

CONFORMED COPY

CREDIT NUMBER 3018 IN

Project Agreement

(Uttar Pradesh Forestry Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

STATE OF UTTAR PRADESH

Dated December 30, 1997

CREDIT NUMBER 3018 IN

PROJECT AGREEMENT

AGREEMENT, dated December 30, 1997, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and STATE OF UTTAR PRADESH (Uttar Pradesh), acting by its Governor.

WHEREAS 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 Special Drawing Rights (SDR 39,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Uttar Pradesh agree to undertake such obligations toward the Association as are set forth in the Development Credit Agreement and in this Agreement; and

WHEREAS Uttar 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) Uttar 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 UPFD, 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 Uttar Pradesh shall otherwise agree, Uttar Pradesh shall carry out the Project in accordance with the Project Implementation Plan, and the Implementation Program set forth in Schedule 1 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 2 to this Agreement.

Section 2.03. Uttar 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) Uttar 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) Uttar 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 Uttar Pradesh of its obligations under this Agreement.

Section 2.05. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, Uttar Pradesh shall: (a) prepare, on the basis of guidelines acceptable to the Association, 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 Uttar Pradesh and the Association, a plan for the future operation of the Project; and (b) afford the Association a reasonable opportunity to exchange views with Uttar Pradesh on such plan.

ARTICLE III

Financial Covenants

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

(b) Uttar Pradesh shall:

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

Section 3.02. Uttar Pradesh shall establish not later than June 30, 1998, a financial management system for Project accounting, with specifications and output

satisfactory to the Association.

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 Uttar 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 Uttar 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, fax 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, NW
Washington, DC 20433
United States of America

Cable address:

INDEVAS
Washington, DC

Telex:

248423 (MCI)
64145 (MCI)

For Uttar Pradesh:

Chief Secretary
Government of Uttar Pradesh
Lucknow
Uttar 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 Uttar Pradesh may be taken or executed by the Chief Secretary of Uttar Pradesh or such other person or persons as Uttar Pradesh shall designate in writing, and Uttar 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/ Mieko Nishimizu

Regional Vice President
South Asia

STATE OF UTTAR PRADESH

By /s/ Sudhakar Rao

Authorized Representative

SCHEDULE 1

Implementation Program

1. Uttar Pradesh shall prepare not later than December 31 of each year, starting 1998, an annual implementation program, satisfactory to the Association, for the Project activities.
2. Uttar Pradesh shall (i) not later than December 31, 1998, complete and discuss with the Association the review of the management processes under Part A.1 (a) of the Project, and (ii) not later than December 31, 1999, introduce the agreed modifications to the management processes.
3. Uttar Pradesh shall, not later than March 31, 1999, prepare and review with the Association the human resources development plan under Part A.2 (a) of the Project, and shall, not later than February 29, 2000, initiate implementation of the agreed plan.
4. (a) Uttar Pradesh shall prepare and discuss with the Association not later than June 30 of each year, starting 1999, an annual training plan under the Project.
(b) Uttar Pradesh shall, by June 30, 1998 (i) finalize and review with the Association the contracts for provision of training during the first year of the implementation of the Project, (ii) establish the Center for Forest and Natural Resource Management Development (the Center) and recruit four course coordinators for the Center, (iii) finalize a contract with an established training institute for technical support to the Center, and (iv) conclude a contract with an institute acceptable to the Association for placement and support of overseas trainees under the Project.
5. Uttar Pradesh shall submit to the Association, for the Association's review and comments, prior to implementation, the first three (i) village microplans for joint forest management under Part B.1 (a) of the Project, (ii) ecodevelopment village microplans under Part D.3 of the Project, (iii) fire and grazing management plans under Part B.2 (c) (i) and (ii) of the Project, and (iv) site specific plans and associated environmental analysis for the management of identified areas of forests under Part B.2(a) of the Project.
6. Uttar Pradesh shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association the carrying out of the Project and the achievement of the objective thereof;
 - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association on or about January 31, 2000 a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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 objective thereof during the period following such date; and

(c) review with the Association, by February 29, 2000 or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

7. Uttar Pradesh shall, not later than December 31, 1998, complete the strategic analysis of the impact of different management systems for sal forests under Part A.1 (b) (iii) of the Project.

