

CONFORMED COPY

CREDIT NUMBER 2573 IN

Project Agreement

(Andhra Pradesh Forestry Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF ANDHRA PRADESH

Dated March 9, 1994

CREDIT NUMBER 2573 IN

PROJECT AGREEMENT

AGREEMENT, dated March 9, 1994, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF ANDHRA PRADESH, acting by its Governor (Andhra Pradesh).

WHEREAS: (A) the Association has received a letter dated November 27, 1993 from Andhra Pradesh attaching sector reforms that constitute the framework for improving forest development in Andhra Pradesh including policy, institutional and technical reforms (hereinafter called the Forestry Sector Reform Program), and declaring Andhra Pradesh's commitment to carry out such Forestry Section Reform Program;

(B) by the Development Credit Agreement of even date herewith between India (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifty-five million six hundred thousand Special Drawing Rights (SDR 55,600,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Andhra Pradesh agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement;

WHEREAS Andhra Pradesh, 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 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) Andhra Pradesh declares its commitment to the objective of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out the Project through FD, with the assistance of: (i) FDC for Part A.2.(ii) (b); and (ii) DSW for Part B.5; all with due diligence and efficiency and in conformity with appropriate administrative, financial, 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 and Andhra Pradesh shall otherwise agree, Andhra Pradesh shall carry out 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. Andhra Pradesh 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) Andhra Pradesh shall, at the request of the Association, exchange views with the Association with regard to the progress of the Project, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Andhra Pradesh shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Credit, or the performance by Andhra Pradesh of its obligations under this Agreement.

ARTICLE III

Financial Covenants

Section 3.01. (a) Andhra Pradesh 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 Andhra Pradesh responsible for carrying out the Project or any part thereof.

(b) Andhra Pradesh 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, 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 Andhra Pradesh 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 twenty (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 Andhra Pradesh 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:

248423 (RCA)
82987 (FTCC)

64145 (WUI) or
197688 (TRT)

For Andhra Pradesh:

Chief Secretary
Government of Andhra Pradesh
Secretariat, Saifabad
Hyderabad 500022
Andhra Pradesh, India

Cable address:

CHIEFSEC
Hyderabad
Andhra Pradesh, India

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 Andhra Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Andhra Pradesh shall designate in writing, and Andhra Pradesh 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/ D. Joseph Wood

Regional Vice President
South Asia

STATE OF ANDHRA PRADESH

By /s/ N. Valluri

Authorized Representative

SCHEDULE 1

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods 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 1992 (the Guidelines).

(a) For fixed price contracts, the invitation to bid referred to paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to

the Association, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in the bid evaluation.

(b) In the procurement of goods in accordance with this Part, Andhra Pradesh shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purpose of the Project. Where no relevant standard bidding documents have been issued by the Bank, Andhra Pradesh shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods 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.

Part C: Other Procurement Procedures

1. Except as provided in paragraph 2 hereof, civil works under the Project, and plantation works under Part A.2 (ii) (b), may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works estimated to cost the equivalent of \$10,000 or less per contract, up to an aggregate amount not exceeding \$8,800,000, and other plantation works under the Project, may be carried out by force account in a manner satisfactory to the Association.

3. (i) Domesticated clonal seedlings for Part A.2 (ii) (b) estimated to cost up to an aggregate amount not exceeding the equivalent of \$3,700,000, and (ii) items or group of items estimated to cost the equivalent of less than \$200,000 per contract, up to an aggregate amount not exceeding \$3,500,000, may be procured on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. (i) Items or groups of items estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount equivalent to \$1,400,000, (ii) construction materials estimated to cost not more than \$1,900,000, and (iii) vehicles estimated to cost less than \$100,000 per contract, up to an aggregate amount not exceeding \$300,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

5. Specialized items comprising satellite imagery and aerial photographs, estimated to cost the equivalent of not more than \$150,000, and books and periodicals estimated to cost the equivalent of not more than \$400,000, may be purchased directly in accordance with procedures satisfactory to the Association.

Part D: Review by the Association of Procurement Decisions

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

(a) With respect to (i) each contract estimated to cost the equivalent of \$200,000 or more; (ii) all soil preparation contracts under Part A.2 (ii)(b); and (iii) the first five goods and first

five works contracts, 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 4 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

1. In order to assist in carrying out the Project, Andhra Pradesh 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 (the Consultants' Guidelines).

