

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 024371

Global Environment Facility  
Trust Fund Grant Agreement

(Mesoamerican Biological Corridor Project)

among

NACIONAL FINANCIERA, S.N.C.

and

UNITED MEXICAN STATES

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated November 30, 2000

GEF TRUST FUND GRANT NUMBER TF 024371

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated November 30, 2000, among NACIONAL FINANCIERA, S.N.C. (the Recipient), UNITED MEXICAN STATES (UMS) 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, authorized the first replenishment of the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the

Bank (Resolution No. 98-2);

(D) the Recipient and UMS, having satisfied themselves as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), have 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 to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) The Secretary of UMS's Environment, Natural Resources and Fisheries Secretariat (Secretaría de Medio Ambiente, Recursos Naturales y Pesca; SEMARNAP), in her role as Technical Secretary of UMS's National Biodiversity Use and Knowledge Commission (Comisión Nacional para el Conocimiento y Uso de la Biodiversidad; CONABIO), in a communication dated October 20, 2000 to CONABIO's National Coordinator, expressed the authorization of CONABIO's plenary to allow CONABIO to assume and perform the obligations of CONABIO provided for in this Agreement; 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 October 6, 1999), 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 (1), (2), (3), (4), (5), (6), (7), (8), (9), (10), (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 (a), (c), (d), (e), (f), (g), (h), (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) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";

(ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (6) and 6.02 (f) thereof and in Section 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;

(iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;

(v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;

(vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

and

(vii) a new subparagraph is added after subparagraph (p) in Section 6.02 of the General Conditions, as follows:  
"an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."

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

(a) "Biological Corridor" means any of the geographical areas located in Participating States (and extending between two or more natural protected areas of the UMS's National Protected Areas System (Sistema Nacional de Areas Naturales Protegidas)) identified in the Implementation Letter as constituting a corridor;

(b) "Comité Técnico" means the technical committee referred to in Section 3.02 (b) of this Agreement;

(c) "Community" means the population and land tenancy unit (comunidad) governed by Title III, Chapter V of the UMS's Agrarian Law (Ley Agraria), published in the UMS's Official Gazette (Diario Oficial de la Federación) on February 26, 1992;

(d) "Eligible Categories" means categories (1), (2), (3) and (4) set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(e) "Eligible Expenditures" means the expenditures for goods, works, and services referred to in Section 2.02 (a) of this Agreement;

(f) "Focal Area" means a locality, identified in the Implementation Letter as

a "Phase I" or "Phase II" area, and located within a Biological Corridor;

(g) "Implementation Letter" means the letter of even date herewith, from the UMS to the Bank, containing the IPDP, the indicators to be used in monitoring and evaluating the implementation of the Project, the list of Biological Corridors and the list of Focal Areas;

(h) "INE" means UMS's National Ecology Institute (Instituto Nacional de Ecología);

(i) "IPDP" means the Indigenous Peoples' Development Plan set forth in the Implementation Letter;

(j) "National Corridor Council" means the council established pursuant to Section 3.03 (a) (i) of this Agreement;

(k) "National Technical Unit" means the unit made up of the personnel referred to in Section 3.04 (a) of this Agreement;

(l) "Operational Manual" means the manual referred to in Section 3.03 (b) of this Agreement;

(m) "Participating States" means the UMS's States of Campeche, Chiapas, Quintana Roo and Yucatán;

(n) "PROFEPA" means the UMS's Federal Attorney's Office of Environmental Protection (Procuraduría Federal de Protección al Ambiente);

(o) "Project Management Report" means each report prepared in accordance with Section 4.01 (d) of this Agreement;

(p) "Regional Technical Unit" means a unit made up of the personnel referred to in Section 3.04 (b) or 3.04 (c) of this Agreement;

(q) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(r) "State Corridor Council" means a council established pursuant to Section 3.03 (a) (ii) of this Agreement;

(s) "Sustainable Use Subprojects" means a Type A Subproject, Type B Subproject and Type C Subproject to be financed under Part C of the Project;

(t) "Trust" means the biodiversity trust (Fondo para la Biodiversidad) created pursuant to the Trust Agreement (as hereinafter defined) in support of CONABIO initiatives in the field of biodiversity conservation;

(u) "Trust Agreement" means the May 18, 1993 agreement between various individual grantors and the Recipient, establishing the Trust (as amended by subsequent agreement on January 22, 1996) and designating the Recipient as trustee thereof;