8. Uttar Pradesh shall (i) identify the plantation sites under Part B.2 (b) of the Project in accordance with criteria agreed with the Association, and (ii) develop such plantations using improved planting materials and silvicultural practices.

9. Uttar Pradesh shall phase out seedling production in at least four forest divisions within Uttar Pradesh, and provide buy-back guarantees to private nursery entrepreneurs for a fixed number of seedlings, meeting quality criteria publicized by UPFD.

10. Uttar Pradesh shall (i) implement the prioritized research program under Part C.1 of the Project based on a strategic research plan agreed with the Association, and (ii) appoint not later than June 30, 1998, qualified and experienced staff to carry out such research.

11. Uttar Pradesh shall appoint not later than June 30, 1998, the necessary staff for the Project Unit, the Policy Analysis Unit and the Wildlife Wing of UPFD.

12. Uttar Pradesh shall take all necessary measures to transfer, not later than March 31, 1998, responsibilities for operation and supervision for all PAs in Uttar Pradesh to the Wildlife Wing of UPFD.

13. (a) Uttar Pradesh shall not carry out any involuntary relocation for any of the communities or individuals resident within the PAs under Part D of the Project.

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

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

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

(iii) monitored by an independent agency acceptable to the Association.

SCHEDULE 2

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

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

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Equipment and materials estimated to cost less than \$200,000 equivalent per contract, up to an aggregate amount not to exceed \$300,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost up to an aggregate amount not to exceed \$2,340,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Equipment and materials estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$1,290,000 equivalent, and vehicles estimated to cost up to an aggregate amount not exceeding \$3,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraph 3.5 of the Guidelines.

3. Direct Contracting

Maps, aerial photography, satellite imagery, books and periodicals, extension and publicity materials, software and proprietary equipment, costing \$1,580,000 equivalent or less in the aggregate, (b) elephants and draft animals costing \$60,000 equivalent or less in the aggregate, and (c) clonal plants costing \$550,000 or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Procurement of Small Works

Works estimated to cost \$20,000 equivalent or less per contract, up to an aggregate amount not to exceed \$4,340,000 equivalent, may be procured either (i) under lump sum, admeasurement contracts awarded on the basis of quotations obtained from three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully, or (ii) through direct contracting in accordance with the provisions of paragraph 3.7 of the Guidelines, and with the Association's prior agreement, or (iii) with prior approval of the Association through force account in accordance with the provisions of paragraph 3.8 of the Guidelines and procedures satisfactory to the Association.

5. Force Account

Forest operations works under Parts B, C and D of the Project which meet the requirements of paragraph 3.8 of the Guidelines, and costing \$29,430,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

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

2. Prior Review

(a) With respect to each contract for goods or works, estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to (i) the first five contracts for goods and works in any amount other than those falling under (a) above; and (ii) any contract for goods estimated to cost the equivalent of \$20,000 or more, the following procedures shall apply: (A) prior to the selection of any supplier under national shopping procedures, UPFD shall provide to the Association a report on the comparison and evaluation of quotations received; (B) prior to the execution of any such contract procured under direct contracting or shopping procedures, UPFD shall provide to the Association a copy of the specifications and the draft contract; and (C) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

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

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 2.13 through 2.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services for technical assistance or training under the Project estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Single Source Selection

Consultants' or NGOs services for technical assistance or training which are estimated to cost less than \$100,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

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

2. Prior Review

(a) With respect to each contract for the employment of consulting firms for technical assistance or training estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms for technical assistance or training estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

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

3. Post Review

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

