

**CONFORMED**

**GEF TRUST FUND GRANT NUMBER TF057033-ME**

# **Global Environment Facility Trust Fund Grant Agreement**

**(Solar Thermal Agua Prieta II Project)**

**among**

**UNITED MEXICAN STATES**

**and**

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

**and**

**COMISION FEDERAL DE ELECTRICIDAD**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**acting as an Implementing Agency of the Global Environment Facility**

**Dated \_\_\_\_\_, 2006**

## GEF TRUST FUND GRANT NUMBER TF057033-ME

### GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated \_\_\_\_\_, 2006, among UNITED MEXICAN STATES (the Recipient) represented by its signatory on page 10 of this Agreement and NACIONAL FINANCIERA S.N.C. (NAFIN) acting as the Recipient's financial agent for purposes of the GEF Trust Fund Grant, COMISION FEDERAL DE ELECTRICIDAD (CFE) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2); and

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant (the GEF Trust Fund Grant) to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01 (a) The following provisions of the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
- (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
- (iii) Section 3.01;

- (iv) Sections 4.01 and 4.06;
  - (v) Article V;
  - (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
  - (vii) Section 8.01 (b);
  - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
  - (ix) Sections 10.01, 10.03 and 10.04;
  - (x) Article XI; and
  - (xi) Sections 12.01, 12.02, 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (6), 6.02 (f) and 5.01 (a) thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;
  - (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
  - (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
  - (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
  - (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
  - (vi) Section 5.08 of the General Conditions is amended to read as follows:  
“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the GEF Trust Fund Grant Agreement, the proceeds of the GEF Trust Fund Grant may be withdrawn to pay for taxes levied by, or in the territory of, the Recipient on the goods or services to be financed under the GEF Trust Fund Grant, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank’s policy of requiring economy and efficiency in the use of the proceeds of its grants such as the GEF Trust Fund Grant. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the GEF Trust Fund Grant is excessive or otherwise unreasonable, the Bank may, by notice to the Recipient, adjust the

percentage for withdrawal set forth or referred to in respect of such item in the GEF Trust Fund Grant Agreement as required to be consistent with such policy of the Bank;” and

- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “CFE Team” means the team referred to in Section 3.05 (a) of this Agreement;
- (b) “*Contrato de Apoyo Financiero No Reembolsable*” means the agreement to be entered into between CFE and NAFIN pursuant to Section 3.02 (a) of this Agreement, as the same may be amended from time to time;
- (c) “Eligible Categories” means Category (1) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (d) “Eligible Expenditures” means the expenditures for goods and works referred to in Section 2.02 of this Agreement;
- (e) “Environmental Management Plan” means CFE’s environmental framework for the Project dated July 7, 2006, that contains specific procedures for adequate management and disposal of hazardous waste and procedures for adequate execution of civil works, as said framework may be updated from time to time in the Operational Manual (as hereinafter defined);
- (f) “FMR” means each financial monitoring report prepared in accordance with Section 4.02 of this Agreement;
- (g) “Monitoring Indicators” means the indicators, set forth in the Operational Manual (as hereinafter defined), for monitoring and evaluating progress towards the attainment of Project objective;
- (h) “Operational Manual” means the manual for the operation of the Project referred to in Section 3.04 (a) of this Agreement, dated November 7, 2006, as the same may be amended from time to time;
- (i) “Report-based Disbursements” means the Recipient’s option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.3 of Schedule 1 to this Agreement;
- (j) “SHCP” means *Secretaría de Hacienda y Crédito Público*, the Recipient’s Ministry of Finance; and
- (k) “Special Account” means the account referred to in Part B.1 of Schedule 1 to this Agreement;

## ARTICLE II

### The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to forty nine million three hundred fifty thousand Dollars (\$49,350,000).

Section 2.02. The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and works required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be October 31, 2009 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

Section 2.04. The *Director Internacional* of NAFIN, and any person or persons whom he or she shall designate in writing are designated as representatives of the Recipient for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

## ARTICLE III

### Execution of the Project

Section 3.01. (a) The Recipient and CFE declare their commitment to the objective of the Project as set forth in Schedule 2 to this Agreement and, to this end:

(a) CFE shall carry out the Project with due diligence and efficiency and in conformity with the Operational Manual and with appropriate administrative, financial, social and environmental practices and with due regard to ecological and environmental factors, and

(b) the Recipient shall: (i) take or cause to be taken all action necessary or appropriate to enable CFE to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and (ii) cooperate fully with NAFIN to ensure that NAFIN is able to comply with all of its obligations under this Agreement.

