

CONFORMED COPY

DEVELOPMENT GRANT AGREEMENT  
RELATED TO LOAN NUMBER 2873 ES

(Earthquake Reconstruction Project)

between

REPUBLIC OF EL SALVADOR

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of Grant Funds  
provided by the GOVERNMENT OF JAPAN

Dated April 22, 1988

DEVELOPMENT GRANT NUMBER 2873 ES

DEVELOPMENT GRANT AGREEMENT

AGREEMENT, dated April 22, 1988, between REPUBLIC OF EL SALVADOR (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by the GOVERNMENT OF JAPAN (Japan).

WHEREAS (A) pursuant to a Loan Agreement (Earthquake Reconstruction Project), dated October 16, 1987, between the Recipient and the Bank (the IBRD Loan Agreement), the Bank has agreed to extend to the Recipient a loan in an amount in various currencies equivalent to sixty-five million dollars (\$65,000,000) to assist in the financing of the Project described in Schedule 2 to the IBRD Loan Agreement (the Project);

WHEREAS (B) the Recipient has also requested Japan, through

the Bank, to provide assistance in financing the Project;

WHEREAS (C) pursuant to a letter agreement dated June 3, 1987 between Japan and the Bank, Japan has requested the Bank, and the Bank has accepted, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement;

WHEREAS (D) Japan has agreed that a grant in the amount of one billion five hundred million Yen (Y 1,500,000,000) (the Grant) out of said grant funds be made available to the Recipient to assist the Recipient in carrying out the Project on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985 (the General Conditions) constitute an integral part of this Agreement, subject, however, to the following modifications thereto:

(a) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank referred to in Recital (C) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(b) the term "Borrower", wherever used in the General Conditions, means the Recipient;

(c) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement except that in Section 6.02 (a), the term "Loan Agreement" means the IBRD Loan Agreement;

(d) the term "Loan", wherever used in the General Conditions, means the Grant;

(e) the term "Loan Account", wherever used in the General Conditions, shall be amended to read the Grant Account;

(f) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the proceeds of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal.";

(g) Sections 2.01 (5), (7), (12), (13), (14), (16), (17) and (19), 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.10, 6.05, 6.07, 7.01, 8.01 (a), 9.02, 9.03, 10.02, 12.02, 12.04 and 12.05 are deleted.

(h) The second and third sentences of Section 4.09 are deleted.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the

General Conditions, in the Recital to this Agreement and in the IBRD Loan Agreement have the respective meanings therein set forth; and the following additional terms have the following meanings:

(a) the terms "yen" and "Y" mean the currency of Japan; and

(b) "Revolving Account" means the account referred to in Section 2.02 (b) of this Agreement.

## ARTICLE II

### The Grant

Section 2.01. The Administrator agrees to extend to the Recipient, on the terms and conditions herein set forth or referred to, the Grant in an amount of one billion five hundred million yen (Y 1,500,000,000).

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator.

(b) The Recipient shall, for the purposes of the Project, open and maintain in dollars a revolving account in BCR on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Revolving Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. Except as the Administrator shall otherwise agree, goods and services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 4 to the IBRD Loan Agreement which is hereby incorporated into this Agreement.

Section 2.04. The Closing Date shall be December 31, 1993 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

## ARTICLE III

### Execution of the Project

Section 3.01. Articles III, IV and V of the IBRD Loan Agreement, including the Schedules referred to therein, are hereby incorporated into this Agreement with the same force and effect as if they were fully set forth herein, it being understood that all references in said Articles to "the Bank" shall be deemed to be references to the Bank as Administrator of the Grant under this Agreement, all references to the "Borrower" shall be deemed to be references to the Recipient, all references to the "Loan" the "Loan Account" shall be deemed to be references to the Grant and the Grant Account, respectively; and all references to the "Special Account" in Article IV shall be deemed to be references to the Revolving Account.

## ARTICLE IV

### Effectiveness

Section 4.01. This Agreement shall become effective upon the Effective Date of the Loan Agreement, and the Administrator shall promptly notify the Recipient of such Date.

Section 4.02. This Agreement shall continue in effect until

the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE V

Representation; Transfer of Rights and Obligations

Section 5.01. The Minister of Planning and Coordination of Economic and Social Development of the Recipient shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministerio de Planificacion y Coordinacion del  
Desarrollo Economico y Social  
Casa Presidencial  
San Salvador  
El Salvador

Cable address:

Telex:

MIPLAN, Casa Presidencial      301 30309  
San Salvador  
El Salvador

For the Administrator:

International Bank for Reconstruction  
and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable address:

Telex:

INTBAFRAD      440098 (ITT)  
Washington, D.C.      248423 (RCA) or  
64145 (WUI)

With copies to:

Ministerio de Hacienda  
3a Avenida Norte y 13 Calle Poniente  
San Salvador  
El Salvador

Cable address:

Telex:

MINHACIENDA      301 20647  
San Salvador  
El Salvador

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF EL SALVADOR

By /s/ Ernesto Rivas-Gallont  
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT  
as Administrator of the Grant

By /s/ Everardo Wessels  
Acting Regional Vice President  
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Grant, the allocation of the amounts of the Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Grant Allocated (Expressed in Yen)	% of Expenditures to be Financed
(1) Housing Credits under Part A(1) of the Project	1,200,000,000	42% of amounts disbursed by a Housing Inter- mediary for each Housing Credit
(2) Consultants' services and studies under Part F of the Project	150,000,000	100% of foreign expenditures and 78% of local expenditures
(3) Unallocated	150,000,000	
TOTAL	1,500,000,000 =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of the Loan Agreement or for goods not eligible under the Loan Agreement.

SCHEDULE 2

Revolving Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the

Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,250,000 to be withdrawn from the Grant Account and deposited in the Revolving Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Administrator shall otherwise agree, payments out of the Revolving Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Administrator has received evidence satisfactory to it that the Revolving Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Revolving Account may be made as follows:

(a) On the basis of a request or requests by the Recipient for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Administrator shall, on behalf of the Recipient, withdraw from the Grant Account and deposit in the Revolving Account such amount or amounts as the Recipient shall have requested.

(b) The Recipient shall furnish to the Administrator requests for replenishment of the Revolving Account at such intervals as the Administrator shall specify. On the basis of such requests, the Bank shall withdraw from the Grant Account and deposit into the Revolving Account such amounts as shall be required to replenish the Revolving Account with amounts not exceeding the amount of payments made out of the Revolving Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Recipient out of the Revolving Account for which the Recipient requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Recipient shall furnish to the Administrator, prior to or at the time of such request, such documents and other evidence as the Administrator shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Revolving Account shall be made by the Administrator when either of the following situations first arises:

(i) the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Grant allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Grant Account of the remaining unwithdrawn amount of the Grant allocated to the eligible Categories shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Revolving Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment out of the Revolving Account: (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Recipient shall, promptly upon notice from the Administrator, deposit into the Revolving Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Administrator into the Revolving Account shall be made until the Recipient has made such deposit or refund.

(b) If the Administrator shall have determined at any time that any amount outstanding in the Revolving Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Administrator, refund to the Administrator such outstanding amount for crediting to the Grant Account.

