

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

Dear Sirs:

Re: Loan No. 4505-DO (Telecommunications Regulatory Reform Project)  
Implementation Letter

Please refer to the Loan Agreement (Telecommunications Regulatory Reform Project) between the International Bank for Reconstruction and Development (the Bank) and the Dominican Republic (the Borrower) of even date herewith (the Loan Agreement) and to the Project Agreement between the Bank and the Instituto Dominicano de las Telecomunicaciones (INDOTEL) of even date herewith (the Project Agreement). Whenever used in this letter, the several terms defined in the Loan Agreement and the Project Agreement have the respective meanings therein set forth.

With respect to Section 2.07 of the Project Agreement, please find in Annex A the guidelines, procedures and criteria of the Separation Program.

With respect to Section 2.06 (a) of the Project Agreement, please find in Annex B hereto, the monitoring and evaluation indicators.

Please confirm your agreement with the foregoing by signing this letter in the space provided below.

Sincerely yours,

DOMINICAN REPUBLIC

By /s/ Juan Temístocles Montás  
Authorized Representative

INSTITUTO DOMINICANO DE LAS TELECOMUNICACIONES

By /s/ Francisco Frias  
Authorized Representative

AGREED:

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Orsalia Kalantzopoulos  
Regional Vice President  
Latin America and the Caribbean Region

Annex A

#### Guidelines, Procedures and Criteria of the Separation Program

As mandated by the new telecommunications law, the Directorate-General of Telecommunications in the Secretariat of Public Works (DGT) will cease to exist. The decision has been taken by the Government to discontinue DGT's rural operations and make most of its employees redundant (some technical staff may be retained by INDOTEL).

The Telecommunications Regulatory Reform Project would fund their severance payments in accordance with guidelines set out in the Bank's Operational Memorandum on Financing Severance Pay in Public Enterprise Reform Operations, dated March 5, 1996. In particular, workers who have received severance packages shall not be rehired by the same entity, its successor (in this case INDOTEL), or by other public sector institutions, and overpayment shall be avoided. Moreover, workers who will be retained by INDOTEL will be identified prior to the granting of the severance packages, and will not be eligible for those payments. The severance payments shall also be made in accordance to the Dominican Republic national civil service labor law (Law No. 14-91), which allows up to one year of salary for those having served ten years or more.

No disbursement for the DGT severance compensation shall be made until the Borrower provides a severance program which is satisfactory to the Bank. This shall include the criteria used to identify eligible individuals, the formula to be used to calculate the severance compensation, a complete list of eligible individuals, their length of service in DGT, the amount of severance pay calculated for each eligible individual, and any other relevant information.

Annex B

#### Dominican Republic Telecommunications Regulatory Reform Project

##### Monitoring and Evaluation Indicators

##### Narrative Summary

##### Sector-related CAS Goal:

- (1) Ease infrastructure constraints to private sector development
- (2) Increase the coverage of basic infrastructure services and involve the private sector in the provision of those services

Investment by private companies in the sector increases

Increase infrastructure coverage in rural areas

##### Project Development Objective:

Strengthen the policy and regulatory environment in the telecommunications sector and improve rural access to services by encouraging private investment in those areas.

Decrease in the number of illegal transmitters by 75% by yr. 4

Rural access to telecom services increased from 40% to 50% by yr. 4

Total no. of lines (including mobile) per 100 inhabitants increased from 10 to 14 by yr.4

##### Project Outputs:

- (1) New telecom regulatory framework

Tariffs rebalanced

Regulations/guidelines for interconnection agreements

Procedures for issuing licenses

Regulations for radio frequency use and management

Procedures for resolution of disputes

Regulations for each type of existing service and guidelines for new services

FDT established and operational

Narrative Summary

(2) New autonomous telecom regulatory entity

INDOTEL executive management appointed

Procedures, organizational functions, and roles defined

Key staff appointed

Technical staff recruited and trained

Regulator financially self-sufficient within 4 yrs.

(3) Closure of DGT

DGT's regulatory functions (and some qualified staff) transferred to the new regulatory entity

DGT's commercial operations terminated

