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CONFORMED COPY

LOAN NUMBER 4755-IRN

Loan Agreement

(Bam Earthquake Emergency Reconstruction Project)

between

ISLAMIC REPUBLIC OF IRAN

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 16, 2004



LOAN NUMBER 4755-IRN

LOAN AGREEMENT

AGREEMENT, dated November 16, 2004, between ISLAMIC REPUBLIC OF IRAN (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

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 for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) 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) “BGPTF” means the Borrower’s Bam Guidance and Policy Task Force maintained pursuant to paragraph 1(c) of Schedule 5 to this Agreement or any successor thereto acceptable to the Bank;

(b) “BRO” means the Borrower’s Bam Reconstruction Office to be maintained pursuant to paragraph 1(b) of Schedule 5 to this Agreement;

(c) “Earthquake” means the earthquake that struck the District of Bam in December 26, 2003;

(d) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(e) “FMU” means the Financial Management Unit to be maintained pursuant to paragraph 1(d) of Schedule 5 to this Agreement;

(f) “Framework” means the Borrower’s Social and Environmental Screening and Assessment Framework dated August 13, 2004, approved by the Bank, including any amendments to such framework as may be agreed between the Bank and the Borrower, for the implementation of the Project in accordance with certain institutional, mitigating and monitoring measures contained in such framework to off set, reduce to acceptable levels, or eliminate any adverse environmental and social impacts and which includes mitigation measures in respect of cultural property and resettlement of PAPs (as hereinafter defined), and which is referred to in paragraph 1(j) of Schedule 5 to this Agreement;

(g) “HF” means the Housing Foundation, an organization established and operating under the HF Legislation (as hereinafter defined);

(h) “HF Legislation” means Borrower’s Law No. 59g/126022, dated December 7, 1987, as the same may be amended from time to time;

(i) “MOHUD” means the Borrower’s Ministry of Housing and Urban Development or any successor thereto acceptable to the Bank;

(j) “MOI” means the Borrower’s Ministry of Interior or any successor thereto acceptable to the Bank;

(k) “MOICT” means the Borrower’s Ministry of Information and Communications Technology or any successor thereto acceptable to the Bank;

(l) “MORT” means the Borrower’s Ministry of Roads and Transport or any successor thereto acceptable to the Bank;

(m) “Procurement Plan” means the Borrower’s procurement plan, dated August 13, 2004, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(n) “Project Affected Person” or “PAP” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location, resulting in adverse impacts on the livelihood of such person, provided that such person should have before the occurrence of the Earthquake, either: (A) formal legal rights to land, including customary and traditional rights recognized under the laws of the Borrower; or (B) claims

to such land or assets, provided that such claims are recognized under the laws of the Borrower, or become recognized through a process identified in a Resettlement Action Plan (as hereinafter defined);

(o) "Project Area" means the area affected by the Earthquake;

(p) "Project Implementing Agencies" means, collectively, MOI, MORT, MOICT, and/or HF, as the case may be, or any other entity acceptable to the Bank;

(q) "Reconstruction Program" means the Borrower's program for the Project Area which sets out the reconstruction needs of the local population affected by the Earthquake;

(r) "Resettlement Action Plan" or "RAP" means any resettlement action plan prepared by the Borrower in form and substance satisfactory to the Bank, setting forth certain rules, procedures and guidelines for: (i) the acquisition of land and/or other assets from PAPs; and (ii) resettlement and rehabilitation of PAPs and the compensation thereof; and

(s) "Special Account" means the account referred to in Section 2.02 (b) 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 equal to two hundred twenty million United States Dollars (US\$220,000,000).

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 and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be May 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay Commission on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Commission Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Commission Period” means the initial period from and including the date of this Agreement to, but excluding, the first Commission Payment Date occurring thereafter, and after the initial period, each period from and including a Commission Payment Date to, but excluding the next following Commission Payment Date.
- (ii) “Commission Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Commission Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Commission Period (or, in the case of the initial Commission Period, for value the Commission Payment Date occurring on or next preceding the first day of such Commission Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Commission Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Commission Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Commission Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the Commission rates referred to in this Section 2.06, the Bank determines that it is in the Commission of its borrowers as a whole and of the Bank to apply a basis for determining the Commission rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the Commission rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Commission and other charges shall be payable semiannually in arrears on January 15 and July 15 in each year.

