

CONFORMED COPY

LOAN NUMBER 2949 DO

(Power Sector Rehabilitation and Distribution Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

CORPORACIiN DOMINICANA DE ELECTRICIDAD

Dated June 9, 1988

LOAN NUMBER 2949 DO

LOAN AGREEMENT

AGREEMENT, dated June 9, 1988 between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and CORPORACIiN DOMINICANA DE ELECTRICIDAD (the Borrower).

WHEREAS (A) The Dominican Republic (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and

conditions set forth in this Agreement;

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, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "CDE" means Corporacion Dominicana de Electricidad, a corporation established pursuant to Law No. 4115 of April 21, 1955, as amended by Law No. 748 of January 6, 1978;

(b) "CDE's Charter" means Reglamento No. 1034 para el funcionamiento de la Corporacion Dominicana de Electricidad, the operating rules of the Borrower of July 25, 1955 as amended to the date of this Agreement;

(c) "pesos" or "DR \$" means the currency of the Guarantor;

(d) "Project Preparation Advance" and "Exchange of Letters" means the project preparation advance granted by the Bank to the Guarantor pursuant to an exchange of letters dated July 5, 1985 and October 11, 1985 between the Guarantor and the Bank as amended by exchange of telexes of the parties thereto dated December 1, 1986 and January 28, 1987;

(e) "Action Plan" means the action plan set forth in Schedule 5 to this Agreement;

(f) "Contract Plan" means the agreement referred to in Section 3.03 of this Agreement; and

(g) "Investment Program" means the program of investments and financing plan therefor agreed to by the Bank on November 10, 1987 as the investments of the Borrower's expansion program set forth in the attachment to the aide memoire signed by the Borrower and the Bank on such date, as such Investment Program may be revised and updated pursuant to the provisions of Section 5.05 of this Agreement.

#### ARTICLE II

##### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount in various currencies equivalent to one hundred five million dollars (\$105,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan and in respect of interest and other charges on the Loan.

(b) On each of the semiannual interest payment dates specified in Section 2.06 of this Agreement, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself

the amounts required to pay, on such date, interest and other charges on the Loan accrued and payable on or before the date set forth, and up to the amount allocated, in Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Bank and the Borrower.

(c) Pursuant to the assumption by the Borrower of the obligations of the Guarantor under the Project Preparation Advance, as set forth in Section 3.05 (a) (i) of this Agreement, promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be cancelled.

Section 2.03. The Closing Date shall be June 30, 1995 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and public utility practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a)

of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out the action plan for the Borrower's institutional, financial and operational improvements set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall: (a) not later than September 30, 1988 enter into an agreement with the Guarantor (the Contract Plan) under terms and conditions satisfactory to the Bank which shall include, inter alia, the specific legal and administrative actions to be taken by the Borrower and the Guarantor, as the case may be, for purposes of implementing the Guarantor's policy of supporting a greater corporate independence and stability of CDE; and (b) unless otherwise agreed by the Bank, the Borrower shall not assign, amend, abrogate or waive the Contract Plan or any provision thereof.

Section 3.04. The Borrower shall: (a) not later than September 30 each year, furnish to the Bank for its comments a training report detailing training activities undertaken during that fiscal year and the training activities planned for the following fiscal year; and (b) carry out the activities planned for the following fiscal year.

Section 3.05. (a) In consideration of the Guarantor's securing, for purposes of the Project, the Project Preparation Advance, the Borrower hereby irrevocably: (i) assumes, as primary obligor, the obligations of the Guarantor contained in, or which are the consequence of, the Exchange of Letters; and (ii) accepts the assignment by the Guarantor, expressed in Section 2.04 (a) of the Guarantee Agreement, of any contract or agreement entered into by the Guarantor in furtherance of the purposes of the Project Preparation Advance.

(b) The Borrower shall, from the Effective Date on, exercise its rights under any contract or agreement assigned by the Guarantor to the Borrower under Section 2.04 (a) of the Guarantee Agreement in such manner as to protect the interests of the Guarantor, the Bank and the Borrower and to accomplish the purposes of the Loan.

