the Project, the Recipient, through SENER, shall:

(a) maintain an agreement with CFE (the SENER-CFE Collaboration Agreement), under terms and conditions acceptable to the World Bank, including, inter alia: the obligation of CFE to: (A) carry out the activities under Part 2 of the Project in accordance with the provisions set forth in this Agreement, the Operational Manual, the Anti-corruption Guidelines and Section III of this Schedule 2; and (B) take all actions necessary to enable the Recipient, through SENER, to comply with all of its obligations under this Agreement; and

(b) exercise its rights and carry out its obligations under the SENER-CFE Collaboration Agreement in such manner as to protect the interests of the Recipient and the World Bank, and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient, through SENER, shall not assign, amend, abrogate, waive or fail to enforce the SENER-CFE Collaboration Agreement or any of their provisions. In case of any conflict between the terms of this Agreement and the terms of the SENER-CFE Collaboration Agreement, the terms of this Agreement shall prevail."

10.5. Section I.A.4 is hereby deleted.
10.6. The title of Section I.B is hereby deleted to read in its entirety as follows: “Operational Manual”.

10.7. The phrase “through SENER” is hereby inserted in the first sentence of Section I.B.1 as appropriate.

10.8. The following paragraphs of Section I.B.2 are hereby amended and/or deleted, as appropriate, to read as follows:

10.8.1 The word “consultants” and the phrase “Section III of” are inserted in paragraph (b) as appropriate.

10.8.2. The phrase “through SENER” is hereby inserted in paragraph (d) as appropriate.

10.8.3. Paragraph (f) is hereby amended to read in its entirety as follows:

“(f) clear and well defined roles and responsibilities, as appropriate, of inter alia: (i) CFE; (ii) FTE; (iii) NAFIN; and (iv) SENER; in the carrying out of the Project;”

10.8.4. The word “framework” is hereby replaced by “plan” in paragraph (g).

10.8.5. Paragraph (h) is hereby amended to read in its entirety as follows:

“(h) a framework for public consultations with Project stakeholders; and”

10.8.6. Paragraph (i) is hereby deleted and amended to read in its entirety as follows:

“(i) procedures for the carrying out of voluntary donations of land by local communities participating in the Project.”

10.9. Section I.C of Schedule 2 (Project Execution) to the Grant Agreement is hereby inserted to read in its entirety as follows:

“C. Safeguards

The Recipient, through SENER, shall carry out the Project in accordance with the provisions of the Environmental Management Plan.”

11. Section II of Schedule 2 (Project Execution) to the Grant Agreement is hereby amended as follows:

11.1. The phrase “one month” is hereby replaced by “forty-five (45) days” in the last sentence of Section II.A.1.

11.2. The phrases “in close coordination with CFE” are hereby inserted in Sections II.B.2 and II.B.3 as appropriate.
12. Section III of Schedule 2 (Project Execution) to the Grant Agreement is hereby amended as follows:

12.1. Section III.A.1.(a) is hereby amended to read in its entirety as follows:

(a) "Section I of the ‘Guidelines for Procurement under IBRD Loans and IDA Credits’ published by the World Bank in May 2004 and revised October 1, 2006 and May 1, 2010 (‘Procurement Guidelines’) in the case of goods and works; and Sections I and IV of the ‘Guidelines: Selection and Employment of Consultants by World Bank Recipients’ published by the World Bank in May 2004 and revised October 1, 2006 and May 1, 2010 (‘Consultant Guidelines’) in the case of consultants’ services; and"

12.2. The phrase ‘through SENER’ is hereby included in paragraph (b) of Section III.A.1.

12.3. Section III.A.3 is hereby amended to read in its entirety as follows:

"3. Special Provisions. The Recipient, through SENER, shall update the Procurement Plan at least once a year, or as needed through the duration of the Project, to reflect the actual Project implementation needs and progress and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter."

12.4. The phrase ‘and Works’ is hereby included in the headings of Sections III.B and III.B.2.

12.5. Section III.C.2 is hereby amended to read in its entirety as follows:

"2. Other Methods of Procurement of Consultants’ Services. The following method, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: Selection of Individual Consultants."

