Global Environment Facility
Grant Agreement

(Sustainable Production Systems and Biodiversity Project)

among

NACIONAL FINANCIERA, S.N.C.
acting as trustee of the Biodiversity Trust Fund

and

UNITED MEXICAN STATES

and

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

Dated October 9, 2012
GLOBAL ENVIRONMENT FACILITY

GRANT AGREEMENT

AGREEMENT dated October 3, 2012 entered into among
NACIONAL FINANCIERA, S.N.C., acting as trustee of the Biodiversity Trust Fund (the “Recipient”); UNITED MEXICAN STATES (the “UMS”), as represented by the Secretariat of Environment and Natural Resources (“SEMARNAT”); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the “World Bank”), acting as an implementing agency of the Global Environment Facility (GEF).

WHEREAS the World Bank, acting as an implementing agency of the GEF, has provided a grant to the Recipient on October 26, 2011 in the amount of US$130,000 (one hundred thirty thousand United States Dollars) for the preparation of this Project (the “Project Preparation Grant TF010952”);

WHEREAS, the UMS’s National Commission for the Knowledge and Use of Biodiversity (“CONABIO”) is committed to finance an estimated amount of US$1,540,000 (one million five hundred forty thousand United States Dollars) to support the Project, as evidenced by CONABIO’s letter to the GEF dated March 21, 2012;

WHEREAS, the UMS’s Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (“SAGARPA”) is committed to continue its collaboration with CONABIO and to provide an estimated amount of US$10,000,000 (ten million United States Dollars) over the next five years to support the Project, as evidenced by SAGARPA’s letter to the GEF dated March 22, 2012;

WHEREAS, the UMS’s Secretariat of Environment and Natural Resources (“SEMARNAT”) is committed to finance an estimated amount of US$7,700,000 (seven million seven hundred thousand United States Dollars) to support the Project, as evidenced by SEMARNAT’s letter to the GEF dated March 26, 2012;

WHEREAS, Nacional Financiera, S.N.C., is a Mexican development bank acting as trustee of the Biodiversity Trust Fund pursuant to the provisions of the Trust Agreement created in support of CONABIO’s initiatives in the field of biodiversity conservation;

WHEREAS, the Recipient receives instructions and is supervised by the Technical Committee, which authorized the Recipient to receive this Grant on May 2nd, 2012;

WHEREAS, the UMS’s Secretariat of Finance and Public Credit (“SHCP”), pursuant to its mandate under Article 37, subparagraph XIII of the SHCP’s internal
regulation (Reglamento Interior de la Secretaria de Hacienda y Crédito Público) expressed, in a communication dated May 23, 2011 to SEMARNAT, the agreement of SHCP to the following: (a) that the Recipient shall act as administrator of the funds under this Grant; and (b) that the UMS, represented by SEMARNAT, as technical secretary of CONABIO, shall be a party to this Agreement and will assume the obligations provided for in this Agreement on behalf of the UMS; and

WHEREAS, the World Bank has agreed, on the basis, inter alia, of the foregoing, to extend a grant to the Recipient to assist in the financing of the activities referred to in Schedule 1 to this Agreement.

NOW THEREFORE, the Recipient, the UMS, 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 February 15, 2012 ("Standard Conditions"), with the modifications set forth in Section II of 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient and the UMS, through its representatives in the Technical Committee and through CONABIO, declare their commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the UMS, using the mechanisms of the Biodiversity Trust Fund (including the UMS’s representatives in the Technical Committee), and through CONABIO, and the Recipient, shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation to the provisions of Section 2.01 of this Agreement, and except as the UMS and the World Bank shall otherwise agree, the UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
2.03 Without limitation to the obligations vested upon the UMS and the Recipient under Sections 2.01 and 2.02 of this Agreement, the Recipient and the UMS, through its representatives in the Technical Committee and through CONABIO, shall take all necessary actions to enable the UMS and/or the Recipient (as the case may be) to carry out their respective obligations under 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 eleven million six hundred eighty eight thousand one hundred eighty two United States Dollars (US$ 11,688,182) ("Grant") to assist in financing the Project.

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

3.03. The Grant is funded out of the GEF 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.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) the Recipient has taken or permitted to be taken any action which would prevent or interfere with the execution of the Project or the performance by the UMS, through its representatives in the Technical Committee and through CONABIO, of its obligations under the Grant Agreement;

(b) the UMS has failed to perform any obligation under this Agreement;

(c) as a result of events which have occurred after the date of the Grant Agreement, an extraordinary situation has arisen which makes it improbable that the Project can be carried out or that the UMS, through its representatives in the Technical Committee and through CONABIO, will be able to perform its obligations under the Grant Agreement;
a representation made by the UMS in or pursuant to the Grant Agreement, or any representation or statement furnished by the UMS and intended to be relied upon by the World Bank in making the Grant, was incorrect in any material respect;

(e) in the opinion of the World Bank, the Project Legal and Regulatory Framework has been amended, suspended, abrogated, repealed, not enforced or waived so as to adversely affect the ability of the UMS and/or of the Recipient to perform any of their obligations arising under, or entered into pursuant to, this Agreement, or to achieve the objective of the Project; and

(f) in the opinion of the World Bank, the control of the Technical Committee has changed from that prevailing as of the date of this Agreement so as to adversely affect the ability of the UMS and/or of the Recipient to perform any of their obligations arising under, or entered into pursuant to, this Agreement, or to achieve the objective of the Project.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied that:

(a) the execution and delivery of this Agreement on behalf of the UMS (represented by SEMARNAT, as technical secretary of CONABIO and as the party that controls the representation of the UMS in the Technical Committee) and on behalf of the Recipient has been duly authorized or ratified by all necessary governmental and corporate action;

(b) the endorsement by CONABIO and by the BTF Technical Secretary has been duly authorized or ratified by all necessary governmental and corporate action;

(c) the Operational Manual has been adopted in a manner satisfactory to the World Bank; and

(d) the Project Coordination Unit has been established and staffed in a manner acceptable to the World Bank.

