Strategic Climate Fund
Forest Investment Program
Grant Agreement

(Forests and Climate Change Project)

among

UNITED MEXICAN STATES

and

COMISIÓN NACIONAL FORESTAL

and

NACIONAL FINANCIERA, S.N.C.

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an implementing entity of the Forest Investment Program
under the Strategic Climate Fund

Dated May 25, 2012
AGREEMENT dated May 25, 2012 entered into among: UNITED MEXICAN STATES ("Recipient"), as represented by its Ministry of Finance and Public Credit; COMISIÓN NACIONAL FORESTAL (CONAFOR), NACIONAL FINANCIERA, S.N.C. (NAFIN), acting as the Recipient's financial agent for purposes of the SCF Grant; and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting not in its individual capacity but solely in its capacity as an implementing entity of the Strategic Climate Fund ("SCF").

(A) Pursuant to the SCF FIP Loan Agreement, the World Bank has agreed to make a loan to the Recipient in the amount of sixteen million three hundred forty thousand Dollars ($16,340,000), on the terms and conditions set forth in the SCF FIP Loan Agreement;

(B) Pursuant to the IBRD Loan Agreement, the World Bank has agreed to make a loan to the Recipient in the amount of three hundred fifty million Dollars ($350,000,000), on the terms and conditions set forth in the IBRD Loan Agreement; and

(C) Pursuant to the Project Agreement, CONAFOR has agreed to implement the Project and undertake the obligations set forth in the Project Agreement;

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 31, 2010 ("Grant Standard Conditions").

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Grant Standard Conditions or in the Appendix to the IBRD Loan Agreement, in Appendix to the SCF FIP Loan Agreement or in the Appendix to 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 shall cause the Project to be carried out by CONAFOR in accordance with the provisions of Article II of the Grant Standard Conditions and the "Project Agreement."

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 shall cause CONAFOR to 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 twenty five million six hundred sixty thousand Dollars ($25,660,000) ("Grant") to assist in financing the Project.

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

3.03. The SCF FIP Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds. Accordingly, in the event that any donor cancels or fails to pay any contributions under the trust fund to the World Bank for any reason, or that as a result of currency exchange variations the amount of funds available in the trust fund is insufficient for the purposes of the Grant, the Recipient shall cause CONAFOR to bear the risk of such funding shortfall and the World Bank shall not have any liability whatsoever to the Recipient, to CONAFOR or to any third parties in respect of any expenditures or liabilities incurred by the Recipient, CONAFOR or any third parties in connection with this Agreement which exceed the amount of funds made available to the World Bank by the donors for the purposes of the Grant.
Article IV
Additional Remedies

4.01. The Additional Events of Suspension consist of the following:

(a) The CONAFOR’s Legislation has been amended, suspended, abrogated, repealed, waived or not enforced so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) The Mexican Forest Legal Framework has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the execution of the Project.

(c) CONAFOR shall have failed to perform any of its obligations under the Project Agreement.

(d) NAFIN shall have failed to perform any of its obligations under the Contrato de Apoyo Financiero No Reembolsable.

(e) The Member Country has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the Project Agreement.

(f) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(g) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the Project Agreement.
Article V  
Effectiveness; Termination

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

(a) The *Contrato de Apoyo Financiero No Reembolsable* has been duly signed by the parties thereto.

(b) The SCF FIP Loan Agreement has been signed and delivered by all the parties to such agreement, and all conditions precedent to its effectiveness (other than the fulfillment of effectiveness of this Agreement or of the SCF FIP Grant Agreement) have been fulfilled.

(c) The IBRD Loan Agreement has been signed and delivered by all the parties to such agreement, and all conditions precedent to its effectiveness (other than the fulfillment of effectiveness of this Agreement or of the IBRD Loan Agreement) have been fulfilled.

(d) The Project Agreement has been signed and delivered by all the parties to such agreement.