12.6. The disbursement table inserted in Section IV.A.3 is hereby amended to read in its entirety as follows:

<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 and Training other than those financed by the Loan</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Expenditures under Service Management</td>
<td>[Intentionally left blank]</td>
<td></td>
</tr>
</tbody>
</table>
Contracts other than those financed by the Loan

<table>
<thead>
<tr>
<th>(3) Operating Costs for Part 4 of the Project other than those financed by the Loan</th>
<th>100,000</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4) Unallocated</td>
<td>[Intentionally left blank]</td>
<td></td>
</tr>
<tr>
<td>(5) Goods and works under Part 2 of the Project other than those financed by the Loan</td>
<td>14,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph the terms:

(a) “Training” means the reasonable non-consultant expenditures incurred by the Recipient in connection with the carrying out of training activities (including workshops, conferences and seminars) under the Project, including travel costs, per diem of trainers, trainees, facilitators and stakeholders, and training materials; and

(b) “Operating Costs” means the reasonable costs of communications, office supply and utilities, travel and per diem directly related to the performance of the Project activities.

12.7. Section IV.B.2 is hereby amended to read in its entirety as follows:

“2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.”

13. Definitions No. 2, 7, 10, 14, 15, 17 and 19 of the Appendix to the Grant Agreement are hereby deleted. The following definitions are hereby amended and/or inserted, as applicable, in such Appendix (as a result the definitions are renumbered to maintain alphabetical order): (a) Administrative Unit; (b) Anti-corruption Guidelines; (c) CFE; (d) Consultant Guidelines; (e) Contrato de Apoyo Financiero No Reembolsable; (f) Environmental Management Plan; (g) FTE; (h) Indigenous People; (i) Operational Manual; (j) Procurement Guidelines; (k) Procurement Plan; (l) Rural Energy Sub-Projects; (m) SENER-CFE Collaboration Agreement; and (n) SEPA.

Consequently, we are including all the above-mentioned changes in Attachment A to this Amendment Letter (the “Amended and Restated Grant Agreement”).
Please confirm your agreement with the foregoing amendment, including its Attachment A, by signing, dating and returning to us this Amendment Letter. Thereafter, all the provisions of the Grant Agreement, except as amended through this Amendment Letter, shall remain in full force and effect. This Amendment Letter shall be executed in four counterparts each of which shall be an original.

The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon compliance by the Recipient of the following conditions: (i) one fully executed original of this Amendment Letter has been delivered to the World Bank; and (ii) an amendment to the Contrato de Apoyo Financiero No Rembolsable has been entered into by the parties thereto and is in full effect and a copy of such amendment has been delivered to the Bank.

Please note that the approved Restructuring Paper dated October 4, 2012 will be disclosed on the Bank’s external website.

Sincerely,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

[Signature]

Gloria M. Grandolini
Director
Colombia and México
Latin American and the Caribbean Region

AGREED:

UNITED MEXICAN STATES

By: Vanessa Rubio Márquez
Authorized Representative

Title: Titular de la Unidad de Asuntos Internacionales de Hacienda

By: Julián Alberto Valle Pereña
Authorized Representative

Title: Director General de Sustentabilidad
AGREED:

NAFIN

By: Danielle Pellet Thomé
Authorized Representative

Title: Directora de Organismos Financieros Internacionales
ATTACHMENT A

GEF GRANT NUMBER TF091733 (before TF091516)

Amended and Restated
Global Environment Facility
Grant Agreement
(Integrated Energy Services Project)

Among

UNITED MEXICAN STATES

and

NACIONAL FINANCIERA, S.N.C.

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

Dated December 5, 2008 and amended and restated on October 22, 2012
GEF GRANT NUMBER TF091733 (before TF01615)

GLOBAL ENVIRONMENT FACILITY
GRANT AGREEMENT

AGREEMENT dated December 5, 2008 and amended and restated on October 23, 2012, entered into among:

UNITED MEXICAN STATES ("Recipient") represented by its signatories on page 5 of this Agreement (including SECRETARIA DE ENERGIA (SENER) acting as the Recipient’s executing agency for purposes of the GEF Trust Fund Grant); NACIONAL FINANCIERA S.N.C. (NAFIN) acting as the Recipient’s financial agent for purposes of the GEF Trust Fund Grant; and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an implementing agency of the Global Environment Facility ("GEF").

WHEREAS the Recipient has also requested the World Bank to provide additional financing for the Project and by an agreement of even date herewith between the Recipient and World Bank (the Loan Agreement), the World Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to fifteen million Dollars ($15,000,000) ("Loan").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 20, 2006 ("Standard Conditions") 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient, through SENER, shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient, through SENER, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to fifteen million United States Dollars ($15,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

Article IV
Additional Remedies

4.01. The Additional Event of Suspension consists of the following, namely that, NAFIN shall have failed to perform any of its obligations under the Contrato de Apoyo Financiero No Reembolsable.