Section 2.08. 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, and, to this end, shall carry out the Project through the Project Implementing Agencies with due diligence and efficiency and in conformity with appropriate engineering, environmental, administrative and financial 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 Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. (a) 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, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than twelve (12) months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall, not later than December 31, 2004, establish and thereafter maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, 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 (or such other period agreed to by the Bank), (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may 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) retain, until at least one (1) year after the Bank has received the audit report for, or covering, 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;

- (ii) enable the Bank's representatives to examine such records; and
- (iii) ensure that such statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in paragraph 2 of Schedule 5 to this Agreement, the Borrower shall prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Loan, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination

Section 5.01. The date one hundred and twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Economic Affairs and Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Economic Affairs and Finance
Davar Avenue
Tehran
Islamic Republic of Iran

Facsimile:

98 21 39 01 033
98 21 39 10 024

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI); or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Washington, District of Columbia, as of the day and year first above written.

ISLAMIC REPUBLIC OF IRAN

By/s/ Masoud Mozayani
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Joseph P. Saba
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:

	<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1)	Civil works	25,540,000	75%
(2)	Goods:		100% of foreign expenditures; 100% of local expenditures (ex- factory cost); and 80% of other items procured locally
	(a) under Parts A, B, C, and D of the Project	161,400,000	
	(b) under Part E of the Project	200,000	
(3)	Consultants' services and training:		95% for foreign firms and individuals and 88% for local firms and individuals
	(a) under Parts A, B, C and D of the Project	5,250,000	
	(b) under Part E of the Project	5,650,000	

	<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in US Dollars)</u>	<u>% of Expenditures to be Financed</u>
(4)	Fee	1,100,000	Amount due under Section 2.04 of this Agreement
(5)	Unallocated	20,860,000	
	TOTAL	<u>220,000,000</u>	

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 Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

(c) the term “foreign firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of any country other than that of the Borrower; and

(d) the term “local firms or individuals” means firms that are registered or incorporated in the territory, or, as the case may be, individuals who are nationals, of the Borrower.

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 \$40,000,000, may be made on account of payments made for expenditures before that date but after August 25, 2004.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure under contracts for: (i) works costing less than \$500,000 equivalent per contract; (ii) goods costing less than \$250,000 equivalent per contract; (iii) contracts for individual consultants costing less than \$50,000 equivalent per

contract; (iv) contracts for consulting firms costing less than \$100,000 equivalent per contract; and (v) training, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in: (a) restoring the living conditions of the communities affected by the Earthquake; (b) improving the emergency preparedness in the Project Area; and (c) strengthening the planning and management capacity under the Reconstruction Program.

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

Part A: Provision of Construction Material and Equipment for Housing and Commercial Buildings

Provision of goods and consultants' services for: (i) the restoration of housing and commercial properties in the Project Area; and (ii) the design and supervision activities.

Part B: Repair of the Transport Infrastructure

1. Carrying out, through the execution of works and the provision of goods, of programs to assist in: (i) the rehabilitation and preventive works for the main highway linking the city of Bam with the city of Kerman; (ii) the rehabilitation and reconstruction of the Bam airport facilities; and (iii) the rehabilitation and paving of village streets in the Project Area.

2. Provision of consultants' services to carry out the design and supervision activities, relating to the works described in Part B.1 of the Project.

Part C: Repair of the Telecommunications Infrastructure

1. Carrying out, through the execution of works and the provision of goods, of programs in the Project Area to assist in: (i) the reconstruction of telecommunication center buildings; (ii) the reconstruction of the transmission networks; and (iii) the reconstruction and expansion of mobile data services.

2. Provision of consultants' services to carry out the design and supervision activities, relating to the works described in Part C.1 of the Project.

Part D: Improved Emergency Preparedness

1. Carrying out, through the execution of works and the provision of goods, of a program of retrofitting of strategic emergency response buildings in the Province of Kerman.
2. Provision of emergency response vehicles for the District of Bam.
3. Provision of consultants' services to carry out the disaster risk assessment and design and supervision activities, relating to the works described in Part D.1 of the Project.

Part E: Project Management and Technical Assistance

1. Provision of consultants' services to the Borrower to support the Bam Reconstruction Office.
2. Support to Bam Reconstruction Office, through the provision of goods, including office equipment, consultants' services and training, in the areas of Project management and implementation, quality assurance, and monitoring and evaluation.

