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**CREDIT NUMBER 4265-AM**

# **Financing Agreement**

**(Second Judicial Reform Project)**

**between**

**REPUBLIC OF ARMENIA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated March 9, 2007**

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**CREDIT NUMBER 4265-AM**

**FINANCING AGREEMENT**

AGREEMENT dated March 9, 2007, entered into between REPUBLIC OF ARMENIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I - GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II - FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifteen million two hundred thousand Special Drawing Rights (SDR 15,200,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollars.

### **ARTICLE III - PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the JRPIU in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the Operational Manual and the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV - REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Government Decision No. 352, dated July 3, 2000, has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the JRPIU to perform any of its obligations under this Agreement.
  - (b) The Law on the Judicial Service of the Recipient, or the Law on Additions and Amendments in the Law on Justice Council, dated July 7, 2006 respectively, has been amended, suspended, abrogated, repealed or waived so as to materially and adversely affect the implementation of the Project.
- 4.02. The Additional Events of Acceleration consist of the following:
- (a) The event specified in Section 4.01 (a) of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
  - (b) The event specified in Section 4.01 (b) of this Agreement occurs.

### **ARTICLE V - EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Operational Manual, satisfactory to the Association, has been updated and adopted.
- (b) The Project Administration Council has been reconstituted, in a manner satisfactory to the Association.
- (c) The additional procurement specialist and the architect/engineer, whose qualification and terms of reference are acceptable to the Association, have been appointed within the JRPIU.
- (d) The architect/engineer consultant, whose qualification and terms of reference are acceptable to the Association, has been hired to work in the Judicial Department.
- (e) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date one hundred twenty (120) days after the date of this Agreement.

#### **ARTICLE VI - REPRESENTATIVE; ADDRESSES**

6.01. The Recipient's Representative is the Minister of Finance and Economy.

6.02. The Recipient's Address is:

1 Melik-Adamyan Street  
Republic Square  
Yerevan 375010  
Republic of Armenia

Telex:

243331 LADA SU

6.03. The Association's Address is:

International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Yerevan, Republic of Armenia, as of the day and year first above written.

REPUBLIC OF ARMENIA

By /s/ Vardan Khachatryan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Naira Melkumyan

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are to: (i) provide the Recipient's judiciary with the administration, facilities and expanded capacity necessary to improve the efficiency, reliability and transparency of judicial operations and services; and (ii) continue to improve awareness of judicial services and access to legal and judicial information.

The Project consists of the following parts:

#### Component 1: Strengthening Judicial Governance and Administration

A. Provision of technical assistance and training to the Council of Justice in order to:

- (i) design operating procedures and prepare rules and processes for the Council of Justice operations;
- (ii) design and implement transparent procedures for the development of judicial candidate and promotion lists;
- (iii) develop standard judicial evaluation criteria and processes; and
- (iv) implement standard, transparent rules and process which provide due process for the nominating and disciplining of judges.

B. Capacity building for the administrative units of the Judicial Department, organizational assistance for a new judicial security service, and a review of judicial archive policy and procedures, through provision of goods, consultants' services and training.

C. Provision of new and upgraded information technology systems and equipment, as well as technical assistance in order to expand judicial automation, rollout the Court Administration and Skills Transfer (CAST) case management system, and develop a judicial database and portal.

#### Component 2: Courthouse Rehabilitation

Provision of goods, works and consultants' services for: (A) the construction of a new building or buildings in Yerevan for the Cassation Court and Judicial Department; (B) the construction or reconstruction of regional first instance courthouses according to a phased priority list to accommodate expected growth in judges and caseload; and (C) elaboration and update of the design and space standards for construction and reconstruction under the Project.

Component 3: Judicial Training School

- A. Provision of goods, works and consultants' services for the renovation and reconstruction of a building for the Judicial Training School of the Recipient and a training center for the Ministry of Justice of the Recipient.
- B. Provision of consultants' services and training for the development of training curricula and courses for the judges and other judicial staff.