Article V
Effectiveness; Termination

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

(a) The Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Contrato de Apoyo Financiero No Reembolsable has been entered into by the parties thereto and is in effect.

(c) SENER (in its legal opinion satisfactory to the World Bank, issued by counsel acceptable to the World Bank) and NAFIN (in its legal opinion satisfactory to the World Bank, issued by counsel acceptable to the World Bank), indicate that the Contrato de Apoyo Financiero No Reembolsable has been duly authorized or ratified by, and executed and delivered on behalf of, SENER and NAFIN, and is legally binding upon SENER and NAFIN in accordance with the Contrato de Apoyo Financiero No Reembolsable.

5.02. Without prejudice to the provisions of the Standard Conditions, this Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, but in no case later than the eighteen (18) months after the World Bank's approval of the Grant which expire on July 17, 2009.
Article VI
Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Titular de la Unidad de Asuntos Internacionales de Hacienda of SHCP, and the Director de Organismos Financieros Internacionales of NAFIN is designated as representative of NAFIN for the purposes of Section 10.02 of the General Conditions.

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

Secretaría de Hacienda y Crédito Público
Unidad de Asuntos Internacionales de Hacienda
Insurgentes Sur 1971
Torre III, tercer piso
Colonia Guadalupe Inn
01020 México, D.F.

NAFIN’s Address:

Nacional Financiera, S.N.C.
Dirección de Organismos Financieros Internacionales
Plaza Inn, Insurgentes Sur 1971
Edificio Anexo, Piso Financiero
01020 México, D. F.

SENER’s Address:

Secretaría de Energía
Insurgentes Sur 890,
Col. Del Valle, Del. Benito Juárez
03100 México, D. F.
Facsimile: 011-52 555000-6184/6223

6.03. 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: INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)
AGREED at Mexico City, Mexico, as of the day and year first above written.

UNITED MEXICAN STATES

By /s/ [Signature]
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Agency of the Global Environment Facility

By /s/ [Signature]
Authorized Representative

NACIONAL FINANCIERA S.N.C.

By /s/ [Signature]
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase access to efficient and sustainable integrated energy services in predominantly indigenous rural areas of the Recipient.

The Project consists of the following parts:

Part 1. Policy, Regulation and Strategy

(a) Strengthening of the Recipient’s policy, legal and regulatory framework for the energy sector, including: (i) the definition of the tariff and subsidy mechanisms for projects not connected to the national interconnection system; and (ii) the definition of ownership for projects co-financed with public resources at the national and sub-national level or with a combination of public and private resources.

(b) Development of financial, policy and regulatory incentives to foster the development of RET-based off-grid electricity services.

(c) Development of regulatory measures, standards and manuals to ensure minimum quality levels in technical installations and service delivery practices.

(d) Development of methodological guidelines and tools for public consultation activities and for environmental protection.

(e) Design of a conflict resolution mechanism to ensure transparency and reduce risks.

Part 2. Rural Energy Sub-Projects

Carrying out of Rural Energy Sub-Projects.

Part 3. Promotion and Technical Assistance to Increase Productive Uses of Electricity

Provision of technical assistance to selected entrepreneurs, associations or communities (on a competitive basis when applicable), in the Recipient’s rural areas, to expand their business activities through the use of energy services, including, inter alia:

(a) the development of social or community projects through the provision of rural energy services including energy for community centers or local government offices; (b) the development of productive and economic
activities through the provision of energy services; (c) better access to micro-financing and better management of remittances; (d) better understanding of financial schemes and preparation of business plans; (e) the development of socially productive activities; and (f) promoting of economic and productive activities including profitable energy-intensive productive activities and micro-business or entrepreneurial activities.

Part 4. Project Management

Provision of support for the functioning of the Administrative Unit.
Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. (a) The Recipient, through SENER, shall enter into a contract *(Contrato de Apoyo Financiero No Reembolsable)* with NAFIN, satisfactory to the World Bank, whereby NAFIN agrees to act as financial agent of the Recipient with regard to the Grant, meaning that, *inter alia*, NAFIN agrees to represent the Recipient *vis-à-vis* the World Bank for purposes of submitting withdrawal applications to the World Bank in form and substance sufficient to justify disbursement by the World Bank to the Recipient of Grant proceeds and agrees to maintain and operate a designated account in compliance with the terms of the instructions deferred to in Section IV.A.1 of this Schedule.