* * *

The Project is expected to be completed by December 31, 2008.

SCHEDULE 3
Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
July 15, 2010	9,165,000.00
January 15, 2011	9,165,000.00
July 15, 2011	9,165,000.00
January 15, 2012	9,165,000.00
July 15, 2012	9,165,000.00
January 15, 2013	9,165,000.00
July 15, 2013	9,165,000.00
January 15, 2014	9,165,000.00
July 15, 2014	9,165,000.00
January 15, 2015	9,165,000.00
July 15, 2015	9,165,000.00
January 15, 2016	9,165,000.00
July 15, 2016	9,165,000.00
January 15, 2017	9,165,000.00
July 15, 2017	9,165,000.00
January 15, 2018	9,165,000.00
July 15, 2018	9,165,000.00
January 15, 2019	9,165,000.00
July 15, 2019	9,165,000.00
January 15, 2020	9,165,000.00
July 15, 2020	9,165,000.00
January 15, 2021	9,165,000.00
July 15, 2021	9,165,000.00
January 15, 2022	9,205,000.00

** The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.*

SCHEDULE 4 Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

1. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

2. National Competitive Bidding. Goods estimated to cost less than \$300,000 equivalent per contract and works estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding and the procedures set out in Annex 1 to this Schedule.

3. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and works estimated to cost less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection and the procedures set out in Annex 2 to this Schedule. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$200,000 equivalent per contract may comprise entirely national consultants.

B: Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines and the procedures set out in Annex 2 to this Schedule.
2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.
3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**ANNEX 1
to
SCHEDULE 4**

Procedures for National Competitive Bidding

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines, the following criteria shall be followed in procurement under National Competitive Bidding procedures:

- (i) Standard bidding documents approved by the Bank shall be used.
- (ii) Any prospective bidder from a country eligible under the Guidelines who propose to provide goods produced in or services supplied from any such country shall be eligible to bid for such contracts.
- (iii) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least twenty eight (28) days prior to the deadline for the submission of bids.
- (iv) Government owned enterprises shall be eligible provided they are legally and financially autonomous, operate under commercial law, and are not selected or hired by the supervising or reporting authority, and will be subject to the same bid and performance security requirements as other bidders.
- (v) Bids shall be opened in public. The time for the bid opening shall be the same as for the deadline for receipt of bids or promptly thereafter.
- (vi) If a multi-envelope bid submission system is required, all the envelopes should be opened at the same time in one single stage.
- (vii) Bids shall be evaluated based on price and on other criteria fully disclosed in the bid documents and quantified in monetary terms, and no provision for preferential treatment for national companies shall be applied.
- (viii) The contract shall be awarded to the bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.
- (ix) The procedures shall include publication of evaluation results and the award of contract and provisions for bidders to protest.

**ANNEX 2
To
SCHEDULE 4**

Procedures for Selection and Appointment of Consultants

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Consultant Guidelines, the following criteria shall be followed in procurement under Quality- and Cost-based Selection and Selection Based on Consultants' Qualifications:

- (i) Open competitive bidding will not be used. In accordance with the Bank's procedures, the Borrower addresses a request for proposals to a predetermined short list. For consultants, the envelopes containing the financial proposals will be opened in public in a second stage, only after the technical evaluation is completed.
- (ii) The selection shall be based primarily (or in some cases only) on the quality and secondarily on the cost using short lists (six firms with not more than two from the same country and at least one firm from a developing country awarded in accordance with the provisions of paragraph 2.6 of the Consultant Guidelines) developed through issuance of Expressions of Interests (EOI).
- (iii) The award of contracts shall be published in United Nations Development Business (UNDB) and dg-Market including: (a) the names of the consultants who submitted the proposals; (b) the technical points assigned to each consultant; (c) the evaluated points of each consultant; (d) the final point ranking of the consultant; (e) the name of the winning consultant and the price, duration, and summary scope of the contract. The same information shall be sent to all consultants who have submitted proposals.

SCHEDULE 5

Implementation Program

1. Implementation, Management and Coordination of the Project

(a) The Borrower shall vest in the Project Implementing Agencies the collective responsibility for the carrying out of the Project.

