Re: Republic of El Salvador: Loan No. 7811-SV (Income Support and Employability Project) - Third Amendment to the Loan Agreement

Excellency:

Please refer to the Loan Agreement entered into between the Republic of El Salvador (the "Borrower") and the International Bank for Reconstruction and Development (the "Bank") dated July 19, 2010 as amended on December 17, 2010, and March 2, 2012 (the "Loan Agreement"). In this Amendment Letter, all the terms defined in the Loan Agreement have the same meaning as therein set forth.

We are pleased to inform you that pursuant to your letter dated April 30, 2013 requesting to modify some parts of the Loan Agreement to reflect: (i) a new description of Project components; (ii) the reallocation of funds; and (iii) the modification of implementation arrangements to assign to MTPS the fiduciary responsibilities under Part B of the Project, the Bank hereby proposes to amend the Loan Agreement as follows:

1. Article 3.01 of the Loan Agreement is hereby amended to read in its entirety as follows:

   "3.01 The Borrower declares its commitment to the objectives of the Project. To this end, under the overall coordination of STP, the Borrower shall: (a) carry out: (i) through MTPS, Part B of the Project; and (ii) through STP, Part C of the Project; and (b) cause FISDL, with the assistance of Eligible Municipalities, to carry out: (i) Parts A.1, A.3, and A.4 of the Project; and (ii) Part A.2 with the participation of INSAFORP, all in accordance with the provisions of Article V of the General Conditions."

2. Part B.3 of Schedule 1 to the Loan Agreement is hereby deleted.

3. Section I.A.1.(a) of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

   "1. (a) For purposes of carrying out Part A of the Project, the Borrower shall enter into an agreement (the Implementation Agreement) with FISDL under terms and conditions which shall have been approved by the Bank which shall include, inter alia, those set forth in Schedule 4 to this Agreement."

4. Part D of Schedule 2 to the Loan Agreement is hereby amended to read as follows:
“D. Safeguards

The Borrower through STP and MTPS, shall ensure, and cause FISDL to ensure, that any activities under the Project do not involve any Resettlement, the use of pesticides or other agricultural chemicals listed in the Project Operational Manual, and/or degrade natural habitats, or cause deforestation.”

4. Section II.B of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

“B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain, through STP and MTPS, and shall cause FISDL and INSAFORP to maintain, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall, through STP and MTPS, and shall cause FISDL to, prepare as part of the Project Report, interim unaudited financial reports for the Project covering a calendar semester, in form and substance satisfactory to the Bank. The Borrower, through STP, shall furnish to the Bank consolidated interim reports (including the interim financial reports prepared by: FISDL for Part A, MTPS for Part B and STP for Part C of the Project, respectively), not later than forty five days after the end of each semester.

3. The Borrower, through STP and MTPS, shall, and shall cause FISDL to, have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.”

5. The table in section IV.A.2 of Schedule 2 to the Loan Agreement is hereby amended to read in its entirety as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) PATI Grants and Management Expenses under Part A.1 of the Project</td>
<td>28,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-Consultant Services, consultants’ services, Operating Costs, and Training under Part A of the Project</td>
<td>6,085,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (expressed in Dollars)</td>
<td>Percentage of Expenditures to be financed (inclusive of Taxes)</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
<td>----------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>(3) Outputs under Part A.2 of the Project</td>
<td>6,575,000</td>
<td>70% of the Unit Costs of the Outputs as set forth in the Project Operational Manual</td>
</tr>
<tr>
<td>(4) Goods, Non-Consultant Services, consultants' services, Operating Costs, and Training under Part B of the Project</td>
<td>6,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Goods, Non-Consultant services, consultants' services, Operating Costs, and Training under Part C of the Project</td>
<td>2,515,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Front-end Fee</td>
<td>125,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>Intentionally left blank</td>
<td>Intentionally left blank</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>50,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

6. Section A of Schedule 4 to the Loan Agreement is hereby amended to read in its entirety as follows:

   “A the obligation of the Borrower:

   (a) through MoF, to promptly disburse to FISDL proceeds of the Loan to finance the carrying out of Part A of the Project with due diligence and efficiency;

   (b) to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines; and
(c) not to assign, amend, terminate, abrogate, repeal, waive or fail to enforce the Implementation Agreement or any provision thereof unless previously agreed by the Bank;"

7. Section C.(a) of Schedule 4 to the Loan Agreement is hereby amended to read in its entirety as follows:

“(a) to carry out Parts A.1, A.3, and A.4 of the Project, and Part A.2 of the Project with the participation of INSAFORP (in accordance with the INSAFORP Agreement);”

8. Section C.(e) of Schedule 4 to the Loan Agreement is hereby deleted (as a result, the remaining sections are renumbered).

9. Section C.(f) of Schedule 4 to the Loan Agreement, as renumbered per section 8 of this Agreement, is hereby amended to read in its entirety as follows:

“(f) to ensure that any activity under Part A of the Project does not involve any Resettlement, the use of pesticides or other agricultural chemicals listed in the Project Operational Manual, and/or degrade natural habitats, or cause deforestation.”

10. The following definitions on section I of the Appendix to the Loan Agreement are hereby amended to read in their entirety as follows:

“Implementation Agreement” means the agreement referred to in Section I.A.1 of Schedule 2 to this Agreement pursuant to which the Borrower shall make part of the proceeds of the Loan available to FISDL for the implementation of Part A of the Project.”

“Procurement Plan” means the procurement plan prepared by FISDL for Part A of the Project, and the procurement plan prepared by STP for Part C of the Project, both dated October 18, 2009; and the procurement plan prepared by MTPS for Part B of the Project, dated August 1, 2013, all referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.”

Please indicate your agreement with the foregoing by countersigning and dating the form of confirmation on the two original copies of this letter provided to you and returning one countersigned original to us. Thereafter, all the provisions of the Loan Agreement, except as amended through this Amendment Letter, shall remain in full force and effect.

The provisions set forth in this Amendment Letter shall become effective as of the date of the countersignature upon compliance by the Recipient of the following conditions: (i) one fully executed original of this Amendment Letter has been delivered to the Bank; (ii) evidence, acceptable to the Bank, that an amendment to the Implementation Agreement has been entered into by the parties thereto and is in full effect and a copy of such amendment has been delivered to the Bank.
Please also note that the restructuring paper dated July 30, 2013 will be disclosed on the Bank's external website.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Felipe Jaramillo
Director
Central America
Latin America and the Caribbean Region

AGREED AND CONFIRMED:

REPUBLIC OF EL SALVADOR

By:  

(Authorized Representative)

Name:  

Carlos Enrique Cáceres Chávez
MINISTRO DE Hacienda

Title:

Date:  

28 de agosto de 2013