

CONFORMED

CREDIT NUMBER 3595 MOG

Development Credit Agreement

(Legal and Judicial Reform Project)

between

MONGOLIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 22, 2002

CREDIT NUMBER 3595 MOG

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 22, 2002, between MONGOLIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement has requested the Association to assist in the

financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit 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 Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement.

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

“12. ‘Participating Country’ means any country that the Association determines meets the requirements set forth in Section 11 of Resolution No. 194 of the Board of Governors of the Association, adopted on April 8, 1999; and ‘Participating Countries’ means, collectively, all such countries.”;

(b) The second sentence of Section 5.01 is modified to read:

“Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”; and

(c) Paragraph (c) of Section 9.06 of the General Conditions is modified to read as follows:

“(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit.”

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) “Aimag Courts” means the appellate courts of the Judicial System of the Borrower at the provincial level. These courts have also first instance jurisdiction in certain legally prescribed matters.
- (b) “Capital City Courts” means the appellate courts of the Judicial System of the Borrower located in Ulaanbaatar. These courts have also first instance jurisdiction in certain legally prescribed matters.
- (c) “Category” means a category of items set forth in the table in paragraph 1 of Schedule 1 to this Agreement.
- (d) “Center” means the Center on Legal and Judicial Research, Training, Information and Publicity, a state-owned non-profit organization established by the Borrower under the jurisdiction of the MOJHA referred to in paragraph 4 of Schedule 4 to this Agreement.
- (e) “Donors” means collectively the bilateral and multi-national organizations providing financial and technical support to the Borrower in legal and judicial reform matters, including the Asian Development Bank, Gesellschaft fur Technische Zusammenarbeit (GTZ), Hans Sidel, SOROS Foundation and the United States Agency for International Development (USAID).
- (f) “General Council of Courts” means the Council established and operating pursuant to Article 49 of the Constitution of Mongolia (1992) and the Borrower’s Law on Courts dated February 4, 1993, as amended, to ensure the independency of the judiciary and whose role includes recommending to the President of Mongolia candidates for appointment to the judiciary, submitting to the Ih Hural the annual proposed budget for the judiciary and organizing training courses for judges, or any successor thereto.
- (g) “Ih Hural” means the Borrower’s Parliament established and operating under the Constitution of Mongolia (1992).
- (h) “Law on Administrative Court System” means the law to be enacted by the Ih Hural providing for the establishment and operation of the specialized administrative court enshrined in Article 48.1 of the Constitution of Mongolia (1992), for purposes of (i) enforcing the application of the rule of law, and (ii) settling cases related to the infringement of citizen’s rights by any agency or official who has the power to issue mandatory administrative acts.
- (i) “MOFE” means the Borrower’s Ministry of Finance and Economy, and any successor thereto.
- (j) “MOJHA” means the Borrower’s Ministry of Justice and Home Affairs, and any successor thereto.
- (k) “Mongolia Association of Advocates” means the association of lawyers established on April 16, 1928, currently functioning as a non-governmental grouping of lawyers in private practice.

(l) “Project Management Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(m) “PIU” means the Project Implementation Unit established within the MOJHA on August 24, 2001, by Decision No. 227 issued by the Minister, MOJHA, whose role, functions and staffing needs are described in paragraph 2 of Schedule 4 to this Agreement.

(n) “Steering Committee” means the committee established by the Borrower pursuant to paragraph 1 of Schedule 4 to this Agreement.

(o) “Supreme Court” means the Borrower’s Supreme Court established and operating in accordance with Article 48, section 1 and Article 50, section 1 of the Constitution of Mongolia (1992) and the Borrower’s Law on Courts dated February 4, 1993, as amended.

