



Investing in rural people

25 April 2023

Ms Additional Secretary,

Subject: Republic of India: Rural Enterprise Acceleration Project (REAP) - Financing Agreement IFAD Loan Number: 2000004123 - Project Procurement Arrangements

1. I refer to the Financing Agreement between the Republic of India ("Borrower/Recipient") and the International Fund for Agricultural Development (IFAD), dated 22 January 2021 ("Agreement"). The Agreement entered into force as of that date. An amendment to the Financing Agreement was signed on 10 November 2022.
2. The instructions contained in these Project Procurement Arrangements govern the execution of project procurement operations with respect to the acquisition of goods, works and services under the Agreement. These arrangements replace and supersede any procurement guidance that has previously been issued to the project. In case these instructions conflict with those of the IFAD Project Procurement Handbook, the instruction of these Procurement Arrangements shall prevail.
3. Capitalised terms defined in the Financing Agreement and General Conditions shall have the same meaning in these Arrangements unless expressly defined otherwise in this document.
4. Section 7.05 of the General Conditions provides that the procurement of goods, works and services shall be carried out in accordance with the provisions of IFAD Project Procurement Guidelines and IFAD Project Procurement Handbook. Each AWPB must contain a Procurement Plan, which shall identify procedures that must be implemented by the borrower in order to ensure consistency with the IFAD Project Procurement Guidelines.
5. The IFAD Fast-Track Project Procurement for COVID-19 guidelines shall not apply to this project.

Ms Manisha Sinha
Additional Secretary
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6. Each Annual Work Plan and Budget must contain a Procurement Plan, which shall identify the procedures that must be implemented by the borrower/recipient in order to ensure consistency with the IFAD Project Procurement Guidelines. The following procurement methods¹ shall be used² for:

a. Works and works-related Non-Consulting Services:

- (i) International Competitive Bidding (ICB): This procurement method applies to contracts estimated to cost US\$ 200 0000 or more. Under ICB, the borrower/recipient may apply a margin of domestic preference to local contractors of 7.5% excluding industrial plants ;
- (ii) National Competitive Bidding (NCB): might be applied to contracts estimated to cost less than US\$ 2 000 000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- (iii) Shopping: might be applied to contracts estimated to cost US\$ 35 000 or less. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification; and
- (iv) Direct Contracting: applies to the indicated contracts in the Procurement Plan with due justification (as mentioned in the Handbook) subject to IFAD's NO under prior review³ or alternatively without prior IFAD's NO for low-value unforeseen purchases with estimated cost per each purchase of US\$ 5 000 or less up to an aggregate amount of US\$ 400 000 per annum.

b. Goods and Goods-related Non-Consulting Services

- (i) International Competitive Bidding (ICB): This procurement method applies to contracts estimated to cost US\$ 500 000 or more. Under ICB, the borrower/recipient may apply a margin of domestic preference of 15%;
- (ii) National Competitive Bidding (NCB): might be applied to contracts estimated to cost less than US\$ 500 000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- (iii) Shopping: might be applied to contracts estimated to cost US\$ 35 000 or less. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification; and

¹ In case National Procurement Regulations apply and as far as these do not contradict with IFAD's Project Procurement Guidelines, the equivalent terminology for procurement methods may be used; for example, ICB is the method for a publicly advertised competition at the international level. The Project Implementation Manual (PIM) will map the procurement methods that should be applied in accordance with these Arrangements.

² To know the applicable procurement method, the cost estimate shall be for the entire procurement activity whether it is divided into lots or not; in case of lots, the sum of the cost estimates of all lots shall be used for identifying the applicable procurement method for the procurement activity.

³ A sufficiently detailed justification shall be submitted to IFAD to obtain its NO and shall include the rationale for the choice of direct contracting instead of competitive procurement and the basis for recommending a particular contractor/service provider in all such cases. Direct contracting could be justified under any of the circumstances listed in section 6, Module F1: Procurement Methods for Goods, Works and Non-consulting Services of the IFAD Procurement Handbook.