5.02. The Additional Legal Matters consist of the following.

(a) NAFIN, through a legal opinion satisfactory to the World Bank, issued by NAFIN 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, NAFIN and is legally binding upon NAFIN in accordance with the terms of the *Contrato de Apoyo Financiero No Reembolsable*.

(b) The Recipient, through a legal opinion satisfactory to the Bank, issued by CONAFOR counsel acceptable to the Bank, indicate that, this Agreement has been duly authorized by, and executed and delivered on behalf of the Recipient and is legally binding upon the Recipient in accordance with its terms; and

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

5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 of this Agreement (the Effective Date). If before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone, after consultation with the Recipient, the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.04. Without prejudice to the provisions of the Grant Standard Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the World Bank's approval of the SCF FIP Grant which will expire on July 31, 2013.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is Titular de la Unidad de Asuntos Internacionales de Hacienda of SHCP.

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, Piso 3
Colonia Guadalupe Inn, 01020
Mexico, Distrito Federal

With a copy to:

Nacional Financiera, S.N.C.
Dirección de Organismos Financieros Internacionales
Avenida Insurgentes Sur 1971
Edificio Anexo-Nivel Jardín
Piso financiero
Colonia Guadalupe Inn, C.P. 01020
Mexico, Distrito Federal
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 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)

AGREED at Mexico City, United Mexican States, as of the day and year first above written.

UNITED MEXICAN STATES
By

COMISIÓN NACIONAL FORESTAL
By

NACIONAL FINANCIERA, S.N.C.
By

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an implementing entity of the Forest Investment Program under the Strategic Climate Fund
By

Authorized Representative
Authorized Representative
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to support rural communities in the territory of the Borrower to sustainably manage their forests, build social organization, and generate additional income from forest products and services including from REDD+.

The Project consists of the following parts:

Part 1: Policy Design and Institutional Strengthening

1. Provision of technical assistance and financing of Operating Costs to: (i) strengthen CONAFOR’s monitoring and evaluation systems by revamping databases, strengthening CONAFOR’s remote sensing and geographic information capacities, and strengthening CONAFOR’s technical capacity to better measure the outcomes of CONAFOR’s investments in the field; (ii) design and pilot a comprehensive REDD+ monitoring, reporting and verification system by: (A) developing tools to monitor the environmental, social and economic impacts of REDD+ Early Action Areas Subprojects; (B) analyzing community-based monitoring techniques, and (C) designing an impact evaluation strategy, all for the activities to be carried out under Part 3.3 of the Project; and (iii) monitor results and carry out strategic evaluations of the Forest Investment Plan.

2. Provision of technical assistance and financing of Operating Costs to carry out analytical work and workshops to improve public policies and public programs on forest management and forest conservation issues by: (i) carrying out studies and workshops to draw lessons from ongoing environmental services and community forestry programs in the Borrower’s territory, and propose adjustments to CONAFOR Rules to achieve, inter alia, greater integration and synergies amongst said environmental services and community forestry programs; (ii) carrying out studies related to policies and programs related to forestry, agriculture, livestock, and other economic activities in rural landscapes to achieve, inter alia, greater integration and synergies amongst said policies and programs in rural landscapes; (iii) carrying out studies and workshops to design innovative REDD+ institutional arrangements to pilot in REDD+ Early Action Areas under Part 3 of the Project; (iv) carrying out workshops, communication and outreach activities to facilitate the successful implementation of the Project (including on social and environmental safeguards issues); (v) disseminating information and carrying out consultations with indigenous peoples and other forest communities on REDD+, sustainable forest management, and related issues; (vi) carrying out workshops for indigenous peoples, local communities and other stakeholders involved in the management of forest landscapes in REDD+ Early Action Areas under Part 3 of the Project; and (vii) carrying out local and international learning activities, including South-South learning
initiatives, and disseminating and exchanging lessons and experiences on REDD+ and on the implementation of the Forest Investment Plan.