(c) The Bank hereby accepts: (i) the assumption of obligations of the Borrower referred to above, and (ii) the assignment perfected by, paragraph (a) of this Section.

(d) It is understood that the provisions of this Section shall come into force on the Effective Date.

#### ARTICLE IV

##### Management and Operations of the Borrower

Section 4.01. (a) The Borrower shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, and public utility practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

(b) Without limitation on the provisions of paragraph (a) above; the Borrower shall: (i) promptly employ a Project Coordinator, a Management and Financial Advisor and a Planning Director; all with qualifications and experience and with functions and responsibilities satisfactory to the Bank; and (ii) establish, and thereafter maintain, a project implementation unit with powers, responsibilities, accounting systems and staffing satisfactory to the Bank.

Section 4.02. The Borrower shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and public utility practices.

Section 4.03. The Borrower shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. The Borrower shall take all action, including the installation and utilization of adequate instruments, to monitor continuously its dams, reservoir banks, associated structures, earthworks, penstocks and other waterways, and its generating plant structures and equipment, and shall cause such facilities to be inspected, at least once a year, by qualified and experienced experts in accordance with appropriate engineering practices, in order to determine whether there are any deficiencies or potential deficiencies in their condition, or in the quality or adequacy of maintenance or methods of operation of such facilities which may endanger the safety of any of such facilities or the staff maintaining or operating them.

Section 4.05. Except as the Bank shall otherwise agree and except as required in the ordinary course of business, the Borrower shall not sell, lease, transfer, assign or otherwise dispose of any of its rights, property or assets.

#### ARTICLE V

##### Financial Covenants

Section 5.01. (a) The Borrower shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition including separate records and accounts adequate to reflect the resources and expenditures in respect of the Project.

(b) The Borrower shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than: (A) September 30, 1988 in respect of fiscal year 1987; (B) six months after the end of fiscal year 1988; and (C) four months after the end of each fiscal year thereof: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 5.02. (a) Except as the Bank shall otherwise agree and until the Project has been completed, the Borrower shall neither commit itself to nor make any capital expenditures (not required for the Project or otherwise included in the Investment Program) which would exceed by more than 1.5% the current net value of the Borrower's fixed assets in operation unless the Bank has been furnished with evidence, satisfactory to the Bank, that the proposed expenditures are economically and technically justified and the Borrower has obtained financing under terms and conditions which will not materially and adversely affect its financial condition and operations, including the carrying out of the Project.

(b) For purposes of this Section:

- (i) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations; and
- (ii) The term "current net value of the Borrower's fixed assets in operation" means the gross value of the Borrower's fixed assets in operation less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation satisfactory to the Bank.

Section 5.03. (a) Except as the Bank shall otherwise agree, the Borrower shall take all such measures as shall be required to reduce the energy losses occurring in its distribution systems so that such losses in respect of its total net energy generation shall not exceed during the following fiscal year: (A) 30% in fiscal year 1988; (B) 27% in fiscal year 1989; (C) 24% in fiscal year 1990; (D) 22% in fiscal year 1991; (E) 20% in fiscal year 1992; (F) 19% in fiscal year 1993; and (G) 18% in fiscal year 1994 and thereafter; and

(b) for purposes of this Section: (i) the term "energy losses" means the difference between: (A) the sum of the total energy generated by the Borrower and all its purchases of energy; and (B) the sum of all energy used in the generating plants of the Borrower and all sales; and (ii) the term "net energy generation" means the sum of: (A) the difference between: (I) the sum of the Borrower's gross energy generation, and (II) the sum of the energy used in the Borrower's plants; and (B) its purchases of energy.

Section 5.04. The Borrower shall pay all its debts to local suppliers and contractors for services rendered promptly after the date of billing so that it shall maintain, in the aggregate: (a) commencing on December 31, 1989, no more than ninety days of suppliers and contractors billings outstanding and unpaid; and

(b) commencing on December 31, 1990, no more than sixty days of suppliers and contractors billings outstanding and unpaid.