- (iv) Direct Contracting: applies to the indicated contracts in the Procurement Plan with due justification (as mentioned in the Handbook) subject to IFAD NO under prior review⁴ or alternatively without prior IFAD's NO for low-value unforeseen purchases with estimated cost of US\$ 5 000 or less per purchase up to an aggregate amount of US\$ 200 000 per annum.

c. Consulting Services and related Non-Consulting Services

- (i) Quality and Cost Based Selection (QCBS): This selection method is the default for contracts with firms estimated to cost US\$ 300 000 or more; International Advertisement is mandatory for consultancy contracts estimated to cost US\$ 200 000 or more, regardless of the selection method;
- (ii) Quality Based Selection (QBS): might be applied to contracts of any value if a proper justification is provided;
- (iii) Fixed Budget Selection (FBS), or Least Cost Selection (LCS)⁵: might be applied to contracts with firms estimated to cost less than US\$ 300 000. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- (iv) Consultants Qualification Selection (CQS): might be applied to contracts with firms estimated to cost US\$ 100 000 or less. A waiver for the use of this method beyond this threshold can be requested for individual activities with proper justification;
- (v) Individual Consultants Selection (ICS): applies to contracts with individuals regardless of the value;
- (vi) Shortlisting following a Request for Expression of Interest is mandatory for all CQS and ICS procedures. In addition, Shortlisting is mandatory for all consulting services contracts estimated to cost US\$ 100 000 or more;
- (vii) Sole/Single Source Selection (SSS): applies to contracts with firms designated under SSS in the Procurement Plan with due justification (as mentioned in the Handbook) subject to prior review⁶ and/or contracts estimated to cost US\$ 5 000 or less, up to an aggregate amount of US\$ 200 000 per annum; and
- (viii) Sole/Single Source Selection (SSS): applies to contracts with individuals designated under SSS in the Procurement Plan with due justification (as mentioned in the Handbook) subject to prior review⁷ and/or estimated to cost US\$ 5 000 or

⁴ A sufficiently detailed justification shall be submitted to IFAD to obtain its NO and shall include the rationale for the choice of direct contracting instead of competitive procurement and the basis for recommending a particular supplier/service provider in all such cases. Direct contracting could be justified under any of the circumstances listed in section 6, Module F1: Procurement Methods for Goods, Works and Non-consulting Services of the IFAD Procurement Handbook.

⁵ The choice among QBS, FBS and LCS shall be made by the borrower/recipient in the Procurement Plan based on the nature and circumstances of the relevant procurement activity following the guidance of the IFAD Procurement Handbook.

⁶ Any request for SSS by the borrower/recipient must be accompanied by a detailed justification, which will be carefully examined by IFAD to ensure that no alternative selection methods can be used. To receive IFAD's NO, it must be demonstrated that there is a clear advantage to SSS over competitive selection. Examples of such circumstances are listed in Section 6, Module F2: Selection Methods for Consulting Services of the IFAD Procurement Handbook.

⁷ Any request for SSS by a borrower/recipient must be accompanied by a detailed justification, which will be

less and with a contract duration of three months or less and up to an aggregate amount of US\$ 100 000 per annum;

d. Other Procurement Methods or Arrangements:

- (i) The use of Force Account is not allowed.
- (ii) Extensions of contracts funded by IFAD for Goods, Works or related Non-Consulting Services to cover items of similar nature not listed in the original contract may not exceed 10% of the contract value and require IFAD’s No Objection (such extension shall be considered as Direct Contracting). However, extensions of existing contracts, issued in order to increase/decrease items already listed in the original contract as a result of evolutionary changes during contract execution and subject to the contractual clauses governing such change may exceed 10%. In this case, the extension is subject to IFAD’s No Objection.
- (iii) Procurement with Community Participation is allowed⁸.
- (iv) The award of Grants and Investment Agreements are subject to the prior review threshold for Consulting Services (firms). The packaging of Grants and Investment Agreements is encouraged, single awards to entities or individuals are discouraged.
- (v) Procurement from United Nations Agencies is allowed⁹.
- (vi) Secondary Procurement (orders against existing Long-term Agreements, national e-catalogues etc.) follows the regulations and applicable thresholds of the national legislation. The prior review threshold of the respective procurement category (goods, works, consulting services and related non-consulting services) applies.
- (vii) The borrower/recipient shall adopt and use the Standard Procurement Documents issued by IFAD for all methods of procurement listed under 6 a, b, c and d.