3. Provision of goods and technical assistance (including training) and financing of Operating Costs to: (i) modernize CONAFOR’s administration and advisory capacity, and promote the sharing of good practices and technologies; (ii) support the overall management of the Project, including the carrying out of coordination, reporting, fiduciary and safeguards related activities; and (iii) foster cross-sector coordination between CONAFOR and other agencies of the Borrower involved in rural development at the federal level (such as, inter alia, SEMARNAT and SAGARPA) by creating joint databases with SAGARPA and SEMARNAT, and streamlining the administrative framework for community-based forest management.

4. Provision of technical assistance (including training) and financing of Operating Costs to: (i) train a roster (padrón) of qualified professionals to be hired by Communities and/or Ejidos (following the procedures set forth in Section III of the Schedule to the Project Agreement) to advise said Communities and/or Ejidos in the preparation and implementation of the activities under Parts 2 and 3.3 of the Project; and (ii) design and implement a service provider quality accreditation and certification scheme for the qualified professionals referred in Part 1.4.(i) of the Project.

Part 2: Consolidation of CONAFOR Priority Community-Based Programs at the National Level

Provision of support to Communities and/or Ejidos to help them combine sustainable forest management with socio-economic development, enhance the contribution of forests to climate change mitigation and adaptation, and generate additional income opportunities for Communities and/or Ejidos, making sustainable management more economically attractive, through:

Silvicultura Comunitaria (Programa de Desarrollo Forestal Comunitario)
(i) the carrying out of activities to promote, strengthen, and consolidate community institutions and local development processes for the collective and sustainable management of forest resources including, inter alia: (a) the carrying out of participatory rural appraisals; (b) the elaboration of land-use zoning plans (ordenamientos territoriales comunitarios); (c) the development and strengthening of community statutes to regulate the use of collective forest resources; (d) the carrying out of community-to-community seminars and other knowledge sharing activities among Communities and/or Ejidos at different levels of organization; (e) the provision of support (in a manner acceptable to the Bank) to participatory community surveillance committees to ensure compliance with management plans, community statutes, and social and environmental safeguards; and (f) the carrying out of workshops and training courses for
Community and/or *Ejido* members and staff of community forestry enterprises on technical aspects of forest management, silviculture, environmental sustainability, business administration, and transformation and marketing of forest products and services.

**Prodefor (Programa de Desarrollo Forestal)**
(ii) the carrying out of activities to support forest Communities and/or *Ejidos* strengthen their capacities to manage productive forests sustainably including, *inter alia:* (a) studies to prepare environmental impact assessments and forest management plans based on official regulations needed to obtain the Borrower's permits for extraction of timber and non-timber forest products; (b) silvicultural activities aimed at ensuring forest regeneration and improvement of forest productivity and carbon sequestration; (c) activities to improve and modernize forestry technologies used by community forestry enterprises to increase their efficiency, competitiveness and add value to their timber and non-timber products; and (d) technical assistance activities to assess compliance with environmental and social safeguards, and to conduct evaluations to certify the environmental and social sustainability of forestry interventions based on national and international standards.

**Cadenas Productivas (Programa de Integración de Cadenas Productivas)**
(iii) the carrying out of activities to promote and strengthen forest value chains established by community forest enterprises to add value to their timber and non-timber forest products, expand access to markets, and improve competitiveness including, *inter alia:* (a) legal registration of community forest enterprises and inter-community value chains; (b) studies to prepare strategic business plans, process engineering, and investment feasibility assessments; (c) purchasing of processing equipment to integrate community forest enterprises into value chains; (d) purchasing of office equipment for community forestry enterprises; and (e) activities to improve marketing of timber and non-timber forest products and services, and to strengthen the growth of community forestry enterprises.

**PSAB (Programa de Servicios Ambientales del Bosque)**
(iv) the provision of payments to Communities and/or *Ejidos* in exchange for the provision of environmental services which benefit people other than the land users in the PSAB Areas, which services include, *inter alia:* (a) services generated by forest ecosystems in the provision of water and the prevention of disasters; (b) services generated by forest ecosystems in the conservation of biodiversity; and (c) services generated by forest ecosystems in the capture of carbon.