   (b) The Recipient, through SENER (acting as the executor), shall exercise its rights and carry out its obligations under the *Contrato de Apoyo Financiero No Reembolsable* in such a manner as to protect the interests of the World Bank and to accomplish the purposes of the Grant, all with the appropriate due diligence and efficiency for the benefit of the Project. Except as the World Bank may otherwise agree, the Recipient, through SENER, shall not amend or fail to enforce any provision of the *Contrato de Apoyo Financiero No Reembolsable*. In case of any conflict between the terms of the *Contrato de Apoyo Financiero No Reembolsable* and those of this Agreement, the terms of this Agreement shall prevail.

2. The Recipient, through SENER (through its *Dirección General de Sustentabilidad*), shall maintain, until completion of the Project, the unit within SENER (the “Administrative Unit”), with staff (including a procurement specialist and a financial management specialist), structure and functions satisfactory to the World Bank, which shall be responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including, without limitation, the carrying out of procurement and financial management activities under the Project, together with the responsibility for the preparation of the financial statements, financial reports, Project Reports, and maintenance of the records and accounts referred to in Section II of Schedule 2 to this Agreement.
3. For the purposes of implementing Part 2 of the Project, the Recipient, through SENER, shall:

(a) maintain an agreement with CFE (the SENER-CFE Collaboration Agreement), under terms and conditions acceptable to the World Bank, including, *inter alia* the obligation of CFE to: (A) carry out the activities under Part 2 of the Project in accordance with the provisions set forth in this Agreement, the Operational Manual, the Anti-corruption Guidelines and Section III of this Schedule 2; and (B) take all actions necessary to enable the Recipient, through SENER, to comply with all of its obligations under this Agreement; and

(b) exercise its rights and carry out its obligations under the SENER-CFE Collaboration Agreement in such manner as to protect the interests of the Recipient and the World Bank, and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient, through SENER, shall not assign, amend, abrogate, waive or fail to enforce the SENER-CFE Collaboration Agreement or any of their provisions. In case of any conflict between the terms of this Agreement and the terms of the SENER-CFE Collaboration Agreement, the terms of this Agreement shall prevail.

B. Operational Manual

1. The Recipient, through SENER, shall carry out the Project in accordance with the terms of a manual satisfactory to the World Bank (the Operational Manual). Except as the World Bank shall otherwise agree, the Recipient, through SENER, shall not amend, waive or fail to enforce the Operational Manual or any provision thereof. In case of any conflict between the terms of this Agreement and those of the Operational Manual, the terms of this Agreement shall prevail.

2. The Operational Manual shall include provisions detailing procedures and guidelines for the carrying out of the Project, including, *inter alia*:

(a) procedures for the preparation, review and approval of reports pursuant to the Project’s financial management arrangements;

(b) procurement and contracting procedures consistent with Section III of Schedule 2 to this Agreement, to be applicable to the contracts for the works goods and consultants’ services required for the Project and to be financed out of the proceeds of the Grant;

(c) Project performance indicators and the procedures for the monitoring and evaluation of the Project;
- 9 -

(d) procedures for the preparation, review and approval of withdrawal applications in conformity with the instructions that the World Bank may give to the Recipient, through SENER, and NAFIN in this respect;

(e) eligibility criteria for the identification, prioritization and selection of the Energy Sub-Projects;

(f) clear and well defined roles and responsibilities, as appropriate, of inter alia: (i) CFE; (ii) FTE; (iii) NAFIN; and (iv) SENER; in the carrying out of the Project;

(g) the Environmental Management Plan;

(h) a framework for public consultations with Project stakeholders; and

(i) procedures for the carrying out of voluntary donations of land by local communities participating in the Project.

C. Safeguards

The Recipient, through SENER, shall carry out the Project in accordance with the provisions of the Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The Recipient, through SENER, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed with 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 (45) days after the end of the period covered by such report.