7. In accordance with paragraphs 49, 66 and 67 of the IFAD Project Procurement Guidelines and IFAD’s Procurement Handbook, the following will be subject to prior review by IFAD and requires IFAD’s No Objection:

1	Procurement Plans submitted as part of Annual Work Plans and Budget and any subsequent amendment of these plans;
2	General Procurement Notices
3	The TOR (Job Description), Advertisement and selection proceedings for the hiring of any staff responsible for carrying out or administering procurement processes as part of the project

carefully examined by IFAD to ensure that no alternative selection methods can be used. To receive IFAD’s NO, it must be demonstrated that there is a clear advantage to SSS over competitive selection. Examples of such circumstances are listed in Section 7, Module F2: Selection Methods for Consulting Services of the IFAD Procurement Handbook.

⁸ *If the Project Design has provisioned for the involvement of communities of the borrower/recipient in the regions where the project is to be implemented in the procurement activities and has analyzed the regulatory environment, organizational capacity, skills, etc. of such communities, then community participation can be allowed for particular activities as outlined in the Project Design and details will be included here in the Procurement Arrangements.*

⁹ *If the Project Design has provisioned for the procurement from United Nations Agencies (See IFAD Procurement Handbook Module F1, Section 9) then this can be allowed for particular activities as outlined in the Project Design.*

4	Award of any Memorandum of Agreement irrespective of its value
5	Award of any contract for goods and goods-related non-consulting services estimated to cost US\$ 150 000 or more;
6	Award of any contract for works and works-related non-consulting services estimated to cost US\$ 250 000 or more;
7	Award of any contract for consulting services provided by firms estimated to cost US\$ 100 000 or more;
8	Award of any contract for individual consulting services estimated to cost US\$ 20 000 or more;
9	Award of any contract via Direct Contracting for Goods and related Non-Consulting Services above the low-value threshold specified in paragraph 6 b) iv). Any contract below this low-value threshold does not need N.O. as long as the cumulative value of such low-value contracts does not exceed the cumulative threshold stated in paragraph 6 b) iv) in the current fiscal year;
10	Award of any contract via Direct Contracting for Works above the low-value threshold specified in paragraph 6 a) iv). Any contract below this threshold does not need N.O. as long as the cumulative value of such low-value contracts does not exceed the cumulative threshold stated in the same paragraph;
11	Award of any contract via Single/Sole Source Selection of Consulting Services to firms above the threshold specified in paragraph 6 c) vii). Any contract below this threshold does not need N.O. as long as the cumulative value of such low-value contracts does not exceed the cumulative threshold stated in the same paragraph;
12	Award of any contract via Single/Sole Source Selection to individuals above the threshold specified in paragraph 6 c) viii). Any contract below this threshold does not need N.O. as long as the cumulative threshold stated in the same paragraph is not exceeded and the contract duration is three months or less.

8. In addition, the following interim steps of the procurement process for Goods/Works/Services also require IFAD's No Objection for contracts designated for "**prior review**" in the project's procurement plan. No downstream procurement action by the Borrower/Recipient can proceed until prior NO is issued by IFAD as to the propriety and compliance of the undermentioned steps with the IFAD PPF:

	Activity / Step of the procurement process for Prior Review Contracts	IFAD "NO" is required
1	Call/Request for Prequalification document and related advertisement	Yes
2	REOI (Request for Expression of Interest) document for consultancy services and related advertisement	Yes
3	Terms of Reference for consultancy services and related non-consulting services	Yes, usually as part of NO request for issue of the RFP (step 9 below)
4	Technical Specifications for Goods/Works/NCS	Yes, usually as part of NO request for issue