(p) “Special Account” means the account referred to in Section 2.02(b) of this Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to four million Special Drawing Rights (SDR 4,000,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a separate special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or 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 October 31, 2005, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn

by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing January 15, 2012 and ending July 15, 2041. Each installment to and including the installment payable on July 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through MOJHA with due diligence and efficiency and in conformity with appropriate administrative, financial, legal education and judicial 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 Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association 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 Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

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

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section, including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six 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 Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower shall carry out a time-bound action plan acceptable to the Association for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than July 31, 2002, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B)

shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified:

(a) the Law on the Administrative Court System of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement; and

(b) the Borrower's Decision establishing the Center shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Borrower to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 5.01 of this Agreement shall occur; and

(b) the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of 60 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) the Steering Committee has been established pursuant to the provisions of paragraph 1 of Schedule 4 to this Agreement;
- (b) the MOJHA has issued a decision establishing the Center in accordance with paragraph 4 of Schedule 4 to this Agreement;
- (c) the Borrower, through MOJHA, has retained the services of a Project Coordinator, Deputy Project Coordinator cum Procurement Specialist, Accountant and Translator cum Implementation Officer and assigned them to the PIU, all pursuant to the provisions of paragraph 2 of Schedule 4 to this Agreement;
- (d) the Borrower, through MOJHA, has furnished to the Association evidence satisfactory to the Association that the Municipality of Ulaanbaatar has assigned to MOJHA the land required for the construction of the Center; and
- (e) (i) the PIU has adopted a financial management manual and established a computerized financial management system, satisfactory to the Association, to ensure proper accounting, monitoring and reporting of Project operations, resources and expenditures; and (ii) the relevant staff of PIU have received financial management training in a manner satisfactory to the Association.

Section 6.02. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely that the assignment of land to MOJHA for the construction and operation of the Center is in conformity with the laws of Mongolia on these matters.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Economy of the Borrower is designated as the representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Economy
United Nations Street – 5/1
Ulaanbaatar – 210646
Mongolia

Facsimile:
976-11-320247
976-11-329272

For the Association:

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

Cable Address:	Telex :	Facsimile:
INDEVAS Washington D.C.	248423 (MCI) or 64145 (MCI)	(1-202) 522-1590

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

MONGOLIA

By

/s/ Chultemiin Ulaan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Saha Dhevan Meyanathan

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	Amount of the Credit Allocated (Expressed in <u>SDR Equivalent</u>)	% of Expenditures <u>to be Financed</u>
(1) Works		90%
(a) under Part A of the Project	240,000	
(b) under Part B of the Project	800,000	
(2) Goods		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 85% of local
(a) under Part A of the Project	80,000	
(b) under Part B of the Project	720,000	expenditures for other items procured locally
(3) Consultants' services and training:		100%
(a) PIU	160,000	
(b) Center	160,000	
(c) under Part A of the Project	360,000	
(d) Other	940,000	
(4) Incremental operating costs:		100%
(a) PIU	70,000	
(b) Center	40,000	
(c) Audit Fees	20,000	
(5) Unallocated	410,000	
TOTAL	<u>4,000,000</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 for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental operating costs" means the reasonable cost of incremental expenses incurred by: (i) the PIU on account of Project implementation, including: office supplies, telecommunications expenses, audits under Article IV of this Agreement, travel costs including per diem, but excluding salaries or salary supplements of officials of the Borrower's civil service working in the PIU; and (ii) the Center on account of the implementation of Part B of the Project during the Borrower's Fiscal Years 2002 and 2003, including office supplies, telecommunications expenses, but excluding salaries or salary supplements of officials of the Borrower's civil service working in the Center (which expenditures would not have been incurred absent the Project). For purposes of this sub-paragraphs "Borrower's Fiscal Year" means twelve consecutive calendar months commencing on January 1 and ending on December 31.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) payments made for expenditures prior to the date of this Agreement, except that withdrawal, in an aggregate amount not exceeding the equivalent of SDR 80,000 may be made in respect of Categories (2), (3) and (4) set forth in the table in paragraph 1 of this Schedule on accounts of payments made for expenditures before that date but after August 1, 2001; and (b) payments made for expenditures under Categories (1)(a), (2)(a) and (3)(c) until the Ih Hural has enacted the Law on Administrative Court System.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (a) goods under contracts costing less than \$50,000 equivalent; (b) consultants' services under contracts with firms costing less than \$100,000 equivalent; (c) consultants' services under contracts with individuals costing less than \$50,000 equivalent; (d) training; and (e) incremental operating costs, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to enhance public trust and confidence in the legal system as a whole and the judiciary in particular through the design and testing of new tools and systems that promote better access to legal information, the establishment and operation of a specialized court system, and improved legal education and profession.