5.02. As part of the evidence to be furnished pursuant to Section 5.01 (a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank, showing that, on behalf of the UMS (represented by SEMARNAT, as technical secretary of CONABIO and as the party that controls the representation of the UMS in the Technical Committee) and
on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on their behalf and is legally binding upon each the UMS and the Recipient in accordance with its terms.

5.03 As part of the evidence to be furnished pursuant to Section 5.01 (b), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank, showing that, on behalf of CONABIO and of the BTF Technical Secretary, the endorsement of this Agreement has been duly authorized or ratified by all necessary governmental and corporate action.

5.04. Except as the Recipient, the UMS, and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the UMS and the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("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 the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.05. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement (the "Effectiveness Deadline"), unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient and the UMS of such later date.

5.06. Without prejudice to the provisions of the 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 Grant which expire on February 28, 2014.

Article VI
Representatives of the Recipient and the UMS; Addresses

6.01. The General Fiduciary Delegate of Nacional Financiera, S.N.C., is designated as representative of the Recipient, and the Secretary of Environment and Natural Resources is designated as representative of the UMS, for the purposes of Section 7.02 of the Standard Conditions.

6.02. The following addresses are specified for the purposes of Section 7.01 of the Standard Conditions:
For the Recipient:

Nacional Financiera, S.N.C.
Avenida Insurgentes Sur 1971
Torre IV Piso 6
Colonia Guadalupe Inn
C.P. 01020
México, DF

Facsimile: +52-55-5325-6677

For the UMS:

Secretaría de Medio Ambiente y Recursos Naturales
Blvd. Adolfo Ruiz Cortines No. 4209
Colonia Jardines en la Montaña
C.P. 14210
México, DF

For the World Bank:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391

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

NACIONAL FINANCIERA, S.N.C.
acting as trustee of the Biodiversity Trust Fund

By

Authorized Representative
Lic. Juan Manuel Altamirano León
General Fiduciary Delegate

UNITED MEXICAN STATES

By

Authorized Representative
Ing. Juan Rafael Elvira Quesada
Secretary of SEMARNAT
Technical Secretary of CONABIO

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

By

Authorized Representative

WITNESSED AND ENDORSED:

CONABIO

By

Authorized Representative
Dr. José Aristeo Sarukhán Kermez
National Coordinator of CONABIO

Biodiversity Trust Fund

By

Authorized Representative
Mtra. Ana Luisa Guzmán y López Figueroa
Technical Secretary of the Biodiversity Trust Fund
SCHEDULE 1

Project Description

The objective of the Project is to conserve and protect nationally and globally significant biodiversity in the UMS's territory through mainstreaming biodiversity-friendly management practices in productive landscapes in priority biological corridors.

The Project consists of the following parts:

Part 1: Sustainable Production Systems and Biodiversity Mainstreaming

Expanding, diversifying and improving biodiversity-friendly production practices in productive landscapes in biological corridors in order to conserve and protect biodiversity of global and national importance by assisting Producer Groups and Producer Associations in the transition from conventional to biodiversity-friendly production practices through:

(a) the provision of Matching Grants to Producer Associations to finance investment/activities in the Project Area for the production of biodiversity-friendly goods and services obtained through the use of biodiversity-friendly production practices; and

(b) the provision of training and technical assistance, through TSPs, to members of Producer Groups and of Producer Associations for the adoption and use of biodiversity-friendly practices within Production Systems.

Part 2: Producer Associations and Biodiversity-Friendly Market Initiatives

(a) (i) Supporting the conversion of informal networks of Producer Groups into Producer Associations, including through the provision of technical assistance and the financing of administrative fees related to the registration of Producer Groups as Producer Associations; and (ii) strengthening the capacity of Producer Associations to promote biodiversity-friendly practices among members of the Producer Associations, implement quality control services, and carry out marketing activities, through the provision of Matching Grants to finance investment/activities in the Project Area.

(b) Strengthening the marketing of biodiversity-friendly products through the provision of technical assistance for the establishment of collaborative and contract arrangements (alliances) between buyers (e.g. brokers, exporters, retailers) and Producer Associations, including the development of market studies and marketing plans for the promotion of
products holding biodiversity labels, the participation in exhibitions and other trade fairs, and the establishment of networks with potential national and international end-markets.

