

25 November 2021

Subject: Republic of India: Revision to the Letter to the Borrower for the Project: Fostering Climate Resilient Upland Farming System in the Northeast Project (FOCUS) – States of Mizoram and Nagaland, Loan No. 2000002119 and Grant No. 2000002123 to the State of Mizoram; Loan No. 2000002173 and Grant No. 2000002174 to the State of Nagaland

Excellency,

1. We refer to the Financing Agreement (hereinafter the Agreement) between the Republic of India (hereinafter the Borrower) and the International Fund for Agricultural Development (IFAD), dated 19 January 2018. We also refer to the Letter to the Borrower dated 19 January 2018.
2. The procurement section F, in reference to paragraphs 20-30, of the Letter to the Borrower relating to the Project dated 19 January 2018 is hereby revised and restated as follows:

Mr Ajay Seth  
Secretary  
Department of Economic Affairs  
Ministry of Finance of the Republic of India  
New Delhi.

## F. Procurement

3. Section 7.05 of the General Conditions provides that procurement of goods, works and services shall be carried out in accordance with the provisions of the **borrower/recipient's procurement regulations, to the extent such are consistent with the IFAD Project Procurement Guidelines**<sup>1</sup>. Each AWPB must contain a Procurement Plan, which shall identify procedures that must be implemented by the borrower/recipient in order to ensure consistency with the IFAD Project Procurement Guidelines.

4. The following procurement methods<sup>2</sup> shall be used<sup>3</sup>:

a. Works and works-related Non-Consulting Services

- (i) International Competitive Bidding (ICB): It is the preferred procurement method and is mandatory for contracts estimated to cost two million five hundred thousand United States dollars [US\$ 2 500 000] 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 two million five hundred thousand United States dollars [US\$ 2 500 000] and more than thirty five thousand United States dollars [US\$ 35 000];
- (iii) Shopping: might be applied to contracts estimated to cost thirty five thousand United States dollars [US\$ 35 000] or less; and
- (iv) Direct Contracting: applies to the indicated contracts in the Procurement Plan and all direct contracts shall be subject to IFAD's NO under prior review<sup>4</sup>.

b. Goods and goods-related Non-Consulting Services

- (i) International Competitive Bidding (ICB): It is the preferred method and is mandatory for contracts estimated to cost one million five hundred thousand United States dollars [US\$ 1 500 000] 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 one million five hundred thousand United States dollars [US\$ 1 500 000] and more than thirty five thousand United States dollars [US\$ 35 000];

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<sup>1</sup> Any reference to IFAD Project Procurement Guidelines also includes the IFAD Procurement Handbook. Ensuring that applicable procurement rules are consistent with IFAD's Project Procurement Guidelines is mandatory; the Handbook is used as a guidance document for the borrower/recipient. For both the Guidelines and the Handbook, the latest version shall always apply.

<sup>2</sup> In case National Procurement Regulations apply and as far as they 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 will map the procurement methods that should be applied in accordance with this Letter.

<sup>3</sup> 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.

<sup>4</sup> 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.

United States dollars [US\$ 1 500 000] 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 one million five hundred thousand United States dollars [US\$ 1 500 000] and more than thirty five thousand United States dollars [US\$ 35 000];
- (iii) Shopping: might be applied to contracts estimated to cost thirty five thousand United States dollars [US\$ 35 000] or less; and
- (iv) Direct Contracting: applies to the indicated contracts in the Procurement Plan and all direct contracts shall be subject to IFAD's NO under prior review <sup>5</sup>.

c. Consulting Services and related Non-Consulting Services

- (i) Quality and Cost Based Selection (QCBS): Is the standard (or "default") method for the selection of consulting services and is mandatory for contracts with firms estimated to cost one hundred fifty thousand United States dollars [US\$ 150 000] or more;
- (ii) Quality and Cost Based Selection (QCBS), Fixed Budget Selection (FBS), or Least Cost Selection (LCS)<sup>6</sup>: might be applied to contracts with firms estimated to cost less than one hundred fifty thousand United States dollars [US\$ 150 000];
- (iii) Consultants Qualification Selection (CQS): might be applied to contracts with firms estimated to cost below sixty-five thousand United States dollars [US\$ 65 000];
- (iv) Individual Consultants Selection (ICS): applies to contracts with individuals regardless of the value;
- (v) Shortlisting following a Request for Expression of Interest is mandatory for all consulting services contracts.

