

**CONFORMED COPY**

**LOAN NUMBER 7601-MX**

# **Loan Agreement**

**(Environmental Sustainability Development Policy Loan)**

**between**

**UNITED MEXICAN STATES**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated November 21, 2008**

**LOAN AGREEMENT**

Agreement dated November 21, 2008, entered into between UNITED MEXICAN STATES (“Borrower”), represented by its SHCP and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia: of (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Borrower’s maintenance of an appropriate macro-economic policy framework.

Whereas the Borrower has informed the Bank that the proceeds of the Loan (as set forth in the table in Section II of Schedule 1 to this Agreement and for purposes of supporting the Program), shall be used in conformity with the requirements of the Borrower’s income, budgetary and public debt laws and the terms of this Agreement, the Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million seven hundred fifty-one thousand eight hundred and eighty Dollars (\$300,751,880), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement. The Borrower’s Representative for purposes of taking any action required or permitted to be taken pursuant to this Section is the *Director General* of BANSEFI, or the *Director General Adjunto de Banca Institucional* of BANSEFI or any person or persons whom such representatives shall jointly or severally designate in writing.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 2 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section II.B of Schedule 1 to this Agreement.

### **ARTICLE III — PROGRAM**

- 3.01 The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions:
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Borrower, through BANSEFI, shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have

the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

- 3.02 (a) The Borrower, through SHCP, shall enter into a contract (*Contrato de Mandato*) among SHCP, SEMARNAT and BANSEFI, satisfactory to the Bank, whereby:
- (i) BANSEFI agrees to act as financial agent of the Borrower with regard to the Loan, meaning that, inter alia, BANSEFI agrees to represent the Borrower vis-à-vis the Bank for purposes of submitting Loan withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Borrower of Loan proceeds in compliance with the terms of this Agreement; and
  - (ii) the Borrower, through SHCP and SEMARNAT, shall cooperate fully with BANSEFI to ensure that BANSEFI is able to comply with all of BANSEFI's obligations referred to in paragraph (a) of this Section.
- (b) The Borrower, through SHCP and SEMARNAT, shall exercise its rights and carry out its obligations under the *Contrato de Mandato* in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Loan. Except as the Bank may otherwise agree, the Borrower shall not amend or fail to enforce any provision of the *Contrato de Mandato*. In case of any conflict between the terms of the *Contrato de Mandato* and those of this Agreement, the terms of this Agreement shall prevail.

#### **ARTICLE IV — REMEDIES OF THE BANK**

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

- (a) A situation has arisen which, in the opinion of the Bank, shall make it improbable that the Program, or a significant part thereof, will be carried out.
- (b) The Borrower's macroeconomic policy framework has, in the opinion of the Bank, become inconsistent with the objectives of the Program.
- (c) An action has been taken or a policy has been adopted to reverse any action or policy under the Program (including any action listed in Section I of Schedule 1 to this Agreement) in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the Program.

## ARTICLE V — EFFECTIVENESS; TERMINATION

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

(a) the *Contrato de Mandato* has been executed by the parties thereto; and

(b) the Borrower (in its legal opinion) and BANSEFI (in a separate legal opinion satisfactory to the Bank, issued by BANSEFI counsel acceptable to the Bank), indicate that the *Contrato de Mandato* has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and BANSEFI and is legally binding upon the Borrower and BANSEFI in accordance with the *Contrato de Mandato*'s terms.

5.02 Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen (18) months after the Bank's approval of the Loan which expire on April 2, 2010.

## ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. Except as set forth in Section 2.02 of this Agreement, the Borrower's Representative is the *Titular de la Unidad de Crédito Público* of SHCP.

6.02. The Borrower's Address for the purposes of Section 10.01 of the General 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.

Facsímile: 011-52-55-3688-1216

6.03. The Bank's Address is:

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

Cable address:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423(MCI) or  
64145(MCI)

1-202-477-6391

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

**UNITED MEXICAN STATES**

**By /s/ Gerardo Rodríguez Regordosa**  
**Authorized Representative**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**By /s/ Axel van Trotsenburg**  
**Authorized Representative**