**Programas Especiales**
(v) the provision of technical assistance and payments to Communities and/or *Ejidos* for: (a) the carrying out of activities to restore ecosystems in degraded areas including, *inter alia:* reforestation, soil conservation, agroforestry, and
forest fire prevention activities; and (b) the carrying out of activities to restore and conserve ecosystems in coastal watersheds and other areas with high deforestation rates including, inter alia, forest conservation, sustainable forest management, reforestation, agroforestry, and forest fire prevention activities.

Part 3: Innovation for REDD+ in REDD+ Early Action Areas

1. Provision of technical assistance and financing of Operating Costs to design innovative REDD+ approaches to be piloted in REDD+ Early Action Areas under Parts 3.2 and 3.3 of the Project, including, inter alia: (i) the alignment of forestry, agriculture and livestock policies and incentive programs managed by CONAFOR and SAGARPA and improvement of the overall carbon balance in rural landscapes in the Borrower’s territory; (ii) the tailoring or customization of CONAFOR’s forestry incentive programs and adjustment of the eligibility criteria and procedures of said programs to promote REDD+ practices at the community and landscape level; (iii) the supporting of the emergence of new local governance agents such as local technical agents (ATLs, as defined in the Appendix to this Agreement) and local development agents (ADLs, as defined in the Appendix to this Agreement) allowing for a broader spatial integration at the municipal, watershed or landscape level; and (iv) the development of specific operational rules for the implementation of Part 3.3 of the Project.

2. Provision of technical assistance (including training), goods and financing of Operating Costs to: (i) strengthen the capacities of ADLs and ATLs, (ii) assist Communities and/or Ejidos and other local stakeholders in the REDD+ Early Action Areas to identify and implement innovative REDD+ Early Action Subprojects; (iii) establish coordination mechanisms to effectively develop and implement participatory regional land-use plans and identify landscape level strategies for REDD+; (iv) enable integrated cross-sector action in support of sustainable economic activities in forest landscapes; (v) assist Communities and/or Ejidos and Ejidos to implement REDD+ Early Action Subprojects; (vi) coordinate efforts for monitoring and evaluation of REDD+ activities; and (vii) identify and disseminate lessons learned in REDD+ Early Action Areas for potential future scaling up of REDD+ landscape initiatives to other regions in the Borrower’s territory.

3. Provision of financing to Communities and/or Ejidos to carry out REDD+ Early Action Areas Subprojects.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Contrato de Apoyo Financiero No Reembolsable.

1. The Recipient shall cause NAFIN to enter into a contract (Contrato de Apoyo Financiero No Reembolsable) with CONAFOR satisfactory to the World Bank, whereby, inter alia:

   (a) NAFIN agrees to act as financial agent of the Recipient with regard to the SCF FIP 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 SCF FIP Grant proceeds and agrees to maintain and operate an account in compliance with the terms of this Agreement;

   (b) CONAFOR shall have the right to, in case of fraud or corruption practices (as defined in the Anti-Corruption Guidelines) provide for the early termination of the Contrato de Apoyo Financiero No Reembolsable or temporarily suspend its effects and/or require the restitution of the funds transferred to NAfin in relation to the Project;

   (c) NAFIN shall have the right to, in case of fraud or corruption practices (as defined in the Anti-Corruption Guidelines) provide for the early termination of the Contrato de Apoyo Financiero No Reembolsable or temporarily suspend its effects and/or require the restitution of the funds transferred to CONAFOR under said Contrato de Apoyo Financiero No Reembolsable; anc

   (d) CONAFOR shall agree to carry out the Project. CONAFOR, shall agree to cooperate fully with NAFIN to ensure that NAFIN is able to comply with all of its obligations under the Contrato de Apoyo Financiero No Reembolsable.

2. The Recipient shall cause NAFIN to 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 SCF FIP 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 shall cause NAFIN not to assign, amend, abrogate, waive,
terminate or fail to enforce any provision of Contrato de Apoyo Financiero No Reembolsable.

3. 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.