(b) The Borrower shall maintain BRO with responsibilities, functions, staffing and resources satisfactory to the Bank. BRO shall be responsible for the day-to-day management and monitoring of the Project, including providing coordination and procurement assistance to the Project Implementing Agencies.

(c) The Borrower shall maintain BGPTF throughout the life of the Project and vest it with the responsibility for the overall management of the Project and the coordination of its implementation. BGPTF shall act as a steering committee for the Project and shall be chaired by the Minister of Housing and Urban Development.

(d) The Borrower shall maintain FMU located in HF in a form and with functions, staffing and resources satisfactory and acceptable to the Bank.

(e) The Borrower shall ensure that a procurement advisory services consultant and a monitoring advisory services consultant, whose qualifications and experience are acceptable to the Bank, are available to BRO during the implementation of the Project.

(f) The Borrower shall ensure that a financial controller is assigned to FMU on a full-time basis throughout the project implementation.

(g) The Borrower shall ensure that an accountant, or if required, accountants whose qualifications and experience are acceptable to the Bank is/are assigned to FMU on a full-time basis throughout the project implementation.

(h) The Borrower shall carry out the Project in accordance with the Framework and ensure that the environmental and social screening criteria are updated regularly throughout implementation of the Project, satisfactory to the Bank, and are at all times consistently and satisfactorily applied.

(i) The Borrower shall, not later than June 30, 2005, furnish to the Bank a land acquisition data sheet, prepared in accordance with the Framework.

(j) The Borrower shall not carry out or cause to be carried out any activities under the Project involving PAPs unless:

- (i) such relocation shall be carried out in accordance with the Framework, and is acceptable to the Bank, provided, however, that any large-scale relocation (i.e., larger than 25 families) is carried out in accordance with a RAP, the Framework, and with the prior agreement of the Bank;
- (ii) such RAP referred to in clause (i) of this paragraph, shall be prepared by an agency experienced in planning and implementing resettlement plans, satisfactory to the Bank; and
- (iii) to the extent practicable, the Borrower shall make available land for such relocation that is owned by it and is free from encumbrances and encroachments and or occupants, or shall obtain such land as may be made available to it on a voluntary basis, with or without compensation, in accordance with procedures satisfactory to the Bank, provided that if compensation is to be paid, it shall be determined in accordance with the RAP referred to in clause (i) of this paragraph and with the provisions of the Framework.

2. Progress Report and Mid-term Review

The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set out in Schedule 7 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about October 31, 2006, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by November 30, 2006, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1), (2) and (3) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term “Authorized Allocation” means an amount equivalent to US\$10,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to US\$5,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of US\$30,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the

basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request, or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 7

Performance Indicators

	Components	Indicators	Source
A	Provision of Construction Material and Equipment for Housing and Commercial Buildings	<ul style="list-style-type: none"> • % number of urban housing units reconstructed. • % number of rural housing units reconstructed. • % number of commercial units reconstructed. • % number of construction equipment procured. 	Quarterly & Yearly Progress Reports, IBRD supervision reports and Third Party Audits.
B	Repair of the Transport Infrastructure	<ul style="list-style-type: none"> • % length of the Kerman-Bam highway rehabilitated • % physical completion of the rehabilitation and reconstruction of the Bam Airport: (i) control tower; (ii) technical buildings; and ancillary buildings. • % physical completion of the construction of the Communications and navigation equipment for the Bam Airport. • % length of village streets rehabilitated. 	Quarterly & Yearly Progress Reports, and IBRD supervision reports
C	Repair of the Telecommunications Infrastructure	<ul style="list-style-type: none"> • % physical completion of the reconstruction of the Technical Building for new switching, transmission and power supply. • % physical completion of the repair of the Principal Switching Center at Etemadi. • % physical completion of the repair of the Baravat telephone center building. • % physical completion of the reconstruction of the cable and radio transmission networks and switching sites in Bam and Bavarat . • % physical completion of the expansion of GSM network to surrounding rural areas. 	Quarterly & Yearly Progress Reports, and IBRD supervision reports
D	Improved Emergency Preparedness in the Province of Kerman and the District of Bam	<ul style="list-style-type: none"> • % completion of retrofitting works in the Province of Kerman. • % <i>number of</i> emergency response vehicles procured for the District of Bam. 	Quarterly & Yearly Progress Reports, and IBRD supervision reports