(v) "Type A Subproject" means a subproject referred to in Part C.2 (a) of the Project;

(w) "Type B Subproject" means a subproject referred to in Part C.2 (b) of the Project;

(x) "Type C Subproject" means a subproject referred to in Part C.2 (c) of the Project;

(y) "Type 1 Entity" means a Community or Ejido with a low level of institutional capacity as determined by procedures set forth in the Operational Manual (or a non-governmental organization active in said Community's or Ejido's Focal Area or an individual or entity owning land in said Focal Area); and

(z) "Type 2 Entity" means a Community or Ejido with a high level of institutional capacity as determined by procedures set forth in the Operational Manual (or a non-governmental organization active in said Community's or Ejido's Focal Area or an individual or entity owning land in said Focal Area).

## 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 in various currencies equivalent to eleven million five hundred thousand Special Drawing Rights (SDR 11,500,000).

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, works and services required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

Section 2.03. The Closing Date shall be June 30, 2008 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient and UMS of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. (a) UMS and the Recipient declare their commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, using the mechanisms of the Trust, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, social, ecological and environmental standards and practices.

(b) UMS shall provide, or cause to be provided, promptly as needed, the funds, facilities, services, and other resources required for the Project (according to the counterpart resource obligations schedule set forth in the Implementation Letter, which schedule may be amended from time to time by agreement between the Bank and UMS as a result of the annual reviews referred to in Section 3.07 (d) of this Agreement). UMS shall not, either by action or inaction (or by action or inaction permit any federal sector public entity or parastatal to), prevent or interfere with the Recipient's (or the Recipient's acting as trustee of the Trust) compliance with obligations under this Agreement.

Section 3.02. (a) The Recipient, acting as trustee of the Trust or otherwise, shall comply with the terms of the Trust Agreement. Except as the Bank may otherwise agree, the Recipient, acting as the trustee of the Trust or otherwise, shall not amend or fail to enforce any provision of the Trust Agreement. The Recipient, acting as trustee of the Trust or otherwise, shall exercise its rights and carry out its obligations under the Trust Agreement in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Grant.

(b) UMS shall, throughout the course of Project implementation, maintain its two representatives (one from INE and one from PROFEPA) on the technical committee

established under Clause Seven of the Trust Agreement.

(c) UMS (through its representatives on the Comité Técnico, as well as through CONABIO) and the Recipient (both on its own behalf and as trustee of the Trust through its delegate, the technical secretary referred to in Clause Ten of the Trust Agreement) shall: (i) ensure that the Project is carried out according to the terms of this Agreement (including the rules set forth in Schedule 4 to this Agreement); and (ii) ensure that the IPDP is carried out in accordance with the IPDP's terms.

(d) UMS shall enter into, and comply with and enforce the terms of, the agreements referred to in paragraph 1 (e) (ii) of Schedule 4 to this Agreement. UMS shall exercise its rights and carry out its obligations under said agreements in such a manner as to protect the interests of the Bank and to accomplish the purposes of the Grant. In case of any conflict between the terms of said agreements and those of this Agreement, the terms of this Agreement shall prevail.

(e) The Recipient shall, in coordination with the technical secretary referred to in Clause Ten of the Trust Agreement:

(i) submit GEF Trust Fund Grant proceeds withdrawal applications to the Bank; and

(ii) make such proceeds (after having been disbursed by the Bank into the Special Account) available to meet Eligible Expenditures incurred by the trustee of the Trust,

all according to the provisions, governing the relationship between the Recipient and the Trust with regard to the flow of funds under the Project, set forth in the Operational Manual (which provisions shall include, inter alia, a description of a procedure, satisfactory to the Bank, whereby the Recipient may deposit, into an account of the Trust, those amounts of GEF Trust Fund Grant proceeds as required to maintain in that account funds sufficient to cover no more than those Eligible Expenditures expected to be incurred under the Project during the thirty consecutive calendar days immediately after said deposit).

