

The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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CONFORMED COPY

June 14, 2011

Mr. Jaime González Aguadé
Director General del Banco del Ahorro Nacional y Servicios Financieros, S.N.C. (BANSEFI)
Río Magdalena 115, Col Tizapán Ángel, C.P. 01090
Del. Álvaro Obregón
México, D.F.

Re: IBRD Loan 7973-MX (Mexico: Water Utilities Efficiency Improvement Project)
Additional Instructions: Disbursement Letter

Dear Sir,

I refer to the Loan Agreement between the International Bank for Reconstruction and Development (the “Bank”) and the United Mexican States (the “Borrower”) for the above-referenced project, dated June 14, 2011. The Loan Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Loan 7973-MX (“Loan”). This letter (“Disbursement Letter”), as revised from time to time, constitutes the additional instructions.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) *Disbursement Methods (section 2)*. The following Disbursement Methods may be used under the Loan:

- Reimbursement
- Direct Payment
- Advances

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Loan Agreement. Any changes to this date will be notified by the Bank.

(iii) Disbursement Conditions (subsection 3.8). Please refer to the Disbursement Conditions in the Loan Agreement. Please note that disbursements to be made from disbursement category (3) Output-based Subprojects under Part 2 (c) of the Project, using output-based disbursement mechanisms, are not envisaged at this time and once the related conditions of disbursement are met, an amendment to this letter, evidencing deliverables/outputs and corresponding unit costs, would be required to disburse from this category.

II. Withdrawal of Loan Proceeds

(i) Authorized Signatures (subsection 3.1). A letter in the Form attached (Attachment 2) should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications for withdrawal:

Banco Mundial
Insurgentes Sur 1605, Piso 24
San José Insurgentes
03900 México, D.F. México
Attention: Gloria M. Grandolini, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed Applications for withdrawal, together with supporting documents to the address indicated below:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: Loan Department
The World Bank

(iii) Electronic Delivery (subsection 3.4). The Bank may permit the Borrower to electronically deliver to the Bank Applications (with supporting documents) through the Bank's Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* (“Terms and Conditions of Use of Tokens”) provided in Attachment 5; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) Minimum Value of Applications (subsection 3.5). The Minimum Value of Applications for replenishment to the Designated Account and for Direct Payment is United States Dollars (USD) 5,000,000 equivalent.

(vi) Advances (sections 5 and 6).

- **Type of Designated Account[s] (subsection 5.3):** Segregated.
- **Currency of Designated Account[s] (subsection 5.4):** United States Dollars.
- **Financial Institution at which the Designated Account[s] Will Be Opened (subsection 5.5):** BANSEFI.
- **Ceiling (subsection 6.1):** United States Dollars 25,000,000.

III. Reporting on Use of Loan Proceeds

(i) Supporting Documentation (section 4). Supporting documentation should be provided with each Application for withdrawal as set out below:

- **For requests for Reimbursement or eligible expenditures paid from the Designated Account:**
 - “Statements of Expenditure” in the form attached (Attachment 3A - with supporting documentation) evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments for: (i) Consulting Firms and Non-Consulting services against contracts valued at USD 100,000 equivalent or more; (ii) Individual Consultants against contracts valued at USD 50,000 equivalent or more; (iii) Goods against contracts valued at USD 300,000 equivalent or more;
 - “Statement of Expenditure” in the form attached (Attachment 3B – without supporting documentation) for all other expenditures; and
 - List of payments against contracts that are subject to the World Bank’s prior review, in the form attached (Attachment 4).
- **For requests for Direct Payment:** Records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.

(ii) *Other Supporting Documentation Instructions.* No disbursements under Disbursement Category (3) shall be made without an amendment to this letter, including a clear definition of the deliverable outputs and its unit costs, and the fulfillment of related Disbursement Conditions.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Bank's public website at <https://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (<https://clientconnection.worldbank.org>). From this website you will be able to prepare and deliver Applications, monitor the near real-time status of the Loan, and retrieve related policy, financial, and procurement information. All Borrower officials authorized to sign and deliver Applications by electronic means are required to register with Client Connection before electronic delivery can be effected. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Jose Janeiro, Senior Finance Officer at jjaneiro@worldbank.org using the above reference.

Sincerely,

/s/ Gloria M. Grandolini
Director
Colombia and Mexico
Latin America and the Caribbean Region

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Form for Authorized Signatures
3. 3A - Statement of Expenditure Sheet (SOE) with supporting documentation, for payments made against contracts above the SOE documentation threshold;
3B - Statement of Expenditure Sheet (SOE) without supporting documentation for all other payments
4. List of payments against contracts that are subject to the World Bank's prior review
5. *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation*, dated January 20, 2010

Prepared by: José Janeiro, CTRFC Miguel-Santiago Oliveira, CTRFC

Cleared with and cc: Mariana Montiel, LEGLA
David Michaud, Task Team Leader, LCSUW
Dmitri Gourfinkel, LCSFM

cc: Mr. Jose Alejandro Rojas Ramírez, Director Ejecutivo, Banco Mundial
Ms. Marta María García Jáuregui, Directora Ejecutiva Alternativa, Banco Mundial
Mr. Gerardo Rodríguez Regordosa, titular de la Unidad de Crédito Público, Secretaría de Hacienda y Crédito Público
Mr. Ricardo Ochoa Rodríguez, titular de la Unidad de Asuntos Internacionales de Hacienda, Secretaría de Hacienda y Crédito Público
Ms. Claudia Grayeb Bayata, Directora General Adjunta de América del Norte, Asia-Pacífico y el Caribe, Secretaría de Hacienda y Crédito Público
Mr. Carlos Raúl Delgado Arana, Director de Organismos Financieros Internacionales, Secretaría de Hacienda y Crédito Público
Ms. Silvia Rodríguez Díaz, Subdirectora de Estadística y Proyectos Agropecuarios y Ambientales, Secretaría de Hacienda y Crédito Público
Mr. José Luis Luege Tamargo, Director General, Comisión Nacional del Agua
Ms. Estrellita Fuentes Nava, Gerente de Planificación Hídrica y Coordinadora de Asuntos Internacionales, Comisión Nacional del Agua
Ms. Griselda Medina Laguna, Subgerente de Evaluación de Proyectos con Crédito Externo, Comisión Nacional del Agua
Mr. Jaime González Aguade, Director General, BANSEFI
Mr. Ismael Diez Aguilera, Subdirector de Financiamiento Internacional, BANSEFI
Ms. Diana Asaf Díaz, Gerente de Financiamiento, BANSEFI
Mr. Miguel Ángel Paz Bolaños, Financiamiento Internacional, BANSEFI
Mr. Eduardo Ibáñez, Gerente de Fortalecimiento de Organismo, Subdirección General de Agua Potable, Drenaje y Saneamiento, CONAGUA
Ms. María Eugenia de la Peña Ramos, Subgerente de Fortalecimiento de Organismos Operadores, CONAGUA