

**CONFORMED COPY**

**GEF GRANT NUMBER TF098465**

***Global Environment Facility***  
**Grant Agreement**

**(Efficient Lighting and Appliances Project)**

**among**

**UNITED MEXICAN STATES**

**and**

**NACIONAL FINANCIERA, S.N.C.**

**and**

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

**Dated December 8, 2010**

**GLOBAL ENVIRONMENT FACILITY  
GRANT AGREEMENT**

AGREEMENT dated December 8, 2010, entered into between: UNITED MEXICAN STATES (“Recipient”), represented by its signatories on page 6 of this Agreement (including SENER, acting as the Recipient’s executing agency for purposes of the Grant; NACIONAL FINANCIERA, S.N.C. (NAFIN), acting as the Recipient's financial agent for purposes of the Grant; and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as an implementing agency of the Global Environment Facility (“GEF”).

(A) WHEREAS the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to the IBRD Loan Agreement (as hereinafter defined) (“Project”), has requested the World Bank to assist in financing Parts 2(b) and 3 of the Project.

(B) WHEREAS by an agreement of even date herewith (the IBRD Loan Agreement), the World Bank has agreed to extend to the Recipient a loan in the amount of two hundred and fifty million six hundred twenty five thousand Dollars (\$250,625,000) (the IBRD Loan) to assist in financing Parts 1, and 2(a)(i), of the Project on terms and conditions set forth in the IBRD Loan Agreement.

(C) WHEREAS by agreement of even date herewith (the CTF Loan Agreement), the World Bank, acting as an implementing agency of the Clean Technology Fund (CTF), has agreed to extend to NAFIN a loan in the amount of fifty million Dollars (\$50,000,000) (the CTF Loan) to assist NAFIN in financing Part 2(a)(ii) of the Project, and by agreement of even date herewith between the Recipient and the World Bank (the Guarantee Agreement), the Recipient has agreed to guarantee the CTF Loan payment obligations of NAFIN in respect of the CTF Loan Agreement;

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard 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 Standard Conditions, in this Agreement or in the Appendix to the IBRD Loan Agreement.

**Article II**  
**The Project**

- 2.01. The Recipient, through SENER, declares its commitment to the objectives of the Project. To this end, the Recipient, through SENER, shall carry out Part 2(b) of the Project, with the assistance of NAFIN, acting as trustee of the Guarantee Facility, pursuant to the terms of the SENER-NAFIN Financing Agreement, and Part 3 of the Project, all in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III**  
**The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seven million one hundred eighteen thousand six hundred United States Dollars (\$7,118,600) (“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.

**Article IV**  
**Additional Remedies**

- 4.01. The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:
- (a) that NAFIN shall have failed to perform any of its obligations under the *Contrato de Apoyo Financiero No Reembolsable*; and
  - (b) that the Recipient, through SENER and/or NAFIN, acting as trustee of the Guarantee Facility, shall have failed to perform any of its obligations under the SENER-NAFIN Financing Agreement.

**Article V**  
**Effectiveness; Termination**

- 5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished that the conditions specified below, and in Section 5.02 of this Agreement, have been satisfied:
- (a) the execution and delivery of this Agreement on behalf of the Recipient, through SENER, have been duly authorized by all necessary governmental and corporate action;
  - (b) the SENER-NAFIN Financing Agreement has been signed on behalf of the Recipient, through SENER and NAFIN, acting as trustee of the Guarantee Facility;
  - (c) the Recipient, through SENER and NAFIN, acting as trustee of the Guarantee Facility, has adopted the Guarantee Facility Operational Rules in form and substance acceptable to the World Bank;
  - (d) the IBRD Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled; and
  - (e) the *Contrato de Apoyo Financiero No Reembolsable* has been duly executed by the parties thereto.
- 5.02. As part of the evidence to be furnished pursuant to Section 5.01 of this Agreement, there shall be furnished to the World Bank:
- (a) an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing, on behalf of the Recipient, through SENER, and of NAFIN, that this Agreement has been duly authorized by, and executed and delivered on their behalf and is legally binding upon them in accordance with its terms; and
  - (b) the following is specified as an Additional Legal Matter, to be included in the opinion or opinions to be furnished to the World Bank, namely, that the Recipient, through SENER, (in its legal opinion) and NAFIN (in a separate legal opinion satisfactory to the World Bank, issued by NAFIN's counsel acceptable to the World Bank), indicate that the *Contrato de Apoyo Financiero No Reembolsable* has been duly authorized or ratified by, and executed and delivered on behalf of, the Recipient, through SENER, and NAFIN and is legally binding upon the Recipient, through SENER, and NAFIN in accordance with the *Contrato de Apoyo Financiero No Reembolsable's* terms.