Component 4: Improving Enforcement of Judicial Decisions

Provision of goods, consultants' services and training to: (A) support the continued improvement and rollout of the automated enforcement service management system software; and (B) prepare a feasibility study to examine the possibility of introducing private enforcement agents or private bailiffs.

Component 5: Strengthening Arbitration Services

Provision of technical assistance to refine and revise the legislative and regulatory framework for arbitration, and provision of training for the international accreditation for Armenian arbitrators.

Component 6: Legal Information and Public Awareness

- A. Provision of goods, consultants' services and training to improve the Armenian Legal Information System (ARLIS) software and provision of additional hardware needed to support the expanding content and increased usage of ARLIS website and CD-ROM subscriptions.
- B. Provision of goods, consultants' services and training to: (i) improve the performance and services offered by the chancelleries in the courts; (ii) produce public information pamphlets and other information material on legal rights and judicial reform; and (iii) prepare an expert commentary on key legislation, Constitutional Court decisions and other important legal issues of the Recipient.
- C. Continued improvement in public awareness of judicial protection of legal rights and monitoring of reform outcomes through the following:
- (i) Provision of consultants' services and training for the periodic media briefings, information campaigns and targeted seminars for lawyers and law students, in order to raise public awareness of changes and advancements of judiciary and courts of the Recipient.
  - (ii) Provision of technical assistance to continue the use of television and other media to promote public awareness of the judicial protection of legal rights.

- (iii) Provision of consultants' services to facilitate the monitoring of Project outputs and outcomes, as well as broader judicial reform objectives by other stakeholders, including non-governmental organizations.



**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Institutional Arrangements.**

1. Without limitation upon the provisions of Section 3.01 and except as the Recipient and the Association shall otherwise agree, the Recipient shall, by November 1 of each year submit to the Association the draft annual court budget of the following year to provide for the adequate maintenance and support for all of the courthouses.
2. For the implementation of Component 1.C of the Project, the Recipient shall, prior to the rollout of the CAST case management system, cause the Judicial Department to submit to the Association for its approval, the satisfactory evidence of the provision of adequate funding and staffing for the maintenance and support of the information technology systems operating throughout the courts.
3. For the implementation of Component 2 of the Project, the Recipient shall ensure that newly constructed or renovated facilities will provide access for handicapped citizens.

**B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Safeguards**

The Recipient shall implement the Environmental Management Plan and shall ensure that all rehabilitation and construction works shall be carried out in accordance with the mitigation measures specified in the Environmental Management Plan.

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be

furnished to the Association not later than one month after the end of the period covered by such report.

2. Without limitation on the provisions in paragraph 1 of this Sub-section, the Recipient shall:
  - (a) prepare and furnish to the Association, not later than March 1 in each year: (i) an annual implementation progress report reflecting the progress achieved by the Project during the preceding 12-month period; and (ii) an annual work program outlining the anticipated Project activities for the following calendar year;
  - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 1, 2010, a report integrating the results of the monitoring and evaluation activities performed pursuant to Paragraph 1 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 Recipient, by June 30, 2010, or such later date as the Recipient shall determine, 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 Recipient's views on the matter.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, commencing with the quarter in which the first withdrawal is made, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Project

Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
<p>(a) National Competitive Bidding of the Recipient may be used for procurement of goods and works for the Project, provided that the following provisions are complied with:</p> <p style="padding-left: 40px;">(i) entities in which the Recipient owns a majority shareholding shall not be invited to participate in tenders for the Government unless they are and can be shown to be legally and financially autonomous and operate under commercial law;</p>

