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CREDIT NUMBER 4161-IN
CREDIT NUMBER 4162-IN

Project Agreement

(National Agricultural Innovation Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

INDIAN COUNCIL OF AGRICULTURAL RESEARCH

Dated July 24, 2006

Public Disclosure Authorized



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PROJECT AGREEMENT

AGREEMENT, dated July 24, 2006, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and the Indian Council of Agricultural Research (ICAR).

WHEREAS (A) by the Development Credit Agreements 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 one hundred thirty eight million one hundred thousand Special Drawing Rights (SDR 138,100,000), on the terms and conditions set forth in the Development Credit Agreements, but only on condition that ICAR agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(B) the Project will be carried out by ICAR with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ICAR the proceeds of the Credit as provided in the Development Credit Agreements; and

WHEREAS ICAR, in consideration of the Association's entering into the Development Credit Agreements 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 Agreements, the Preamble to this Agreement and the General Conditions (as so defined in the Development Credit Agreements) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

Section 2.01. (a) ICAR declares its commitment to the objective of the Project as set forth in Schedule 2 to the Development Credit Agreements, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices, and with due regard to social and environmental considerations, acceptable to the Association, 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 ICAR shall otherwise agree, ICAR shall carry out the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. (a) Except as the Association shall otherwise agree, procurement of all goods, works and consultants' services required for the Project and Subprojects, and to be financed out of the proceeds of the Credit, shall be governed by the provisions of Schedule 2 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) ICAR shall update the Procurement Plan in accordance with guidelines acceptable to the Association, and furnish such update to the Association not later than twelve (12) months after the date of the preceding Procurement Plan, for the Association's approval.

Section 2.03. (a) ICAR 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 and the Project.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, ICAR shall:

- (i) 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 the Association and ICAR, a plan designed to ensure the continued achievement of the Project's objective; and
- (ii) afford the Association a reasonable opportunity to exchange views with ICAR on said plan.

Section 2.04. (a) ICAR shall, at the request of the Association, exchange views with the Association with regard to progress of the Project, the performance of its obligations under this Agreement, and other matters relating to the objective of the Credit.

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

ARTICLE III

Management and Operations of ICAR

Section 3.01. ICAR shall carry on its operations and conduct its affairs in accordance with sound administrative and financial practices, and with due regard to social and environmental considerations, under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

ARTICLE IV

Financial Covenants

Section 4.01. (a) ICAR shall maintain a financial management system, including records and accounts, and prepare financial statements, in accordance with consistently applied accounting standards acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project or any part thereof.

(b) ICAR shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section (balance sheets, statements of income and expenses and related statements) for each Fiscal Year (or other period agreed to by the Association) audited, in accordance with consistently applied auditing standards acceptable to the Association, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such Fiscal Year (or such other period agreed to by the Association), (A) certified copies of the financial statements referred to in paragraph (a) of this Section, for such Fiscal Year (or such other period agreed to by the Association), as so audited, and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Association; and
- (iii) furnish to the Association such other information concerning such records and accounts and the audit of such financial statements, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon ICAR's reporting obligations set out in Schedule 1, paragraph 7 to this Agreement, ICAR shall prepare and furnish to the Association a Financial Monitoring Report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in the implementation of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and planned implementation of the Project; and
- (ii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Monitoring Report shall be furnished to the Association not later than forty five (45) days after each subsequent calendar quarter, and shall cover the period not covered by the previous Financial Monitoring Report until the end of such calendar quarter.

Section 4.03. ICAR shall, in collaboration with the Borrower, prepare, not later than May 31, 2006, a Financial Management Manual for accounting, auditing and internal financial control practices for the Project, acceptable to the Bank, and shall thereafter commence a training program on such practices for ICAR and the other institutions and Beneficiaries participating in the implementation of the Project.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreements become effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of ICAR thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreements 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 Agreements terminate in accordance with their terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify ICAR of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. 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, telex or facsimile 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. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:	Telex:	Facsimile:
INTDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For ICAR

Indian Council of Agricultural Research
Dr. Rajendra Prasad Road
New Delhi 110001
India

Facsimile

91-11-25843403

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of ICAR, or by ICAR on behalf of the Borrower under the Development Credit Agreements, may be taken or executed by the Director General, ICAR, or such other person or persons as the Director General, ICAR, shall designate in writing, and the Director General, ICAR, shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. 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 New Delhi, India, as of the day and year first above written.