- 5.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 of this Agreement (the Effective Date). If before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone, after consultation with the Recipient, the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.04. 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, unless the World Bank, after consideration of the reasons for delay, establishes a later date for the purpose of this Section, which may in no case be later than the eighteen (18) months after the World Bank's approval of the Grant which expire on May 23, 2010. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

- 6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the *Titular de la Unidad de Asuntos Internacionales de Hacienda* of SHCP.
- 6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Secretaría de Hacienda y Crédito Público  
Unidad de Asuntos Internacionales de Hacienda  
Palacio Nacional  
Edificio 12, segundo piso  
Colonia Centro  
06000 México, D.F.

Facsimile: 011-52-55-3688-1216

With a copy to:

Nacional Financiera, S.N.C. (NAFIN)  
Avenida Insurgentes Sur 1971  
Edificio Anexo-Nivel Jardín  
Piso Financiero  
Colonia Guadalupe Inn, CP 01020  
México, DF

Facsimile: +52-55-5325-8084

Secretaría de Energía  
Dirección General de Investigación, Desarrollo Tecnológico y  
Medio Ambiente  
Insurgentes Sur 890, Piso 3  
Colonia del Valle  
México, DF 03100

Facsimile: +52 55 50006140

- 6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

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

**UNITED MEXICAN STATES**

**By /s/ Ricardo Ochoa**  
**Authorized Representative**

**By /s/ Julio Valle Pereña**  
**Authorized Representative**

**NAFIN**

**By /s/ Danielle Pellat**  
**Authorized Representative**

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

**By /s/ Gloria M. Grandolini**  
**Authorized Representative**

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to promote the Recipient's efficient use of energy and to mitigate climate change, by increasing the use of energy efficient technologies at the residential level.

For purposes of this Agreement, the Project consists of Parts 2 (b) and 3 of the Project set forth in Schedule 1 to the IBRD Loan Agreement subject to such modifications thereof as the Recipient and the World Bank may agree upon from time to time to achieve such objectives.



## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

##### **A. Anti-Corruption**

Without limitation to the provisions of Section 2.01 of this Agreement, the Recipient shall ensure that the Parts 2(b) and 3 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines. In this regard, the Recipient shall ensure that all subsidiary agreements derived from this Agreement, include the obligation to comply with the Anti-Corruption Guidelines.

##### **B. Implementation Arrangements and Operation of the Guarantee Facility**

1. Without limitation to the provisions of Section 2.01 of this Agreement, and for purposes of carrying out Part 2(b) of the Project the Recipient, through SENER, shall:
  - (a) make available a portion of the proceeds of the Grant allocated to Category (1) to NAFIN, acting as trustee of the Guarantee Facility, under a subsidiary agreement (the SENER-NAFIN Financing Agreement), to be entered between the Recipient, through SENER, and NAFIN, acting as trustee of the Guarantee Facility, under terms and conditions acceptable to the World Bank for the purposes of partially funding the Guarantee Facility;
  - (b) cause NAFIN, acting as trustee of the Guarantee Facility, to establish and maintain in NAFIN a separated account for the Guarantee Facility. Once the World Bank has received satisfactory evidence that the account has been duly opened, the amount from the Grant Account allocated to Category (1) of the table included in Section IV.A.4 of Schedule 2 of this Agreement shall be deposited in its entirety into said account. Once so deposited, said proceeds shall constitute part of the Guarantee Facility's capital and shall be kept segregated from funds deposited by other parties in the Guarantee Facility;
  - (c) cause NAFIN, acting as trustee of the Guarantee Facility, to manage and use the proceeds of the account for the Guarantee Facility in a manner consistent with the purposes and objectives of this Agreement, and to use the proceeds of said account