Section 3.03. UMS, through CONABIO, shall:

(a) assemble, organize, and thereafter maintain throughout Project implementation: (i) a national corridor council consisting of two CONABIO representatives, one representative of the UMS's National Protected Areas Commission (Comisión Nacional de Areas Naturales Protegidas), four other UMS representatives, one representative from each Participating State, two representatives from the academic sector, two representatives from the non-governmental organization sector, two representatives from the social sector (i.e., representing beneficiary stakeholders in the Biological Corridors, including indigenous groups) and two representatives from the private sector; and (ii) four state councils, one for each of the Participating States, each such council consisting of three UMS representatives, three representatives from the relevant Participating State, two representatives from governments of municipalities located in any Biological Corridor within the relevant Participating State, two representatives from the academic sector, two representatives from the non-governmental organization sector, two representatives from the social sector (i.e., representing beneficiary stakeholders in the relevant Biological Corridors, including indigenous groups) and two representatives from the private sector; and

(b) issue an operational manual, satisfactory to the Bank, setting forth specific rules and procedures for implementation of the Project (including by-laws for the operation of the National Corridor Council and State Corridor Councils). Said manual may be amended by CONABIO from time to time with the approval of the Bank. In case of any conflict between the terms of said manual and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.04. UMS, through its representatives on the Comité Técnico, shall:

(a) cause the Recipient, acting as trustee of the Trust, to hire and thereafter maintain throughout Project implementation, personnel in numbers and with experience and qualifications satisfactory to the Bank (as consultants chosen by the technical secretary referred to in Clause Ten of the Trust Agreement to work under terms of reference set forth in the Operational Manual) to provide support to the National Corridor Council and which shall report to said technical secretary;

(b) cause the Recipient, acting as trustee of the Trust, to hire and thereafter maintain throughout Project implementation, personnel in numbers and with experience and qualifications satisfactory to the Bank (including personnel with environmental assessment expertise, and all as consultants chosen by the technical secretary referred to in Clause Ten of the Trust Agreement to work under terms of reference set forth in the Operational Manual) to provide support to the State Corridor Council for Chiapas;

(c) cause the Recipient, acting as trustee of the Trust, to hire and thereafter maintain throughout Project implementation, personnel in numbers and with experience and qualifications satisfactory to the Bank (including personnel with environmental assessment expertise, and all as consultants chosen by the technical secretary referred to in Clause Ten of the Trust Agreement to work under terms of reference set forth in the Operational Manual) to provide support jointly to the State Corridor Councils for Campeche, Quintana Roo and Yucatán; and

(d) cause the Recipient, acting as trustee of the Trust, to have the National Technical Unit fully staffed and operational by no later than thirty calendar days after the Effective Date.

Section 3.05. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services 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 3.06. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, UMS 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 UMS, the Recipient and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with CONABIO (in which exchange the Recipient shall also participate) on the plan mentioned in paragraph (a) above.

Section 3.07. Throughout the course of Project implementation, and without limitation upon the provisions of Section 9.07 of the General Conditions, the Recipient, acting as trustee of the Trust, shall:

(a) maintain or cause to be maintained procedures adequate to enable monitoring and evaluation on an ongoing basis, in accordance with the indicators set forth in the Implementation Letter, of the carrying out of the Project and of the achievement of the objectives thereof (including procedures to obtain and publish periodic Project self-evaluations from Communities and Ejidos participating in the Project);

(b) furnish to the Bank, two months after the end of each semester (beginning for the semester commencing on the Effective Date), consolidated progress reports on Project implementation, in a format satisfactory to the Bank, which reports shall be based on the indicators and periodic self-evaluations referred to in paragraph (a) of this Section;

(c) review with the Bank and CONABIO, within three months after the end of each year (beginning for the year commencing on the Effective Date), the consolidated

reports, referred to in paragraph (b) above, for such year's semesters and, as a consequence of such annual review, take all measures required to ensure the efficient continuation of the Project and the achievement of the objectives thereof, based on the contents of said consolidated reports and the Bank's views on the matter; and

(d) participate with the Bank and CONABIO, as part of the annual review to be held pursuant to paragraph (c) of this Section in 2004, in a review of, inter alia: (i) compliance with the phasing trigger indicators, referred to in the Implementation Letter, with respect to Parts A and C of the Project; (ii) the effectiveness of implementation of Parts B and D of the Project; (iii) the carrying out of expenditures itemized in the estimated cost table of the IPDP; and (iv) compliance with the counterpart resource obligations referred to in Section 3.01 (b) of this Agreement.

