

CONFORMED COPY

LOAN NUMBER 4811-RO

Loan Agreement

(Judicial Reform Project)

between

ROMANIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated January 27, 2006



LOAN NUMBER 4811-RO

LOAN AGREEMENT

AGREEMENT, dated January 27, 2006, between ROMANIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a document (“Strategy for the Reform of the Judiciary 2005-2007”) from the Borrower, dated March 2005, describing a program of actions and objectives and including an action plan for the implementation of such program designed to improve the Borrower’s judiciary sector (the Program), and declaring the Borrower’s commitment to the execution of such program; and

(B) 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) with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

- (a) Section 5.08 of the General Conditions is amended to read as follows:

“Section 5.08. *Treatment of Taxes*

Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes

levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank's policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank."

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words "corrupt or fraudulent" with the words "corrupt, fraudulent, collusive or coercive".

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) "DIEFP" means the Department for Implementation of Externally Financed Projects in the MOJ (as hereinafter defined) established pursuant to the Governmental Decision No. 1125 dated October 10, 2005, and referred to in Part A (b) of Schedule 5 to this Agreement.

(b) "EMP" means the Environment Management Plan dated September 28, 2005, satisfactory to the Bank, describing the existing environmental regulations and standards of the Borrower relevant to the Project, making reference to the institutions of the Borrower at the local and national levels responsible for issuing permits, licenses, and enforcing compliance of environmental standards, and describing the environmental mitigation measures, monitoring and institutional measures for the Project.

(c) "Financial Monitoring Report" or "FMR" means each report prepared in accordance with Section 4.02 of this Agreement.

(d) "HCCJ" means the High Court of Cassation and Justice of the Borrower established pursuant to the Law No. 56/1993 as amended at the date of this Agreement, and referred to in Part A (c) of Schedule 5 to this Agreement.

(e) “MOJ” means the Ministry of Justice of the Borrower, or any successor thereto.

(f) “NIM” means the National Institute of Magistrates of the Borrower established pursuant to the Law No. 303/2004 as amended at the date of this Agreement.

(g) “NSC” means the National School of Clerks of the Borrower established pursuant to the Law No. 567/2004 as amended at the date of this Agreement.

(h) “Procurement Plan” means the procurement plan, dated November 11, 2005, covering the initial eighteen (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 eighteen (18) month periods (or longer) of Project implementation.

(i) “Project Steering Committee” or “PSC” means the committee to be established by the Borrower, with membership and terms of reference satisfactory to the Bank, and referred to in Part A (c) of Schedule 5 to this Agreement.

(j) “SCM” means the Superior Council of Magistracy of the Borrower established pursuant to the Law No. 317/2004 as amended at the date 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 one hundred ten million Euros (€10,000,000).

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, works and services required for the Project and to be financed out of the proceeds of the Loan.

(b) The Borrower, through MOJ, may, for the purposes of the Project open and maintain in Euros, 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 April 1, 2011, 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. Such fee shall be payable not later than sixty (60) days after the Effective Date.

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 interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.
- (iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Euros for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest 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 Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest 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. Interest and other charges shall be payable semiannually in arrears on February 15 and August 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 MOJ, with due diligence and efficiency and in conformity with appropriate administrative, technical, engineering, financial and environmental 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, through MOJ, 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 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, through MOJ, 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, through MOJ, 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 future operation of the Project; and

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

Section 3.04. The Borrower shall ensure that its annual budget provides for sufficient funds for the operating and maintenance costs of: (i) the courts to be rehabilitated or constructed under Part A.1 of the Project; and (ii) the resource management system for the judicial sector to be developed under Part C.1 of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower, through MOJ, shall 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, through MOJ, 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, through MOJ, 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 Part B of Schedule 5 to this Agreement, the Borrower, through MOJ, 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 forty-five (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 forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

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

(a) A situation shall have arisen which shall make it impossible that the Program or a significant part thereof, will be carried out.