exclusively for payments made in accordance with a call on the guarantee issued to NAFIN, as a result of a default on a Credit by an Eligible Beneficiary, upon verification that a Default Event has materialized. After such verification is completed, the Recipient shall cause NAFIN to ensure that the payments made out of such account are funded by the Grant funds in a percentage that does not exceed 50% of such payments;

- (d) cause NAFIN, acting as trustee of the Guarantee Facility, and within 60 days after the end of each quarter, provide to the Recipient, through SENER, and the World Bank, a written report indicating the reasons for the default, its recovery plan, and its assessment of the probability of recovery of the amounts in default; and thereafter implement the recovery plan as so approved by the Recipient, through SENER, and the World Bank and, if any amounts are determined by NAFIN as irrecoverable, obtain the approval of the Recipient, through SENER, to write off such amounts, all in accordance with the Guarantee Facility Operational Rules;
- (e) cause NAFIN to carry out the following with respect to expenditures funded with withdrawals from the account for the Guarantee Facility: (i) maintain records and accounts reflecting such expenditures; (ii) retain for at least one year after the Project Closing Date, all records evidencing such expenditures; (iii) enable the Recipient, through SENER, and the World Bank to examine such records; and (iv) ensure that the audit reports referred to in Section II.B.3 of Schedule 2 of this Agreement, contain a separate opinion by the auditors as to whether the records and accounts submitted for the relevant audit, together with the procedures and controls involved in their preparation, can be relied upon to support the related withdrawals;
- (f) cause NAFIN, acting as trustee of the Guarantee Facility, to abide by the Anti-Corruption Guidelines, and to manage and use the proceeds of the account for the Guarantee Facility in a manner consistent with the purposes and objectives of the Project and in accordance with the provisions of the Guarantee Facility Operational Rules;
- (g) recover from NAFIN, acting as trustee of the Guarantee Facility, and refund immediately thereafter to the World Bank any withdrawals or payments from the account for the Guarantee Facility, including any investment income generated therefrom, at the option of the World Bank if the World Bank has

determined at any time that such withdrawal or payment made from the account for the Guarantee Facility (or from the investment income generated therefrom) was used for any expenditure not consistent with the provisions of this Agreement; and

- (h) exercise its rights and carry out its obligations under the SENER-NAFIN Financing Agreement in such manner as to protect the interests of the Recipient and the World Bank, and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the SENER-NAFIN Financing Agreement or any of its provisions. In case of any conflict between the terms of this Agreement and the terms of the SENER-NAFIN Financing Agreement, the terms of this Agreement shall prevail.

2. Without limitation to the provisions of paragraph 1 above, the Recipient, through SENER, shall:

- (a) ensure that Part 2(b) of the Project is carried out in accordance with the provisions of the Guarantee Facility Operational Rules acceptable to the World Bank, which shall contain, *inter alia*: (i) the administrative and financial terms of the Guarantee Facility scheme, including sustainability measures, transition measures, risk management considerations, governance structure and other specific matters relevant for the adequate functioning and sustainability of the Guarantee Facility; (ii) the terms, conditions and exceptions for the verification of the occurrence of a Default Event; (iii) the disbursement, auditing and reporting requirements, including those set forth in Section II.B of Schedule 2 to this Agreement; (iv) monitoring and evaluation requirements; and (v) transparency and anticorruption provisions, compatible with the Anti-Corruption Guidelines; and
- (b) not amend, waive or fail to enforce any provision of the Guarantee Facility Operational Rules without the World Bank's prior written approval. In case of any conflict between the terms of the Guarantee Facility Operational Rules and those of this Agreement, the terms of this Agreement shall prevail.