Section 3.08. In preparation for the annual review to be held in 2004 and referred to in Section 3.07 (d) of this Agreement, CONABIO shall have independent consultants, acceptable to the Bank and working under terms of reference satisfactory to the Bank, carry out an evaluation of Project performance and shall present the results of that evaluation to the Bank, in the form of said consultants' final report, no later than one month prior to such annual review. Said report shall, inter alia, contain recommendations, as warranted, for adjustments to Project rules and procedures based on the outcome of said evaluation.

#### ARTICLE IV

##### Financial Conditions

Section 4.01. (a) The Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures for and in connection with the carrying out of the Project.

(b) The Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section (including those for the Special Account) for each fiscal year audited, in accordance with generally accepted auditing standards and procedures consistently applied, by independent and qualified auditors;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of such year, (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year so audited, and (B) an opinion on such financial statements, records and accounts and a report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested (including, as part of the information to be provided in each such report, a management letter concerning the Recipient's - and the Recipient's as trustee of the Trust - internal controls); and

(iii) furnish to the Bank such other information concerning said records and accounts as well as the audit thereof as the Bank shall 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 Project Management Reports or statements of expenditure, the Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, shall:

(i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;



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

(iii) enable the Bank's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure or Project Management Reports submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

(d) (i) Without limitation upon the provisions of Section 4.01 (a), (b) and (c) of this Agreement, the Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, not later than January 31, 2002, or such later date as the Bank shall agree, to prepare quarterly Project management reports, acceptable to the Bank, each of which:

(A) (I) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (II) shows separately expenditures financed out of the proceeds of the GEF Trust Fund Grant during the period covered by said report and expenditures proposed to be financed out of the proceeds of the GEF Trust Fund Grant during the six-month period following the period covered by said report;

(B) (I) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (II) explains variances between the actual and previously forecast implementation targets; and

(C) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the GEF Trust Fund Grant, as at the end of the period covered by said report.

(ii) Upon the completion of the action plan referred to in paragraph (d) (i) of this Section, the Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of each calendar quarter, a Project Management Report for such period.

## ARTICLE V

### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) CONABIO shall, without the consent of the Bank, have (i) assigned or transferred, in whole or in part, any of its obligations arising under this Agreement; or (ii) sold, leased, transferred, assigned, or otherwise disposed of any property or assets financed wholly or in part out of the proceeds of the GEF Trust Fund Grant, except with respect to transactions in the ordinary course of business which, in the opinion of the Bank, (A) do not materially and adversely affect the ability of CONABIO to perform any of its obligations arising under, or entered into pursuant to, this Agreement, or to achieve the objectives of the Project; and (B) do not materially and adversely affect the financial condition or operation of CONABIO.

(b) CONABIO shall have ceased to exist in the same legal form as that prevailing as of the date of this Agreement.

(c) Any action shall have been taken for the dissolution, disestablishment or suspension of operations of CONABIO.

(d) In the opinion of the Bank, the legal character, ownership or control of CONABIO shall have changed from that prevailing as of the date of this Agreement so as to materially and adversely affect the ability of CONABIO to perform any of its obligations arising under, or entered into pursuant to, this Agreement, or to achieve the objectives of the Project.

## 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) that the Operational Manual has been issued and put into effect;

(b) that all membership positions in the National Corridor Council have been filled in a manner satisfactory to the Bank;

(c) that all membership positions in all four State Corridor Councils have been filled in a manner satisfactory to the Bank;

(d) that the independent auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed to carry out the audits referred to in said Section;

(e) that the financial management system, referred to in Section 4.01 (a) of this Agreement, is satisfactory to the Bank; and

(f) that UMS has furnished to the Bank a legal opinion satisfactory to the Bank, of SEMARNAP counsel acceptable to the Bank, showing that, on behalf of UMS, this Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, UMS and is legally binding upon UMS in accordance with its terms.

Section 6.02. The date February 28, 2001, is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representatives of UMS and the Recipient; Addresses

Section 7.01. The Director Internacional of the Recipient is designated as representative of the Recipient, and the Director General de Crédito Público of UMS is designated as representative of UMS, 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:

Nacional Financiera, S.N.C.  
Dirección Internacional  
Torre III, piso 9  
Plaza Inn, Insurgentes Sur 1971  
01020 México, D.F.  
México

Facsimile:	Telex:
011-52-5-325-7097	NAFIME 383-1775765

For UMS:

Dirección General de Crédito Público  
Secretaría de Hacienda y Crédito Público  
Insurgentes Sur 826 (piso 9)  
Colonia del Valle  
03100 México, D.F.  
México

Facsimile:	Telex:
011-52-5-228-1685	1777313-SHOCME

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:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)

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

NACIONAL FINANCIERA, S.N.C.