Section 5.05. (a) The Borrower shall, not later than September 30, 1988 and by June 30 of each year thereafter: (i) revise and update in a manner satisfactory to the Bank, and furnish to the Bank, its Investment Program and related financial projections of the Borrower's operations; and (ii) without limitation to Section 9.07 of the General Conditions, prepare and furnish to the Bank progress reports on the implementation of the Project including, in particular, the Action Plan, the Contract Plan and Section 5.07 and 5.08 of this Agreement.

(b) The Borrower shall, not later than September 30, 1988 and June 30 each year thereafter, review with the Bank, the progress made in the implementation of the Action Plan and the Contract Plan and the Borrower's compliance with Sections 5.07 and 5.08 of this Agreement.

(c) In the event that the results of such review show that the Borrower is not implementing the Action Plan or the Contract Plan, or is not in compliance with the provisions of Sections 5.07 and 5.08 of this Agreement, the Borrower shall: (i) agree with the Bank on the actions to be taken by the Borrower for purposes of restoring compliance of the requirements set forth in (b) above; and (ii) carry out such actions.

Section 5.06. The Borrower shall: (a) not later than September 30, 1988 prepare and furnish to the Bank an evaluation of the degree of reliability of the Borrower's generating system in providing electricity at all times during the period 1989-1991; and

(b) based on the evaluation referred to in (a) above, prepare and furnish to the Bank not later than December 31, 1988, an engineering and financial feasibility report for the implementation of an emergency plan, aimed at improving the reliability of the Borrower's electric systems; and

(c) implement such emergency plan, taking into account, the comments, if any, made by the Bank thereon.

Section 5.07. (a) Except as the Bank shall otherwise agree, the Borrower shall maintain, for each of its fiscal years after its fiscal year ending on December 31, 1987, a ratio of total working expenses to total operating revenues not higher than: (i) 98% in fiscal year 1988; (ii) 85% in fiscal year 1989; (iii) 77% in fiscal year 1990; (iv) 70% in fiscal year 1991; (v) 68% in fiscal years 1992 and 1993; and (vi) 65% in fiscal year 1994 and thereafter.

(b) Before September 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, ascertain whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year, and shall furnish to the Bank the results of such review upon its completion.

(c) If any review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

(d) For the purposes of this Section:

(i) The term "total working expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes but excluding provision for depreciation determined on a basis acceptable

to the Bank, and interest and other charges on debt.

- (ii) The term "total operating revenues" means revenues from all sources related to operations.

Section 5.08. (a) Except as the Bank shall otherwise agree, the Borrower shall produce, for each of its fiscal years after its fiscal year ending on December 31, 1987, funds from internal sources equivalent to not less than the following percentage of the annual average of the Borrower's capital expenditures incurred, or expected to be incurred, for that year, the previous fiscal year and the next following fiscal year: (i)-33% in fiscal year 1988; (ii)-5% for fiscal year 1989; (iii) 1% in fiscal year 1990; (iv) 12% in fiscal year 1991; (v) 14% in fiscal years 1992 and 1993; and (vi) 18% in fiscal years 1994 and thereafter.

(b) Before September 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank a copy of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, adjustments of the structure or levels of its rates) in order to meet such requirements.

- (d) For the purposes of this Section:

- (i) The term "funds from internal sources" means the difference between:

- (A) the sum of revenues from all sources related to operations, consumer deposits and consumer contributions in aid of construction, and net non-operating income; and

- (B) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends and other cash distributions of surplus and other cash outflows other than capital expenditures.

- (ii) The term "net non-operating income" means the difference between:

- (A) revenues from all sources other than those related to operations; and

- (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.

- (iii) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.

- (iv) The term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations.

- (v) Whenever for the purposes of this Section it shall



be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.09. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, unless the net revenues of the Borrower for the fiscal year immediately preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever is the greater, shall be at least 1.5 times the estimated maximum debt service requirements of the Borrower for any succeeding fiscal year on all debt of the Borrower, including the debt to be incurred.

