Loan Agreement

(Modernization of the National Meteorological Service for Improved Climate Adaptation Project)

between

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 3, 2012
LOAN AGREEMENT

Agreement dated August 3, 2012, 2012, between UNITED MEXICAN STATES ("Borrower") duly represented by its Ministry of Finance and Public Credit and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table of Section IV of Schedule 2 to this Agreement and for purposes of supporting the project described in Schedule 1 to this Agreement ("Project")) shall be used in conformity with the requirements of the Borrower's income, budgetary and public debt laws and the terms of this Agreement, the Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred five million two hundred sixty three thousand one hundred fifty seven Dollars and eighty nine cents ($105,263,157.89), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the Project.

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. Unless the Borrower's representative designated in Section 6.01 of this Agreement otherwise informs the Bank, the Borrower's representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the Director General of BANSEFI, or the Director General Adjunto de Banca Institucional of BANSEFI or any person or persons whom such representative shall designate in writing.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are April 15 and October 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwritten, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread, or vice versa; or (C) all the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance
with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower, through CONAGUA, with the participation of SMN, shall carry out the Project in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower, through CONAGUA, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely, that BANSEFI shall have failed to perform any of its obligations under the Contrato de Mandato.

4.02. The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that, the Contrato de Mandato has been duly executed by the parties thereto.

5.02. The Additional Legal Matter consists of the following, namely, that the Borrower, through separate legal opinions satisfactory to the Bank, issued by Borrower counsel acceptable to the Bank, from SHCP, CONAGUA, and BANSEFI (in a separate legal opinion satisfactory to the Bank, issued by BANSEFI counsel acceptable to the Bank), indicates that the Contrato de Mandato has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower, and BANSEFI and is legally binding upon the Borrower and BANSEFI in accordance with the Contrato de Mandato’s terms.

5.03. Without prejudice to the provisions of the General 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 Bank’s approval of the Loan which expire on November 15, 2013.
ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as set forth in Section 2.02 of this Agreement, the Borrower's Representative is the Titular de la Unidad de Crédito Público of SHCP. The authorized representative to make requests for Conversions or for an IBRD Hedge (as defined in the Hedging Guidelines) on behalf of the Borrower shall be (a) the Titular de la Unidad de Crédito Público of SHCP or any person or persons whom he or she shall designate in writing for this particular purpose, or (b) the Director General of BANSEFI or the Director General Adjunto de Banca Institucional of BANSEFI or any person or persons whom such representative shall designate in writing.

6.02. The Borrower’s Address is:

Secretaría de Hacienda y Crédito Público
Unidad de Asuntos Internacionales de Hacienda
Insurgentes Sur 1971, Torre III, Piso 3
Col. Guadalupe Inn, 01020
Delegación Álvaro Obregón, México D.F.

6.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Telex: Facsimile:
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 [Signature]

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to strengthen the human resources, institutional, and infrastructure capacity of the SMN to meet the increasing demand for timely and accurate weather and climate information for the purposes of water resources and disaster risk management in the face of climate change and climate variability.

The Project consists of the following parts:

Part 1: Strengthening Institutional Capacity and Client Communications

Strengthening the technical and institutional capacity of SMN to respond to the growing demand of better hydro-meteorological services through:

(a) The provision of capacity building and training to SMN through, *inter alia*:

(i) the carrying out of a human resources assessment to identify SMN’s training needs at the national level, and to thereafter, develop a strategy to address said needs;

(ii) the establishment and functioning of a SMN training center responsible for organizing and developing all aspects of education and training in line with the requirements identified in the assessment referred to in Part 1(a)(i) of the Project;

(iii) the expansion of an on-line training program conducted by CONAGUA and SMN in association with specialized institutions for purposes of offering study programs in the areas of, *inter alia*: atmospheric sciences, modeling and operational hydrology and water management and hydrometeorology;

(iv) the provision of short, medium-term and on-the-job training to selected SMN’s staff in the area of hydrometeorology, including the financing of post graduate education and specialized programs and/or courses on such area; and

(v) the establishment and functioning of a development and technological innovation unit within SMN to develop applications of numeral models and systems to assimilate observations from surface and upper air, radar, and satellite observation networks.

