Mr. Alejandro Díaz de León Carrillo  
Titular de la Unidad de Crédito Público  
Secretaría de Hacienda y Crédito Público  
Insurgentes Sur 1971, Torre III, Piso 3  
Colonia Guadalupe Inn, 01020  
México, Distrito Federal  

Re: MEXICO: SCF FIP Loan No. TF011570 (Forests and Climate Change Project)  
First Amendment to the Loan Agreement  

Dear Mr. Díaz de León,  

Please refer to the Agreement between the United Mexican States (the Borrower), as represented by its Ministry of Finance and Public Credit, and the International Bank for Reconstruction and Development, acting as an implementing entity of the Forest Investment Program under the Strategic Climate Fund (the World Bank), dated May 25, 2012, (the Loan Agreement) for the Forests and Climate Change Project (the Project). The capitalized terms used in this letter (the Amendment Letter) and not defined herein have the meaning ascribed to them in the Loan Agreement.  

Pursuant to your letter of request dated June 24, 2014, and subsequent conversations between the Borrower and the World Bank, the World Bank hereby agrees to amend the Loan Agreement as follows:  

1. Section 2.01 is hereby amended to read in its entirety as follows:  

   "2.01. Noting that the Borrower has informed the World Bank that the proceeds of the Loan shall be used in conformity with the requirements of the Borrower's income, budgetary and public debt laws and the terms of this Agreement, but without limitation to the provisions of Section 8.01 of the General Conditions, the World Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of sixteen million three hundred forty thousand Dollars ($16,340,000) ("Loan", when referred to in this Agreement, or "SCF FIP Loan"), to assist the Borrower in financing the project described in Schedule 1 to this Agreement ("Project")."  

2. Schedule 1 is hereby amended to read in its entirety as set forth in Annex 1 to this Amendment Letter.  

3. Section 1.B of Schedule 2 is hereby amended to read in its entirety as follows:  

   "B. Anti-Corruption  

The Borrower shall, 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 Borrower shall cause CONAFOR to cause the Forest Fund Trustee to agree to comply with the Anti-Corruption Guidelines."
4. The table in Section IV.A.3 of Schedule 2 is hereby amended to read its entirety as set forth in Annex 2 to this Amendment Letter.

5. Section IV.B.1 (b) of Schedule 2 is hereby amended to read in its entirety as follows:

“(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 Activities have been issued.”

Please confirm your agreement with the foregoing amendment by signing and dating this Amendment Letter in the spaces provided below. All other provisions of the Loan Agreement except as amended through this Amendment Letter, shall remain in full force and effect. This Amendment Letter shall be executed in four (4) counterparts, each of which shall be an original.

The provisions set forth in this Amendment Letter shall become retroactively effective as of May 25, 2012, upon the countersignature and receipt by the World Bank of one fully executed original of this amendment letter.

Please also note that the approved Restructuring Paper dated August 13, 2015 will be disclosed on the World Bank’s external website.

Sincerely,

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

By ________________________________
Gerardo M. Corrochano
Country Director
Colombia and Mexico
Latin America and the Caribbean Region

AGREEED:

UNITED MEXICAN STATES

By: ________________________________
Authorized Representative

Name: Alejandro Díaz de León
Title: Titular de la Unidad de Crédito Público
Date: September 14, 2015
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. (i) Strengthening 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; and (ii) designing and piloting 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 Activities; (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. Carrying out analytical work and workshops to improve public policies and public programs on forest management and forest conservation issues by: (i) carrying out analyses 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 analyses 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 analyses 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. (i) Modernizing CONAFOR’s administration and advisory capacity, and promoting the sharing of good practices and technologies; (ii) supporting the overall management of the Project, including the carrying out of coordination, reporting, fiduciary and safeguards related activities; and (iii) fostering 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. (i) Carrying out capacity building activities for 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) designing and implementing 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 World 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) analyses 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) analyses to prepare strategic business plans, process engineering, and investment feasibility assessments; (c) strengthening the processing investments to integrate community forest enterprises into value chains through the purchase of necessary processing equipment for...
the development of the program; (d) strengthening the administrative investments for the development and management community forestry enterprises through the purchase of necessary equipment for the development of the program; 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 PSAB Support 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 *Programas Especiales* Support 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. Designing 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. (i) Strengthening the capacities of ADLs and ATLs, (ii) assisting Communities and/or *Ejidos* and other local stakeholders in the REDD+ Early Action Areas to identify and implement innovative REDD+ Early Action Areas Activities; (iii) establishing coordination mechanisms to effectively develop and implement participatory regional land-use plans and identify landscape level strategies for REDD+; (iv) enabling integrated cross-sector action in support of sustainable economic activities in forest landscapes; (v) assisting Communities and/or *Ejidos* and *Ejidos* to implement REDD+ Early Action Areas Activities; (vi) coordinating efforts for monitoring and evaluation of REDD+ activities; and (vii) identifying and disseminating 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. (i) Providing REDD+ Early Action Areas Support to Communities and/or *Ejidos*; and (ii) the carrying out of REDD+ Early Action Areas Activities by Communities and/or *Ejidos*. 

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<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
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<td>(1) Goods, works, non-consulting services, consultants’ services and Project Incremental Costs for Parts 1, 3.1 and 3.2 of the Project</td>
<td>0</td>
<td>100%</td>
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<td>(2) REDD+ Early Action Areas Support; goods, works, non-consulting services, consultants’ services and, Project Incremental Costs for Part 3.3 of the Project</td>
<td>16,340,000</td>
<td>100%</td>
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<tr>
<td>TOTAL AMOUNT</td>
<td>16,340,000</td>
<td></td>
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