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

PART A: Administrative Court System

Establishment and operation nationwide of a specialized court system to foster the rule of law by settling cases related to the infringement of citizen's rights by any agency or government official empowered to handle proceedings and issue mandatory decisions on administrative acts, including (i) the provision of training and training materials for administrative judges and court personnel, (ii) development of manuals for court management and case administration, (iii) publication and dissemination of decisions of the administrative courts, (iv) development of a communication strategy for public awareness to promote public participation and access to the administrative courts, (v) development of a program of gathering and publication of data on administrative court performance, and public opinion surveys, (vi) development of a program to facilitate access by the poor and women to the administrative courts including pro bono legal assistance, (vii) provision of building facilities for one administrative court each at the Supreme Court level, a selected Capital City Court and a selected Aimag Court, including office space for judges and court personnel, court rooms, office equipment and computers, and (viii) technical assistance therefore.

PART B: Knowledge Sharing and Capacity Building to Foster Access to Justice

Establishment and operation of the Center on Legal and Judicial Research, Training, Information and Publicity, including the construction of the required physical facilities in Ulaanbaatar, development of a legal and judicial database, establishment of a legal library, provision of training facilities to implement training programs for judges, lawyers, prosecutors and other civil servants, and establishment of a legal research unit, through the provision of staff training, office equipment, computer software and hardware, printing equipment, television studio equipment, training equipment and technical assistance therefore.

PART C: Enhancement of the Legal Education and Legal Profession

1. Development of a nationwide enhanced curriculum, including contents and teaching methods, to be applied on a pilot basis by selected accredited Schools of Law established and operating in Ulaanbaatar, including provision of training to law professors on the subject matters of the enhanced curriculum and methodology of teaching.
2. Development of a nationwide examination for law graduates.

PART D: Project Implementation

Strengthening of the capacity of the PIU to implement legal and judicial projects through the provision of technical assistance and training.

* * * * *

The Project is expected to be completed by April 30, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and (b) the provisions of the following Parts of this Section I.
2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to “Bank member countries” and “member country” shall be deemed to be references, respectively, to “Participating Countries” and “Participating Country”.

Part B: International Competitive Bidding

Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Works for the refurbishing of buildings and office facilities for the Administrative Courts under Part A of the Project estimated to cost less than \$100,000 per contract, up to an aggregate amount not to exceed \$580,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and those set forth in the Annex to this Schedule.

2. International or National Shopping

Goods under Part B of the Project, other than software and hardware for the Legal and Judicial Database and printing equipment, estimated to cost less than \$50,000 per contract, up to an aggregate amount not to exceed \$366,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to: (a) each contract for works, and (b) each contract for goods estimated to cost \$50,000 equivalent or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-Based Selection

Services for public awareness campaigns, case administration and court management and training may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Single Source Selection

Architectural Services for the refurbishing of Courts under Part A of the Project and for the Center under Part B of the Project which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

3. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, including: services of the Project Coordinator, the Deputy Project Coordinator cum Procurement Specialist, the Accountant, and the Translator cum Implementation Officer of the PIU; and services of the Director and Scientific Secretary of the Center, may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

4. Least-cost Selection

Services for auditing of Project accounts may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultants' Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, and each contract to be awarded pursuant to Part C.3 of Section II of this Schedule, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

ANNEX TO SCHEDULE 3

National Competitive Bidding Procedures

**CIVIL WORKS
COMPETITIVE BIDDING ADVERTISED LOCALLY**

I. Advertising

1. The Invitation for Bids shall be advertised in a newspaper of national circulation in Mongolia.

2. The Invitation for Bids may be in the Mongolian language and in such other language which may be deemed appropriate by the Borrower's department or agency concerned, and shall include the information referred to in the model Invitation for Bids set forth in the Standard Bidding Documents, Procurement of Works, Smaller Contracts, published by the International Bank for Reconstruction and Development on October 1996, as revised on January 1999, October 1999 and January 2000.

