

CONFORMED COPY

CREDIT NUMBER 2328 IN

(Maharashtra Forestry Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MAHARASHTRA

Dated January 29, 1992

CREDIT NUMBER 2328 IN

PROJECT AGREEMENT

AGREEMENT, dated January 29, 1992, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF MAHARASHTRA, acting by its Governor (Maharashtra).

WHEREAS by the Development Credit Agreement of even date herewith between India, acting by its President (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to eighty eight million nine hundred thousand Special Drawing Rights (SDR 88,900,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the State of Maharashtra agree to undertake such obligations toward the Association as are set forth in this Agreement; and

WHEREAS Maharashtra, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the

obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) Maharashtra declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project except for Part A.3 through FD, and Part A.3 of the Project through FD with the participation of AHD, all with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and forestry practices, and shall provide, or cause to be provided, 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 Association shall otherwise agree, Maharashtra shall carry out a program of reform of the forestry sector relating to institutional development, technical improvements and policy measures, satisfactory to the Association, and shall implement such reform and the Project in accordance with the Implementation Program set forth in Schedule 2 to this Agreement.

Section 2.02. 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 1 to this Agreement.

Section 2.03. Maharashtra shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. (a) Maharashtra shall beginning on July 31, 1992 and by July 31 of every year thereafter during the implementation of the Project, exchange views with the Association with regard to the progress of the reform program referred to in paragraph 2.01 (b) hereof, the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Maharashtra shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the reform program referred to in paragraph 2.01 (b) hereof, the Project, the accomplishment of the purposes of the Credit, or the performance by Maharashtra of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Maharashtra shall maintain 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 Maharashtra responsible for carrying out the Project. (b) Maharashtra shall:

- (i) have its records and accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than nine months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) 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, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

ARTICLE IV

Effective Date; Termination;
Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Maharashtra thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify Maharashtra of this event. Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE V

Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request

shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

For Maharashtra:

Chief Secretary
Government of Maharashtra
Mantralaya, Bombay
Maharashtra, India

Cable address:

SACHIVALYA
BOMBAY

Telex:

953-118443

Section 5.02. Any action required or permitted to

be taken, and any document required or permitted to be executed, under this Agreement on behalf of Maharashtra may be taken or executed by its Chief Secretary or such other person or persons as Maharashtra shall designate in writing, and Maharashtra shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Joseph Wood

Regional Vice President

South

Asia

STATE OF MAHARASHTRA

By /s/ Lalit Mansingh

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: Procurement Procedures

1. (a) Except as provided in paragraph 2 hereof, equipment shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

(b) In the procurement of equipment in accordance with the procedures described in paragraph 1 hereof, equipment manufactured in India may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

2. Except as provided in paragraphs 3 and 4 hereof, civil works shall be, and equipment and vehicles estimated to cost less than the equivalent of \$200,000 per contract may be, procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

3. Civil works estimated to cost less than the equivalent of \$10,000 per contract, up to an aggregate amount not to exceed \$7,000,000, and all plantation under the Project may be carried out through force account using labor from local communities in a manner satisfactory to the Association.

4. Equipment estimated to cost less than the equivalent of \$20,000 per contract, up to an aggregate amount not to exceed the equivalent of \$1,000,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

5. Seeds and planting materials shall be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers from at least three different countries eligible under the Guidelines, in accordance with procedures acceptable to the Association.~Part B: Review by the Association of Procurement Decisions.

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to (a) each contract for equipment estimated to cost the equivalent of \$200,000 or more, and (b) each contract for civil works estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Association pursuant to said paragraph 2 (d) shall be furnished to the Association prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in

paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Association pursuant to said paragraph 3 shall be furnished to the Association as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 3 to the Development Credit Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure.

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

Section II: Employment of Consultants

In order to assist Maharashtra in carrying out the Project, Maharashtra shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Association. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Association on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 2

Implementation Program

1. Maharashtra shall carry out Part A.4 of the Project with the participation of non-governmental organizations, and local institutions involved in planning and coordinating developmental activities. Such organizations and institutions shall be satisfactory to the Association.

2. In implementing Part A.4 of the Project, Maharashtra shall ensure that, in addition to the cost of land rehabilitation: (a) the cost of soil and moisture conservation activities shall not exceed an amount equivalent to 25% of the cost of land rehabilitation; and (b) the cost of allied works shall not exceed an amount equivalent to 10% of the combined cost of the rehabilitation and soil and moisture conservation activities under such Part.