3. The Recipient, through SENER, shall cause NAFIN, acting as trustee of the Guarantee Facility, to ensure that the management board governing the Guarantee Facility (*Comité Técnico*) is composed by professionals with qualifications and experience satisfactory to the World Bank, and have the

capacity to exercise control over the use of the funds assigned to the Guarantee Facility.

4. Without limitation to the provisions of Section 2.01 of the Standard Conditions, the Recipient, through SENER, shall make available during the implementation of Part 2(b) of the Project, an amount equivalent to five million United States Dollars \$5,000,000 as counterpart funds for the Guarantee Facility. To that effect, the Recipient, through SENER, shall transfer said amount to NAFIN, acting as trustee of the Guarantee Facility, for purposes of depositing said amount in the account for the Guarantee Facility.
5. The Recipient, through SENER, shall review with the World Bank, no later than twenty four months after the Effective Date, or any later date as agreed by the World Bank the operation of the Guarantee Facility under Part 2(b) of the Project for the purposes of assessing the operation of said Guarantee Facility and to determine a framework for the future operation and/or winding down of the Guarantee Facility, as the case may be, in accordance with procedures and under a time frame acceptable to the World Bank.

**C. Safeguards**

The Recipient, through SENER, shall carry out and/or cause to be carried out the Parts of the Project referred to in Section 2.01 of this Agreement in accordance with:

- (a) the IPPF; and
- (b) the Environmental Management Plan.

**D. Contrato de Apoyo Financiero No Reembolsable**

- (a) The Recipient, through SENER, shall enter into a contract ( *Contrato de Apoyo Financiero No Reembolsable*) with NAFIN, satisfactory to the World Bank which shall include the Recipient's and NAFIN's obligations under the Parts of the Project referred to in Section 2.01 of this Agreement, namely:
  - (i) NAFIN agrees to act as financial agent of the Recipient with regard to the Grant, meaning that, *inter alia*, NAFIN agrees to represent the Recipient *vis-à-vis* the World Bank for purposes of submitting Grant withdrawal applications to the World Bank in form and substance sufficient to justify disbursement by the World Bank to the Recipient of Grant proceeds and agrees to maintain and operate the bank account which shall be opened by

NAFIN (referred to in the instructions cited in Section IV.A.1. of this Schedule) in compliance with the terms of this Agreement;

- (ii) NAFIN agrees to abide by the Anti-Corruption Guidelines; and
  - (iii) the Recipient, through SENER, agrees that it shall cooperate fully with NAFIN to ensure that NAFIN is able to comply with all of NAFIN's obligations referred to in this Section.
- (b) The Recipient, through SENER, shall exercise its rights and carry out its obligations under the *Contrato de Apoyo Financiero No Reembolsable* in such a manner as to protect the interests of the World Bank and to accomplish the purposes of the Grant. Except as the World Bank may otherwise agree, the Recipient shall not amend or fail to enforce any provision of the *Contrato de Apoyo Financiero No Reembolsable*. In case of any conflict between the terms of the *Contrato de Apoyo Financiero No Reembolsable* and those of this Agreement, the terms of this Agreement shall prevail.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports; Completion Report**

1. The Recipient, through SENER, shall monitor and evaluate the progress of Parts 2(b) and 3 of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Operational Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than sixty days after the end of the period covered by such report.
2. The Recipient, through SENER, 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 SENER, shall ensure, and shall cause to ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient, through SENER, shall prepare and shall cause to prepare and furnish to the World Bank, not later than sixty days after the end of the calendar semester, as part of the Project Reports mentioned in Section II. A.1 of this Schedule, interim

unaudited financial reports for Parts 2(b) and 3 of the Project covering each calendar semester, in form and substance satisfactory to the World Bank.

