Re: Republic of El Salvador: Loan No. 8110-SV (Education Quality Improvement Project) – Second Amendment to the Loan Agreement

His Excellency:

We 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 March 14, 2012 (the “Loan Agreement”). We also refer to your letter dated November 26, 2014 requesting the Bank to amend the Loan Agreement and to reallocate the proceeds of the Loan to meet the objectives of the Project. Please note that capitalized terms used in this letter (the “Amendment Letter”) and not defined herein have the meaning ascribed to them in the Loan Agreement.

We are pleased to inform you that the Bank has agreed to modify some parts of the Loan Agreement as follows:

1. Part A.1 of Schedule 1 to the Loan Agreement is hereby amended to read as follows:

   “Supporting the production of training materials and the carrying out of different types of training in the Eligible Schools, including, inter alia: (i) certified training plans for teachers, school directors and teacher trainers; (ii) orientation training for teachers and school directors of said Eligible Schools; and (iii) specifically designed training for teacher trainers.”

2. Part A.4 of Schedule 1 to the Loan Agreement is hereby amended to read as follows:

   “Supporting the extension of the teaching schedule to at least 30 class hours per week in the Lower Secondary Education and the Upper Secondary Education of the Participating Schools through, inter alia, the financing of teachers’ Sobresueldo and Horas Clase.”

3. Part A.5 of Schedule 1 to the Loan Agreement is hereby amended to read as follows:

   “(A) Carrying out of the following investments and/or activities in the Participating Schools: (i) the acquisition of general equipment for recreation, sport, art, culture and civic education; (ii) the provision of transportation to: (a) students in the Lower Secondary Education whose residence is not within walking distance from their school; and (b) students in the Lower Secondary Education and the Upper Secondary Education, to allow them to use academic facilities of other nearby schools; and (iii) the provision of school lunches; and (B) carrying out of minor maintenance activities of school facilities and structures in the Eligible Schools.

4. The Table in Section IV of Schedule 2 to the Loan Agreement is hereby replaced in its entirety to read as follows:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) (A) Goods, works, Consultants’ services and Training under Part A.1; A.2; and A.3 of the Project</td>
<td>49,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>(1) (B) Sobresueldos and Horas Clase under Part A.4 of the Project</td>
<td>1,500,000</td>
<td>33%</td>
</tr>
<tr>
<td>(2) Goods, works, Consultants’ services, Operating Costs and Training under Part A.5 of the Project (excluding food expenditures)</td>
<td>3,900,000</td>
<td>57%</td>
</tr>
<tr>
<td>(3) Goods, works, Consultants’ services, Operating Costs and Training under Part B of the Project</td>
<td>4,500,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Front-end Fee</td>
<td>150,000</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>(5) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>60,000,000</td>
<td></td>
</tr>
</tbody>
</table>

5. With regards to this amendment, withdrawals under Category (1) (B) of the Table in Section IV of Schedule 2 of the Loan Agreement will be made retroactively on or after June 30, 2015.

6. The following definition is added to Section I of the Appendix to the Loan Agreement to read as follows, the remaining definitions are renumbered to maintain alphabetical order.

"Horas Clase" means a special designation under Article 33, number 4 of the Teacher Career Path Law (Ley de la Carrera Docente) which covers education service needs that fall under the following categories: a) when the Ministry of Education cannot name salaried teachers as a result of lack of funds for the appropriate cost expenditure category and/or b) when the amount of hours required do not merit the creation of a new appointment, all in accordance with the provisions set forth in the Project Operations Manual."
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 of this Amendment Letter will become effective as of the date of this letter upon receipt by the Bank of one fully executed original of this Amendment Letter.

Please also note that the restructuring paper with the modifications dated June 30th, 2015 will be disclosed on the Bank’s external website.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Fabrizio Zarcone
Country Manager
El Salvador
Latin America and the Caribbean Region

AGREED AND CONFIRMED:

REPUBLIC OF EL SALVADOR

By: (Authorized Representative)

Name: MINSITIO DE HACIENDA

Title: ________________________

Date: 23 de Julio de 2015