Part 3: Institutions, Labels, and South-South Cooperation

(a) (i) Improving the capacities of key members of Producer Associations (in areas such as business development and entrepreneurial capacities, innovation and technology transfer, financial services, eco-labeling and verification of quality assurance, and strategic marketing) and building links with other actors and agents in the public and private sectors related to biodiversity-friendly production systems; (ii) developing a market information system on biodiversity-friendly products through the collection, consultation, analysis and communication of information relevant to production decision making and marketing; and (iii) enhancing the capacity of the TSPs to provide technical assistance to Producer Groups and Producer Associations to undertake changes in production management, through the provision of consulting services, training and study tours to TSPs.

(b) Supporting a market differentiation strategy for biodiversity-friendly products through the development of biodiversity standards and/or market labels (bio-labels) in cooperation and consultation with key stakeholders, including technical experts, producers and relevant public institutions, and through the assistance of Third-Party Verifiers with a view of maintaining the integrity of the standards/labels, ensuring compliance, and generating consumer confidence.

(c) Promoting partnerships and South-South cooperation through the organization of study tours, meetings and workshops of members of Producer Associations for the implementation of a regional program for training and technology transfer related to rural sustainable production between the UMS and other Mesoamerican and regional countries’ institutions.

Part 4: Project Management and Monitoring

Supporting the preparation and coordination of the administrative, supervision, monitoring, evaluation, financial management (including the carrying out of Project audits) and procurement aspects of the Project, through the financing of goods, operating costs and consultants’ services and the provision of training.
SCHEDULE 2

Project Execution

Section I. Implementation and other Arrangements

A. Institutional Arrangements

1. The UMS, through its representatives in the Technical Committee and through CONABIO, shall:

   (a) establish, and thereafter operate and maintain during the implementation of the Project, a project coordination unit (the “Project Coordination Unit” or “UCP”) whose functions shall include, inter alia, the oversight of the technical, procurement and financial management aspects of Project implementation and which shall be led by a Project coordinator hired under terms of reference satisfactory to the World Bank;

   (b) ensure that the Project Coordination Unit is assigned functions and responsibilities satisfactory to the World Bank; and

   (c) cause the Recipient, through the BTF Technical Secretary, to hire administrative and technical staff in adequate numbers, and with qualifications and experience satisfactory to the World Bank, including a financial management specialist, a procurement specialist, and monitoring and evaluation specialists, for the purposes of, inter alia, carrying out and overseeing the technical, procurement and financial management aspects of Project implementation.

2. Without limitation to Section 2.01 of the Standard Conditions, the UMS, through its different agencies (including SEMARNAT and SAGARPA), shall:

   (a) ensure that enough resources are available to allow the carrying out of functions and responsibilities of the Project Coordination Unit; and

   (b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for carrying out the Project.

3. The UMS shall not either by action or inaction, or by permitting the action or inaction of any federal public sector or parastatal entity, prevent or interfere with the Recipient’s compliance with the obligations under this Agreement.
B. Implementation Arrangements

1. For the purposes of carrying out Part 1(b) of the Project, the UMS, through its representatives in the Technical Committee and through CONABIO, shall cause the Recipient to hire Technical Service Providers (“TSPs”) under terms and conditions satisfactory to the World Bank, following any of the methods for the selection of consultants specified in Section III of Schedule 2 to this Agreement.

2. For the purposes of carrying out Part 3(b) of the Project, the UMS, through its representatives in the Technical Committee and through CONABIO, shall cause the Recipient to hire Third-Party Verifiers under terms and conditions satisfactory to the World Bank, following any of the methods for the selection of consultants specified in Section III of Schedule 2 to this Agreement.

C. Trust Agreement

1. The Recipient shall comply with the terms of the Trust Agreement and exercise its rights and carry out its obligations under the Trust Agreement in such a manner as to protect the interests of the World Bank and to accomplish the purposes of the Grant. Except as the World Bank may otherwise agree, the Recipient shall not amend, terminate, waive or fail to enforce any provision of the Trust Agreement.

2. The Recipient shall ensure that the composition of, or voting rights in, the Technical Committee established under Clause Ten of the Trust Agreement be such so that no changes in the composition of, or voting rights in, the Technical Committee adversely affect the ability of the parties to this Agreement to perform any of their obligations arising under, or entered into pursuant to, this Agreement, and to ensure an efficient, adequate and diligent implementation of the Project.

3. The UMS shall, throughout the course of Project implementation, through its two representatives (one from INE and one from PROFEPA, with one of the two having a casting vote in case of a tie pursuant to the Trust Agreement), exercise its rights in the Technical Committee (e.g. voice and voting rights) in such a manner as to ensure an efficient, adequate and diligent implementation of the Project.

D. Subprojects

1. The UMS, through CONABIO, shall select Subprojects that are acceptable to the World Bank, in accordance with the provisions of this Agreement and following the eligibility criteria set forth in the Operational Manual.
Upon selection of any given Subproject, the UMS, through its representatives in the Technical Committee and through CONABIO, shall cause the Recipient, through the BTF Technical Secretary, to enter into a Subproject Agreement with the pertinent Producer Association for the provision of a Matching Grant, provided that:

(a) the Technical Committee has approved the selection made in accordance with Section I.D.1 of this Schedule and in accordance with eligibility criteria and procedures acceptable to the World Bank, as further detailed in the Operational Manual, and the terms and conditions of under the Subproject Agreement are substantially similar to those of the model form contained in the Operational Manual, which shall include, inter alia, their respective responsibilities in the carrying out and financing of the relevant activities;

(b) the Technical Committee has instructed the Recipient, through the BTF Technical Secretary, to enter into the Subproject Agreement;

(c) the production system to be benefitted under the Subproject is listed as one of the Production Systems in the Operational Manual, the EMF, the Social Assessment and the IPPF; and

(d) the beneficiary Producer Association has complied with applicable environmental and administrative requirements, permit, zoning, evaluation, license and any other applicable laws and regulations.