		of the bid docs (step 9 below)
5	Composition of evaluation committees	Yes, usually as part of steps 9, 13, or 15
6	Prequalification report for Goods/Works/NCS	Yes
7	Shortlisting report for consultants' selection	Yes
8	The use of "prior lists" for shortlisting consultants	Yes
9	Complete Bidding Documents and RFPs and CfPs and related advertisement if applicable	Yes
10	Use of a Performance Guarantee template if other than unconditional, irrevocable and on-demand guarantee	Yes
11	Amendments to the Bidding Documents and RFPs, CfPs	Yes
12	Opening bids/quotes/proposals that are less than 3 (excluding DC/SSS)	Yes
13	Technical evaluation report (in two envelope procedures)	Yes
14	The combined evaluation report (in two envelope procedures)	Yes
15	The single evaluation report (in one envelope procedures) for Goods/Works/NCS/Consulting Services (SSS)	Yes
16	Decisions concerning abnormally low bids	Yes
17	Draft contract	Yes
18	Minutes of negotiation at award for consultancy services (where applicable) or when using DC for Goods/Works/NCS	Yes
19	Rejection of all bids/proposals and cancellation of the procurement procedure	Yes
20	Failure of negotiations and proceeding to next ranked consultant	Yes
21	Proceeding to next ranked bidder if top ranked fails to sign the contract in Goods/Works/NCS	Yes
22	Determination to reject a bid/proposal because of cross-debarment	Yes, usually as part of steps 13, 14 or 15
23	Amendments to contracts exceeding 10% in value (increase/decrease in quantities as a result of evolutionary changes). Additional unforeseen new items exceeding 10% of the contract value is a new procurement subject to Single Source/DC conditions.	Yes
24	Extension of time to contracts exceeding 25% of the original contractual duration in Goods/Works/NC Services/Consulting Services	Yes
25	Termination of a contract in Goods/Works/NC Services/Consulting Services	Yes

9. Debriefing and Protest procedures for all procurement activities shall be based on the procedures laid down in the IFAD Procurement Handbook including the requirements to issue a Notice of Intent to Award and the application of a standstill period.

10. IFAD must receive a duly completed Authorised User(s) Letter (see Annex 1), from [the designated representative specified in Section E of the Agreement or his/her delegate], designating the name(s) of official(s) authorised to undertake actions in the IFAD's client project procurement systems which includes client project submitting electronic documentation, entering and updating fiduciary data and to request IFAD's No Objection. The designated representative of the Borrower/Recipient may from time to time change the name/s of the Authorised User(s) or add new ones by written notice to IFAD.

11. Requests for IFAD prior review and no objection, should be routed through NOTUS ("No Objection Tracking Utility System (NOTUS)" or its successor system. The No Objection Utility System (NOTUS) enforces a step-by-step documentation of the workflow for the process for the entire procurement process (expression of interest, IFAD No-Objection, to contract signature) according to the type (e.g. national competitive bidding, international competitive bidding) and object of procurement (e.g. civil works, goods, services). NOTUS also has a function as a tracking system for non-procurement workflow (e.g. Project Implementation Manual – PIM, Annual Workplan and Budget).

12. All contracts, Memorandums of Agreements,¹⁰ purchase orders and related payments must be recorded in the Contract Monitoring Tool of the IFAD Client Portal. The register of contracts contained within the Contract Monitoring Tool replaces the requirement to complete the Forms C-10 (Register of Contracts) and C-11 (Contract Payment Monitoring Form). Instead, an extract of the register of contracts must be downloaded from the Contract Monitoring Tool for submission together with Withdrawal Applications. The register of contracts must be kept up-to-date on a continuous basis.

13. All the above-outlined procurement terms and conditions shall also apply to project implementing partners and implementing agents approved by IFAD.

14. The aforementioned terms and conditions may be modified by IFAD during the course of Project implementation.

15. The effectiveness date of the arrangements outlined in the paragraphs above would take effect from the date of the official launch of the IFAD's Project Procurement System (OPEN - Online Procurement End-to-eNd).

Anticorruption Measures

16. IFAD-financed and IFAD-managed activities and operations are governed under the Revised IFAD Policy on Preventing Fraud and Corruption in its Activities and Operations; therefore, the Borrower/Recipient is required to familiarize itself with this Policy in order to comply with all applicable requirements therein.