(b) The Governmental Decision No. 1125 dated October 10, 2005, establishing DIEFP shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the implementation of the Project.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (b) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the Borrower has established the PSC in a manner satisfactory to the Bank.

Section 6.02. 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 VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Public Finance of the Borrower is designated as 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 Public Finance
17, Apolodor Street
Bucharest
Romania

Telex:	Facsimile:
11239	4021 312 6792

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 Bucharest, Romania, as of the day and year first above written.

ROMANIA

By: /s/ Sebastian Vladescu

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Anand Seth

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 Euros)</u>	<u>% of Expenditures to be financed</u>
(1) Civil works	65,900,000	85%
(2) Goods, including supply and installation of information systems	24,600,000	100%
(3) Consultants' Services and audits	9,900,000	100%
(4) Design and construction supervision services under Part A of the Project	5,750,000	100%
(5) Training and study tours	1,400,000	100%
(6) Unallocated	<u>2,450,000</u>	
TOTAL	<u>110,000,000</u>	

2. 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; and (b) any expenditures under any Category in the table in paragraph 1 above, unless the Bank has received payment in full of the front-end fee referred to in Section 2.04 of this Agreement.

3. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than □250,000 equivalent per contract; (b) works costing less than □3,000,000

equivalent per contract; (c) for services of individual consultants costing less than □50,000 equivalent per contract; (d) for services of consulting firms under contracts costing less than □200,000 equivalent per contract; and (e) training and study tours, 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 increase efficiency of the Borrower's courts and to improve accountability of the judiciary resulting in reducing corruption and more transparent act of justice.

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: Court Infrastructure Rehabilitation

1. Rehabilitation, construction and equipment of about twenty five (25) court buildings throughout the Borrower's territory, through the provision of works, services and goods.
2. Development of uniform space planning and design standards for court facilities based on international practice, through the provision of advisory services.

Part B: Strengthening of the Administrative Capacity of Courts

1. Carrying out of a comprehensive assessment to identify causes of delayed court proceedings and case backlogs, and development and carrying out of a program of actions to reduce such case delays and backlogs, both through the provision of advisory services and goods.
2. Development of a framework for economic management of the courts, including preparation of regulatory and organizational arrangements, and manuals and other facilitating materials for economic managers of the courts, through the provision of advisory services, training, study tours and goods.
3. Development and carrying out of a program of actions to assess and redesign the working arrangements of the courts in order to optimize operational processes of the courts, through the provision of advisory services, training of non-judicial personnel of the courts, and goods.

Part C: Court Information Support

1. Development of a comprehensive resource management system for the judicial sector, covering financial, physical, and human resource management as well as management support functions, through the provision of services, goods and training.

2. Upgrading maintenance and management of the paper records and archives of the courts through the provision of archival filing cabinets for such courts.

Part D: Institutional Development of Judicial Institutions

1. Strengthening the capacities of SCM in the areas of human resources management, budget planning, development of long-term judicial policies, monitoring judicial performance, and public relations and communications, through the provision of advisory services, and training of the personnel of SCM.
2. Strengthening the capacities of MOJ in the areas of capital investment planning, judicial statistics and budget planning, through the provision of advisory services, goods, and training of the personnel of MOJ. Provision of advisory services and training to DIEFP for the purposes of Project implementation.
3. Strengthening the capacities of NIM in the areas of development of new qualification tests for judges' selection and promotion, development of training courses, and development of examination materials, through the provision of advisory services, distance learning facility and training of the personnel of NIM.
4. Strengthening the capacities of NSC in the areas of long-term activities planning, and development and delivery of training courses, through the provision of advisory services, training materials, distance learning facility, and training of the personnel of NSC.
5. Strengthening the capacities of the HCCJ in the areas of budget planning and management through the provision of advisory services and training of the personnel of the HCCJ.
6. Carrying out public opinion and court users surveys for progress monitoring.