The Recipient, through the BTF Technical Secretary, shall obtain rights adequate to protect its interests and those of the World Bank, including the right to: (a) suspend or terminate the right of the Producer Associations to use the proceeds of the Matching Grant, or obtain a refund of all or any part of the amount of the Matching Grant then withdrawn, upon the Producer Association's failure to perform any of its obligations under the Subproject Agreement; and (b) require each Producer Association to: (i) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the relevant terms and conditions of this Agreement (including the Anti-Corruption Guidelines, the Operational Manual, the EMF, the Social Assessment and the IPPF); (ii) provide, promptly as needed, the resources required for the purpose of the Subproject through in-kind and/or cash contributions, in accordance with the Operational Manual; (iii) procure the goods, Minor Works, consultants’ services, non-consulting services and Operating Costs to be financed out of the Matching Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement and further detailed in the Operational Manual; (iv) maintain procedures adequate to enable the Recipient and the UMS to monitor and evaluate in accordance with indicators
acceptable to the World Bank, the progress of the Subproject and the achievement of its objectives; (v) (I) maintain financial records and prepare statements of expenditures in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (II) at the request of the UMS, the Recipient, or the World Bank, have such financial records audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the records, and related audit reports to the UMS, the Recipient, and the World Bank; (vi) enable the UMS, the Recipient, and the World Bank to inspect and supervise the Subproject, its operation and any relevant records and documents; (vii) furnish to the UMS, the Recipient, and the World Bank any information reasonably requested with respect to the Subproject, as well as reasonably requested access to Subproject sites, facilities and equipment; and (viii) comply with the prohibitions set forth in Section I.D.4 of this Schedule.

4. The UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, through the BTF Technical Secretary, shall ensure that no Subproject involves or relates to: (a) industrial-scale commercial harvesting operations that are not certified under an independent forest certification system acceptable to the World Bank; (b) harvesting operations that: (i) are not conducted by small-scale landholders, by local communities under community forest management, or by such entities under joint forest management arrangements; and (ii) have not achieved a standard of forest management developed with the meaningful participation of locally affected communities, consistent with the principles and criteria of responsible forest management; (c) investments in any road-related civil works or engineering; (d) mere consumption or transfer of ownership; (e) financing of debts and liabilities; (f) purchase or rental of land (except as may be financed with other than GEF Trust Fund Grant proceeds) and/or Involuntary Resettlement; (g) provision of welfare or other social assistance; (h) financing of any operating costs that would not have been incurred absent the Project and/or the Subproject; (i) activities relating to, or in preparation for, exploitation of any plant or animal species listed in the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) or in the UMS's list of threatened species (Norma Oficial Mexicana NOM-059-SEMARNAT-2010), except that such activities may be carried out as part of a Subproject, with the prior approval of the World Bank, if the individual plant or animal specimens in question: (i) are of a species not listed in CITES Appendix I or qualify as part of CITES Appendix II pursuant to CITES Article VII (4); (ii) qualify for the issuance of certificates pursuant to CITES Article VII (5) and are bred or propagated from parent specimens that also qualify for the issuance of such certificates; (iii) are to be placed in trade or otherwise disposed of in a manner specifically approved by SEMARNAT and consistent with the terms of CITES and of the laws of the UMS; and (iv) fall
F. Anti-Corruption

The UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

G. Safeguards

1. The UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, through the BTF Technical Secretary, shall carry out the Project, and shall cause the Producer Associations to carry out the Project, in accordance with the EMF, the Social Assessment and the IPPF. In case of any conflict between the terms of said documents and those of this Agreement, the terms of this Agreement shall prevail.

2. Without limitation to the provisions of Section I.G.1 of this Schedule, the UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, through the BTF Technical Secretary, shall ensure that:

(a) all Subprojects are carried out in accordance with the terms and conditions of this Agreement, including the Operational Manual, the EMF, the Social Assessment and the IPPF; and

(b) any environmental management plan and indigenous peoples plan prepared in accordance with the EMF, the Social Assessment, and the IPPF is carried out in accordance with their respective terms and in accordance with Section I.G.4 of this Schedule.

3. Without limitation to the provisions of Section II of this Schedule, the UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, through the BTF Technical Secretary, shall take all measures necessary to regularly collect, compile, and submit to the World Bank, as part of the Project Reports, information on the status of compliance with the EMF, the Social Assessment and the IPPF, giving details of:

(a) measures taken in furtherance of such documents;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such documents; and

(c) remedial measures taken or required to be taken to address such conditions.