3. With due regard for the nature of the civil works to be provided, the time period for bid submission from invitation shall be sufficient to allow potential bidders a reasonable time to prepare and submit their bids. It shall be no less than 30 calendar days, unless otherwise agreed with the Association.

II. Flexibility

1. The eligibility of bidders shall be as defined under the Guidelines for Procurement under IBRD Loans and IDA Credits, published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines).

2. Foreign bidders will be allowed to bid, if they wish to do so.

3. Joint ventures between foreign and local firms shall not be a condition for eligibility. Foreign bidders shall be allowed to bid alone. Nevertheless, foreign bidders may be required to appoint a local agent/intermediary in Mongolia, as a condition for award of contract.

III. Bidding

1. In addition to the Invitation for Bids, the Bidding Documents shall include the following:

- (a) Instruction to Bidders, including the criteria to be used for bid evaluations;
- (b) Conditions of Contract;
- (c) Technical Specifications;
- (d) Bid Form and Price Schedules;
- (e) Performance Security (optional for bids below a Dollar equivalent sum to be agreed with the Association); and
- (f) Bill of Quantities, or breakdown of lump sum price, as the case may be.

2. Bids may be expressed in Tugrik or in foreign currency as set forth in the Invitation for Bids. If the currency of payment is set forth in the Invitation for Bids is Tugrik, the Invitation may indicate that there is no obligation on the part of the Borrower's department or agency requesting the bids to convert into foreign currency the amounts to be paid.

3. Bidding documents may be in Mongolian language or in such other language that may be deemed appropriate by the Borrower's department or agency concerned.

4. Bids may be delivered by mail or by hand at the place set forth for such purposes in the Invitation for Bids.

5. Bids shall be opened publicly allowing representatives of the bidders to attend if they so desire. Bids shall not be modified after bid opening except to correct arithmetical errors; all bids shall be opened at the same time. Minutes of Bid Opening shall be prepared and signed by all bidders who chose to attend.

6. Bids may not be rejected for the sole purpose of obtaining lower bids. The Borrower shall consult with the Association prior to rejecting all bids or soliciting new bids. All bids shall not be rejected and new bids invited on the same specifications solely for the purposes of obtaining lower prices, except in cases where the lowest evaluated bid exceeds the cost estimates by a substantial amount. In such cases, the Borrower may, as an alternative to rebidding and with the prior concurrence of the Association, negotiate with the lowest evaluated bidder to try to obtain a satisfactory contract, and failing a satisfactory response, with the next lowest evaluated bidder. Rejection of all bids may be permissible when bids are not substantially responsive or there is a lack of effective competition.

7. In the comparison of bids between local and foreign bidders, no domestic or regional preferences to local bidders shall apply and bids shall be compared on delivered price inclusive of any prevailing duties.

8. Award of the contract shall be to the lowest evaluated responsive bidder. Price negotiation with bidders shall not be undertaken before award except as provided in paragraph 6 above.

9. The award of contract shall be made within the period specified in the bidding documents. This period shall be determined in each case depending on the complexity of the contract and the approval.

10. A bid evaluation report shall be prepared by the Borrower's department or agency requesting the bids setting out a record of all bids submitted, the reasons for disqualification of any bids, the criteria, weighing and evaluation of all responsive bids, the recommended award, and, if recommended award is to be other than the lowest bidder, the reasons therefore. The concerned Borrower's department or agency shall furnish the Association an English translation of such bid evaluation pursuant to paragraphs 2 and 3 of Appendix 1 to the Guidelines.