* * *

The Project is expected to be completed by October 1, 2010.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	Payment of Principal (Expressed in <u>Euros</u>)*
On each February 15 and August 15 beginning August 15, 2011 through August 15, 2022	4,585,000
On February 15, 2023	4,545,000

* The figures in this column represent the amount in Euros 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: 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)

A. 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 and works to be carried out by domestic contractors.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost less than □250,000 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 additional provisions set forth in the Annex to this Schedule.

2. Shopping. Goods estimated to cost less than □75,000 equivalent per contract and works estimated to cost less than □75,000 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. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than □150,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Bank agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than □100,000 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.

4. Single Source Selection. Services for tasks in circumstances which meet the requirement 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 Consultants Guidelines.

5. 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, subject to prior approval of the Bank.

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. If the Procurement Plan provides for prior review of contracts for the employment of individual consultants, the report on the qualifications and experience of all evaluated candidates, the terms of reference and the terms of employment of the consultants shall be subject to prior approval by the Bank. All other contracts shall be subject to Post Review by the Bank.

**Annex
to
SCHEDULE 4**

Mandatory Provisions for Procurement under Bank-Financed Contracts Subject to National Competitive Bidding.

Contracts for goods or works for which Schedule 4 to the Loan Agreement allows procurement under paragraphs 3.3 and 3.4 of the Procurement Guidelines may be procured in accordance with the provisions of national laws and regulations with the following exceptions:

A. Procedures

The Open Procedure, as defined in Article 9 of the “Emergency Ordinance Regarding Public Procurement No. 60/2001”, as subsequently amended, shall be followed in all cases, irrespective of value. Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper or the Official Gazette, allowing a minimum of thirty (30) days for the preparation and submission of bids.

B. Assessment of Bidders’ Qualifications

When pre-qualification shall be required for large or complex works, invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper or the Official Gazette, allowing a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications. Minimum experience, technical and financial requirements shall be explicitly stated in the pre-qualification documents, which shall be determined by a ‘pass/fail’ method, not through use of a merit point system. Where pre-qualification is not used, the qualifications of the bidder who is recommended for award of contract shall be assessed by post-qualification, applying minimum experience, technical and financial requirements which shall be explicitly stated in the bidding documents.

C. Participation by Government-owned Enterprises

Government-owned enterprises in Romania shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law and are not a dependent agency of the contracting authority. Furthermore, they will be subject to the same bid and performance security requirements as other bidders.

D. Bidding Documents

Procuring entities shall use the appropriate standard bidding documents for the procurement of goods, works or services, which shall contain draft contract and conditions of contract acceptable to the Bank. Bidding instructions shall clearly stipulate that discount, if any, must be stated by the bidder either in a cover letter or in the bid form. In case of joint ventures, bidding conditions shall stipulate joint and several liability of all the partners of the joint venture.

E. Bid Submission, Opening and Evaluation, Award of Contract

(a) Bids shall be submitted in a single envelope containing the bidder's qualification information, technical and price bids, which shall be opened at the public bid opening. Should bids be submitted in two (2) or more envelopes, all envelopes shall be opened at the public bid opening.

(b) Bids shall be opened in public immediately after the deadline for submission of bids. No bid shall be rejected during bid opening. The name of the bidder, the total amount of each bid, and any discounts shall be read aloud and recorded in the minutes of the public bid opening. Any discount not mentioned in the cover letter or bid form shall not be taken into account in the evaluation.

(c) The evaluation of bids shall be done in strict adherence to the monetarily quantifiable criteria specified in the bidding documents and a merit point system or scoring on the basis of "technical and economical financial achievements" shall not be used.

(d) Extension of bid validity shall be allowed once only for a maximum of thirty (30) days. No further extensions should be requested without the prior approval of the Bank.

(e) Contracts shall be awarded to qualified bidders having submitted the lowest evaluated substantially responsive bid.

(f) No preference shall be applied under National Competitive Bidding.

(g) There shall be no negotiations, even with the lowest evaluated bidder, without the Bank's prior concurrence.

