Lic. Juan Manuel Altamirano León  
General Fiduciary Delegate  
Nacional Financiera, S.N.C.  
Avenida Insurgentes Sur 1971  
Torre IV Piso 6  
Colonia Guadalupe Inn  
C.P. 01020  
México, DF

Ing. Juan Rafael Elvira Quesada  
Secretary  
Secretariat of Environment and Natural Resources  
Blvd. Adolfo Ruiz Cortines No. 4209  
Colonia Jardines en la Montaña  
C.P. 14210  
México, DF

Re: GEF Grant No. TF012908 (Sustainable Production Systems and Biodiversity Project)  
Additional Instructions: Disbursement Letter

Dear Srs,

I refer to the Grant Agreement ("Agreement") among: (i) Nacional Financiera, S.N.C., acting as trustee of the Fideicomiso Fondo para la Biodiversidad ("BTF"), (the "Recipient"); (ii) the United Mexican States ("UMS"), as represented by the Secretaría de Medio Ambiente y Recursos Naturales; and (iii) the International Bank for Reconstruction and Development, acting as an implementing agency of the Global Environment Facility ("GEF"), ("World Bank"), in respect of grant funds provided to the GEF Trust Fund by certain members of the World Bank as participants of the GEF, for the above-referenced Grant, dated October 3, 2012. The Grant Agreement provides that the World Bank may issue additional instructions regarding the withdrawal of the proceeds under Grant No. TF012908. This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

The attached World Bank Disbursement Guidelines for Projects, dated May 1, 2006 ("Disbursement Guidelines") (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.
I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Grant:

- Reimbursement.
- Advance.
- Direct Payment.

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is 4 months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the World Bank.

(iii) Disbursement Conditions (Subsection 3.8). Please refer to the Withdrawal Conditions in Section IV.B.1 of Schedule 2 to the Grant Agreement.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the form attached (Attachment 2) should be furnished to the World Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

Banco Mundial
Insurgentes Sur 1605, Piso 24
Col. San Jose Insurgentes
03900 Mexico, D.F.
Mexico
Attention: Ms. Gloria M. Grandolini, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, in accordance with the additional instructions included in section IV of this letter, to the address indicated below:

Banco Mundial
Setor Comercial Norte,
Quadra 02, Lote A
Edificio Corporate Finance Center
7º andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4). The World Bank may permit the Recipient to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank’s Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign
and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (https://clientconnection.worldbank.org). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation ("Terms and Conditions of Use of Tokens") provided in Attachment 3; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for reimbursement and direct payment is Mexican Peso $5,500,000.

(vi) Advance (sections 5 and 6) to the Recipient:

- **Type of Designated Account (subsection 5.3)**: Pooled.

- **Currency of Designated Account (subsection 5.4)**: Mexican Peso (Local Currency).

- **Financial Institution at which the Designated Account will be opened (subsection 5.5)**: BBVA Bancomer, S.A.

- **Ceiling (subsection 6.1)**: Mexican Peso $27,500,000.

III. Reporting on Use of Grant Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each Application for Withdrawal as set out below:

- **For requests for Reimbursement:**
  - Report in the form attached (Attachment 4 – Statement of Expenditures with supporting documentation) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for
    - **Goods and Works** against contracts valued at USD $200,000 equivalent or more,
    - **Consulting Firms** against contracts valued at USD $100,000 equivalent or more, and
Individual Consulting and Non-consulting Services against contracts valued at USD $50,000 equivalent or more;
- Statement of Expenditures in the form attached (Attachment 5 - Statement of Expenditure without supporting documentation) for all other expenditures and/or contracts below the above mentioned thresholds, including Training and Operating Costs;
- Custom Statement of Expenditures in the form attached (Attachment 6) for all Subproject Expenditures; and,
- List of payments in the form attached (Attachment 7) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) against contracts that are subject to the World Bank’s prior review.