(b) The Improvement of SMN’s business strategies and processes through, *inter alia*:

(i) the development and implementation of an institutional restructuring plan at
the national level; (ii) the redesign and streamlining of SMN’s internal processes; and (iii) the design and implementation of a quality management plan to increase the quality and accuracy of SMN’s forecasts and related products and meet WMO guidelines.

(c) The strengthening of SMN’s communication strategy with its users through, *iter alia*: (i) the carrying out of an assessment to determine the users’ needs and preferences in terms of meteorological, climatic and hydrological information; (ii) the development of a corporate communications plan, including the development of an accessible catalog of SMN’s products and services through a renovated SMN’s website; and (iii) the development of systems to assess users’ satisfaction through consultations, focus groups and field surveys.

(d) The provision of support to the PCO in charge of the implementation and administration of the Project through, *inter alia*: (i) the provision of technical assistance to integrate the engineering components of the Project; and (ii) the provision of technical assistance to develop and put in operation a monitoring and evaluation system for the Project.

**Part 2: Modernizing Observation Infrastructure**

Modernization of infrastructure of SMN for collecting and processing hydro-meteorological data through:

(a) The improvement of the reliability and availability of hydro-meteorological data by modernizing and upgrading SMN’s observational infrastructure and instrumentation.

(b) The automation of measuring processes in selected locations in order to obtain real-time information.

(c) The expansion of the coverage of data collection networks to meet forecasting and users’ needs.

(d) The establishment of specialized networks for lightening detection and solar radiation monitoring.

(e) The provision of support to improve the radar network operation and maintenance.

(f) The carrying out of an assessment of SMN’s information and data processing systems.
**Part 3: Improving Meteorological Forecasts**

Improvement of the quality and reliability of weather forecasts and hydrological prediction and the timeliness of information and alerts, and development of high-quality useful climate services through:

(a) The improvement of meteorological products and weather forecast through, *inter alia*: (i) the development of tools and applications to combine conventional meteorological data with remote sensing information and numerical modeling techniques; (ii) the provision of training to strengthen SMN staff’s professional skills on meteorological forecasting; (iii) the provision of supercomputer services; (iv) the development of specialized products for different types of users; and (v) the development and implementation of an integrated weather forecast system.

(b) The improvement of the provision of climatic information and prediction through the establishment of a national center for climate services aimed at supporting the development of new tools, climatic information and modeling and forecasting technologies, including the carrying out of the following activities: (i) the preparation of an assessment and selection of global climate models; (ii) the development of a strategy to generate regional climatic projections; (iii) the updating of existing baseline projections and impact assessments related to climate change; (iv) the development of seasonal climate change scenarios and information products for specific sectors; and (v) the preparation of an assessment to identify clients’ needs and satisfaction.

(c) The development of an information system within SMN for data management to display, transmit and export data from SMN’s stations to other meteorological systems through, *inter alia*: (i) the acquisition and utilization of equipment, including supercomputers and specialized equipment, for measuring and forecasting river stream flows; (ii) the development of a database for weather and climate data to be used for enhancing SMN’s information system; (iii) the improvement of SMN’s website to provide appropriate products and information to its users; and (iv) the development of a concept of operations study to define how future forecasts operations evolved.

**Part 4: Developing Climate Regional Capacity**

Strengthening local and regional capacities for delivering hydro-meteorological services more efficiently in approximately five (5) Selected Basin Organizations through:

(a) The provision of support for the establishment of regional centers in the Selected Basin Organizations aimed at developing appropriate functions including, *inter alia*: (i) the operation and maintenance of observational radars; (ii) the processing of data and interpretation of local weather conditions; (iii) the preparation and
communication of high-resolution forecasts and warnings; and (iv) the customization of products based on local needs.

