

CONFORMED COPY

LOAN NUMBER 2949 DO

(Power Sector Rehabilitation and Distribution Project)

between

DOMINICAN REPUBLIC

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 9, 1988

LOAN NUMBER 2949 DO

GUARANTEE AGREEMENT

AGREEMENT, dated June 9, 1988, between DOMINICAN REPUBLIC (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and Corporacion Dominicana de Electricidad (the Borrower), having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement, have requested the Bank to assist in the financing of the Project; and

(B) by the Loan Agreement of even date herewith between the Bank and the Borrower, the Bank has agreed to extend to the Borrower a loan in various currencies equivalent to one hundred and five million dollars (\$105,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as provided in this Agreement; and

WHEREAS the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

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 and in the Preamble to and Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. The Guarantor declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and to this end, without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan, and the premium, if any, on the prepayment of the Loan, and the punctual performance of all the other obligations of the Borrower, all as set forth in the Loan Agreement.

Section 2.02. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement:

(a) (i) the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to the Borrower will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide the Borrower or cause the Borrower to be provided with such funds as are needed to meet such expenditures; and (ii) without limitation to the provisions of subparagraph (a) (i) above; the Guarantor shall:

- (A) Assume, as primary obligor, the following amounts of the Borrower's outstanding debt: \$60,000,000 equivalent in fiscal year 1988, \$60,000,000 equivalent in fiscal year 1989, and \$37,000,000 equivalent in fiscal year 1990.
- (B) Provide the Borrower with the following minimum yearly contributions:
 - (I) from loans received by the Guarantor for the benefit of the Borrower: \$39,000,000 equivalent in fiscal year 1988; \$35,000,000 equivalent for fiscal year 1989, and \$27,000,000 equivalent in fiscal year 1990; and
 - (II) from budget allocations in quarterly amounts \$15,000,000 equivalent in fiscal year 1988;
- (C) make, not later than December 31, 1988 equity contributions to the Borrower of:
 - (I) DR \$180,000,000 or the amount owed by the Borrower to the Guarantor's Banco de Reservas

de la Republica Dominicana whichever is higher; and

- (II) DR \$31,000,000 or the amount owed by the Borrower to the Guarantor's Central Bank whichever is higher.

Section 2.03. (a) Without limitation to the provisions of Section 2.01 of this Agreement the Guarantor undertakes to take, or cause to be taken, all such measures as shall be required to enable the Borrower to comply with the provisions of Sections 5.03 through 5.10 of the Loan Agreement and to carry out the Action Plan.

(b) (i) The Guarantor represents that it is the Guarantor's policy that: (A) the Borrower achieve the corporate independence and stability referred to in Section 3.03 of the Loan Agreement, and (B) rates for electricity be set in the manner specified in Section 5.10 of the Loan Agreement.

(c) (i) Without limitation to the provisions of Section 2.03 (b) (i) (A) above, the Guarantor shall, not later than June 30, 1988 enter into the Contract Plan referred to in Section 3.03 of the Loan Agreement; and (ii) unless otherwise agreed by the Bank, the Guarantor shall not assign, amend, abrogate or waive the Contract Plan or any provision thereof.

Section 2.04. (a) The Guarantor hereby irrevocably assigns to the Borrower any contract or agreement entered into by the Guarantor in furtherance of the purpose of the Project Preparation Advance.

(b) The Guarantor and the Bank hereby agree that as of the Effective Date: (i) the Borrower will assume all obligations of the Guarantor in respect of the Project Preparation Advance; and (ii) any obligation of the Guarantor in respect of repayment of, and payment of interest accrued and payable, on the Project Preparation Advance shall be discharged in the manner specified in Section 2.02 (d) of the Loan Agreement.

ARTICLE III

Other Covenants

Section 3.01. The Guarantor shall: (a) commencing not later than June 30, 1988 pay and cause each of its departments to pay all debts to the Borrower for services rendered or to be rendered, promptly after the date of billing so that the Guarantor and its departments shall maintain, at all times, in the aggregate, no more than sixty days of electricity billings outstanding and unpaid; and (b) without limitation to the provisions of paragraph (a) above, pay all the debts outstanding as to the date of this Agreement, in monthly installments of at least RD \$10,000,000.

Section 3.02. The Guarantor shall, not later than August 30, 1988 and through its Comision Nacional de Politica Energetica, put into place and implement a system, with the procedures thereof, for monitoring the capacity, generation, and fuel consumption of self-generation equipment installed in its territory.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Secretary of Finance of the Guarantor is designated as representative of the Guarantor for the purposes of Section 11.03 of the General Conditions.

Section 4.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Guarantor:

Palacio Nacional
Dr. Delgado No. 2
Sto Domingo
Republica Dominicana

Cable address:

Avenida Mexico
Esquina Rosa Duarte

Telex:

3460437 (ITT)

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)

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.

DOMINICAN REPUBLIC

By /s/ Luis F. Toral

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Husain

Regional Vice President
Latin America and the Caribbean