By /s/ Federico Patiño

Authorized Representative

UNITED MEXICAN STATES

By /s/ Carlos García Moreno

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
as an implementing agency of the Global Environment  
Facility

By /s/ Olivier Lafourcade

Acting Regional Vice President  
Latin America and the Caribbean

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:

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Goods for Parts A and D of the Project (except as covered by Category (4) below)	183,315	86%
(2) Consultants' services and training	8,954,817	100%
(3) Goods and works for Part C of the Project	1,127,522	86%
(4) Operating costs under Part D of the Project	916,003	86%
(5) Unallocated	318,343	
TOTAL	11,500,000	

2. For the purposes of this Schedule:

(a) the term "training" includes only: (i) fees of consultants employed as trainers; (ii) reasonable travel, room, board and per diem expenditures incurred by trainees in connection with their training; (iii) course fees charged by academic institutions; (iv) training facility rentals; and (v) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this

paragraph; and

(b) the term "operating costs" includes reasonable recurrent expenditures incurred in connection with operation of the National Corridor Council, four State Corridor Councils, National Technical Unit and two Regional Technical Units for rentals, travel, room, board and per diem expenditures, maintenance, consumable materials and supplies and utilities (including salaries only for National Technical Unit and Regional Technical Unit non-consultant personnel), which would not have been incurred absent the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 38,750, may be made on account of payments made for expenditures incurred within the twelve months prior to the date of this Agreement but after July 1, 2000.

4. The Bank may, under such terms and conditions as the Bank shall specify by notice to the Recipient, require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for items not subject to Bank prior review pursuant to Section I, Part D.2 and Section II, Part D.2 of Schedule 3 to this Agreement, as well as for training expenditures and for expenditures covered by Categories (3) and (4) set forth in the table in Part A.1 of this Schedule.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient 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 or the portion thereof as specified by the Bank.

#### B. Special Account

1. The Recipient shall open and maintain in Dollars a special deposit account in Nacional Financiera, S.N.C. on terms and conditions satisfactory to the Bank, including appropriate protection against set off, seizure or attachment (which Special Account shall not constitute part of the Trust's patrimony).

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) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.01 (d) of this Agreement; and (ii) a request from the Recipient for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.01 (d) of this Agreement, accompanied by a request from the Recipient for withdrawal on the basis of Project Management Reports, all further 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 the Recipient out of the Special Account, the Recipient 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 determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.01 (d) of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) if the Recipient, acting on its own behalf and, as appropriate, as trustee of the Trust, 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 made on the basis of Project Management Reports.

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 the Recipient of its intention to suspend in whole or in part the right of the Recipient 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 the Recipient 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, the Recipient 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 the Recipient 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, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient 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 this Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means an amount equivalent to \$650,000 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, the Recipient 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 the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.

(b) For replenishment of the Special Account, the Recipient 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, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of

Schedule 1 to this GEF Grant 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 the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient 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 the Recipient. 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 Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Recipient, all 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. Each application for withdrawal from the GEF Trust Fund Grant Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, 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 Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the equivalent of \$2,968,000.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to promote the conservation and sustainable use of globally significant biodiversity in the Biological Corridors, through the mainstreaming of biodiversity criteria in: (a) public expenditure initiatives relevant to the Biological Corridors; and (b) local planning and development practices relevant to the Biological Corridors.

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

##### Part A: Design and Monitoring of Biological Corridors

1. Gathering and analysis of information with regard to land use patterns, land use rights and biodiversity in the Biological Corridors.

2. Carrying out of participatory local planning exercises among Focal Area stakeholders for the purpose of properly managing the biodiversity in the Focal Areas,

such exercises to include: (a) awareness raising among stakeholders of the economic and environmental benefits of the Biological Corridors; (b) assessment of natural resource management problems and issues relevant to the Biological Corridors; (c) definition of priorities for natural resource and biodiversity management with respect to the Biological Corridors; and (d) development of natural resource management strategies and village-level biodiversity/land-use maps by Focal Area Communities and Ejidos.

3. Monitoring and evaluation of the Biological Corridors in terms of: (a) sustainable use and conservation of biodiversity therein; (b) performance of public and private sector institutions with regard to such sustainable use and conservation; and (c) evidence of socio-economic and productive change as relates to such sustainable use and conservation.

