

CONFORMED COPY

CREDIT NUMBER 2700 IN

Project Agreement

(Madhya Pradesh Forestry Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF MADHYA PRADESH

Dated April 11, 1995

CREDIT NUMBER 2700 IN

PROJECT AGREEMENT

AGREEMENT, dated April 11, 1995, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF MADHYA PRADESH (Madhya Pradesh).

WHEREAS: (A) the Association has received a letter dated February 10, 1995 from the State of Madhya Pradesh (Madhya Pradesh) attaching a statement of strategy for the future development of the forestry sector and associated statement of policies and actions that constitute the framework for improving forest management in Madhya Pradesh including policy, institutional and technical reforms (hereinafter called the Forestry Sector Reform Program), and declaring Madhya Pradesh's Commitment to carry out such Forestry Sector 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 thirty nine million four hundred thousand Special Drawing Rights (SDR 39,400,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Madhya Pradesh agree to

undertake such obligations toward the Association as are set forth in the Development Credit Agreement, and in this Agreement; and

WHEREAS Madhya 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) Madhya 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 MPFD, and its PU, with due diligence and efficiency and in conformity with appropriate administrative, financial, forestry and environmental 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 Madhya Pradesh shall otherwise agree, Madhya 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. Madhya 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) Madhya 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) Madhya 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 Madhya Pradesh of its obligations under this Agreement.

Section 2.05. Without limitation upon the provisions of Article IX of the General Conditions, Madhya Pradesh shall:

(a) prepare and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between Madhya Pradesh and the

Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of the Project;

(b) afford the Association a reasonable opportunity to exchange views with Madhya Pradesh on the said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

### ARTICLE III

#### Financial Covenants

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

(b) Madhya 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 Madhya 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 Madhya 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 Madhya Pradesh:

Chief Secretary  
Government of Madhya Pradesh  
Vallabh Bhavan  
Bhopal  
Madhya Pradesh, India

Cable address:

CHIEFSEC  
Bhopal  
Madhya 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 Madhya Pradesh may be taken or executed by its Chief Secretary or such other person or persons as Madhya Pradesh shall designate in writing, and Madhya 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/ H. Vergin

Acting Regional Vice President  
South Asia

STATE OF MADHYA PRADESH

By /s/ K. Sibal

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) and in accordance with the following additional procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D.1 (a) of this Section, the Bank's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with this Part, Madhya 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, Madhya 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, estimated to cost the equivalent of \$20,000 or more per contract 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 less than the equivalent of \$20,000 per contract, up to an aggregate amount not exceeding \$8,000,000, and forest operations under Part B of the Project, estimated to cost an aggregate amount of not more than \$20,800,000, may be carried out through force account in a manner satisfactory to the Association.

3. Items or group of items estimated to cost the equivalent of less than \$200,000 per contract, up to an aggregate amount not exceeding \$800,000, 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 \$2,600,000, (ii) construction materials estimated to cost an aggregate amount of not more than \$3,300,000, and (iii) vehicles and boats estimated to cost less than \$100,000 per contract, up to an aggregate amount not exceeding \$1,600,000, 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 \$200,000, and books and periodicals estimated to cost the equivalent of not more than \$700,000, 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; and (ii) the first two goods and first two works contracts, regardless of value, 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

1. In order to assist in carrying out the Project, Madhya 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 with consulting firms and \$50,000 equivalent each with individual consultants. 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, Madhya 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, Madhya Pradesh shall use other standard forms agreed with the Association.

### SCHEDULE 2

#### Implementation Program

1. Madhya 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.

2. Madhya Pradesh shall ensure that the procurement under the Project shall be carried out in accordance with the yearly procurement plans prepared by Madhya Pradesh in consultation with the Association.

3. Madhya Pradesh shall (i) complete, not later than June 30, 1996, the review of the management of the forest sector under Part A (i) of the Project, (ii) discuss the findings of such review with the Association, and (iii) implement the agreed modifications to management procedures and structures not later than June 30, 1997.