4. Without limitation to the provisions of Section I.G of this Schedule, the UMS, through its representatives in the Technical Committee and through CONABIO,
and the Recipient, through the BTF Technical Secretary, shall cause the Producer Associations, through the respective Subproject Agreement, to: (a) prior to the implementation of any activities under each Subproject, follow the procedures set forth in the EMF, and/or the Social Assessment and the IPPF (as it may correspond) with respect to the preparation of assessments, environmental management plans and/or indigenous peoples plans, the submission to the World Bank of said instruments for approval, and the consultations and disclosure of said final instruments; and (b) immediately after the World Bank’s approval of the pertinent plan or plans, carry out said plan or plans in accordance with its or their terms, as it may correspond.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. The UMS, through CONABIO, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank (including results and biodiversity indicators). Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

2. The UMS, through CONABIO, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient, through the BTF Technical Secretary, and the UMS, through its representatives in the Technical Committee and with the assistance of CONABIO, shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient, through the BTF Technical Secretary, and the UMS, through its representatives in the Technical Committee and with the assistance of CONABIO, shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of each Project Report not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient, through the BTF Technical Secretary, and the UMS, through its representatives in the Technical Committee and with the assistance of CONABIO, shall have their respective Financial Statements for the Project
under a species listed in *Norma Oficial Mexicana NOM-059-SEMARNAT-2010* but not in a CITES Appendix, that have been bred or propagated, and are to be placed in trade or otherwise disposed of, in a manner specifically approved by SEMARNAT and consistent with the terms of the UMS’s laws and regulations; (j) reduction of shaded coffee and cocoa or expansion of non-shaded coffee or cocoa production; (k) extensive livestock use in medium- or high-altitude areas; (l) introduction or promotion of invasive species not native to the Project Area; (m) establishment, maintenance or expansion of timber plantations in forested areas (unless the forested areas in which such actions would take place are heavily degraded); (n) significant conversion or degradation of critical or other natural habitats (as such terms are defined in the World Bank’s June 2001 Operational Policy 4.04, Annex A, on natural habitats); (o) investments that may affect physical cultural resources (as such term is defined in the World Bank’s June 2006 Operational Policy 4.11, on physical cultural resources); and/or (p) activities that incorporate or increment the use of pesticides that are formulated products within classes IA and IB of the World Health Organization’s Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: World Health Organization, 1994-95; hereinafter WHO Guidelines), or are formulations of products in Class II of the WHO Guidelines.

5. The Recipient shall exercise its rights and carry out its obligations under each of the Subproject Agreements in such a manner as to protect the interests of the UMS and the World Bank and to accomplish the purposes of the Grant.

6. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, suspend, waive, terminate or fail to enforce any Subproject Agreements or any provision thereof.

E. Operational Manual

1. Without limitation of the provisions of Section 2.01 of this Agreement, the UMS, through its representatives in the Technical Committee and through CONABIO, and the Recipient, through the BTF Technical Secretary, shall carry out the Project in accordance with a manual, satisfactory to the World Bank (the “Operational Manual”), which shall include, *inter alia*:

   (a) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto), procurement and disbursement procedures (including pertinent standard documents and model contracts in relation thereto);

   (b) the detailed rules and procedures for implementing Subprojects, including, *inter alia*: (i) eligibility criteria and selection process of Producer Associations; (ii) conditions for delivering Matching Grants and the events of suspension of the same, including the conditions listed
in Section I.D of this Schedule; (iii) rules for payment mechanisms, internal control measures and follow up procedures of Matching Grants payments; (iv) terms and conditions for: (A) the preparation of annual operating plans and statement of expenditures related to Subprojects; (B) the opening, operation, and maintenance of the bank account where the Matching Grant will be deposited; and (C) the maintenance of the accounting records and financial reports; (v) the percentages of the in-kind and/or cash contributions to be provided, promptly as needed, by the Producer Associations and, as applicable, by other sources, for the implementation of the Subprojects; (vi) the Production Systems eligible to be benefitted under Subprojects; and (vii) the environmental practices, standards, environmental and administrative requirements, permit, zoning, evaluation, license, and any other applicable laws and regulations.

(c) other criteria for the approval, implementation and monitoring of activities under the Subproject Agreements complementary to those of Section I.D of this Schedule, including: (i) minimum administrative capacity to, inter alia, maintain adequate accounting registers and prepare financial reports, and (ii) demonstrated capacity to carry out the procurement activities required for the implementation of the proposed Subproject, and the criteria for determining the maximum amount of each Matching Grant;

(d) model forms for the Subproject Agreement, including provisions for the compliance with the terms and conditions of this Agreement (including the Anti-Corruption Guidelines, the EMF, the Social Assessment and the IPPF, and the provisions set forth in Section III of Schedule 2 to this Agreement);

(e) the EMF, the Social Assessment and the IPPF;

(f) the composition, roles and responsibilities of the Project Coordination Unit;

(g) the Project results indicators; and

(h) the Anti-Corruption Guidelines.

2. Except as the UMS, the Recipient, and the World Bank shall otherwise agree in writing, the UMS and the Recipient shall not abrogate, amend, suspend, terminate, waive or otherwise fail to enforce the Operational Manual or any provision thereof. In case of any conflict between the terms of the Operational Manual and those of this Agreement, the terms of this Agreement shall prevail.
audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Project. 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.

4. The UMS, through its representatives in the Technical Committee and through CONABIO, shall collaborate with the Recipient, and the UMS, through CONABIO, shall provide all the information and records related to the Project required for the Recipient to comply with its obligation under this Section.