Part B: Biological Corridor Integration into Development Programs

Reorientation of existing social, agricultural and infrastructure development programs, promoted by UMS, Participating States and their municipalities in the area of the Biological Corridors, so that by virtue of such reorientation said programs: (1) offer public services of a type and in a manner that are consistent with demand in the Biological Corridors for public sector interventions; and (2) take into account and promote sustainable use and conservation of biodiversity in the Biological Corridors.

Part C: Sustainable Use of Biological Resources

1. Provision of technical assistance and training to Communities, Ejidos or other entities with legal personality active in Focal Areas to strengthen their capacity to engage in sustainable use and conservation of biodiversity activities (as well as carrying out of studies towards the same end).

2. Provision of grants to Communities, Ejidos or other entities with legal personality active in Focal Areas to carry out small subprojects (consisting of investments in goods, works or services) to maintain existing native ecosystems in their Focal Areas, restore the health of degraded ecosystems in their Focal Areas or develop sustainable productive uses of biological resources in their Focal Areas, such subprojects to be of three different types as follows:

(a) Type A Subprojects: those carried out primarily by or for the benefit of women or indigenous groups (even if they otherwise qualify as Type B Subprojects or Type C Subprojects described below) or by Type 1 Entities;

(b) Type B Subprojects: those carried out by Type 2 Entities to develop sustainable productive uses of biological resources in their Focal Areas; and

(c) Type C Subprojects: those carried out by Type 2 Entities to maintain existing native ecosystems in their Focal Areas or restore the health of degraded ecosystems in their Focal Areas.

Part D: Project Management and Coordination

Operation of the National Corridor Council, four State Corridor Councils, National Technical Unit and two Regional Technical Units to coordinate Project implementation.

\* \* \*

The Project is expected to be completed by December 31, 2007.



## Procurement and Consultants' Services

### Section I. Procurement of Good and Works

#### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

#### Part B: National Competitive Bidding

Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, using standard bidding documents acceptable to the Bank.

#### Part C: Other Methods of Procurement

##### 1. National Shopping

Goods (other than for Part C of the Project) estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$250,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

##### 2. Community Participation

Goods and works required for Part C of the Project may be procured by Communities and Ejidos in accordance with procedures acceptable to the Bank, which procedures may include:

(a) direct contracting;

(b) national shopping procedures for goods in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines; and

(c) procurement of works (estimated to cost less than \$50,000 equivalent per contract, up to an aggregate amount not to exceed \$1,000,000 equivalent) under lump-sum, fixed-priced contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### Part D: Review by the Bank of Procurement Decisions

##### 1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and

with the provisions of said paragraph 1.

2. Post Review

With respect to each contract for goods and works, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. With respect to contracts awarded in accordance with the provisions of the preceding paragraph, the short list of consultants for services, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Least-cost Selection

Services for processing of remote sensing data under Part A of the Project, estimated to cost less than \$200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

## 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants, estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

(c) With respect to each contract for the employment of consulting firms or individual consultants (and not covered by paragraphs 2 (a) or 2 (b) of this Part D), the contract shall be awarded only after the Bank has approved the relevant terms of reference of employment of the firms or individuals.

## 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

### SCHEDULE 4

#### Project Rules and Procedures

1. According to timetables specified in the Operational Manual, each year during Project execution the following planning and budgeting sequence shall occur:

(a) pursuant to the aims of Part B of the Project, each State Corridor Council shall formulate a written Biological Corridor strategy with regard to natural resource management initiatives in its Participating State (or, if needed, update such a strategy if previously formulated);

(b) on the basis of the relevant strategy referred to in paragraph 1 (a) of this Schedule, each Regional Technical Unit shall formulate a written annual regional plan and budget for Project activities in each of the Biological Corridors for which the Regional Technical Unit is responsible, as well as submit such regional plan and budget (including a list of Sustainable Use Subprojects potentially financeable under such plan and budget) to the relevant State Corridor Councils for their no-objection;

(c) once having received the no-objection from the relevant State Corridor Councils, each Regional Technical Unit submits such regional plans and budgets (including a list of Sustainable Use Subprojects potentially financeable under such plan and budget) to the National Technical Unit;