4. Madhya Pradesh shall, by July 31, 1995, appoint all the staff of PU, with experience and qualifications acceptable to the Association.

5. Madhya Pradesh shall, by each December 31, starting December 31, 1995, prepare, in consultation with the Association, an annual project implementation plan for the following financial year. However, for the first year of the Project, the implementation plan shall be prepared not later than July 31, 1995.

6. Madhya Pradesh shall establish, not later than December 31, 1995: (i) a Policy Analysis Unit; and (ii) an Industrial Liaison Unit, both within MPFD, each headed by a Conservator,

and with responsibilities and staffing acceptable to the Association.

7. Madhya Pradesh shall (i) not later than June 30, 1996, prepare and review with the Association a human resource development plan for MPFD, linked to proposed changes in the management system under Part A (i) of the Project, and (ii) prepare, in consultation with the Association, not later than July 31 of each year, starting July 31, 1995, an annual training plan for the next year.

8. Madhya Pradesh shall, not later than July 31, 1995, finalize a contract, satisfactory to the Association, with an institution acceptable to the Association, for placement and support of trainees in overseas institutions.

9. Madhya Pradesh shall: (i) implement the Village Resources Development Program under Part B (ii) of the Project in accordance with procedures and criteria agreed with the Association, and (ii) submit the first three proposals under the Village Resources Development Program under Part B (ii) of the Project for approval by the Association.

10. Madhya Pradesh shall, not later than December 31, 1995, select seed and nursery specialists, in accordance with the procedures specified in paragraph 1 of Section II of Schedule 1 to the Project Agreement and following terms of reference agreed with the Association.

11. Madhya Pradesh shall, not later than December 31, 1995: (i) establish SFRI as an autonomous agency in accordance with objectives and responsibilities agreed with the Association; (ii) establish the Research Advisory Committee under SFRI, with membership agreed with the Association; (iii) fill the research posts, within SFRI, of a tree improvement specialist and a seed technologist; and (iv) following the procedures specified in paragraph 1 of Section II of Schedule 1 to the Project Agreement, complete the recruitment of the consultants to assist in the development of a research strategy for Part C (iv) of the Project.

12. Madhya Pradesh shall, not later than June 30, 1997, agree with the Association on the terms of reference for the consultants' services for forestry research program under Part C (vi) of the Project.

13. Madhya Pradesh shall appoint: (i) not later than September 30, 1995, five Conservators (Wildlife), and (ii) not later than December 31, 1995 the coordinator for wildlife research; all with experience and qualifications satisfactory to the Association.

14. (a) Madhya Pradesh shall not carry out any involuntary relocation for any of the communities resident within the Protected Areas (PAs) under Part D (i) of the Project.

(b) Any proposals for voluntary relocation of such communities shall be:

(i) preceded by an independent study to assess the impact of such communities on the conservation of biodiversity in such PAs; and

(ii) prepared and implemented, in accordance with criteria agreed with the Association, and after prior approval of the Association.

15. Madhya Pradesh shall: (i) identify, on the basis of criteria agreed with the Association, the areas which impact on the Protected Areas (PAs); (ii) provide the managers of the PAs with responsibilities and sufficient staff to undertake the ecodesign programs around such PAs under Part D (ii) of the Project; and (iii) appoint, not later than September 30,



1995, at least two trained ecodevelopment planning teams, with qualifications satisfactory to the Association.

16. Madhya Pradesh shall (i) implement the ecodevelopment program under Part D (ii) of the Project in accordance with procedures agreed with the Association, (ii) select the proposals for funding in accordance with criteria agreed with the Association, and (iii) submit the first three proposals for funding under the Ecodevelopment Support Fund under Part D (ii) of the Project for approval by the Association.

17. Madhya Pradesh shall, by December 31, 1997, 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.