3. Maharashtra shall ensure that: (a) Parts A.1 and A.2 of the Project shall be carried out in accordance with treatment models satisfactory to the Association, and that, after March 31, 1995, such models shall follow the tested forest plantation and management procedures; and (b) seedlings used in such models shall be suitably culled unless such seedlings are obtained from nurseries developed under the Project.

4. Maharashtra shall cause FD to employ consultants and restructure the pasture development unit under Part B.4 of the Project by March 31, 1993.

5. Maharashtra shall take steps, satisfactory to the Association, to ensure that the jurisdiction of the territorial staff of FD over all ecologically important protected areas shall be transferred to its wildlife wing, not later than September 30, 1997, and that such wing shall be headed by an official having exclusive duties in such wing.

6. Maharashtra shall cause FD to: (a) by March 31, 1993, employ consultants and establish the seed unit

under Part B.1 of the Project; and (b) employ consultants by March 31, 1993 to upgrade selected nurseries under Part B.2 of the Project.

7. Maharashtra shall cause FD to: (a) by March 31, 1994 complete the review of the current forestry research program under Part B.3 of the Project and, based on the recommendation of such review, formulate a research program, including a timetable for implementation, satisfactory to the Association; and (b) implement such program in accordance with such timetable.

8. Maharashtra shall cause FD to (i) establish, not later than September 30, 1992, the PMIU under Part C.2 of the Project, and (ii) place qualified personnel to head the specialized units under Part C.2 of the Project and to take all possible measures to maintain such personnel in such positions during the implementation of the Project.

9. Maharashtra shall cause FD to:

(a) carry out the study on forest administration restructuring under Part C.3 (a) of the Project in accordance with terms of reference satisfactory to the Association;

(b) by March 31, 1995: (i) complete such study in accordance with such terms of reference; (ii) hold a series of workshops to discuss its findings for purposes of identifying potential actions in the areas of career development, specializations within FD, linkages between the forest administration, the rest of the administration of Maharashtra and the private sector, including non-governmental organizations and policy measures required to remove constraints on private sector and non-governmental organization participation; and (iii) based on the results of such study and discussions, formulate a plan of action, including a timetable for implementation, satisfactory to the Association; and

(c) implement such plan in accordance with such timetable.

10. Maharashtra shall cause FD to: (a) complete the study under Part C.3 (b) of the Project by March 31, 1993; and (b) take all necessary measures to retain personnel receiving specialized training under the Project for at least three years in their respective positions upon completion of, and return of such personnel from, such training.

11. Maharashtra shall cause FD to: (a) carry out the study under Part C.3 (c) of the Project through PMIU for the purpose of formulating annual recommendations to be used in the preparation of the annual investment and plantation budget of FD based inter alia, on annual price forecasts, demand projections and supply information; (b) prepare such budgets that take into consideration such recommendations; and (c) set the administered prices of public forest produce for a given year giving due weight to the calculation by PMIU of such prices which would be within 10% of the weighted average market price for that year.

12. Maharashtra shall:

(a) adopt, or cause to be adopted, all appropriate measures as may be necessary or required to ensure that private plantations supported under the Project shall be exempt from vesting to the State under relevant laws and regulations; and

(b) obtain, or cause to be obtained, in a prompt and efficient manner, all approvals and clearances from the Borrower or its relevant departments or agencies as may be necessary or required for the purpose of implementing the activities under the Project.

13. Maharashtra shall carry out forest planning, monitoring, coordination and evaluation of the Project through PCU.

14. Maharashtra shall: (a) by March 31, 1995, identify those species, satisfactory to the Association, with respect to which felling restrictions in non-state lands and transit restrictions for timber and other forest produce shall be eliminated, and adopt a timetable, satisfactory to the Association, for eliminating such restrictions for those species identified; and (b) implement the elimination of such restrictions in accordance with such timetable.

15. Without limitation to the generality of Section 9.06 of the General Conditions, Maharashtra shall cause FD to furnish to the Association by June 30 of each year during the implementation of the Project beginning on June 30, 1993, reports on the progress of the Project, including the reform program.

16. Maharashtra shall, in consultation with the Association and in accordance with terms of reference and methodology satisfactory to the Association, undertake and complete by March 31, 1995 a mid-term review of the Project, including the reform program, and, shall, promptly thereafter, carry out the agreed recommendations of such review in a manner acceptable to the Association.

17. Maharashtra shall, by March 31, 1995, issue guidelines consistent with the Borrower's National Forestry Policy, 1988, and satisfactory to the Association, relating to the use of exotic species in forestry plantations.

