

CONFORMED COPY

LOAN NUMBER 3301 IRN

(Earthquake Recovery Project)

between

ISLAMIC REPUBLIC OF IRAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated March 21, 1991

LOAN NUMBER 3301 IRN

GUARANTEE AGREEMENT

AGREEMENT, dated March 21, 1991, between ISLAMIC REPUBLIC OF IRAN (the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Guarantor and the Central Bank of the Islamic Republic of Iran (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 two hundred fifty million dollars (\$250,000,000), 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. The General Conditions shall apply to this Agreement to the extent the provisions thereof are consistent with the provisions of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Provision of Funds

Section 2.01. (a) 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 shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, economic, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation or restriction upon the provisions of paragraph (a) of this Section and except as the Guarantor and the Bank shall otherwise agree, the Guarantor shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. 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 commissions 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 2.03. 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 2 to this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) The Guarantor shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Guarantor responsible for carrying out the Project or any part thereof.

(b) The Guarantor shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 six (6) months after the end of each such year, 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 and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For the purposes of this Section, the term "fiscal year" means the period from March 21 of any calendar year through March 20 of the succeeding calendar year.

ARTICLE IV

Representative of the Guarantor; Addresses

Section 4.01. The Minister of Economic Affairs and 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:

Ministry of Economic Affairs and Finance
Tehran
Islamic Republic of Iran

Telefax:	Telex:
98-21-307043	951-212830

For the Bank:

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

Cable address:	Telex:
INTBAFRAD Washington, D.C.	197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC)

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.

ISLAMIC REPUBLIC OF IRAN

By /s/ A. Mirakhor
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ R. K. Chopra
Acting Regional Vice President
Europe, Middle East and North Africa

SCHEDULE 1

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 2.01 (b) of this Agreement.

A. Overall Coordination and Management

1. The responsibility for the overall coordination and management of Project execution will continue to be assigned to the Organization for Investment, Economic and Technical Assistance of Iran (OIETAI) of the Guarantor's Ministry of Economic Affairs and Finance.

2. OIETAI will designate a National Project Coordinator (NPC) under terms of reference satisfactory to the Bank. The NPC will, inter alia, prepare progress reports, in form and substance and on the basis of indicators satisfactory to the Bank, and furnish to the Bank said reports on a quarterly basis.

B. Part A of the Project

1. The Guarantor's Ministry of Agriculture will be responsible for the implementation of Part A of the Project and the procurement of the equipment and material therefor.

2. The Guarantor's Ministry of Agriculture will continue to designate as the Agricultural Sector Project Coordinator to provide assistance to the NPC in monitoring and reporting on the execution of Part A of the Project under terms of reference satisfactory to the Bank.

C. Parts B and C of the Project

1. The Guarantor's Housing Foundation (HF) will be responsible for the implementation of Parts B and C of the Project and the procurement of the equipment and materials therefor.

2. HF will designate a Housing Sector Project Coordinator to provide assistance to the NPC in monitoring and reporting on the execution of Parts B and C of the Project under terms of reference satisfactory to the Bank.

D. Part D of the Project

1. The Guarantor will continue to maintain, with resources and terms of reference satisfactory to the Bank, a steering committee (the Steering Committee) composed of representatives of the Guarantor's Ministry of Housing and Urban Development, Earthquake Committee of the Supreme Research and Cultural Council (ECSRCC) and the International Institute for Earthquake Engineering and Seismology (IIEES), to supervise the execution of Part D of the Project and to provide policy advice in respect thereof.

2. The Representative of ECSRCC will continue to be designated as the Executive Secretary of the Steering Committee and as the Seismic Program Coordinator (SPC) to facilitate the work of the Steering Committee and to provide assistance to the NPC in monitoring and reporting on the execution of Part D of the Project.

3. The Guarantor will continue to maintain, with resources and terms of reference satisfactory to the Bank, a working group (the Working Group) headed by the SPC and composed of suitable representatives of the Guarantor's Building and Housing Research Center, Geological Survey of Iran, Institute of Geophysics, University of

Tehran, Sharif University of Technology and the Ministry of Higher Education and Culture, to coordinate the management and execution of Part D of the Project.

4. In order to assist in the carrying out of Part D of the Project, the Guarantor will employ consultants with qualifications and terms of reference satisfactory to the Bank, in accordance with Section II of Schedule 2 to this Agreement. Such consultants will also assist the Steering Committee and the Working Group in the discharge of their respective responsibilities under Part D of the Project.

SCHEDULE 2

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part B hereof, goods 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: Other Procurement Procedures

1. Goods estimated to cost the equivalent of \$2,000,000 or less per contract, up to an aggregate amount equivalent to \$17,000,000, for Part A of the Project; goods estimated to cost the equivalent of \$2,000,000 or less per contract (except for one batching plant which is estimated to cost the equivalent of \$3,500,000 or less), up to an aggregate amount equivalent to \$28,000,000, for Parts B and C of the Project; and goods estimated to cost the equivalent of \$1,000,000 or less per contract, up to an aggregate amount equivalent to \$5,000,000, for Part D of the Project, may be procured under contracts awarded through international shopping on the basis of comparison of price quotations obtained from at least three suppliers from at least two different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Construction equipment, agricultural machinery, pumps and irrigation systems estimated to cost up to an aggregate amount equivalent to \$29,000,000 for Part A of the Project and five sets of batching equipment estimated to cost up to an aggregate amount equivalent to \$18,000,000 for Part B of the Project, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from at least five qualified suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

3. Goods which the Bank agrees are of a proprietary nature or need to be compatible with installed equipment, estimated to cost in the aggregate less than the equivalent of \$2,000,000 for Part A of the Project and \$3,000,000 for Part B of the Project, may be procured through direct negotiations with the suppliers thereof in accordance with procedures acceptable to the Bank.

Part C: 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 for goods estimated to cost the equivalent of \$750,000 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.

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

Section II. Employment of Consultants

Consultants' services shall be procured under contracts awarded to: (A) consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (B) who 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.