Section 3.02 (a) Without limitation upon the provisions of Section 3.01 of this Agreement CFE shall enter into a contract (*Contrato de Apoyo Financiero No Reembolsable*) with NAFIN, satisfactory to the Bank, whereby NAFIN agrees to act as financial agent of the Recipient with regard to the GEF Trust Fund Grant, meaning that, inter alia, NAFIN agrees to represent the Recipient vis-à-vis the Bank for purposes of submitting withdrawal applications to the Bank in form and substance sufficient to justify disbursement by the Bank to the Recipient of GEF Trust Fund Grant proceeds and agrees to maintain and operate an account in compliance with the terms of this Agreement.

(b) NAFIN 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 Bank

and to accomplish the purposes of the GEF Trust Fund Grant, all with the appropriate due diligence and efficiency for the benefit of the Project. Except as the Bank may otherwise agree, NAFIN shall not amend or fail to enforce any provision of *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 3.03. Except as the Bank shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. (a) CFE shall carry out the Project in accordance with the provisions of an operational manual, issued by CFE and satisfactory to the Bank, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including: (i) the procurement, financial management and disbursement requirements thereof; (ii) a model to be used in the preparation of FMRs; and (iii) the Environmental Management Plan.

(b) If any provision of the Operational Manual is inconsistent with any provision of this Agreement, the provision of this Agreement shall prevail.

Section 3.05. CFE shall:

(a) maintain at all times during Project implementation a team within CFE acceptable to the Bank, which shall be responsible for overall planning, coordination, implementation, supervision, monitoring and evaluation of the Project, and which shall have, *inter alia*, the responsibility for the preparation of the financial statements and FMRs, and maintenance of the records and accounts referred to in Article IV of this Agreement; and

(b) ensure that the CFE Team is: (i) at all times staffed with at least a Project coordinator, a full time on-site environmental specialist, a procurement specialist and a financial management specialist, all with qualifications, experience and terms of reference acceptable to the Bank; and (ii) is provided with adequate facilities, satisfactory to the Bank, to carry out its responsibilities.

Section 3.06. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, CFE shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose among the Recipient, CFE, NAFIN and the Bank, a plan designed to ensure the sustainability of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient, CFE and NAFIN on said plan.

Section 3.07. CFE shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Monitoring Indicators, the carrying out of the Project and the achievement of the objective thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, for each year during the implementation of the Project, semi-annual reports integrating the results of the monitoring and evaluation activities (including the status of the procurement and

disbursements under the Project) performed pursuant to paragraph (a) of this Section, on the progress achieved in the execution of the Project during the period preceding the date of each said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

(c) review with the Recipient, NAFIN and the Bank, by May 31 and November 30 of each year during the implementation of the Project or such later date as the Bank shall request, each report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of said report and the Bank's views on the matter.

## ARTICLE IV

### Financial Covenants

Section 4.01. (a) CFE shall (pursuant to the *Contrato de Apoyo Financiero No Reembolsable*) establish and maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) CFE shall (pursuant to the *Contrato de Apoyo Financiero No Reembolsable*):

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.3 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, CFE (pursuant to the *Contrato de Apoyo Financiero No Reembolsable*) shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon CFE's progress reporting obligations set out in Section 3.07 of this Agreement, CFE shall (pursuant to the *Contrato de Apoyo Financiero No Reembolsable*) prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds; and

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first semester after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar semester; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar semester, and shall cover such calendar semester.

## **ARTICLE V**

### **Remedies of the Bank**

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely, that either CFE or NAFIN shall have failed to perform any of its obligations under the *Contrato de Apoyo Financiero No Reembolsable*.

## **ARTICLE VI**

### **Effectiveness, Termination**

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions:

- (a) CFE has provided the Bank with the necessary evidence that it has legally acquired the land where the Project will be implemented; and
- (b) that the *Contrato de Apoyo Financiero No Reembolsable* has been executed by the parties thereto.

Section 6.02. The following is specified as additional matter, within the meaning of Section 12.01 (c) of the General Conditions, to be included in the opinions to be furnished to the Bank, namely that CFE (in its legal opinion satisfactory to the Bank, issued by counsel acceptable to the Bank) and NAFIN (in its legal opinion satisfactory to the Bank, issued by counsel acceptable to the Bank), indicate that the *Contrato de Apoyo Financiero No Reembolsable* has been duly authorized or ratified by, and executed and delivered on behalf of, CFE and NAFIN,



and is legally binding upon CFE and NAFIN in accordance with the *Contrato de Apoyo Financiero No Reembolsable*.

Section 6.03. Without prejudice to the provisions of the General Conditions, the date specified for purposes of Section 12.04 of the General Conditions 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 GEF Trust Fund Grant which expire on April 5, 2008.