2. Notwithstanding the provisions of paragraph 1 of this Section, the provision of the Consultants Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$100,000 equivalent each. However, this exception to prior Association review shall not apply to the terms of reference for such contracts, nor to the employment of individuals, to single source selection of firms, to assignment of critical nature as reasonably determined by the Association, and to amendments to contracts raising the contract value to \$100,000 equivalent or more.

3. For complex, time based assignments, Andhra Pradesh shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with the Association. Where no relevant standard contract documents have been issued by the Bank, Andhra Pradesh shall use other standard forms agreed with the Association.

SCHEDULE 2

Implementation Program

1. Andhra Pradesh shall ensure that seedlings used for the Project shall be suitably culled in the existing nurseries in the project area.

2. (a) To assist in the design of the research program and in plant propagation under Part B.1 of the Project, Andhra Pradesh shall appoint consultants not later than June 30, 1994, in accordance with terms of reference agreed with the Association, and with the procedure referred to in Section II of Schedule 1 to this

Agreement.

(b) Andhra Pradesh shall discuss with the Association, not later than October 31, 1994, the resulting programs under (a) above, including the implementation timetable, and shall, taking into account the Association's comments, promptly thereafter implement such programs.

3. Andhra Pradesh shall complete, in consultation with the Association, not later than September 30, 1994, the study for the development of the integrated protected areas network under Part B.3 of the Project.

4. Andhra Pradesh shall carry out the Tribal Development Plan agreed with the Association under Part B.5 of the Project, in a manner and timetable satisfactory to the Association.

5. Andhra Pradesh shall, not later than March 31, 1995, complete and discuss with the Association the institutional development study under Part C.2 (i) of the Project, and shall thereafter implement the results of such study in accordance with a time-bound action plan agreed with the Association.

6. Andhra Pradesh shall: (i) select the staff for overseas training under the Project in consultation with the Association; (ii) upon completion of such training, post such staff for at least three years in areas in which training was received; and (iii) ensure that research staff remain in post for at least five years.

7. Andhra Pradesh shall, in consultation with the Association:

(a) not later than December 31, 1994 complete the overview forest inventory under Part C.2 (ii) of the Project;

(b) not later than June 30, 1995: (i) complete and operate the management information system under Part C.2 (iii) of the Project; and (ii) install the geographical information system under Part C.2 (iv) of the Project; and

(c) not later than December 31, 1995, complete, under principles agreed with the Association, the design of new type working plans for managing the forest estate, under Parts A.1, A.2 and B.3 of the Project, and shall thereafter initiate their implementation.

8. Andhra Pradesh shall complete, not later than December 31, 1994, in consultation with the Association: (i) the transfer of the required forestry staff to the Wildlife Wing of FD; and (ii) the staffing of the Planning Cell of the Wildlife Wing.

9. Andhra Pradesh shall carry out the field investments in each location under Part A.1 of the Project in accordance with a microplan for joint forest management between the villagers in that location and FD; each such plan to be prepared in accordance with a methodology agreed with the Association.

10. Andhra Pradesh shall ensure that: (i) Joint Forest Management benefit sharing arrangements agreed between the villagers and FD, shall be adhered to, and shall not be changed without prior approval of the Association; and (ii) joint accounts between the villagers and FD will be used for joint forest management field investments.

11. Andhra Pradesh shall: (i) ensure that seedling distribution shall follow a policy agreed with the Association; and (ii) adjust the seedling prices every year to cover the full production costs, as agreed with the Association.

12. Andhra Pradesh shall, without limitation to the provisions of Section 2.01 of this Agreement, implement a system satisfactory to the Association for channelling the funds required for the Project, to the entities involved in carrying out the Project.

13. Andhra Pradesh shall make available to FDC land of adequate site quality and in blocks of suitable size for implementation of the planting program under Part A.2 (ii) (b) of the Project; such land to be selected in accordance with criteria agreed with the Association.

14. Andhra Pradesh shall 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.

15. Andhra Pradesh shall, by December 31, 1996, undertake in collaboration with the Borrower and the Association, a mid-term review of the Project, and shall thereafter implement the recommendations of such review.

16. For the purpose of assisting in carrying out the Project, Andhra Pradesh shall select NGOs in accordance with procedures and criteria agreed with the Association.