(h) The results of evaluation and the names of the winning bidder shall be published.

F. Price Adjustment

Contracts of long duration (e.g. more than eighteen (18) months) shall contain an appropriate price adjustment clause.

G. Rejection of All Bids

(a) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

(b) When the number of bids received is less than two (2), re-bidding shall not be carried out without the Bank's prior concurrence.

H. Securities

No advance payments shall be made to contractors without a suitable advance payment security. The wording of all such securities shall be included into the bidding documents and shall be acceptable to the Bank.

SCHEDULE 5

Implementation Program

Part A: Project Management

(a) The Borrower shall assign the responsibility for carrying out the Project to MOJ.

(b) To enable MOJ to implement effectively the Project, the DIEFP shall be maintained with adequate staffing and resources for the duration of the Project. The DIEFP shall, *inter alia*, be responsible for the day-to-day implementation of the activities under the Project, and for financial management, procurement, disbursement, and preparation of progress reports and annual reports in respect of the Project.

(c) For the Project oversight, the Borrower shall maintain, under the chairmanship of the Minister of Justice, the Project Steering Committee comprising, *inter alia*, a high-level representative from each of the Ministry of Public Finance, the SCM and the HCCJ, and the Director of the DIEFP. The PSC shall, *inter alia*, set strategic directions for the Project, oversee Project implementation, and make decisions on significant implementation or policy issues in respect of the Project.

(d) With respect to Parts B, D.1, D.3, D.4 and D.5 of the Project, the Borrower shall ensure that the SCM carries out its responsibilities: (i) in close collaboration with MOJ; (ii) assisted by the DIEFP; and (iii) in accordance with agreed upon arrangements between MOJ and the SCM, satisfactory to the Bank.

(e) The Borrower, through MOJ, shall take all necessary measures to implement the Project in accordance with the EMP, and shall not amend, suspend, abrogate, repeal or waive any provision of the EMP without prior approval of the Bank.

Part B: Reporting and Monitoring; Midterm Review

1. The Borrower, through MOJ, shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators acceptable to the Bank, 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, not later than October 31 of each year: (i) a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 (a) of this Part B, 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; (ii) the annual working plan for the following calendar year; and (iii) the updated Procurement Plan referred to in Section 3.02 (b) of this Agreement; and

(c) review with the Bank, not later than four (4) weeks after the submission of the documents referred to in paragraph 1 (b) of this Part B, or such later date as the Bank shall request, the documents referred to in paragraph 1 (b) of this Part B, 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 report referred to in paragraph 1 (b) (i) of this Part B and the Bank's views on the matter.

2. Midterm Review

(a) On or about April 1, 2009, the Borrower, through MOJ, shall carry out jointly with the Bank, a midterm review of the progress made in carrying out the Project (hereinafter referred to as the Midterm Review).

The Midterm Review shall cover, amongst other things:

- (i) progress made in meeting the Project's objectives; and
- (ii) overall Project performance against Project performance indicators.

(b) The Borrower, through MOJ, shall prepare, and at least four (4) weeks prior to the Midterm Review, furnish to the Bank, a separate report describing the status of implementation of each component of the Project and a summary report of Project implementation generally.

(c) The Borrower, through MOJ, shall, not later than two (2) weeks after the Midterm Review, prepare and submit to the Bank an action program, acceptable to the Bank, for the further implementation of the Project having regard to the findings of the Midterm Review and, thereafter, implement such action program.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

(a) the term “eligible Categories” means Categories (1) through (5) 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 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 the amount of □6,500,000 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 the amount of □3,000,000 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 □22,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule, including local currency payments made directly to suppliers and contractors through corresponding transfer accounts opened in commercial banks, in accordance with rules and procedures acceptable to the Bank.

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, through MOJ, 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, through MOJ, shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower, through MOJ, 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, through MOJ, 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, through MOJ, 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, through MOJ, out of the Special Account, the Borrower, through MOJ, 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.