(b) The implementation of approximately four (4) pilot projects to develop integrated end-to-end hydro-meteorological information and management systems in Selected Basins, including, *inter alia*: (i) the improvement of short-term and seasonal weather and hydrological forecasts; (ii) the review of water allocation policies and operational rules of reservoirs, including the regulation, norms and procedures for water allocation and operation of reservoirs; (iii) the development of information systems for the efficiently allocation of water in normal conditions; (iv) the development of an early warning system to reduce losses due to floods and droughts; (v) the strengthening of observation teams operating weather and water data collection systems in each Selected Basin; (vi) the provision of on-the-job training; (vii) the reengineering and modernization of observation networks; and (viii) the introduction of modern approaches to operate and maintain calibration of sensors and quality control of data processes.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower, through CONAGUA, shall maintain at all times during the implementation of the Project, a technical advisory council, with members, structure and functions satisfactory to the Bank, as set forth in the Operational Manual.

2. The Borrower, through CONAGUA, with the participation of SMN, shall maintain at all times during the implementation of the Project, a Project coordination office ("PCO"), headed by a coordinator and staff in number, with qualifications and working under terms of reference satisfactory to the Bank, responsible for the management, coordination, supervision, monitoring and evaluation of the Project, including, without limitation, the carrying out of the 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.

B. Operational Manual

1. The Borrower, through CONAGUA, with the participation of SMN, shall implement the Project in accordance with an operational manual satisfactory to the Bank, which shall include, inter alia: (a) the detailed description of all Project activities, their sequencing and the prospective timetable and benchmark in relation thereto; (b) the Project administrative, financial, accounting, auditing, procurement and disbursement procedures, including all relevant standard documents; (c) the Environmental Management Framework and Resettlement Policy Framework for the Project; (d) the Anti-Corruption Guidelines; (e) the plan for the monitoring, evaluation and supervision of the Project; and (f) the performance indicators for the Project.

2. Except as the Borrower and the Bank may otherwise agree in writing, the Borrower shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Operational Manual or any provision thereof.

3. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.
C. **Contrato de Mandato**

1. The Borrower, through SHCP, shall enter into a contract (Contrato de Mandato), satisfactory to the Bank, among SHCP, CONAGUA and BANSEFI, whereby, *inter alia*:

   (a) BANSEFI agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, *inter alia*, BANSEFI agrees to represent the Borrower *vis-à-vis* the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds;

   (b) BANSEFI agrees to abide by the Anti-Corruption Guidelines;

   (c) the Borrower, through CONAGUA, agrees to carry out the Project in accordance with the provisions of this Agreement, the Anti-Corruption Guidelines and the Operational Manual (including the Project's financial management and procurement arrangements);

   (d) the Borrower, through SHCP, shall have the right to, in case of fraud or corruption (as defined in the Anti-Corruption Guidelines), provide for the early termination of the Contrato de Mandato, or temporarily suspend its effects, or, if applicable, require the restitution of funds transferred under said Contrato de Mandato; and

   (e) the Borrower, through CONAGUA, agrees to cooperate fully with BANSEFI to ensure that BANSEFI is able to comply with all of BANSEFI's obligations referred to in this Section.

2. The Borrower shall exercise its rights and carry out its obligations under the Contrato de Mandato in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend, waive, terminate or fail to enforce the Contrato de Mandato or any provision thereof, except as the Bank may otherwise agree. In case of any conflict between the terms of the Contrato de Mandato and those of this Agreement, the terms of this Agreement shall prevail.
D. Anti-Corruption

The Borrower, through CONAGUA, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

E. Safeguards

1. The Borrower, through CONAGUA, with the participation of SMN, shall carry out the Project, and shall cause the Project to be carried out, in accordance with the provisions set forth in the Environmental Management Framework and the Resettlement Policy Framework.