<ul style="list-style-type: none"> <li>(ii) pre-qualification shall be conducted for large works projects;</li> <li>(iii) pre- and post-qualification criteria shall only pertain to past contract performance, financial, managerial and technical capabilities of bidders;</li> <li>(iv) joint venture partners shall be jointly and severally liable for their obligations;</li> <li>(v) estimated contract prices shall not be advertised;</li> <li>(vi) no bids shall be rejected at bid opening;</li> <li>(vii) no bids shall be rejected solely because they exceed the estimated price. Bids can be cancelled and new bids invited, only if the conditions of clause 2.61 of the Procurement Guidelines are met;</li> <li>(viii) all bid evaluation criteria shall be quantifiable in monetary terms or expressed as a pass/fail criteria; and</li> <li>(ix) advance Association approval is required for any modifications in the contract scope/conditions during implementation.</li> </ul>
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Selection under a Fixed Budget
(b)	Quality-based Selection
(c)	Least Cost Selection
(d)	Selection based on Consultants' Qualification
(e)	Single-source Selection
(f)	Procedures set forth in paragraphs 5.2 through 5.4 of the Consultant guidelines for the Selection of Individual Consultants

**D. Review by the Association of Procurement Decisions**

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

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to (a) repay the Project Preparation Advance in accordance with Section 2.07 of the General Conditions; and (b) finance 78% (inclusive of Taxes) of Eligible Expenditures, consisting of goods, works, consultants' services, Training and Incremental Operating Costs.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2012.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each April 15 and October 15, commencing April 15, 2017 to and including October 15, 2026:	5%

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\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

**APPENDIX****Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Council of Justice” means the Council of Justice of the Recipient, as defined in the Constitution of the Recipient and the Law on Additions and Amendment in the Law on Justice Council (dated July 7, 2006) of the Recipient.
3. “Co-financier” means the Government of Japan, referred to in paragraph 10 of the Appendix to the General Conditions.
4. “Co-financing” means an amount of three million Dollars (\$3,000,000), to be provided by the Co-financier to assist in financing the Project.
5. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Association, acting as administrator of the Co-financing provided by the Co-financier.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004, and revised in October 2006.
7. “Environmental Management Plan” means a plan setting forth mitigation measures and other requirements for carrying out works under Component 2 of the Project, and such plan constitutes a part of the Operational Manual.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
9. “Incremental Operating Costs” means the incremental expenses incurred by the JRPIU on account of the Project implementation, including the costs of communication, supplies, printing and publications, vehicle operation and maintenance, office refurbishment, office maintenance and utilities, office property insurance costs, project audit expenses, local travel costs and field trip expenses, international training and business trip costs, bank charges and costs for other goods and services, state taxes, duties and fees associated with such costs, remuneration for staff, including qualified social charges but excluding salaries of civil servants, and such other expenditures as may be agreed upon by the Association.

10. “JRPIU” means the Judicial Reform Project Implementation Unit, state agency established under the Ministry of Justice of the Recipient through the Government Decision No. 352, dated July 3, 2000.
11. “Judicial Department” is the department within the judiciary, under the Council of Court Chairmen and the Chief Justice as defined in the Law on Judicial Service of the Recipient, dated July 7, 2006.
12. “Operational Manual” means the manual, satisfactory to the Association, to be adopted pursuant to Section 5.01 (a) of this Agreement, setting forth the implementation rules and procedures for the Project, including the functioning of the JRPIU and including the Environmental Management Plan and Financial Management Manual of the Project, as the same may be amended from time to time with approval of the Association.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October 2006.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 2, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Project Administration Council” means the council to be reconstituted by the Recipient pursuant to Section 5.01 (b) of this Agreement, responsible for strategic administration, oversight and coordination of the Project.
16. “Project Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on August 3, 2006 and on behalf of the Recipient on September 11, 2006.
17. “Training” means training activities (other than consultants’ services) to be carried out under the Project, including the reasonable and necessary local and international travel and visa expenses incurred by participants in training workshops, as well as lodging subsistence, local and international per diem allowances according to the guidelines of the Recipient, registration, tuition and facilitators’ fees, minor organizational expenses (including costs of stationery, handouts and training materials), translation and interpretation costs, facility rental costs, and other expenditures directly relating to the training workshop and study tour activity, as may be agreed upon by the Association.