CONFORMED COPY FOR PUBLIC DISCLOSURE

March 17, 2010

His Excellency
Carlos Enrique Cáceres Chávez
Minister of Finance
Ministry of Finance
Boulevard de los Héroes #1231
San Salvador, El Salvador, C.A.

Re: EL SALVADOR: TFSCB Grant for Updating of the National Statistical Development Strategy
Grant No. TF095841

Excellency:

In response to the request for financial assistance made on behalf of the Republic of El Salvador ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the Trust Fund for Statistical Capacity Building (TFSCB), proposes to extend to the Recipient a grant in an amount not to exceed seventy five thousand United States Dollars (U.S.$75,000) ("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 abovementioned trust 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 to 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.
Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, 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:

REPUBLIC OF EL SALVADOR

By: /s/ Carlos Enrique Cáceres Chávez
Authorized Representative

Name: Carlos Enrique Cáceres Chávez
Title: Ministro de Hacienda
Date: May 28, 2010

Enclosures:


(2) Disbursement Letter of even date herewith, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006.
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") 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) "DIGESTYC" means Dirección General de Estadística y Censos, the Recipient’s General Directorate of Statistics and Census, established pursuant to the Statistical Service Act, dated March 21, 1955, Decree No. 1734, and published in the Recipient’s Official Gazette on April 18, 1955, as amended to the date of this Agreement.

(b) "NSDS" means the Recipient’s National Statistical Development Strategy.

(c) "STP" means Secretaría Técnica de la Presidencia, the Recipient’s Technical Secretariat of the Presidency, established pursuant to Executive Order No. 1, and published in the Recipient’s Official Gazette on June 1, 1999, as amended to the date of this Agreement.

(d) "Work Plan" means the Project work plan referred to in Section 2.03 (a) of this Agreement, as the same may be amended, from time to time, in a manner satisfactory to the World Bank.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to assist the Recipient in its efforts to update and adjust the NSDS carried out in 2006 with a view to develop a new strategy to serve as a road map for those involved in the production and use of statistical information. The Project consists of the following parts:

(a) Review and update of the NSDS through, *inter alia*, the carrying out of workshops and stakeholder consultations.

(b) Preparation of the new NSDS through, *inter alia*, the carrying out of data analysis and the formulation of a draft strategy.

(c) Development of an action plan from the new NSDS.

(d) Publication and dissemination of the NSDS.
Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through STP in collaboration with DIGESTYC, shall carry out the Project in accordance with the provisions of: (a) 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”); and (c) this Article II.

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:

(i) a detailed description of the Project’s institutional arrangements, including, the implementation activities, their sequencing, the prospective timetable, benchmarks and the procedures for the selection of staff and types of training to be provided;

(ii) the procedures for the carrying out, monitoring and evaluation of the Project (including the procurement and financial requirements thereof);

(iii) the plan for the monitoring, evaluation and supervision of the Project; and

(iv) 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.

Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

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 have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period
shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **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 (excluding paragraph 1.16) of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 (“Procurement Guidelines”), in the case of goods and non-consulting services; and

(ii) Sections I (excluding paragraph 1.24) 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 (“Consultant Guidelines”) in the case of consultants’ services.

(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 and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and Non-consulting Services shall be procured under contracts awarded on the basis of National Competitive Bidding.

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

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

(i) Except as otherwise provided in item (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 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) 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>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, Consultants’ services, Non-consulting Services and Training</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>75,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

**TOTAL AMOUNT**

75,000

For purposes of this Section the term:

(a) “Training” means the costs associated with training conducted in the territory of the Recipient, including, rental of training facilities, course fees, travel and subsistence of trainees; and

(b) “Non-consulting Services” means services provided for the promotion, publicity, mass media, communications and printing of materials.

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 September 30, 2010.
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 Minister of Finance.

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

Ministry of Finance
Boulevard de los Héroes #1231
San Salvador, El Salvador, C.A.

Facsimile:
(503) 22 25 74 91

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