

The Salvadoran Legislative Assembly authorizes subscription of a Loan Agreement with IADB worth of US\$350 million to complete funding for 2018 Budget

On Thursday, May 31st, 2018, the Legislative Assembly authorized, with the support of all political parties, the Ministry of Finance to subscribe a Loan Agreement with the Inter-American Development Bank (IADB), denominated “Program of Fiscal Strengthening for Inclusive Growth,” for an amount of up to US\$350.0 million, to change the source of funding needed to complete the resources required by the General Budget of the State for tax year 2018. Such funding represents a sign of trust and support to the country from the IADB.

The request for authorization was filed on May 24th, 2018, by the Minister of Finance, Mr. Nelson Fuentes, as an alternative to the issuance of bonds, worth of US\$350.1 million, authorized by the legislative branch on January 5, 2018 in order to complete funding of 2018 Budget.

The Loan Agreement will bring improved credit terms such as maturity and interest rate, compared to what they would be under an issuance of credit securities in the capital markets, which in turn will translate in important savings for the benefit of the State, when paying the debt service, as the rate to be subscribed is actually in the order of 3.25% and the term is 20 years, which includes a 5.5 years of grace, compared to an indicative coupon rate of about 7.50% which would be paid in case of an issuance made in the international markets.

Having the authorization granted, once the Loan Agreement is subscribed, funding will be secured for all commitments allocated in 2018 tax year Budget, and will further constitute an indication that agreements can be reached on the basis of consensus for the benefit of the country, sending this way, positive signs to the national e international community.