Section III. **Procurement**

A. **General**

1 **Procurement and Consultant Guidelines.** All goods, Minor Works, non-consulting services, and consultants' services required for the Project (including all Subprojects) and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, Minor Works, and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the UMS, through CONABIO, for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

3. **Special Provisions.** UMS, through CONABIO, shall: (a) supply the SEPA with the information contained in the initial Procurement Plan within 45 days after the Project has been approved by the Bank; 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, Minor 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 methods, other than International Competitive Bidding, may be used for procurement of goods, Minor Works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding; (b) Shopping; and (c) Direct Contracting.

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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; and (f) Single-source procedures for the Selection of Individual Consultants; and (g) Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

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

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the
Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The 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 Finance (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Minor Works, consultants’ services, Non-consulting Services, Training, and Operating Costs required for Subprojects under Part 1.(a) and Part 2.(a)(ii) of the Project.</td>
<td>3,620,400</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, consultants’ services, Non-consulting Services, Training, and Operating Costs under Parts 1.(b), Part 2.(b), Part 3, and Part 4 of the Project.</td>
<td>8,067,782</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>11,688,182</td>
<td></td>
</tr>
</tbody>
</table>

II. 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 US$100,000 (one hundred thousand United States Dollars) equivalent may be made for payments made prior to this date but on or after July 1, 2012, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2017.
APPENDIX

Section I. Definitions


3. “Biodiversity Trust Fund” or “BTF” means Fideicomiso Fondo para la Biodiversidad, the biodiversity trust fund created and regulated pursuant to Trust Agreement in support of CONABIO initiatives in the field of biodiversity conservation.

4. “BTF Technical Secretary” means the technical secretary of the Biodiversity Trust Fund referred to in Clause 12 of the Trust Agreement.

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

6. “CONABIO” means Comisión Nacional para el Conocimiento y Uso de la Biodiversidad, the UMS’s inter-ministerial National Commission for the Knowledge and Use of Biodiversity, created by Presidential Decree dated March 16, 1992 (as amended by subsequent Presidential Decree dated November 11, 1994), and which promotes, coordinates, supports and carries out activities for the better understanding of Mexican biological diversity, as well as its conservation and sustainable use, for the benefit of society.


8. “Environmental Management Framework” or “EMF” means the framework document dated February 1, 2012, satisfactory to the World Bank, as published and available to the public on March 19, 2012, which describes the principles, objectives, and approaches to be followed in minimizing any adverse environmental and social impacts from carrying out Project activities including the screening of any potential impacts on natural habitats and physical cultural resources, and includes principles and guidelines for the preparation of any environmental and social management plan.
that may be necessary to mitigate those impacts and includes any subsequent
amendments made with the World Bank’s agreement.


11. “Indigenous Peoples Planning Framework” or “IPPF” means the framework document, satisfactory to the World Bank, as published and available to the public March 19, 2012, which defines the guidelines and procedures for managing the impacts of the Project on indigenous peoples, as well as for the preparation and/or updating any indigenous peoples plan (as the case may be), attached to the Social Assessment as Annex IV and includes any subsequent amendments made with the World Bank’s agreement.

12. “INE” means Instituto Nacional de Ecologia, the UMS’s National Ecology Institute, a deconcentrated entity of SEMARNAT.

13. “Involuntary Resettlement” means the impact of: (a) an involuntary taking of land under the Project, which taking causes affected persons to have their: (i) income source or means of livelihood adversely affected (whether or not the affected persons must move to another location); or (ii) 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 (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected, temporarily or permanently, or (b) an involuntary restriction of access to legally designated parks and protected areas (including reserves) which causes an adverse impact on the livelihoods of the displaced persons.

14. “Matching Grant” means a grant made out of the proceeds of the Grant by the Recipient, through the BTF Technical Secretary, to a Producer Association for the financing of an eligible Subproject in the Project Area to cover part of the capital cost of said Subproject, and “Matching Grants” means, collectively, more than one Matching Grant.

15. “Minor Works” means minor works of existing physical structures, installation of internal divisions within such physical structures, reparations in general,
infrastructure improvements, and on-site conditioning, all of which do not imply land use change, and all as previously approved by the World Bank.

16. "Non-consulting Services" means services which are bid and contracted on the basis of performance of a measurable physical output, inter alia surveys, printing materials, transport and logistics that are not otherwise financed under goods, Training or Operating Costs.

17. "Official Gazette" means Diario Oficial de la Federación, the UMS’s official gazette.

18. “Operational Manual” means the operational and procedural manual (Manual de operaciones y procedimientos) for the Project, satisfactory to the World Bank, referred to in Section 1.E of Schedule 2 to this Agreement.

19. “Operating Costs” means the reasonable minor incremental operating expenses incurred on account of Project implementation, supervision, monitoring and evaluation, including minor costs of office operation and maintenance, travel and per diem, reasonable administrative fees related to the registration of Producer Groups as Producer Associations, fees incurred by Producer Associations for the verification of production management systems and marketing of biodiversity-friendly products under Subprojects, daily stipends under Subprojects, and salaries for the Project Coordination Unit (UCP), which would not have been incurred in the absence of the Project, but excluding salaries of CONABIO’s and SEMARNAT’s officials and public servants of the UMS’s civil service.


21. “Procurement Plan” means the procurement plan for the Project, dated April 24, 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.