SCHEDULE 4

Implementation Program

1. The Borrower shall establish and thereafter maintain throughout the period of Project implementation a Steering Committee chaired by the Deputy Minister of Justice and with representatives of the Supreme Court, the General Prosecutor Office, the Secretary of the Ih Hural, General Council of Courts, Ministry of Finance and Economy, Ministry of Education, Culture and Science and the Mongolian Association of Advocates, for purposes of providing policy guidance, and ensuring coordination and supervision in the implementation of the Project. The Steering Committee shall meet at least once every quarter.

2. The Borrower: (a) shall maintain the PIU headed by a Project Coordinator who shall report to the Deputy Minister of MOJHA on matters of Project implementation and to the Steering Committee for policy guidance, and assisted by a Deputy Project Coordinator cum

procurement specialist, an accountant, and a translator cum implementation officer, all with terms of reference, qualifications and experience satisfactory to the Association and selected in accordance with the procedures set forth in Part C, Section II of Schedule 3 to this Agreement, and assigned with the responsibility of the day-to-day implementation of the Project; and (b) to that end, shall provide the PIU with sufficient funds and other resources as shall be required to allow it to carry out its responsibilities under the Project.

3. For purposes of carrying out Part A of the Project the Borrower shall:

(a) by not later than May 31, 2002, furnish to the Association for its review and comments a proposed strategy for carrying out the public awareness campaign, including a detailed time-bound action plan therefore, and, thereafter, carry out such strategy taking into account the Association's comments, if any;

(b) by not later than May 31, 2002, furnish to the Association for its review and comments a training program for carrying out the training of the prospective administrative judges and court personnel, including a detailed time-bound action plan therefore, and, thereafter, carry out such training program taking into account the Association's comments, if any;

(c) by not later than May 31, 2002, furnish to the Association for its approval the architectural designs for the refurbishing of the buildings that would host the Administrative Court, including the bidding documents and a detailed time-bound action plan for carrying out the works and, thereafter, carry out such building refurbishing pursuant to the bidding documents and time-bound action plan as approved by the Association;

(d) by not later than May 31, 2002, furnish to the Association for its review and comments manuals for court management and case administration, and a program and time-bound action plan for publication and dissemination of decisions of the administrative courts and, thereafter, take all action as shall be necessary to ensure the use of such manuals and the implementation of the said program taking into account the Association's comments, if any;

(e) by November 30, 2002, and in accordance with the requirements of the Law on Administrative Court System, appoint all judges of the Administrative Court System, which appointment shall become effective by not later than January 1, 2003;

(f) ensure that each Judge of the Administrative Court System is provided, concurrently with his/her appointment with support staff in adequate numbers, individual office space and support staff office space, office equipment, and such other resources as shall be required to ensure the effective, transparent and efficient operation of such Administrative Courts;

(g) by November 30, 2002, furnish to the Association for its review and comments a program of gathering and publication of data on Administrative Court performance and public opinion surveys and, thereafter, carry out such program and surveys taking into account the Association's comments, if any; and

(h) by January 31, 2004, discuss with the Association the findings and recommendations of the program of gathering and publication of data on court performance and public opinion surveys implemented pursuant to sub-paragraph (g) above, and prepare a

time-bound action plan, satisfactory to the Association, for applying the lessons learned to the other Administrative Courts.

4. (a) The Borrower shall establish the Center under Part B of the Project headed by a qualified and experienced member of academia with terms of reference, qualifications and experience satisfactory to the Association and selected in accordance with the procedures set forth in Part C, Section II of Schedule 3 to this Agreement, assigned with qualified staff in sufficient numbers and provided with funds and other resources as shall be required to enable the Center to accomplish its objectives and functions as a legal and judicial public sharing knowledge, training and research non-profit organization.