(b) For the purposes of this Section:

- (i) The term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred, except for indebtedness maturing after 12 months but before 18 months after the date on which it is originally incurred provided that such indebtedness is incurred not later than December 31, 1989 and does not exceed in the aggregate \$10,000,000 equivalent.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into.
- (iii) The term "net revenues" means the difference between:
  - (A) the sum of revenues from all sources related to operations adjusted to take account of the Borrower's rates in effect at the time of the incurrence of debt event though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and
  - (B) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt.
- (iv) The sum "net non-operating income" means the difference between:
  - (A) revenues from all sources other than those related to operations; and
  - (B) expenses, including taxes and payments in lieu of taxes, incurred in the generation of revenues in (A) above.
- (v) The term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on, debt.
- (vi) Whenever for the purposes of this Section it shall

be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 5.10. Without limitation to the provisions of Sections 5.07 and 5.08 of this Agreement, the Borrower shall set rates:

(a) at levels which shall produce a weighted average rate which shall be sufficient to enable the Borrower to cover its operating expenses including taxes, earn an adequate return on the funds invested, meet its financial obligations and make a reasonable contribution to the Borrower's future investment for expansion of capacity; and

(b) with a structure that reflects the economic cost of services, calculated in a manner satisfactory to the Bank, at the various voltage levels at which the energy is supplied.

#### ARTICLE VI

##### Remedies of the Bank

Section 6.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Law No. 4115 of April 21, 1955 as amended by Law No. 748 of January 6, 1978 or CDE's Charter shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement or its operation or financial condition;

(b) that the Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of CDE or for the suspension of its operations; and

(c) that the Borrower shall have failed to agree to, or commence implementation of, the actions required from the Borrower for purposes of Section 5.05 (c) of this Agreement.

Section 6.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, that the events specified in paragraphs (a) and (b) of Section 6.01 of this Agreement shall occur.

#### ARTICLE VII

##### Effective Date; Termination

Section 7.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Project Coordinator, the Financial and Management Advisor and the Planning Director referred to in Section 4.01 (b) (i) of this Agreement have been appointed;

(b) the Project implementation unit referred to in Section 4.01 (b) (ii) of this Agreement has been established; and

(c) the Borrower has employed the consultants required for purposes of Part D.1 of the Project.

Section 7.02. The date September 9, 1988 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VIII

Addresses

Section 8.01. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

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

Cable address:

INTBAFRAD  
Washington, D.C.

Telex:

440098 (ITT)  
248423 (RCA) or  
64145 (WUI)

For the Borrower:

Centro de los Heroes  
Santo Domingo R.D.  
Republica Dominicana

Cable address:

COELEC DR

Telex:

4195 COELEC

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.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President  
Latin America and the Caribbean

CORPORACIiN DOMINICANA DE ELECTRICIDAD

By /s/ Eduardo Sagredo

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(1) Goods, works, spare parts and materials for Parts A, B and C.2 of the Project	77,300,000	100% of foreign expenditures, and 100% of local expenditures (ex-factory cost) for goods, spare parts, and materials and 100% of expenditures for works
(2) Consultants' services for Parts C and D of the Project	5,300,000	100%
(3) Interest and other charges on the Loan accrued on or before February 15, 1993	9,900,000	Amounts due pursuant to Section 2.02 (c) of this Agreement
(4) Refunding of Project Preparation Advance	540,000	Amount due pursuant to Section 2.02 (d) of this Agreement
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Unallocated	11,960,000	
TOTAL	105,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Guarantor for goods or services supplied from the territory of any country other than that of the Guarantor; and

(b) the term "local expenditures" means expenditures in the currency of the Guarantor or for goods or services supplied from the territory of the Guarantor.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of \$5,000,000, may be made in respect of Parts A, B and C.1 of the Project on account of payments made for expenditures before that date but after November 1, 1987.

SCHEDULE 2

Description of the Project

The objectives of the Project are to improve electricity services in the Dominican Republic and the Borrower's operational efficiency and finances.