## SCHEDULE 1

### Program Actions; Availability of Loan Proceeds

#### Section I.

A. **Actions Taken Under the Program.** The actions taken by the Borrower under the Program include the following:

1. The Borrower, through its Secretariat of Tourism, has adopted the development of Agenda 21 action plans in 35 tourism destinations (additional to those that were in effect in December, 2006).
2. The Borrower, through PROFEPA, has increased by at least 50% the number of tourist enterprises participating in its environmental quality certification program (*Programa de Calidad Ambiental Turística*)(additional to those participating in December, 2006).
3. The Borrower has approved and started implementation of its 2007 – 2012 Energy Sector Program which promotes the implementation of energy efficiency targets, promotes non-hydro renewable energy sources and regulates the reduction of emissions of sulfur compounds.
4. The Borrower has increased CONAFOR'S budgetary allocation, by at least 80% (from 2006) to support: (a) greater community access to financial services; (b) the expansion of programs supporting sustainable forestry management; and (c) compensation to eligible forest land owners for environmental services.
5. The Borrower has issued specific provisions (Article 279) for the return of wastewater discharge fees, through CONAGUA, to municipalities and industries pursuant to the 2008 Federal Rights Law (*Ley Federal de Derechos*).
6. The Borrower, through CONAGUA, has adopted operational rules dated December 28, 2007 (*Reglas de Operación para los Programas de Infraestructura Hidroagrícola, y de Agua Potable, Alcantarillado y Saneamiento a cargo de la Comisión Nacional de Agua, aplicables a partir del 2008*) promoting efficient water use in its eight ongoing programs in irrigation, drainage, water supply, wastewater and sanitation.
7. The Borrower's SEMARNAT and SAGARPA have signed a collaboration agreement for the implementation of joint actions to: (a) reduce negative environmental impacts of agricultural practices within the Mexican Mesoamerican Biological Corridor; and (b) include environmental criteria in the Operating Rules of SAGARPA's Sustainable Use of Natural Resources in Primary Production Program.
8. The Borrower, through CONAVI, has published new cross-sector guidelines, dated March, 2008, for incorporating environmentally sustainable practices into housing construction and is offering, through its main subsidy program, incentives to encourage their voluntary adoption.

**Section II. Availability of Loan Proceeds**

- A. General.** The Borrower may, or may cause BANSEFI to, withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. Allocation of Loan Amounts.** The Loan shall be withdrawn in a single tranche. The allocation of the amounts of the Loan to this end is set out in the table below:

<b>Allocations</b>	<b>Amount of the Loan Allocated (expressed in Dollars)</b>
Single Tranche	300,000,000.30
Front-end Fee	751,879.70
Premia for Interest Rate Caps and Interest rate Collars (amounts due under section 2.07 (c) of this Agreement)	-0-
<b>TOTAL AMOUNT</b>	<b>300,751,880</b>

- C. Deposits of Loan Amounts.** Except as the Bank may otherwise agree:
- all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
  - the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.
- D. Excluded Expenditures.** The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.
- E. Closing Date.** The Closing Date is December 31, 2009.

## **SCHEDULE 2**

### **Amortization Schedule**

The Borrower shall repay the principal amount of the Loan in full on November 15, 2023.

## APPENDIX

### Section I. Definitions

1. “Agenda 21” means the Borrower’s action framework for the sustainable development of tourist activities.
2. “BANSEFI” means *Banco del Ahorro Nacional y Servicios Financieros, S.N.C., Institución de Banca de Desarrollo*, a Mexican development bank serving as the Borrower’s financial agent for purposes of the Loan.
3. “CONAFOR” means *Comisión Nacional Forestal*, the Borrower’s National Forestry Commission.
4. “CONAGUA” means *Comisión Nacional de Agua*, the Borrower’s National Water Commission.
5. “CONAVI” means *Comisión Nacional de Vivienda*, the Borrower’s National Housing Commission.
6. “Contrato de Mandato” means the contract referred to in Section 3.02 of this Agreement.
7. “Energy Sector Program” means the Borrower’s 2007-2012 program which has as its main objective to establish commitments, strategies and lines of action in the energy sector.
8. “Excluded Expenditure” means any expenditure:
  - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
  - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
  - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;
  - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
  - (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.
9. "Federal Rights Law" means the Borrower's *Ley Federal de Derechos*, published in the Borrower's official gazette (*Diario Oficial de la Federación*) on December 24, 2007.

10. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
11. “Mexican Mesoamerican Biological Corridor” means the National Biodiversity Commission’s program for the Borrower’s 4 southern States.
12. “PROFEPA” means *Procuraduría Federal de Protección al Ambiente*, the Borrower’s Attorney General for Environmental Protection.
13. “Program” means the program of actions, objectives and policies designed to integrate sustainability considerations into the Borrower’s tourism, energy, forestry, water, agriculture and housing sectors and set forth or referred to in the letter dated September 1, 2008 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.
14. “SAGARPA” means *Secretaría de Agricultura, Ganadería, Desarrollo Rural, Pesca y Alimentación*, the Borrower’s Secretariat of Agriculture.
15. “SEMARNAT” means *Secretaría de Medio Ambiente y Recursos Naturales*, the Borrower’s Secretariat of Environment and Natural Resources.
16. “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Borrower’s Secretariat of Finance and Public Credit.
17. “Single Tranche” means the amount of the Loan allocated to the category entitled “Single Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

## **Section II. Modifications to the General Conditions**

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Paragraph (a) of Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows:

“Section 2.05. *Refinancing Preparation Advance; Capitalizing Front-end Fee and Interest*

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding

balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 5.01 (*Project Execution Generally*), and 5.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.
5. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
6. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 5.06. *Plans; Documents; Records*

... (c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

7. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 5.07. *Program Monitoring and Evaluation*

... (c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

- (b) The term “Financial Statements” and its definition are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”):

“‘Program’ means the program referred to in the Loan Agreement in support of which the Loan is made.”

- (d) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8 (c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows:

“‘Preparation Advance’ means the advance referred to in the Loan Agreement and repayable in accordance with Section 2.05.”