3. The Recipient, through SENER, shall, and shall cause to have the Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General**

1. **Procurement and Consultant Guidelines.** All goods, non-consultant services and consultants' services required for Parts 3 of the Project (except for Part 3 (a)(ii), 3 (b)(i), and 3 (c)(ii)) and to be financed with an amount equivalent to the amount in Dollars provided under the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of the Procurement Guidelines in the case of goods and non-consultants services, and Sections I and IV of the 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.
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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.
3. **Special Provisions.** The Recipient, through SENER, shall: (a) supply the *Sistema de Ejecución de Planes de Adquisiciones* (SEPA) with the information contained in the initial Procurement Plan within 45 days after the date of this Agreement; and (b) update the Procurement Plan at least once a year, or as required by the World Bank, 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 and Non-Consultant Services**

1. The following methods may be used for procurement of goods and non-consultant services for those contracts specified in the Procurement Plan: (a)

National Competitive Bidding; (b) Shopping; and (c) direct contracting, with World Bank's prior approval.

**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) Least Cost Selection; (b) Selection under a Fixed Budget; (c) Single-source Selection with World Bank's prior approval; and (d) Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant Guidelines for the 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, through SENER, may, or may cause NAFIN to, withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures (including the capitalization of the Guarantee Facility) as set forth in the table in paragraph 4 below.
2. The Recipient representative for purposes of taking any action required or permitted to be taken pursuant to this Section is NAFIN's Director of International Financial Institutions (*Director de Organismos Internacionales de NAFIN*).
3. The proceeds of the Grant shall be disbursed in Dollars unless otherwise agreed between the Recipient and the World Bank and so reflected in the additional instructions referred in Section IV.A.1 immediately above. Consistently with Section 3.06 of the Standard Conditions, the Recipient shall use an amount

equivalent to the amount in Dollars provided under this Grant Agreement to finance Eligible Expenditures

4. 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:

<b><u>Category</u></b>	<b><u>Amount of the Grant Allocated (expressed in USD)</u></b>	<b><u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u></b>
(1) Capitalization of the Guarantee Facility	5,000,000	100% on a matching basis with the counterpart funds referred to in Section I.B.4 of Schedule 1 to this Agreement
(2) Consultant’s Services and Training under Part 3 of the Project	2,103,600	100%
(3) Goods under Part 3 of the Project	15,000	100%
<b>TOTAL AMOUNT</b>	7,118,600	

For purposes of this table, the term “Training” means expenditures (other than those for consultants’ services) incurred by the Recipient, through SENER, as approved by the World Bank on the basis of an annual budget acceptable to the World Bank, to finance reasonable transportation costs and *per-diem* of trainees and trainers (if applicable), training registration fees, and rental of training facilities and equipment under Parts 2(b) and 3 of the Project.

5. 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 those withdrawals under: (a) Category (2), up to an aggregate amount not to exceed \$424,000 equivalent may be made for payments made prior to this date but after January 1, 2010 but in no case made more than twelve (12) months prior to the date of this Agreement; and (b) Category (1) unless the counterpart funds referred to in Section I.B.4 of Schedule 2 to this Agreement has been deposited in the Guarantee Facility by the Recipient.



6. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.

## APPENDIX

### **Section I.     Definitions**

1.     “Additional Legal Matter” means each matter specified in Section 5.02 (b) of this Agreement or requested by the World Bank in connection with this Agreement.
2.     “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 with the modifications set forth in Section II of this Appendix.
3.     “Appliances Replacement Program” means *Programa de Sustitución de Electrodomésticos para el ahorro de Energía*, a program established by the Recipient, through SENER on February 2009, which provides incentives to electricity consumers to exchange old inefficient appliances (refrigerators and air conditioners) with more efficient ones, as further described in the Operational Manual, and referred to in Part 2 of the Project.
4.     “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5.     “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Recipients” published by the World Bank in May 2004 and revised in October 2006 and May 2010.
6.     “*Contrato de Apoyo Financiero No Reembolsable*” means the agreement to be entered into between the Recipient, through SENER, and NAFIN, pursuant to Section I.D. of Schedule 2 to this Agreement, as the same may be amended from time to time.
7.     “Credit” means a loan made or proposed to be made by NAFIN, through the Operator, out of the proceeds of the CTF Loan, to an Eligible Beneficiary, for purposes of partially financing the replacement of old and inefficient appliances for a more efficient one under the Appliances Replacement Program.
8.     “Default Event” means the event of default which will trigger the prematuring of any given Credit made by NAFIN, through the Operator, to an Eligible Beneficiary and affected by such event of default, under terms, mechanisms, conditions and exceptions set forth in the Guarantee Facility Operational Rules.
9.     “Effective Date” means the date referred to in Section 5.03 of this Agreement.
10.    “Eligible Beneficiaries” means for Part 2(a) of the Project: electricity consumers from low income and other qualified households (calculated by their level of