The Project consists of the following parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A: Rehabilitation of the Borrower's Transmission and Distribution System

1. Installation of about 54 kilometers of 138 kilovolt transmission lines and about 42 kilometers of 69 kilovolt transmission lines.
2. Construction of 3 substations at 69/12.5 and 138/69 kilovolt voltage levels with a total installed capacity of 250 megavolt amperes.
3. Installation of about 295 kilometers and 835 kilometers of primary and secondary distribution lines, respectively.
4. Installation of 60 megavolt ampere reactive capacitors, about 103 megavolt amperes on distribution transformers, 135,000 service drops and protection and sectionalizing equipment.
5. Acquisition and utilization of all electrical and mechanical equipment for the lines and sub-stations referred to in 1, 2 and 3 above, including, inter alia, meters, materials for service drops, protection and switching equipment, tools and vehicles for project implementation.

Part B: Rehabilitation of the Borrower's Thermal Power Plants

1. Acquisition and utilization of spare parts for the Borrower's thermal power plants.
2. Provision of technical assistance for rehabilitation of the Borrower's thermal power plants.

Part C: Institutional Strengthening of CDE

1. Carrying out of a program of financial systems rehabilitation of CDE and improvement of its financial management.
2. Provision of training and teaching materials and technical assistance to the Borrower's staff in the financial, planning, technical and administrative areas.

Part D:

1. Provision of consultants' services for the preparation of detailed engineering work, supervision and management of the Project.
2. Provision of consultants' services and related equipment for monitoring the levels of coal contamination in the Haina port area.
3. Provision of consultants' services for the design, supervision of construction and follow-up of the ash disposal system for the Borrower's power plants.

\* \* \* \*

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
On each February 15 and August 15	
beginning February 15, 1994	
through August 15, 2005	4,375,000

\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but not more than eleven years before maturity	0.65
More than eleven years but not more than fifteen years before maturity	0.88
More than fifteen years before maturity	1.00

#### SCHEDULE 4

##### Procurement and Consultants' Services

##### Section I. Procurement of Goods and Works

##### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods and works shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

##### Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in the Dominican Republic may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

##### Part C: Other Procurement Procedures

##### 1. Limited international bidding:

Spare parts for Part B.1 of the Project estimated to cost up to an aggregate amount not to exceed the equivalent of \$5,500,000, and teaching materials under Part C of the Project to cost up to an aggregate amount not to exceed the equivalent of \$200,000 may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56 thereof).

##### 2. Direct Contracting:

Spare parts for Part B.1 of the Project estimated to cost up to an aggregate amount not to exceed the equivalent of \$5,000,000 may be procured under contracts awarded through direct contracting, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 5.01 (c) (ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Action Plan

Area	Task Description	Beginning	Completion
		(not later than)	(not later than)
1. General Management			
1.1 Performance Targets	Take all actions necessary to meet the ratios and other performance targets set forth in the Annex to this Schedule, all to be calculated in a manner satisfactory to the Bank		
2. Administrative			
2.1 Organization	Review its organizational structure, including its manpower requirements, functions, responsibilities and staff qualifications and reach agreement with the Bank on revised organizational	4/30/88	9/30/88

	structure for its implementation		
2.2 Training	Restructure its Training Unit and appoint therein a Unit Chief, with qualifications acceptable to the Bank	6/30/88	-
Area	Task Description	Beginning (not later than)	Completion (not later than)
2.3 Personnel Management	Prepare a job grading system based on staff qualifications, skills and experience requirements	6/30/88	6/30/89
	Prepare and implement a staff program to promote professional career within its organization, including staff performance evaluation	6/30/88	6/30/89
	Review its salary structure and implement a revised salary scale with levels equivalent to those of local comparable companies acceptable to the Bank	5/30/88	9/30/88
2.4 Salaries	Increase key professional staff salaries to levels compatible with those of the local comparable companies referred to in 2.3 above		6/15/88
2.5 Procurement	Establishment of a Procurement Committee for awarding goods and services contracts	6/30/88	-
	Review its procurement practices including bid evaluation procedures and implement revised procurement rules satisfactory to the Bank	6/30/88	-
Area	Task Description	Beginning (not later than)	Completion (not later than)
3. Planning			
3.1 Organization	Review and implement recommendations to improve its current planning capabilities	4/30/88	-
	Appoint a Planning	6/30/88	-