(d) on the basis of such regional plans and budgets submitted to it by the Regional Technical Units, the National Technical Unit shall formulate a written annual consolidated plan and budget for all Project activities, as well as submit such consolidated plan and budget (including a list of Sustainable Use Subprojects potentially financeable under such plan and budget) to the National Corridor Council for its no-objection; and

(e) once having received the no-objection from the National Corridor Council (and having received the no-objection of the Bank after the Bank has had the opportunity to examine such consolidated plan and budget), such consolidated plan and budget (together with the regional plans and budgets and lists of Sustainable Use Subprojects reflected therein) shall serve to: (i) guide Regional Technical Units in deciding which Sustainable Use Subproject proposals to support with Project funding during the year in question; and (ii) provide the basis for the entry into written agreements (or, if needed, updating such agreements if already existing), pursuant to the aims of Part B of the Project, between UMS and each Participating State to make

operational the reorientation of development programs referred to in such Part B (by, for example, specifying in said agreements the amounts UMS obligates itself to contribute towards the financing of specific Sustainable Use Subprojects).

2. The Recipient, acting as trustee of the Trust, shall disburse Trust funds for the Project only as instructed by the Comité Técnico. With respect to Sustainable Use Subprojects, the Comité Técnico shall instruct the Recipient, acting as trustee of the Trust, to disburse Trust funds only:

(a) to Communities and Ejidos (or other Type 1 and Type 2 Entities), with legal personality, operating in a Focal Area;

(b) under standard model contracts entered into in writing between the Recipient, acting as trustee of the Trust, and the relevant Communities and Ejidos (or other Type 1 and Type 2 Entities), the terms of which shall contain the provisions set forth in paragraph 4 of this Schedule;

(c) in support of Sustainable Use Subprojects, each of which is:

(i) expected to cost less than \$20,000 equivalent;

(ii) proposed by the Community or Ejido that will carry it out (or for whom another Type 1 or Type 2 Entity will carry it out), as evidenced by an acta or similar communal instrument;

(iii) (A) approved in writing by the relevant Regional Technical Unit as being environmentally sound after having undertaken an environmental analysis of the proposal (in the case of a Sustainable Use Subproject, referred to in Part C.2 of the Project, to maintain existing native ecosystems or restore the health of degraded ecosystems); or (B) certified in writing by INE to be environmentally sound on the basis of an environmental report (informe preventivo of the type referred to in Article 31 of UMS's Environment Law (Ley General del Equilibrio Ecológico y la Protección al Ambiente)) prepared by the relevant Regional Technical Unit (in the case of a Sustainable Use Subproject, referred to in Part C.2 of the Project to develop sustainable productive uses of biological resources);

(iv) approved by the relevant Regional Technical Unit;

(v) covered by funding included in the relevant annual regional and consolidated plans and budgets referred to in paragraph 1 of this Schedule;

(vi) not in contravention of the provisions set forth in paragraph 3 of this Schedule;

(vii) in the case of a Type B Subproject or a Type C Subproject, to be carried out in compliance with a Focal Area natural resource management strategy developed pursuant to Part A.2 (d) of the Project;

(viii) approved by the Bank (in the case of the first two Sustainable Use Subprojects approved by each Regional Technical Unit during Project implementation and estimated to cost \$7,500 equivalent or less each, as well as in the case of the first two Sustainable Use Subprojects approved by each Regional Technical Unit during Project implementation and estimated to cost more than \$7,500 equivalent each); and

(d) to either: (i) reimburse Communities or Ejidos (or other Type 1 or Type 2 Entities) for eligible expenditures incurred with respect to their Sustainable Use Subproject; (ii) pay directly the suppliers and contractors providing goods, works or services for such Sustainable Use Subproject; or (iii) deposit in an account of the

Communities or Ejidos (or other Type 1 or Type 2 Entities) the amounts required to maintain in that account funds sufficient to cover no more than those Eligible Expenditures expected to be incurred by said Communities or Ejidos (or other Type 1 or Type 2 Entities) under the Project during the thirty consecutive calendar days immediately after said deposit.

