



July 17, 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 July 1, 2017 and ending September 30, 2017**

Dear Mr. Lorenzana:

This letter is in response to the MCC Disbursement Request and quarterly reports (“*Disbursement Request*”) submitted on June 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 \$2,227,917.79 for the period from July 1, 2017 through September 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 June 10;
  - (ii) Quarterly Financial Report, submitted on June 10;
  - (iii) Detailed Financial Plan, submitted on June 10;
  - (iv) Fiscal Agent Disbursement Certificate, submitted on June 10;
  - (v) Narrative Report, submitted on June 10;
  - (vi) Procurement Performance Report, submitted on June 10;
  - (vii) Procurement Agent Certificate, submitted on June 10;

- (viii) Indicator Tracking Table submitted on June 10;
- (ix) Conditions Precedent Report, submitted on June 10; and
- (x) Government Disbursement Certificate, submitted on June 10.

With respect to the Regulatory Improvement Activity (“*Activity*”), MCC understands that the Government has made progress on the adoption and implementation on the initial package of reforms submitted to executive entities in December 2016, but that certain deadlines of the initial package of reforms that have yet to be met. MCC and the Government previously agreed in a letter agreement dated September 9, 2016 to extend the deadline for the adoption and implementation of the initial package of reforms under the Activity set out in Part B(1) of Annex I of the Compact and the corresponding condition precedent to Disbursement in Part B(ii) to Annex II of the PIA until December 10, 2016, or another date mutually agreed to. In a subsequent letter agreement dated December 9, 2016, MCC and the Government further agreed to extend the different deadlines for the adoption and implementation of each of the initial reform recommendations in accordance to Annex I of that same letter.

Based on progress made, MCC defers the deadline for the adoption and implementation of the initial package of reforms under the covenant and the condition precedent until September 30, 2017. MCC notes that but for the decision to defer the covenant, the failure to satisfy the requirements regarding the adoption of the initial reforms would have constituted a material breach under Section 3.4(b)(ii) of the PIA that would have affected Disbursement authority. MCC expects that the Government will take the necessary measures to finalize the pending initial reforms in order to meet this deadline.

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  
Regional 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