¹⁰ IFAD distinguishes between a Memorandum of Understanding, Memorandum of Agreement and a service contract in the following way:
Memorandum of Understanding: equivalent to a letter of intent, it cannot involve payments of any kind.
Memorandum of Agreement: it can involve payments but is only applicable to the public sector. It needs IFAD NO regardless of the value.
Commercial (service) contract: should be used for all private sector entities including NGOs.

17. Specifically, paragraphs 11 to 15 in Section II. D (iii) of the Policy states the actions that the Borrower/Recipient will take to prevent, mitigate and combat Prohibited Practices (i.e., fraud, corruption, collusion, obstruction and coercion, as defined by the Fund) in any IFAD-financed and/or IFAD-managed activity or operation. Borrowers/Recipients are instructed to, *inter alia*:

a. Prior to the implementation of an IFAD-financed and/or IFAD-managed operation or activity, inform the Fund of the arrangements made for receiving and taking action in response to allegations of fraud and corruption relating to IFAD-financed and/or IFAD-managed activities and operations, in particular:

- i. appoint **and inform the Fund of the** independent and competent national or local authority (or authorities, if the activities that follow fall under the jurisdiction of more than one authority) to be responsible for receiving, reviewing and investigating allegations of fraud and corruption relating to IFAD-financed and/or IFAD-managed activities and operations; and;
- ii. provide the name(s), position(s) and contact information of a focal point within that authority (or those authorities, as appropriate) and inform IFAD of any potential changes of that focal point.

b. Borrower/Recipients are also encouraged to have in place, in accordance with effective whistle-blower protection measures and confidential reporting channels in order to appropriately receive and address allegations of fraud and corruption relating to IFAD-financed and/or IFAD-managed operations and activities.

Sexual Harassment, Sexual Exploitation and Abuse

18. IFAD has no tolerance for acts of sexual harassment, sexual exploitation and abuse in relation to its funded activities or operations. In April 2018, IFAD released its Policy to preventing and responding to Sexual Harassment, Sexual Exploitation and Abuse (the IFAD Policy¹¹) to define obligations and responsibilities of all individuals who are holders of a contract with IFAD as well as third parties and recipients of IFAD funding.

19. According to Section 7.07 of the General Conditions, the Borrower/Recipient and the Project Parties shall ensure that the Project is carried out in accordance with the provisions of the IFAD Policy as may be amended from time to time. The Fund may take appropriate measures in line with such Policy.

20. In line with Section 34 of the Policy, the Borrower/Recipient shall ensure that contracts with Project Parties include: (i) provisions prohibiting acts of sexual harassment, sexual exploitation and abuse, (ii) obligation to immediately report incidents of sexual harassment, sexual exploitation and abuse to IFAD or to the Borrower/Recipient and (iii) provisions allowing for the immediate termination of the contract based on proven acts of sexual harassment, sexual exploitation and abuse.

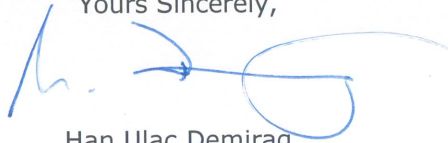
21. Pursuant to Section 8.06. of the General Conditions, the Borrower/Recipient and Project Parties shall promptly inform the Fund of any non-compliance with the IFAD Policy. In accordance with Section 12.01 (xxv) of the General Conditions, the Fund may suspend, in whole or in part, the right of the Borrower/Recipient to request withdrawals from the Loan and/or Grant Accounts if, after consultation with the Borrower/Recipient, it determines that acts of sexual harassment, sexual exploitation and abuse were engaged in by representatives of the Borrower/Recipient or a Project Party or by any other recipients

¹¹ <https://www.ifad.org/en/document-detail/asset/40738506>

of the proceeds of the Financing without the Borrower/ Recipient having taken timely and appropriate action, satisfactory to the Fund, to address such acts when they occur.

22. Borrowers/Recipients are also encouraged to have in place, effective whistle-blower protection against retaliation measures, victim support and assistance mechanisms and confidential reporting channels in order to receive, address and respond to allegations of sexual harassment, sexual exploitation and abuse relating to IFAD-financed and/or IFAD-managed operations and activities.

Yours Sincerely,



Han Ulac Demirag
Country Director
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