2. The Borrower, through CONAGUA, with the participation of SMN, shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

F. Others

In order to carry out any given Project activity which requires the provision of support of a Specialized Entity, the Borrower, through CONAGUA, with the participation of SMN, shall, prior to the carrying out of any said Project activity:

(a) select a Specialized Entity in accordance with the provisions of Section III of Schedule 2 to this Agreement, and (b) thereafter, enter into a Technical Assistance Agreement with such Specialized Entity, under terms and conditions satisfactory to the Bank, whereby, *inter alia*:

(i) the Specialized Entity agrees to: (A) provide technical assistance to support CONAGUA, with the participation of SMN, in the implementation of the Project; and (B) provide said technical assistance through its own staff or sub-consultants hired in accordance with the provisions of Section III of Schedule 2 to this Agreement;

(ii) CONAGUA, with the participation of SMN, agrees to pay the Specialized Entity a fee for the services the Specialized Entity renders under the Technical Assistance Agreement; and

(iii) the Specialized Entity agrees to abide by the Anti-Corruption Guidelines.
Section II.  Project Monitoring Reporting and Evaluation

A.  Project Reports

The Borrower, through CONAGUA, with the participation of SMN, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the performance indicators included in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B.  Financial Management, Financial Reports and Audits

1. The Borrower, through CONAGUA, with the participation of SMN, shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower, through CONAGUA, with the participation of SMN, shall prepare and furnish to the Bank, as part of each Project Report, interim unaudited financial reports for the Project covering the pertinent semester, in form and substance satisfactory to the Bank.

3. The Borrower, through CONAGUA, with the participation of SMN, shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III.  Procurement

A.  General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

4. **Special Provisions.** The Borrower, through CONAGUA, shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within forty-five (45) days after the date of this Agreement; and (b) 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, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(a) Direct Contracting</td>
</tr>
</tbody>
</table>

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 table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:
### Procurement Method

<table>
<thead>
<tr>
<th>(a)</th>
<th>Quality-based Selection</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c)</td>
<td>Least Cost Selection</td>
</tr>
<tr>
<td>(d)</td>
<td>Selection based on Consultants' Qualifications</td>
</tr>
<tr>
<td>(e)</td>
<td>Single-source Selection</td>
</tr>
<tr>
<td>(f)</td>
<td>Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultant Guidelines for the selection of Individual Consultants</td>
</tr>
<tr>
<td>(g)</td>
<td>Single Source of Individual Consultants</td>
</tr>
</tbody>
</table>

### D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

### Section IV. Withdrawal of Loan Proceeds

#### A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account on or after the Effective Date and pay to itself the Front-end Fee payable pursuant to Section 3.01 of the General Conditions. The remaining proceeds of the Loan shall be disbursed in Dollars unless otherwise agreed between the Borrower and the Bank and so reflected in the additional instructions referred in Section IV.A.1 immediately above. Consistently with Section 2.05 of the General Conditions, the Borrower shall use an amount equivalent to the amount in Dollars provided under this Agreement to finance Eligible Expenditures.

The following table specifies the categories of Eligible Expenditures that may be financed with an amount equivalent to the amount in Dollars provided under the Loan ("Category"), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants' services, non-consulting services, Training and Operating Costs under Part 1 of the Project</td>
<td>19,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultants' services, non-consulting services and Training under Part 2 of the Project</td>
<td>41,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, consultants' services and non-consulting services under Part 3 of the Project</td>
<td>16,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, works, consultants' services and non-consulting services under Part 4 of the Project</td>
<td>28,200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>263,157.89</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(6) Interest Rate Cap or Interest Rate Collar premium</td>
<td>0</td>
<td>Amount due pursuant to Section 2.07 (c) of this Agreement</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>105,263,157.89</strong></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 for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed twenty million Dollars ($20,000,000) equivalent may be made for payments made prior to this date but on or after January 1, 2012 (but in no case more than one year prior to the date of this Agreement), for Eligible Expenditures.

2. The Closing Date is December 31, 2017.
SCHEDULE 3

Amortization Schedule

The Borrower shall repay the principal amount of the Loan in full on October 15, 2024.
APPENDIX

Section I. Definitions


2. “BANSEFI” means Banco del Ahorro Nacional y Servicios Financieros, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, a Mexican development bank created pursuant to the BANSEFI Organic Law (or any successor thereto acceptable to the Bank) acting as the Borrower’s financial agent for purposes of the Loan.

3. “BANSEFI Organic Law” means Ley Orgánica del Banco del Ahorro Nacional y Servicios Financieros, the Borrower’s law that created BANSEFI, as said law was published on June 1, 2001 in the Borrower’s Official Gazette (Diario Oficial de la Federación); and said term includes the regulations to said law, as said law and regulations have been amended to the date of this Agreement.

