



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA

March 27, 2018

William Pleites
Executive Director
FOMILENIO II
Blvd. Orden de Malta, Av. El Boquerón
No. 4-A Edificio Zafiro Nivel 1,
Urbanización Santa Elena, Antiguo Cuscatlán
San Salvador
Republic of El Salvador

Re: Program Funding Disbursement Request and Quarterly Reports for the Period beginning April 1, 2018 and ending June 30, 2018

Dear Mr. Pleites:

This letter is in response to the MCC Disbursement Request and quarterly reports ("*Disbursement Request*") submitted on March 9, 2018 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 \$13,535,766.22 for the period from April 1, 2018 through June 30, 2018 ("*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, submitted on March 9;
 - (ii) Quarterly Financial Report, submitted on March 9;
 - (iii) Detailed Financial Plan, submitted on March 9;
 - (iv) Fiscal Agent Disbursement Certificate, submitted on March 9;
 - (v) Narrative Report, submitted on March 9;
 - (vi) Procurement Performance Report, submitted on March 9;
 - (vii) Procurement Agent Certificate, submitted on March 9;
 - (viii) Indicator Tracking Table submitted on March 9;
 - (ix) Conditions Precedent Report, submitted on March 9; and
 - (x) Government Disbursement Certificate, submitted on March 9.
- c. Conditions Precedent: With respect to the Regulatory Improvement Activity condition precedent set forth below and in Part B(ii) of Annex II of the PIA, MCC recognizes the Government's sustained efforts to comply and satisfy the condition precedent as originally stated. However, the Government has not fully satisfied the condition precedent as currently worded. MCC recognizes a need to reformulate the condition precedent language to more closely align with its original intent to establish a permanent and self-sustaining regulatory

institution and better reflect the timing, parameters, scope, and obligations related to the comprehensive package of reforms to allow continued disbursement under this Activity.

“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, as satisfactory to MCC.”

Accordingly, the above condition precedent will be deleted and replaced with the following:

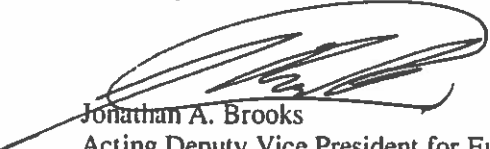
“Prior to the fourteenth disbursement of Program Funding for the Regulatory Improvement Activity, and for the continuous support of the implementation of Government entities’ regulatory implementation plans and the design of a national registry of procedures and services, the Government will have approved a law, in form and substance satisfactory to MCC, that: (1) permanently institutionalizes the Regulatory Improvement Body (Organismo de Mejora Regulatoria); (2) and enables a system of regulatory improvement that is consistent with international best practices.”

MCC and the Government will agree upon modifications to covenants under the Regulatory Improvement Activity set forth in Annex I to the Compact, to reflect the above revised condition precedent.

- d. **Reallocation:** As part of the Program Funding Disbursement Request, the Government has submitted a request to reallocate Program Funding pursuant to Section 6.2(b) of the Compact, through Schedule A of the Detailed Financial Plan. MCC approves the reallocation of \$7,996,316.04 from the Logistical Infrastructure Project Coastal Highway Expansion Activity to the Border Crossing Infrastructure Activity, pursuant to the terms of Section 6.2(b) of the Compact.

Should you have any questions regarding the foregoing, please do not hesitate to contact MCC’s Resident Country Mission in El Salvador.

Sincerely,



Jonathan A. Brooks
Acting Deputy Vice President for Europe,
Asia, the Pacific, & Latin America
Department of Compact Operations

Acknowledged and Agreed on April, 4th 2018;



William Pleites
Executive Director, FOMILENIO II

cc: Oscar Ortiz, Technical and Planning Secretariat of the President of the Republic of El Salvador
Francisco Roberto Lorenzana Durán, Governance and Communications Secretariats of the Republic of El Salvador
Martha Keays, Resident Country Director, MCC El Salvador
Richard Mora, Deputy Resident Country Director, MCC El Salvador