For reporting eligible expenditures paid from the Designated Account:

- Report in the form attached (Attachment 4 – Statement of Expenditures with supporting documentation) with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for
  - Goods and Works against contracts valued at USD $200,000 equivalent or more,
  - Consulting Firms against contracts valued at USD $100,000 equivalent or more, and
  - Individual Consulting and Non-consulting Services against contracts valued at USD $50,000 equivalent or more;
- Statement of Expenditures in the form attached (Attachment 5 - Statement of Expenditure without supporting documentation) for all other expenditures and/or contracts below the above mentioned thresholds, including Training and Operating Costs;
- Custom Statement of Expenditures in the form attached (Attachment 6) for all Subproject Expenditures;
- List of payments in the form attached (Attachment 7) together with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) against contracts that are subject to the World Bank’s prior review; and,
- A Designated Account activity reconciliation statement and related Bank Statements should be submitted with each withdrawal application reporting on the use of Loan proceeds from the Designated Account (Attachment 8) in accordance with the additional instructions included in section IV of this letter.

For requests for Direct Payment: records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

IV. Other Disbursement Information

Withdrawal Application Instructions:

The Recipient will be in charge of managing the Client Connection System for withdrawal of grant proceeds. The Recipient will authorize the BTF Technical Secretary and selected staff of UMS’s National Commission for the Knowledge and Use of Biodiversity (“CONABIO”) to sign withdrawal applications on its behalf. Therefore all signed withdrawal applications should be copied to the authorized CONABIO staff and the BTF Technical Secretary.

Designated Account (DA) Reconciliation Statement Instructions:

Advances from the World Bank will be deposited first into a bank account held by Nacional Financiera, S.N.C., in BBVA Bancomer, a commercial bank institution, which is used by Nacional Financiera, S.N.C. for multiple purposes (i.e. not only for this project). Project funds will remain in this account normally for a period of 1 or 2 days, until the Recipient receives an instruction from the BTF Technical Secretary to transfer the money to an investment account (a.k.a. operating account) specifically opened by the Recipient under the name of the BTF.

Whenever there is a need to pay to: (i) suppliers of goods and services under the four components of the project, and/or (ii) transfer funds to the producer associations under Parts 1.(a) and 2.(a)(ii) of the Project, the BTF Technical Secretary and selected staff of CONABIO will instruct the Recipient to transfer funds from the investment account in Nacional Financiera, S.N.C., into a project’s commercial bank account in HSBC (a commercial Bank) at the name of the BTF, which will be used to make such payments. These payments will be made by CONABIO’s Directorate of Administration immediately after the funds are in HSBC.

The DA reconciliation should therefore reflect the deposits into the BBVA Bancomer account as well as the corresponding deposits to the investment account/operating account and HSBC commercial account. Any undocumented expenditures in any of the accounts should be reflected in the ‘Applications not yet credits’ in part 7 of the DA reconciliation statements. In addition, the statements of the Operating Account and HSBC commercial bank account should be attached to the reconciliation.

Project Part 2.(a)(i):

Project Part 2.(a)(i) refers to the conversion of informal networks of producer groups into producer associations and is not a sub-project within the meaning attached to it under the Grant Agreement. Therefore the activities under this part of the project will not be financed by the GEF.
3. Other Important Information


If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (http://clientconnection.worldbank.org). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. All Recipient officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Victor Ordonez Conde, Finance Officer at vconde@worldbank.org using the above reference.

Very truly yours,

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

[Signature]
Gloria M. Grandolini
Director
Country Management Unit
Colombia and Mexico
Attachments

1. World Bank Disbursement Guidelines for Projects, dated May 1, 2006
2. Form for Authorized Signatures
4. Statement of Expenditure with supporting documents (above SOE thresholds)
5. Statement of Expenditure without supporting documents (below SOE thresholds).
6. Custom Statement of Expenditures for Subprojects
7. Form of Payments Against Contracts Subject to the World Bank’s Prior Review
8. Designated Account Reconciliation