Section 6.04. This Agreement shall continue in effect until the latest of the following: (a) a date which is one year after the Closing Date; or (b) a date on which CFE has fulfilled all its obligations set forth in Article IV of this Agreement, in Part B of Schedule 1 to this Agreement and in paragraph 4 of Part A of Schedule 1 to this Agreement.

## ARTICLE VII

### Representative of the Recipient; Addresses

Section 7.01. The Titular de la *Unidad de Crédito Público* of SHCP of the Recipient is designated as representative of the Recipient, and the *Director Internacional* of NAFIN is designated as representative of NAFIN for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Secretaría de Hacienda y Crédito Público  
Unidad de Crédito Público  
Palacio Nacional  
Patio Central  
3er piso, oficina 3010  
Colonia Centro  
06000 México, D.F.

Facsímile: 011-52-55-9158-1156

For NAFIN:

Nacional Financiera, S.N.C.  
Dirección Internacional  
Torre IV, piso 11  
Plaza Inn, Insurgentes Sur 1971  
01020 México, D. F.

Facsimile: 011-52 55325-6528

For CFE:

Comisión Federal de Electricidad  
Dirección de Proyectos de Inversión Financiada  
Avenida Paseo de la Reforma No. 164, piso 14  
Colonia Juárez  
06600 México, D.F.

Facsimile: 011-52-55-5705 4472

For the Bank:

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)  
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in \_\_\_\_\_, as of the day and year first above written.

UNITED MEXICAN STATES

By

Authorized Representative

NACIONAL FINANCIERA, S.N.C.

By

Authorized Representative

COMISION FEDERAL DE ELECTRICIDAD

By

Authorized Representative

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

By

Authorized Representative

**SCHEDULE 1****Withdrawal of the Proceeds of the GEF Trust Fund Grant****A. General**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the GEF Trust Fund Grant Allocated (Expressed in <u>US Dollars</u> )	% of Expenditures to be Financed
(1) Goods and works under the Project	49,350,000	100%
<b>TOTAL</b>	<u>49,350,000</u>	

2. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than \$500,000 equivalent per contract; (b) works costing less than \$10,000,000 equivalent per contract; all under such terms and conditions as the Bank shall specify by notice to the Recipient.

3. NAFIN may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the FMR and any other information as the Bank shall specify by notice to NAFIN (Report-based Disbursements). In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, NAFIN shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

4. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent with the provisions of this Agreement, NAFIN shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used.

**B. Special Account**

1. NAFIN shall open and maintain in Dollars a special deposit account in NAFIN, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if NAFIN is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if NAFIN is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by NAFIN, out of the Special Account, NAFIN, shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.3 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by NAFIN directly from the GEF Trust Fund Grant Account; or

(c) if NAFIN shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified NAFIN and/or the Recipient of its intention to suspend in whole or in part the right of NAFIN to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify NAFIN of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, NAFIN shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until NAFIN has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, NAFIN shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) NAFIN may, upon notice to the Bank, refund, to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.

**Annex A**  
**to**  
**SCHEDULE 1**

**Operation of Special Account**  
**When Withdrawals Are Not**  
**Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of \$20,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, NAFIN shall, furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of NAFIN, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as NAFIN shall have requested.

(b) For replenishment of the Special Account, NAFIN shall, furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, NAFIN shall, furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of NAFIN, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount NAFIN shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to NAFIN. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B  
to  
SCHEDULE 1**

**Operation of Special Account  
When Withdrawals Are  
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under one or more of the Eligible Categories.
  
2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of NAFIN, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.3 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.



## **SCHEDULE 2**

### **Description of the Project**

The objective of the Project is to demonstrate and encourage replication of solar combined cycle system power generation technology in the Recipient's territory to contribute to the reduction of global greenhouse gas emissions.

The Project consists of the following, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objective:

Design and construction of an integrated solar combined cycle system, including the design and construction of a 31 MW (peak) solar field which consists of a large field of single-axis tracking parabolic trough solar collectors.

\* \* \*

The Project is expected to be completed by April 30, 2009.

**SCHEDULE 3****Procurement**Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services

A. International Competitive Bidding. The solar field (which is part of an integrated combined cycle solar system) shall be awarded on the basis of International Competitive Bidding procedures of the Recipient as contemplated in paragraph 3.13 (a) of the Procurement Guidelines.

Section III Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Recipient, the bidding documents, the bid evaluation report and the final contract of the solar field (which is part of an integrated combined cycle solar system) shall be subject to Prior Review by the Bank.

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