22. “Producer Association” means the group of individual producers legally constituted as any of the following entities: (a) uniones de ejidos o comunidades, established pursuant to Article 108 of the Agrarian Law; (b) uniones de sociedades de producción rural, established pursuant to Article 113 of the Agrarian Law; (c) asociaciones rurales de interés colectivo, established pursuant to Article 110 of the Agrarian Law; (d) uniones o federaciones de sociedades cooperativas, established pursuant to Article 74, and following Articles, of the General Law of Cooperatives;
(e) *sociedades anónimas*, established pursuant to: (i) Articles 87, and following Articles, of the General Law of Corporations; (ii) Article 4 of the Decree promoting the organization of integrating companies (*Decreto que promueve la organización de Empresas Integradoras*), published in the Official Gazette on May 7, 1993, as amended through May 30, 1995; or (iii) *Ley de Mercado de Valores*, published in the Official Gazette on December 30, 2005; and (f) any other entities, acceptable to the World Bank, that may be designated as a producer association in the Operational Manual; and “Producer Associations” means, collectively, more than one Producer Association.

23. “Producer Group” means the group of individual producers legally constituted as any of the following entities: (a) *ejidos*, established pursuant to Article 9 of the Agrarian Law; (b) *comunidades*, established pursuant to Article 99 of the Agrarian Law; (iii) *sociedades de producción rural*, established pursuant to Article 111 of the Agrarian Law; (c) *sociedades cooperativas*, established pursuant to Articles 1 and 212 of the General Law of Corporations, and pursuant to the General Law of Cooperatives; (d) *sociedades anónimas*, mainly dedicated to agricultural, life-stock, extraction, and collection activities, established pursuant to Articles 87, and following Articles, of the General Law of Corporations; and (e) any other entities, acceptable to the World Bank, that may be designated as a producer group in the Operational Manual; and “Producer Groups” means, collectively, more than one Producer Group.

24. “Production System” means any of the systems listed in the Operational Manual, the EMF, the Social Assessment and the IPPF, and characterized by: (a) the use of local natural heritage management systems that do not degrade the production capacity; and (b) land use defined by one or more crops or ways of utilization, the inputs required for such production or use, and socioeconomic conditions surrounding the production; and “Production Systems” means, collectively, more than one Production System.

25. “PROFEPA” means *Procuraduría Federal de Protección al Ambiente*, the UMS’s Federal Attorney’s Office of Environmental Protection, a deconcentrated entity of SEMARNAT.

26. “Project Area” means the area covered by any of the following biological corridors located within the States of Campeche, Chiapas, Oaxaca, Quintana Roo, Tabasco, and Yucatán: (a) *Calakmul-Bal’ an K’aax*; (b) *Selva Maya Zoque*; (c) *Sierra Madre del Sur*; (d) *Sierra Norte*; (e) *Sierra Sur*; (f) *Sian Ka’an-Bal’ an K’aax*; (g) *Humedales Costeros-Sierra de Huimanguillo*; (h) *Pantanos de Centla- Cañón de Usumacinta*; (i) *Costa Norte de Yucatán*, as well as any other biological corridor acceptable to the World Bank.
27. “Project Coordination Unit” or “UCP” means the unit referred to in Section I.A.1 of Schedule 2 to this Agreement.

28. “Project Legal and Regulatory Framework” means the UMS’s legal and regulatory framework relevant for the implementation of the Project and including, inter alia, (a) the Trust Agreement (as defined hereinafter); (b) the UMS’s Presidential Decree for the creation of CONABIO, published in the Official Gazette on March 16, 1992 (as amended by Presidential Decree published in the Official Gazette on November 11, 1994); (c) the Internal Regulation of the National Commission for the Knowledge and Use of Biodiversity (Reglamento Interno de la Comisión Nacional para el Conocimiento y Uso de la Biodiversidad), adopted by CONABIO in its session of May 4, 1994; (d) the UMS’s Decree authorizing the Secretariat of Finance and Public Credit to establish a Financial Company with the character of a National Institution (Decreto que autoriza a la Secretaria de Hacienda y Crédito Público para la fundación de una Sociedad Financiera con carácter de Institución Nacional), published in the Official Gazette on October 31, 1933, as subsequently amended in 1934; (e) the UMS’s Organic Law of Nacional Financiera S.A. (Ley Orgánica de Nacional Financiera S.A.), published in the Official Gazette on January 2, 1975, and its subsequent amendments through May 6, 2009; (f) Nacional Financiera’s Statutes (Estatutos sociales de Nacional Financiera, S.A.), approved on April 23, 1967; (g) Nacional Financiera’s Organic Regulation (Reglamento orgánico de Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo), published in the Official Gazette on April 2, 1991; and (h) the UMS’s Credit Institutions Law (Ley de Instituciones de Crédito), published in the Official Gazette on July 18, 1990, and its subsequent amendments through May 25, 2010.

29. “SAGARPA” means Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación, the UMS’s Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food.

30. “SEMARNAT” means Secretaría de Medio Ambiente y Recursos Naturales, the UMS’s Secretariat of Environment and Natural Resources.

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

32. “Social Assessment” means the document dated February 1, 2012 and approved by the World Bank, as published and available to the public March 19, 2012, which comprises of, inter alia: (a) the identification and assessment of the potential social impact of activities to be carried out under the Project; (b) a list of recommendations to mitigate potential social impacts of such activities; and (c) the Indigenous Peoples Planning Framework, detailing the appropriate mitigation, monitoring, institutional
and management measures under the Project, and includes any subsequent amendments made with the World Bank’s agreement.