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<sup>5</sup> 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.

<sup>6</sup> 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.

- (vi) Sole/Single Source Selection (SSS): applies to the indicated contracts (with firms) in the Procurement Plan and all SSS contracts shall be subject to IFAD's NO under prior review <sup>7</sup>; and
  - (vii) Sole/Single Source Selection (SSS): applies to the indicated contracts (with individuals) in the Procurement Plan and all SSS contracts shall be subject to IFAD's NO under prior review <sup>8</sup>.
- d. Other Procurement Methods or Arrangements:
- (i) The use of Force Account is not allowed.
  - (ii) Procurement with Community Participation is allowed. Communities and community groups would be empowered to undertake procurement as a service provider or an implementing unit through the existing or to established under a legal framework or village committees up to a threshold of USD 10,000 in accordance with Guidelines for Community Participation in Procurement. Procurement with Community Participation shall be subject to an annual operational audit by independent audit firms.
  - (iii) The borrower/recipient shall adopt and use the Standard Procurement Documents issued by IFAD.<sup>9</sup>

5. In accordance with paragraphs 49, 66 and 67 of the IFAD Project Procurement Guidelines and in accordance with IFAD's Procurement Handbook, the following will be subject to prior review by IFAD:

- (i) Procurement Plans submitted as part of Annual Work Plans and Budget and any subsequent upgrade of these plans;
- (ii) General Procurement Notices
- (iii) Award of any contract for goods and goods-related non-consulting services estimated to cost fifty thousand United States dollars [US\$ 50 000] or more;
- (iv) Award of any contract for works and works-related non-consulting services estimated to cost fifty thousand United States dollars [US\$ 50 000] or more;

<sup>7</sup> Any request for SSS by a 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.

<sup>8</sup> Any request for SSS by a 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 7, Module F2: Selection Methods for Consulting Services of the IFAD Procurement Handbook.

<sup>9</sup> Further detail is available in Annex 4 to Volume 1 of IFAD's Social Environmental Climate Assessment Procedure (SECAP) 2020.

- (v) Award of any contract for consulting services and related non-consulting services and / or Memorandums of Understanding/Agreement estimated to cost thirty thousand United States dollars [US\$ 30 000] or more.
- (vi) Award of any contract for an Individual Consultant estimated to cost ten thousand United States dollars [US\$ 10 000] or more;
- (vii) Award of any Direct Contracting or Sole/Single Source Selection ;
- (viii) Contracts where the amendment (a) increases the original contract value by more than 10 per cent; (b) extends the original contract duration by 25 per cent or more;
- (ix) Decisions concerning Abnormally Low Bids shall be subject to the No Objection of IFAD only for procurement activities subject to prior review.
- (x) The adoption of shortlists with fewer than three shortlisted entities;
- (xi) The adoption of "prior lists" for shortlisting; and
- (xii) The rejection of all bids and/or the cancellation of a bidding process.
- (xiii) The hiring of project procurement specialists/officers for carrying out or administering procurement processes as part of the project.
- (xiv) Termination of any contract prior to completion.

6. The aforementioned thresholds may be modified by IFAD during the course of Project implementation.

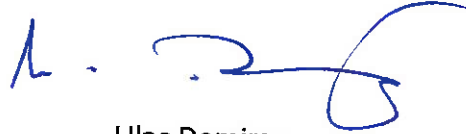
7. Debriefing and Protest procedures for all procurement activities shall be based on the procedures laid down in the IFAD Procurement Handbook including the requirements to issue a Notice of Intent to Award and of a standstill period.

8. Requests for IFAD prior review and no objection, should be routed through NOTUS ("No Objection Tracking Utility System (NOTUS)". The No Objection Utility System (NOTUS) as an integrated system in ICP 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 function as tracking system for non-procurement workflow (e.g. Project Implementation Manual – PIM).

9. All contracts including Memorandum of Agreements must be listed in the IFAD Client Portal - Contract Monitoring Tool (ICP-CMT). The contract register shall be downloaded regularly from the Portal.

10. All the above-outlined procurement terms and conditions shall also apply to project implementing partners and implementing agents approved by IFAD. The aforementioned terms and conditions may be modified by IFAD during the course of Project implementation.

Accept, Excellency, the assurances of my highest consideration.



Ulaç Demirag  
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