



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

March 31, 2017

Francisco Roberto Lorenzana Durán
Technical and Planning Secretariat of the President of
The Republic of El Salvador
Casa Presidencial
Alameda Manuel Enrique Araujo #5500
San Salvador
Republic of El Salvador

**Re: Program Funding Disbursement Request and Quarterly Reports for the Period
beginning April 1, 2017 and ending June 30, 2017**

Dear Mr. Lorenzana:

This letter is in response to the MCC Disbursement Request and quarterly reports ("**Disbursement Request**") submitted on March 10, 2017 on behalf of the Government of the Republic of El Salvador ("**Government**") acting through the Technical and Planning Secretariat of the President ("**Secretariat**") pursuant to (i) the Compact between the United States of America, acting through the Millennium Challenge Corporation ("**MCC**"), and the Government, acting through the Ministry of Foreign Affairs, executed on September 30, 2014 ("**Compact**"), and (ii) the Program Implementation Agreement dated May 15, 2015 between the Government and MCC (the "**PIA**"). Capitalized terms not defined in this letter have the meanings given to such terms in the Compact or the PIA, as applicable.

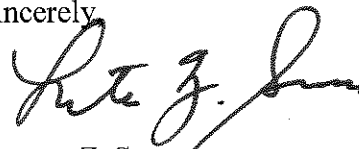
- a. Amount of MCC Disbursement: Pursuant to Section 3.4 of the PIA, the Government has requested the Disbursement of Program Funding up to an amount of \$2,738,772.23 for the period from April 1, 2017 through June 30, 2017 ("**Disbursement Period**"). MCC approves the full amount. These funds will be made available through the Common Payment System during the Disbursement Period.
- b. Approval of Reports. MCC approves the following documents submitted by the Government:
 - (i) Disbursement Request form, dated March 2;
 - (ii) Quarterly Financial Report, submitted on March 10;
 - (iii) Detailed Financial Plan, submitted on March 10;
 - (iv) Fiscal Agent Disbursement Certificate, submitted on March 10;
 - (v) Narrative Report, submitted on March 10;
 - (vi) Procurement Performance Report, submitted on March 10;

- (vii) Procurement Agent Certificate, submitted on March 10;
 - (viii) Indicator Tracking Table submitted on March 10;
 - (ix) Conditions Precedent Report, submitted on March 10; and
 - (x) Government Disbursement Certificate, submitted on March 10.
- c. Conditions Precedent: The Government requested a deferral of the condition precedent below set out in Part B (ii) of Annex II of the PIA. MCC agrees to defer the condition precedent until June 30, 2017. The decision to defer the condition precedent is based on a comprehensive review of the acceptance and adoption of Organismo de Mejora Regulatoria's recommendations as part of the first reform package to executive entities and the legislative assembly submitted in December 2016. Out of the four recommendations issued to executive agencies to be adopted by January 31, 2017, three met the deadline and one recommendation, soon expected to be adopted, is currently pending with the Ministry of Finance/Directorate General of Customs.

"Prior to the Disbursement of Program Funding for the Regulatory Improvement Activity after December 10 following the first year of the Compact or another date mutually agreed to by MCC and the Government in writing, the Government will have adopted and endorsed pursuant to the Compact the initial recommendations of the Institution and introduced a comprehensive package of reforms, and the continued Disbursement of such funding will be contingent upon the Government's continued consideration and adoption of the Institution's proposed reforms, both as satisfactory to MCC."

Except as expressly set forth herein, nothing in this letter shall be deemed to modify any of the provisions of the Compact or any related document. Should you have any questions regarding the foregoing, please do not hesitate to contact MCC's Resident Country Mission in El Salvador.

Sincerely



Fatema Z. Sumar
Deputy Vice President for Europe,
Asia, the Pacific, & Latin America
Department of Compact Operations

cc: William Pleites, Executive Director, FOMILENIO II
Martha Keays, Resident Country Director, MCC El Salvador
Richard Mora, Deputy Resident Country Director, MCC El Salvador