RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING
OF
LOCAL GOVERNMENT STRENGTHENING PROJECT
LOAN
JUNE 1, 2010

TO THE

REPUBLIC OF EL SALVADOR

JULY 14, 2010

Central America Country Management Unit
Environmentally and Socially Sustainable Development Sector Management Unit
Latin America and the Caribbean
Regional Vice President: Pamela Cox
Country Director: Laura Frigenti
Sector Director: Laura Tuck
Sector Manager: Ethel Sennhauser
EL SALVADOR
LOCAL GOVERNMENT STRENGTHENING PROJECT

The only proposed change is a reallocation of the loan’s expenditure categories in order to accommodate the request of the National Legislative Assembly to reallocate US$3.9 million from the Support to Decentralization Policy and Project Management Components to the Strengthening of Local Governments Component. The request is to focus more resources from the loan on increasing municipal management capacity.

Attachment: ANNEX 1 Proposed Reallocations
# ANNEX 1:

## Reallocation of Proceeds

<table>
<thead>
<tr>
<th>Current Category of Expenditure</th>
<th>Current Allocation (USD)</th>
<th>% Financing</th>
<th>Proposed Category of Expenditure</th>
<th>Proposed Allocation (USD)</th>
<th>% Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Subproject Grants under Part A of the Project</td>
<td>52,750,000</td>
<td>100%</td>
<td>(1) Subproject Grants under Part A of the Project</td>
<td>52,750,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, Non-Consultant Services, consultants’ services, Operating Costs, and Training under Part B of the Project</td>
<td>19,720,000</td>
<td>100%</td>
<td>(2) Goods, Non-Consultant Services, consultants’ services, Operating Costs, and Training under Part B of the Project</td>
<td>23,800,019</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Non-Consultant Services, consultants’ services, Operating Costs, and Training under Part C of the Project</td>
<td>1,630,000</td>
<td>100%</td>
<td>(3) Goods, Non-Consultant Services, consultants’ services, Operating Costs, and Training under Part C of the Project</td>
<td>699,200</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, Non-Consultant services, consultants’ services, Operating Costs, and Training under Part D of the Project</td>
<td>5,100,000</td>
<td>100%</td>
<td>(4) Goods, Non-Consultant services, consultants’ services, Operating Costs, and Training under Part D of the Project</td>
<td>2,083,414</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>200,000</td>
<td>100%</td>
<td>(5) Front-end Fee</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>600,000</td>
<td></td>
<td>(6) Unallocated</td>
<td>467,367</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>80,000,000</td>
<td></td>
<td>TOTAL AMOUNT</td>
<td>80,000,000</td>
<td></td>
</tr>
</tbody>
</table>