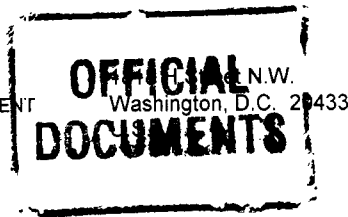


The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION



SV - Urban Poor Children
(11078)
(202) 473-1000
Cable Address: INTBAFRAD
Cable Address: INDEVAS

July 20, 2012.

Doctor Carlos Enrique Cáceres
Minister of Finance
Ministry of Finance
Diagonal Centroamérica y Av. Alvarado
Edificio Las Tres Torres, Urb. Buenos Aires
San Salvador,
Republic of El Salvador

Re: JSDF TF011078-SV: El Salvador Grant for Safeguarding Human Capital of Urban Poor
Children in the contexts of recurring food crisis in El Salvador Project
Additional Instructions: Disbursement Letter

His Excellency,

I refer to the Grant Agreement between the International Bank for Reconstruction and Development (the "Bank"), acting as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, and El Salvador (the "Recipient") for the above-referenced project dated January 13, 2012. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of JSDF TF011078 ("Grant"). This letter ("Disbursement Letter"), as revised from time to time, constitutes the additional instructions.

This letter is a First Reinstatement of the Disbursement Letter dated January 13, 2012 for the above referenced project, restating Section IV to delete the specification of US\$ 20 cash amount to be paid to eligible volunteers. This change is consistent with the definition set forth in the Operational Manual dated July 19, 2012 approved by the Bank. All other provisions and attachments of the Disbursement Letter dated January 13, 2012, except as amended, shall remain in force and effect.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, ("Disbursement Guidelines") are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Loan is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) Disbursement Methods (section 2). The following Disbursement Methods may be used under the Loan:

- Reimbursement
- Advance
- Direct Payment

(ii) Disbursement Deadline Date (subsection 3.7). The Disbursement Deadline Date is four months after the Closing Date specified in the Grant Agreement. Any changes to this date will be notified by the Bank.

II. Withdrawal of Grant Proceeds

(i) Authorized Signatures (subsection 3.1).

A letter in the Form attached should be furnished to the Bank at the address indicated below providing the name(s) and specimen signature(s) of the official(s) authorized to sign Applications:

The World Bank
1818 H Street, N.W.
Washington, DC 20433
United States of America
Attention: C. Felipe Jaramillo, Country Director

(ii) Applications (subsections 3.2 - 3.3). Please provide completed and signed applications for withdrawal, together with supporting documents, to the address indicated below:

Banco Mundial
Sector Comercial Norte,
Quadra 02, Lote A
Edifício Corporate Finance Center
7º Andar
70712-900 Brasilia, D.F.
Brazil
Attention: Loan Department

(iii) Electronic Delivery (subsection 3.4) The World Bank may permit the Borrower to electronically deliver to the World Bank Applications (with supporting documents) through the World Bank's Client Connection, web-based portal. The option to deliver Applications to the World Bank by electronic means may be effected if: (a) the Borrower has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the World Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Borrower have registered as users of Client Connection. If the World Bank agrees, the World Bank will provide the Borrower with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Borrower may continue to exercise the option of preparing and delivering Applications in paper form. The World Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Borrower.

(iv) Terms and Conditions of Use of Tokens to Process Applications. By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Borrower confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and*

Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation (“Terms and Conditions of Use of Tokens”); and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) *Minimum Value of Applications (subsection 3.5).* The Minimum Value of Applications for direct payments and reimbursements is USD \$40,000.

(vi) *Advances (sections 5 and 6) to Ministry of Health (MINSAL)*

- ***Type of Designated Account (subsection 5.3):*** Segregated
- ***Currency of Designated Account (subsection 5.4):*** US Dollars
- ***Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):*** Central Bank
- ***Ceiling (subsection 6.1):*** USD \$230,000

III. Reporting on Use of Grant Proceeds

(i) *Supporting Documentation (section 4).* Supporting documentation should be provided with each application for withdrawal as set out below:

- ***For requests for Direct Payment:*** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices.
- ***For requests for Reimbursement:***
 - Customized Statement of Expenditure for Performance Incentives with results of concurrent operational audit as instructed;
 - Summary Statement with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments valued at US\$40,000 or more; and,
 - Statement of Expenditure for all other payments.
- ***For reporting eligible expenditures paid from the Designated Account:***
 - Customized Statement of Expenditure for Performance Incentives with results of concurrent operational audit as instructed;
 - Summary Statement with records evidencing eligible expenditures (e.g., copies of receipts, supplier invoices) for payments valued at US\$40,000 or more;
 - Statement of Expenditure for all other payments; and,
 - A Designated Account activity reconciliation statement and related Bank Statements

(ii) *Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):* Quarterly

IV. Other Important Disbursement Information

Performance Incentives – will be disbursed based on a custom Statement of Expenditure in the form attached (Attachment 4) along with the results of the operational audit required under Article II, Section 2.03 (c) of the legal agreement. Each performance incentive will reflect a performance-based small cash incentive or equivalent to be granted to eligible volunteers based on the criteria and procedures, acceptable to the World Bank, set forth in the Operational Manual. The eligible volunteers are individuals and representatives of local communities who live in the target areas that will receive regular training to deliver peer support and empower parents. The performance based incentive will be provided to eligible volunteers on the basis of the quality of the services they provide to their peers in the community. The incentives will be done on the basis of the results of a regular appraisal of their performance that will be conducted by Municipal Health Centers and Authorities as well as independent auditors. The incentives will also be monitored with a rigorous monitoring system that will include services provided, contact data and identity verification.

Operating Costs – under the JSDF operating costs are limited to 10% of the grant amount. Therefore cumulative operating costs financed under this grant cannot exceed US\$274,943 (10% of the grant amount).

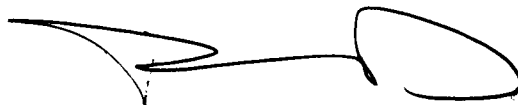
V. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the World Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <http://clientconnection.worldbank.org>. Printed copies are available upon request.

If you have not already done so, the World Bank recommends that you register as a user of the Client Connection website (<http://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the World Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact World Bank Loan Department by email loa-tf@worldbank.org and using the TF number and project name as reference.

Yours sincerely,



Patricia Hoyes
Sr. Finance Officer
World Bank Loan Department

Attachments

(same attachments as original Disbursement Letter signed January 13, 2012.)

Cc with copies: **Ministry of Health**

Dra. Maria Isabel Rodriguez, Minister, Ministry of Health (MINSAL)

Ing. Mauricio Pineda, Manager, General Operations Office, Ministry of Health

Ministry of Finance

Lic. Rina Castellanos de Jarquin, General Director for Investment and Public Credit

Lic. Delia Lorena Reyes, Sub-Director for Investment and Public Credit

Lic. Jerson Posada, Department Chief for Strategic Debt Management

FOR OFFICIAL USE ONLY

Prepared by Tatiana de Abreu - CTRLN

Cleared with and cc: Cristian D'Amelj, Counsel
Marie Chantal Messier, Task Team Leader