3. No Sustainable Use Subproject may involve or relate to:

(a) investments in timber harvesting operations or in timber processing equipment (except with respect to plantations in non-forested areas, in heavily degraded forested areas, or in areas already planted; or except with respect to controlled sustained-yield forest management; but in no case in areas of primary tropical moist forest), or with respect to any road-related civil works or engineering;

(b) mere consumption or transfer of ownership;

(c) financing of debts and liabilities;

(d) purchase or rental of land (except as may be financed with other than GEF Trust Fund Grant proceeds);

(e) provision of welfare or other social assistance;

(f) financing of any operating costs that would not have been incurred absent the Sustainable Use Subproject;

(g) land or resources over which the relevant Community or Ejido does not have an uncontested legal right of exploitation;

(h) activities relating to, or in preparation for, exploitation of any plant or animal species listed in the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) or in the UMS's list of threatened species (Norma Oficial Mexicana NOM-059), except that such activities may be carried out as part of the Sustainable Use Subproject, with the prior approval of the Bank, if the individual plant or animal specimens in question: (i) are of a species not listed in CITES Appendix I or qualify as part of CITES Appendix II pursuant to CITES Article VII (4); (ii) qualify for the issuance of certificates pursuant to CITES Article VII (5) and are bred or propagated from parent specimens that also qualify for the issuance of such certificates; (iii) are to be placed in trade or otherwise disposed of in a manner specifically approved by INE and consistent with the terms of CITES and of Mexican law; and (iv) if of a species listed in Norma Oficial Mexicana NOM-059 but not in a CITES Appendix, have been bred or propagated, and are to be placed in trade or otherwise disposed of, in a manner specifically approved by INE and consistent with the terms of Mexican law;

(i) use of pesticides that are formulated products within classes IA and IB of the World Health Organization's Recommended Classification of Pesticides by Hazard and Guidelines to Classification (Geneva: World Health Organization, 1994-95; hereinafter WHO Guidelines), or are formulations of products in Class II of the WHO Guidelines;

(j) reconversion out of shaded coffee or expansion of non-shaded coffee production;

(k) extensive livestock use in medium- or high-altitude areas;

(l) introduction or promotion of invasive species not native to the Focal Area in question;

(m) establishment, maintenance or expansion of timber plantations in forested areas (unless the forested areas in which such actions would take place are heavily degraded); and/or

(n) significant conversion or degradation of critical natural habitats (as defined in the Bank's September 1995 Operational Policy 4.04, Annex A, on natural habitats).

4. Contracts between the Recipient, acting as trustee of the Trust, and Communities or Ejidos (or other Type 1 or Type 2 Entities) for the financing of Sustainable Use Subprojects shall contain provisions including the following:

(a) the Recipient, acting as trustee of the Trust, shall provide proceeds, on a grant basis, to the Community or Ejido (or other Type 1 or Type 2 Entities) for a Sustainable Use Subproject; and

(b) the Community or Ejido (or other Type 1 or Type 2 Entities) shall: (i) use those proceeds exclusively for carrying out the Sustainable Use Subproject in question; (ii) provide, from its own resources, the contribution for its Sustainable Use Subproject not financed by UMS (pursuant to UMS financing obligations set forth in the agreements referred to in paragraph 1 (e) (ii) of this Schedule) or from the Trust; (iii) procure goods, works and services for the Sustainable Use Subproject in compliance with the provisions of Schedule 3 to this Agreement; (iv) take all action necessary to facilitate Recipient compliance with the terms of Section 4.01 of this Agreement in connection with the Sustainable Use Subproject in question; (v) not use proceeds from the Trust to compensate the Community or Ejido for labor provided by its members; (vi) comply with the prohibitions set forth in paragraph 3 of this Schedule; (vii) participate in periodic self-assessment and monitoring of the Sustainable Use Subproject and facilitate Recipient compliance with the terms of Section 3.07 of this Agreement; and (viii) furnish to the Recipient, CONABIO and/or the Bank any information reasonably requested with respect to the Sustainable Use Subproject, as well as access reasonably requested to Sustainable Use Subproject sites, facilities and equipment.

5. Investments under Parts A and C of the Project may not be made with respect to the Focal Areas listed as "Phase II" Focal Areas in the Implementation Letter until at least four years have passed since the Effective Date and the Bank is satisfied that the phasing trigger indicators set forth in the Implementation Letter have been met. Investments under Part C of the Project for the Focal Area known as "La Cojolita" (listed as a "Phase I" Focal Area in the Implementation Letter) may not be made until after activities under Part A.2 of the Project have been carried out for said Focal Area to an extent deemed satisfactory by the Communities and Ejidos of said Focal Area.

6. The National Corridor Council shall operate according to the terms of the by-laws referred to in Section 3.03 (b) of this Agreement.