B. Anti-Corruption

The Recipient shall ensure, and shall cause CONAFOR to ensure, that the Project is carried out in accordance with the provisions of the “Anti-Corruption Guidelines”. Without limitation to the foregoing, the Recipient, through CONAFOR, shall cause NAFIN, as trustee (mandataria) of the Forest Fund to agree by not later than December 16, 2011, to comply with the Anti-Corruption Guidelines.

C. Safeguards

1. The Recipient shall cause CONAFOR to ensure that the Project is carried out in accordance with the Safeguard Documents and the provisions of Section I.J of the Schedule to the Project Agreement.

2. The Recipient shall cause CONAFOR to ensure, that the terms of reference for any consultancies under the Project including any consultancy related to plans, strategies and elaboration of response options and measures, or the terms of reference for any technical assistance provided under the Project, shall be satisfactory to the World Bank and, to that end, such terms of reference shall incorporate the requirements of the World Bank safeguard policies as applied to the advice conveyed through such consultancies and technical assistance.

D. General Implementation

For purposes of carrying out Part 1.3 of the Project, the Recipient shall cause CONAFOR to cause SEMARNAT or SAGARPA, as the case might be, to comply with the provisions of the (i) SEMARNAT Agreement; and (ii) the SAGARPA Agreement. For purposes of carrying out the activities under Part 3.2 of the Project that will be carried out through CONABIO, the Recipient shall cause CONAFOR to cause the parties to the CONABIO Trust to comply with the provisions of the CONABIO Agreement.
Section II.  **Project Monitoring, Reporting and Evaluation**

A.  **Project Reports; Completion Report**

1.  (a) The Recipient shall cause CONAFOR to 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 Project Indicators. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than 60 days after the end of the period covered by such report.

   (b) The Recipient shall cause CONAFOR to prepare the Completion Report in accordance with the provisions of Section 2.06 of the Grant Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date. In order to assist CONAFOR in preparing the Completion Report, the Recipient shall cause CONAFOR to employ its staff or consultants whose qualifications, experience and terms of reference are acceptable to the World Bank and, in the case of employing consultants, they shall be hired in accordance with the provisions of Section III of this Schedule.

B.  **Financial Management; Financial Reports; Audits**

1. The Recipient shall cause CONAFOR to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Grant Standard Conditions.

2. The Recipient shall cause CONAFOR to ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall cause CONFOR to have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Grant 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**

All goods, works, non-consulting Services and consultants' services required for the Project and to be financed out of the proceeds of the SCF FIP Grant shall be procured in accordance with the requirements set forth in Section III of the Schedule to the Project Agreement.
Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may or may cause NAFIN to 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. Unless otherwise notified in writing to the Bank by the Recipient’s Representative referred in Section 6.01 of this Agreement, the Recipient representative for purposes of taking any action required or permitted to be taken pursuant to this Section is NAFIN’s Director of International Financial Institutions (Director/a de Organismos Financieros Internacionales).

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) Goods, works, non-consulting services, consultants’ services and Operating Costs for Parts 1, 3.1 and 3.2 of the Project</td>
<td>18,660,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services and Operating Costs for Part 3.3 of the Project</td>
<td>7,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>25,660,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $5,000,000 equivalent may be made for payments made prior to this date but on or after December 1, 2011 but in no case made more than twelve (12) months prior to the date of this Agreement, for Eligible Expenditures.

   (b) under Category (2) unless (i) additional procurement, financial management, social, and communication specialists in numbers and with qualifications and experience satisfactory to the World Bank, have been hired by CONAFOR to support the implementation of the Project, in a manner satisfactory to the World Bank and (ii) the Guidelines for REDD+ Early Action Areas Subprojects have been issued.

2. The Borrower shall cause NAFIN not to submit withdrawal applications under Category (1) to finance activities under Part 3.2 of the Project implemented by CONABIO pursuant to the CONABIO Agreement unless the CONABIO Agreement has been entered into as referred in Section I.C.3 of the Schedule to the Project Agreement.

3. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is February 28, 2017.
APPENDIX

Section. Definitions

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