Mr. José María Moratalla Escudero
Representante Legal
Fundación Salvadoreña Educación y Trabajo
Final Avenida Peralta y Calle Renovación,
Comunidad Iberia, Polígono Industrial Don Bosco
San Salvador, El Salvador

Re: EL SALVADOR: JSDF Grant for Addressing Youth Violence through Cultural and Music Learning Project
JSDF Grant No. TF094811

Dear Mr. Moratalla:

In response to the request for financial assistance made on behalf of Fundación Salvadoreña Educación y Trabajo (Fundación EDYTRA) (the Recipient), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient, for the benefit of the Republic of El Salvador (“Member Country”), a grant in an amount not to exceed nine hundred sixty seven thousand two hundred eighty United States Dollars (US$967,280) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Thereafter, this Agreement shall become effective upon: (a) receipt by the World Bank of this countersigned copy; and (b) the approval by the World Bank of the Work Plan referred to in Section 2.03 (a) of the Annex to this Agreement; provided, however, that the offer of this Agreement shall be deemed withdrawn if this Agreement shall not been declared effective within 90 days after the date of signature of this Agreement, unless the World Bank shall have established a later date for such purpose.
Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gregor V. Wolf
Acting Director
Central America Country Management Unit
Latin America and the Caribbean Region

AGREED:

FUNDACIÓN SALVADOREÑA EDUCACIÓN Y TRABAJO

By: /s/ José María Moratalla Escudero
    Authorized Representative

Name: /s/ José María Moratalla Escudero

Title: Representante Legal, EDYTRA

Date: July 22, 2010

Enclosures:


WITNESSED BY

EMBASSY OF JAPAN
By: /s/ Shisei Kaku
Name: /s/ Mr. Shisei Kaku
Title: Ambassador of Japan in El Salvador
Date: July 22, 2010

WITNESSED BY:

WORLD BANK
By: /s/ Alberto Leyton
Name: /s/ Mr. Alberto Leyton
Title: El Salvador Representative
Date: July 22, 2010
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following additional terms have the following meanings:

(a) “Fundación EDYTRA” or Fundación Salvadoreña Educación y Trabajo, a non-governmental organization founded in 1992 and operating in the Member Country for purposes of promoting social and economic inclusion of marginalized communities with emphasis on youth development.

(b) “Selected Schools” means any school located in areas of high incidence of gangs in which the Project will be implemented and selected based on criteria and procedures set forth in the Work Plan.

(c) “Targeted Youth” means at risk boys and girls aged eight (8) to eighteen (18) who face high propensity to engage or are already engaged in criminal and violent activities, and who are interested and committed to devoting time to hard working and demanding learning activities.

(d) “Work Plan” means the plan to be prepared by the Recipient for the carrying out of the Project as referred to in Section 2.03 (a) of this Agreement.

Article II

Project Execution

2.01. **Project Objective and Description.** The objective of the Project is to improve the quality of life of Targeted Youth through promotion of social inclusion and participation in cultural and musical activities as alternatives to violence. The Project consists of the following parts:

(a) (i) Creation and operation of a music academy for Targeted Youth; and (ii) creation and operation of a local youth symphonic orchestra and a youth chorus composed of Targeted Youth from the Selected Schools.

(b) Implementation of participatory cultural dissemination activities to build community support, ownership and social recognition to participating fellows.
(c) Strengthening the institutional capacities of sponsoring organizations to equip them with necessary abilities and resources to implement the Project and make it sustainable.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with: (a) the provisions of Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”); with the modifications set forth in Section II of the Appendix to this Agreement; (c) this Article II; and (d) the Work Plan.

2.03. **Institutional and Other Arrangements.** (a) For purposes of carrying out the Project, the Recipient shall prepare a Work Plan, satisfactory to the World Bank, which shall include, *inter alia*:

1. a detailed description of the Project’s institutional arrangements, including, the implementation activities, their sequencing, the prospective timetable, benchmarks, the procedures for the selection of staff and types of training to be provided and the selection criteria and procedures for the Selected Schools;
2. the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement and financial requirements thereof);
3. the plan for the monitoring, evaluation and supervision of the Project; and
4. the performance indicators for the Project.

(b) The Work Plan may be amended from time to time with the prior approval of the World Bank. In the event of any inconsistency between the provisions of the Work Plan, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than one month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.05. **Procurement**
(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding:

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which the World Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E)
Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. Except as the World Bank shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the World Bank: the first contract to be awarded in accordance with each procurement method. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in U.S. $)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods</td>
<td>424,820</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultants’ services</td>
<td>174,700</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training</td>
<td>273,600</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Operating Costs</td>
<td>94,160</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>967,280</strong></td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section the term:

(a) “Operating Costs” means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, and travel, lodging and per diems, but excluding salaries of officials of the Recipient’s civil service; and

(b) “Training” means training conducted in the territory of the Recipient, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

### Article IV

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Legal Representative.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

> Fundación Salvadoreña Educación y Trabajo  
> Final Avenida Peralta y Calle Renovación,  
> Comunidad Iberia, Polígono Industrial Don Bosco  
> San Salvador, El Salvador

    Telex: \[ (503) 2293-1511 \]  
    Facsimile: \[ (503) 2293-4213 \]

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

    Cable: \[ INTBAFRAD \]  
    Telex: \[ 248423 (MCI) or 64145 (MCI) \]  
    Facsimile: \[ 1-202-477-6391 \]
APPENDIX
Modifications to the Standard Conditions and the Anti-Corruption Guidelines

Section I.  The Standard Conditions are modified as follows:

1.  The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows:

   ...  (j) Ineligibility. IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”


Section II.  The modifications to the Anti-Corruption Guidelines are as follows:

1.  Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   “…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

1.  Section 11(a) is modified to read as follows:

   “… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the
Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”