33. "Subproject" means a set of investment/activities referred to in Part 1.(a) and 2.(a)(ii) of the Project to be developed and implemented by a Producer Association and to be financed out of Grant proceeds.

34. "Subproject Agreement" means each agreement entered into between the Recipient, through the BTF Technical Secretary, following the prior approval of the Technical Committee, and a Producer Association for the financing and implementation of a Subproject.

35. "Technical Committee" means the committee established by the Trust Agreement to, inter alia, supervise the use of funds held in the Biodiversity Trust Fund and instruct the Recipient to transfer contributions for the financing of CONABIO’s activities, in accordance with the Trust Agreement, composed of one representative from each of the following: (i) INE; (ii) PROFEPa; (iii) the National University of Mexico; and (iv) a non-governmental organization designated by CONABIO’s technical secretary.

36. "Technical Service Providers" or “TSPs” means the entities that provide specialized technical assistance services to groups and associations of producers, and that are registered as service providers with, and accredited or otherwise recognized by, federal institutions of the UMS.

37. “Third-Party Verifiers” means the qualified entities that are independent of the Producer Associations and that perform specialized services to evaluate whether the goods and/or services obtained in a given production system comply with the standards and/or labeling requirements applicable to a given production system.

38. “Training” means the reasonable expenditures (other than those for consultants’ services and non-consulting services) incurred for the carrying out of training activities under the Project, including reasonable costs of trainers’ fees, tuition fees, travel and per diem of trainers and trainees, printing and reproduction services of training material (i.e. books, manuals and/or materials), training logistics such as hotel services, catering, travel services, rental of training facilities and equipment and training materials.

Section II. Modifications to the Standard Conditions

1. For the purposes of Sections 2.06 of the Standard Conditions, the term "Recipient" is hereby replaced by "Recipient, through the BTF Technical Secretary, with the assistance of the UMS, through CONABIO."

2. For the purposes of Sections 2.01, 2.02, 2.03, 2.04, 2.07, 2.08, and 3.06 of the Standard Conditions, the term "Recipient" is hereby replaced by "Recipient, through the BTF Technical Secretary, and the UMS, through its representatives in the Technical Committee and with the assistance of CONABIO."

3. Section 2.05 of the Standard Conditions is hereby amended to read as follows:

   "Section 2.05. Documents; Records. The Recipient, through the BTF Technical Secretary, and the UMS, through its representatives in the Technical Committee and through CONABIO, shall ensure that:

   (a) all documents related to the Project are promptly furnished to the World Bank upon its request, in such detail as the World Bank shall reasonably request;

   (b) records are maintained adequate to record the progress of the Project (including its cost and the benefits to be derived from it), to identify the goods, works and services financed out of the proceeds of the Grant and to disclose their use in the Project, and such records are furnished to the World Bank promptly upon its request;

   (c) all records evidencing expenditures under the Project are retained until at least: (i) two years after the Closing Date; or (ii) if the World Bank requires audits of the UMS's Financial Statements pursuant to Section 2.07 (b) below, the later of: (A) one year after the World Bank has received the audited Financial Statements covering the period during which the last withdrawal from the Grant Account was made; and (B) two years after the Closing Date; and

   (d) the representatives of the World Bank are able to examine all records referred to above in paragraphs (b) and (c), and are provided all such information concerning such records as they may from time to time reasonably request."

4. Section 5.01 of the Standard Conditions is hereby amended to read as follows:

   "Section 5.01. Enforceability. The rights and obligations of the Recipient, of the UMS, and of the World Bank under the Grant Agreement shall be valid and enforceable in accordance with their terms notwithstanding the law of any state or of any of its political subdivisions to the contrary. Neither the
Recipient, nor the UMS, nor the World Bank shall be entitled in any proceeding under this Article to assert any claim that any provision of these Standard Conditions or of the Grant Agreement is invalid or unenforceable because of any provision of the Articles of Agreement of IBRD or IDA, as the case may be.”

5. Section 5.03 (a) of the Standard Conditions is hereby amended to read as follows:

“(a) The parties to such arbitration shall be the World Bank on the one side and the Recipient and the UMS on the other side.”

6. Section 7.03 of the Standard Conditions is hereby amended to read as follows:

“Section 7.03. Evidence of Authority. The Recipient and the UMS shall furnish to the World Bank: (a) sufficient evidence of the authority of the Recipient’s Representative and of the UMS’s Representative; and (b) the authenticated specimen signature of such representatives.”

7. The definition of “Grant Agreement” in the Appendix to the Standard Conditions is hereby amended and replaced as follows:

“14. “Grant Agreement” means the grant agreement among the Recipient, the UMS, and the World Bank providing for the Grant, as such agreement may be amended from time to time. “Grant Agreement” includes these Standard Conditions as applied to the Grant Agreement, and all appendices, schedules and agreements supplemental to the Grant Agreement.”

8. The definition of “Project” in the Appendix to the Standard Conditions is hereby amended and replaced as follows:

“18. “Project” means the project described in the Grant Agreement, for which the Grant is made, as the description of such project may be amended from time to time by agreement among the Recipient, the UMS, and the World Bank.”