(b) As part of the Center, the Borrower shall establish:

(i) a legal and judicial database information system on laws, government and ministries resolutions and decrees, international treaties, municipal and provincial ordinances and other relevant legislation, decisions and commentaries of the Constitutional Court, Supreme Court, Appellate Courts and Administrative Courts, and similar legislation matters;

(ii) modernized and unified training mechanisms to coordinate and deliver all on-going and future training programs for judges, lawyers, prosecutors and other civil servants funded by Donors;

(iii) a research unit specialized in analyzing laws enacted or in draft form, and their impact on the different economic sectors and levels of society;

(iv) a comprehensive library of legal material for public use; and

(v) a pro bono legal clinic for the poor and women.

5. In carrying out Part B of the Project the Borrower shall:

(a) by not later than May 31, 2002, furnish to the Association for its approval the architectural designs for the construction of the building for the Center, including the bidding documents and a detailed time-bound action plan for carrying out the works and, thereafter, carry out such works pursuant to the bidding documents and time-bound action plan as approved by the Association;

(b) by not later than May 31, 2002, furnish to the Association for its approval a short list and the Letter of Invitation of Proposals, including terms of reference and proposed contract, for retaining the services of the Director and Scientific Secretary of the Center, and thereafter retain their services; and

(c) by not later than May 31, 2002, furnish to the Association for its approval a time-bound action plan for the design, implementation and operation of the legal and judicial database information system, and thereafter implement such plan taking into account the Associations comments, if any.

7. For purposes of carrying out Part C of the Project the Borrower shall, by not later than May 31, 2002, furnish to the Association, for its review and comments, a proposed training program for the professors of the pilot selected Law Schools as well as a proposal to develop a nationwide examination for law graduates, and thereafter implement these proposals taking into account the Associations comments, if any.

8. The Borrower shall select the pilot Law Schools under selection criteria satisfactory to the Association.

9. The Borrower shall, through the Steering Committee, take all such action as shall be necessary to ensure:

(a) adequate coordination in the carrying out of the activities under the Project with those under legal and judicial reform projects and programs funded by Donors; and

(b) the active involvement of NGOs, the private sector and academia in the carrying out the Project, in particular in respect of the various awareness campaigns and surveys.

10. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators set forth in Schedule 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) carry out every six months, beginning not later than June 30, 2002, a review of Project implementation and promptly thereafter submit to the Association the results of such review;

(c) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than November 30, 2003, a midterm review report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph, 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

(d) review with the Association, by January 15, 2004, or such later date as the Association shall request, the mid-term review report referred to in sub-paragraph (c) of this paragraph, 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 Association's views on the matter.

SCHEDULE 5

Performance Indicators

I. In regard to the entire Project

1. More transparent equitable and effective justice system.
2. Better access to justice.
3. Improved level of public trust and confidence in the legal system as a whole and judiciary in particular.
4. Level to which legal and judicial information is accessible and shared with different categories of civil society.

II. In regard to Part A of the Project

1. Degree to which Administrative Court System are developed and become operative.
2. Pilot Administrative Courts fully operational, efficient and administrative judges trained.

III. In regard to Part B of the Project

1. The adequacy of communication strategy manifested by an increase of Public trust and respect for the judiciary.
2. Center built and operational and dissemination and public awareness tools designed and tested.

IV. In regard to Part C of the Project

1. Degree to which developed monitor methodology shows effectiveness of legal education within renewed curricula.
2. Adequacy of designed training materials for legal profession's exams.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (4) 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 Credit 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 \$500,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$250,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 800,000.

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

3. After the Association 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 Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association 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 Association shall, on behalf of the Borrower, withdraw from the Credit 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 Association from the Credit 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 Association shall reasonably request, furnish to the Association 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 Association shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit 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 Association, 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 Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association 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 Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association 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 Association 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 Association, the Borrower shall promptly, upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association 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 Association 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 Association, refund to the Association such outstanding amount.

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

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