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

5. “CONAGUA” means Comisión Nacional del Agua, the Borrower’s National Water Commission.


7. “Contrato de Mandato” means the agreement referred to in Section I.C of Schedule 2 to this Agreement.

8. “Environmental Management Framework” means the Borrower’s framework, acceptable to the Bank, dated December 2011, and published in CONAGUA’s website on February 1, 2012, which sets forth, inter alia: (a) the applicable institutional and regulatory environmental framework governing the Project; (b) the guidelines for carrying out the environmental/social screenings/assessments for the carrying out of Project activities; and (c) the procedures to mitigate, prevent and manage environmental and social impacts associated with the carrying out of Project activities; as said framework may be amended from time to time with the prior agreement of the Bank.

10. "Involuntary Resettlement" means the impact of an involuntary taking of land under the Project, which taking causes affected persons to have their: (a) income source or means of livelihood adversely affected (whether or not the affected persons must move to another location); or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) access to productive assets adversely affected, temporarily or permanently; or (d) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently.

11. "Operating Costs" means the reasonable minor incremental operating expenses incurred by CONAGUA and/or SMN, on account of Project implementation, supervision, monitoring and evaluation, including costs of office operation and maintenance, travel and per diem, but excluding salaries of CONAGUA and/or SMN's officials and public servants of the Borrower's civil service.

12. "Operational Manual" means the Borrower's manual dated March 30, 2012, and referred to in Section I.B.1 of Schedule 2 to this Agreement, as said manual may be amended from time to time with the prior written agreement of the Bank.

13. "PCO" means the office referred to in Section I.A.2 of Schedule 2 to this Agreement.


15. "Procurement Plan" means the Borrower's procurement plan for the Project, dated March 1, 2012 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "Resettlement Policy Framework" means the Borrower's framework, acceptable to the Bank, dated January 2012 and published in CONAGUA's website on February 1, 2012, which sets forth, inter alia: (a) the principles and objectives governing Involuntary Resettlement preparation and implementation; and (b) a description of the process for preparing and approving resettlement plans; as said framework may be amended from time to time with the prior agreement of the Bank.

17. "Selected Basins" means any of the following river basins: (i) Chiapas Coastal River Basins in the State of Chiapas; (ii) Valley of Mexico; (iii) Veracruzanos Rivers in the State of Veracruz; (iv) Yaqui River Basin in the State of Sonora; and any additional or substitute river basin which meets the eligibility criteria set forth in the
Operational Manual, and selected by the Borrower with the prior agreement of the Bank; and “Selected Basin” means each Selected Basin.

18. “Selected Basin Organizations” means any of the following basin organizations of CONAGUA: (i) Ciudad Obregón (or Hermosillo); (ii) Mérida; (iii) Tuxla Gutierrez; (iv) Veracruz; (v) Valley of Mexico; and any additional or substitute basin organization which meets the eligibility criteria set forth in the Operational Manual, and selected by the Borrower with the prior agreement of the Bank.

19. “SEPA” means the Bank’s publicly accessible procurement plans execution system.

20. “SHCP” means the Secretaría de Hacienda y Crédito Público, the Borrower’s Ministry of Finance and Public Credit.

21. “SMN” means the Coordinación General del Servicio Meteorológico Nacional, the Borrower’s National Meteorological Service, an administrative unit of CONAGUA.

22. “Specialized Entity” means one or more entities agreed upon with the Bank, hired by CONAGUA and SMN following the provisions of Section III of Schedule 2 to this Agreement to provide highly specialized technical assistance to CONAGUA and SMN during the implementation of the Project.

23. “Technical Assistance Agreement” means any of the agreements referred to in Section I.F of Schedule 2 to this Agreement.

24. “Training” means the reasonable expenditures (not covered under consultants’ services or under non-consulting services) incurred by CONAGUA and/or SMN with respect to: (i) travel, room, fees, board and per diem expenditures incurred by trainers and trainees in connection with their training; (ii) training facility and equipment rental expenses; and (iii) training material preparation, acquisition, reproduction and distribution.


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