2. The Recipient, through SENER, shall 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 six months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient, through SENER, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient, through SENER, in close coordination with CFE, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to
the World Bank not later than forty five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient, through SENER, in close coordination with CFE, shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Procurement Guidelines and Consultant Guidelines. All goods, works 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:

   (a) Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised October 1, 2006 and May 1, 2010 (“Procurement Guidelines”) in the case of goods and works; and Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the World Bank in May 2004 and revised October 1, 2006 and May 1, 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient, through SENER, for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in 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 the Procurement Guidelines or the Consultant Guidelines, as the case may be.

3. Special Provisions. The Recipient, through SENER, shall update the Procurement Plan at least once a year, or as needed through the duration of the Project, to reflect the actual Project implementation needs and progress and supply the SEPA with the information contained in the updated Procurement Plan immediately thereafter.
B. Particular Methods of Procurement of Goods and Works

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

2. **Other Methods of Procurement of Goods and Works** The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; and (b) Shopping.

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 method, other than Quality and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

1. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. NAFIN may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) 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 table in paragraph 2 below.

2. The Recipient’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Director de Organismos Financieros Internacionales of NAFIN, or any person or person whom he or she shall designate in writing.

3. The following 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 and Training other than those financed by the Loan</td>
<td>500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Expenditures under Service Management Contracts other than those financed by the Loan</td>
<td>[Intentionally left blank]</td>
<td></td>
</tr>
<tr>
<td>(3) Operating Costs for Part 4 of the Project other than those financed by the Loan</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>[Intentionally left blank]</td>
<td></td>
</tr>
<tr>
<td>(5) Goods and works under Part 2 of the Project other than those financed by the Loan</td>
<td>14,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15,000,000</td>
<td></td>
</tr>
</tbody>
</table>

For purposes of this paragraph the terms:

(a) "Training" means the reasonable non-consultant expenditures incurred by the Recipient in connection with the carrying out of training activities (including workshops, conferences and seminars) under the Project, including travel costs,
per diem of trainers, trainees, facilitators and stakeholders, and training materials; and

(b) “Operating Costs” means the reasonable costs of communications, office supply and utilities, travel and per diem directly related to the performance of the Project activities.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $3,000,000 equivalent may be made for payments made within twelve (12) months of this Agreement, but in no case prior to May 15, 2007, for Eligible Expenditures; and from the Loan Account until the World Bank has received payment in full of the Front-End Fee referred to in Section 2.03 of the Loan Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.
APPENDIX

Section I. Definitions

1. “Administration Unit” means the unit within SENER referred to in Section I.A.2 of Schedule 2 to this Agreement.


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

4. “CFE” means Comisión Federal de Electricidad, the Recipient’s national electricity utility.


6. “Contrato de Apoyo Financiero No Reembolsable” means the contract referred to in Section I.A.1(a) of Schedule 2 to this Agreement.

7. “Environmental Management Plan” means the Manual de Buenas Prácticas Ambientales para la Construcción de Obras de Electrificación con Aplicación de Granjas Solares, published on SENER’s website on March 28, 2012, acceptable to the World Bank, which set forth the procedures and measures to be followed for the adequate environmental management of the Project, as said plan may be amended from time to time with the agreement of the World Bank.

8. “FTE” means Fondo para la Transición Energética y el Aprovechamiento Sustentable de la Energía, the Recipient’s fund for energy transition and the sustainable use of energy, established pursuant the Recipient’s renewable energy law (Ley para el Aprovechamiento de Energías Renovables y el Financiamiento de la Transición Energética), of November 2008.

9. “Indigenous Peoples” means social groups disadvantaged in the development process and with a social and cultural identity distinct from those which constitute the predominant ethnic group in the Recipient’s territory.

10. “NAFIN” means Nacional Financiera, S.N.C., a Mexican development bank serving as the Recipient’s financial agent for purposes of the Grant.
11. “Operational Manual” means the manual dated October 4, 2012, and referred to in Section I.B of Schedule 2 to this Agreement, as said manual may be amended from time to time with the World Bank’s prior approval.


13. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 1, 2011, updated on July 31, 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 paragraph.

14. “Rural Energy Sub-Projects” means the provision of (i) centralized solar farms using photovoltaic technology to generate electricity; and/or (ii) mini-grids distributing outputs to households, rural institutions and micro-enterprises; all such infrastructure to be built in selected Project areas, where the majority of beneficiaries are Indigenous Peoples.

15. “SENER” means Secretaria de Energia, the Recipient’s executing agency for the Project.

16. “SENER-CFE Collaboration Agreement” means the agreement referred to in Section I.A.3.(a) of Schedule 2 to this Agreement.