	Committee with participation of its Planning, Engineering Operations, and Finances Directorates		
3.2 Expansion Plan	Update, on a yearly basis, the Borrower's expansion plans, including generation, transmission, distribution and others	12/30/89	12/30/94
3.3 Reliability Control	Restore and improve the system for collection and processing of data for monitoring the reliability of CDE's electric system	5/30/88	9/30/88
4. Production			
4.1 Rehabilitation	Bidding for the purchase of spare parts and equipment for its thermal plant rehabilitation program	5/30/88	6/30/90
Area	Task Description	Beginning	Completion
		(not later than)	(not later than)
	Prepare plant rehabilitation quarterly reports unit by unit. Last report should include results of all commissioning tests, including efficiency	As required during rehabilitation	
	Prepare preventive maintenance programs for its thermal units, including implementation plans (manpower, financial resources, etc.)	6/30/88	12/30/94
4.2 Fuel	Appoint a consulting firm or an individual consultant to study its requirements of fuel-oil and coal, such as: specifications, purchase, inspection and quality control, transport, handling, etc.	4/30/88	8/30/88
Area	Task Description	Beginning	Completion
		(not later than)	(not later than)

#### 5. Engineering

5.1 Losses Control	Prepare and implement a program for a continuous metering in all urban substations (by circuits and feeders), in coordination with its Commercial Department. The program should include the ways and means for its implementation	5/30/88	12/30/94
	Preparation of semi-annual reports regarding reduction of technical and non-technical losses	12/30/88	12/30/94
5.2 Coal Unloading	Carry out a study of location, and detailed engineering work for a coal unloading port. Study should include cost estimates and implementation schedule	4/30/88	3/30/89
5.3 Plant Location	Appoint a consulting firm to update a study related with location of future thermal power plants	4/30/88	10/30/88
Area	Task Description	Beginning (not later than)	Completion (not later than)
1.6. Financial			
6.1 Accounting	Implement a Financial Systems Rehabilitation Program (FSRP) acceptable to the Bank with the assistance of consultants		6/30/89
6.2 Internal Auditing	Restructure and staff its Internal Auditing Department according to recommendations of the FSRP consultants		6/30/89
6.3 Insurance	Employ a consultant to evaluate its insurance coverage and implement his recommendations in consultation with the Bank		3/30/89
7. Commercial			
7.1 Revenue Improvement	Implement a Revenue Improvement Program (RIP), acceptable to the Bank, to rehabilitate the Borrower's metering, billings, collection system and control systems, and		12/30/90

monitoring of non-  
technical losses

ANNEX TO SCHEDULE 5

Ratios and other targets of financial  
and operational performance

A. Financial ratios and other targets of financial performance.

1. Rate of Return of Fixed Assets in Operation. Defined as the ratio of net operating income for the year to the average net plant in service.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Ratio (%)	-3.5%	0.8%	2.1%	3.9%	4.1%	3.8%	4.8%

2. Operating Ratio. Defined as the ratio of total operating expenses, excluding financial costs, to total sales revenues of each year.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Ratio (%)	117%	100%	95%	88%	87%	87%	83%

3. Current Ratio. Ratio of current assets to current liabilities.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Ratio (%)	0.4%	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%

4. Collection Ratio (days). Ratio of the balance of accounts receivable less provision for bad debt at the end of the year to the equivalent of one day of sales revenues (total sales revenues divided by 365 days).

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
(Days)	122	91	80	73	67	60	60

5. Debt/Debt + Equity Ratio. Ratio of long-term debt (including current portion) to the sum of long-term debt and equity.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Ratio (%)	0.43	0.45	0.47	0.49	0.52	0.54	0.55

6. Debt Service Coverage Ratio. Ratio of gross internal cash generation (difference between sources and cash expenses from operation plus other net income excluding government subsidies) to total debt service (excluding interest during construction financed by loans).

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Ratio (%)	0.13	0.70	0.84	1.20	1.20	1.20	1.20

B. Targets of operational performance.

Customers/Efficiency Ratio. Yearly average of the monthly ratio of the total number of customers to the total number of employees.

Fiscal Year	1988	1989	1990	1991	1992	1993	1994
Number	106	110	115	120	126	132	137N