electricity consumption), within the Borrower's territory currently owning and using appliances at least 10 years old, and eligible for financial assistance under the Appliances Replacement Program, all in accordance with the specifications of the Operational Manual.

11. "Environmental Management Plan" means the plan prepared by the Borrower and approved by the Bank on June 18, 2010, and made available to the public on July 7, 2010, which sets out the environmental protection measures in respect of the Project, including: (i) an environmental screening checklist for Project interventions; and (ii) environmental supervision, monitoring and evaluation procedures for the Project.
12. "Guarantee Facility" means the subaccount No. 1064047 (*Fondo Senior*) created under the *Fideicomiso* 1148-0 (*Fondo para la Participación en el Riesgo*), a trust fund established under the *Fideicomiso* 8013-9 administered by NAFIN and created pursuant to the agreement dated December 20, 2001 and registered in the Borrower trust registry within SHCP under No. 368-V-537, for the purposes of providing repayment default risk guarantees to NAFIN in respect to and upon verification that a Default Event has materialized, all in support of NAFIN's lending (through the Operator) of Credits to Eligible Beneficiaries under the Project, utilizing the proceeds of the Grant allocated to Part 2(b) of the Project and other sources of financing, including the counterpart funds to be provided by the Recipient, through SENER.
13. "Guarantee Facility Operational Rules" means the rules for the operation of the Guarantee Facility referred to in paragraph 2(a) of Section I.B. of Schedule 2 to this Agreement.
14. "IPPF" means the Borrower's Indigenous Peoples Framework prepared by the Borrower, through SENER, approved by the Bank on June 28, 2010, and made available to the public on June 29, 2010, which sets out the measures to be taken (including the preparation and implementation of indigenous peoples plans) to ensure that indigenous peoples will not be harmed by the Project and to ensure their participation and involvement in the implementation and monitoring of the Project as it affects them.
15. "NAFIN" means *Nacional Financiera, S.N.C.*, the Recipient's development bank, acting as: (i) the Recipient's financial agent for purposes of this Grant Agreement; and (ii) trustee of the Guarantee Facility.
16. "Operational Manual" means the Borrower's manual dated October 15, 2010, acceptable to the Bank, referred to in paragraph 1 of Section I.C.1 of Schedule 2 to the IBRD Loan Agreement, as said manual may be amended from time to time with the Bank's prior approval.

17. “Operator” means FIDE (*Fideicomiso para el Ahorro de Energía Eléctrica*), or any other entity with similar mandate, proposed by the Borrower, through SENER, and acceptable to the World Bank, as set forth in the Operational Manual, for the purposes of Part 2(a) of the Project.
18. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010.
19. “Procurement Plan” means the Recipient’s procurement plan prepared by SENER for the Project, dated October 8, 2010 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
20. “SENER” means *Secretaría de Energía*, the Borrower’s Ministry of Energy.
21. “SENER-NAFIN Financing Agreement” means the agreement to be entered between the Recipient, through SENER, and NAFIN, acting as a trustee of the Guarantee Facility, and referred to in Section I.B.1(a) of Schedule 2 to this Agreement.
22. “SEPA” means the World Bank’s publicly accessible Procurement Plans Execution System.
23. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Recipient’s Ministry of Finance and Public Credit.
24. “Standard Conditions” means the “Standard Conditions for Grants Made by the World Bank out of Various Funds”, dated July 31, 2010.

## **Section II. Modifications to the Anti-Corruption Guidelines**

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

### Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”