ASSOCIATION INTERNATIONAL DEVELOPMENT

By

/s/ Micahael F. Carter
Country Director, India

INDIAN COUNCIL OF AGRICULTURAL
RESEARCH

By

/s/ Mruthyunjaya
Authorized Representative

SCHEDULE 1

Implementation Program

Institutional Provisions

1. ICAR shall establish and thereafter maintain the requisite Project implementation arrangements in accordance with the provisions of the PIP.

2. ICAR shall ensure that:

(a) the National Director of the PIU shall be assisted by: (i) a Director of Finance; (ii) a Procurement Officer; and (iii) for each component of the Project, a National Coordinator;

(b) within 180 days of the Effective Date, ICAR shall employ a suitably qualified National Coordinator for Part A of the Project;

(c) within 90 days of the Effective Date, ICAR shall put in place support mechanisms for consortia formation and operation;

(d) within 90 days of the Effective Date, ICAR shall employ for the duration of the Project internal auditors, whose terms of reference, qualifications and experience shall be acceptable to the Association, to carry out internal audits under the Project;

(e) within 180 days of the Effective Date, ICAR shall ensure that the Project's Financial Management software is operational and available online; and

(f) the positions referenced in sub paragraphs (a) through (d) above shall, unless the Association shall otherwise agree, be kept filled at all times by suitably qualified and experienced individuals with adequate resources to ensure the proper execution of the Project.

3. ICAR shall establish by March 31, 2009, and thereafter maintain throughout the duration of the Project, a complete list of CPs, acceptable to the Association, eligible to carry out Subprojects, and such list may be amended in a manner satisfactory to the Association.

Terms and Conditions Governing Consortia Subprojects

4. ICAR shall finance Subprojects on terms and conditions acceptable to the Association, including, but not limited to, the following:

(a) the amount so allocated shall be used exclusively to finance Subprojects in accordance with eligibility criteria and procedures specified in the PIP;

(b) the amount allocated for each Subproject shall be determined according to the procedure(s) agreed upon by the Association and specified in the PIP;

(c) goods, works and services required for purposes of carrying out a Subproject shall be procured in accordance with the procedures set forth in Schedule 2 to this Agreement; and

(d) for purposes of each Subproject, ICAR shall enter into an MOU and Financing Agreement with a Beneficiary on terms and conditions as specified in the PIP and acceptable to the Association, setting forth the respective obligations of the parties thereunder, including, inter alia:

- (i) details of agreed disbursement schedules and procurement procedures;
- (ii) a list of goods, works and services to be financed;
- (iii) the amount of the Beneficiary's contribution, whether in cash or in kind, to the cost of the Subproject;
- (iv) an undertaking on the part of the Beneficiary to execute the Subproject with due diligence and compliance with social and environmental safeguards; and
- (v) an undertaking on the part of the Beneficiary to be audited by chartered accountants/local fund audit/CAG (as the case may be) from a roster of same maintained by the PIU.

Midterm Reviews and Reports

5. ICAR shall implement the Project in accordance with the PIP and the ESMF, and ICAR shall not amend or waive any provision of either the PIP or the ESMF, except as the Association shall otherwise agree.

6. Not later than forty five (45) days after the end of each calendar semester, beginning not later than forty five (45) days after the end of the first calendar semester after the Effective Date, ICAR shall submit to the Association consolidated six monthly reports on the progress of the Project, according to a format acceptable to the Association and set forth in the PIP.

7. ICAR 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 by November 30, 2007 and November 30, 2009, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out 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 January 31, 2008 and January 31 2010, or such later date as the Association shall request, the reports 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 reports and the Association's views on the matter.

Environmental and Social Safeguards Management

8. Without limitation upon the provisions of paragraph 7 of this Schedule, ICAR shall submit to the Association six-monthly progress reports on compliance with social and environmental safeguard measures under the Project, giving details of measures taken in furtherance of the ESMF, conditions, if any, which interfere or threaten to interfere with the smooth implementation of the ESMF, and remedial measures taken or required to be taken to address such conditions.

9. ICAR shall ensure that:

(a) the base-line social assessment enquiry which identified key social development issues including, *inter alia*, gender issues, shall underpin the Project's social strategy and implementation;

(b) the Project shall be implemented using exclusively land free from squatters, encroachments or other encumbrances, and without recourse to compulsory acquisition of land, forcible eviction or involuntary resettlement of persons; and

(c) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken in accordance with guidelines and procedures acceptable to the Association.

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SCHEDULE 2

Procurement and Consultants' Services

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Association of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, goods estimated to cost \$ 1 million and above shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto. Domestic Preference will be available in accordance with the provisions of the Guidelines

B. Other Procurement Procedures

1. National Competitive Bidding. Goods and works estimated to cost more than \$50,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping. Goods and works estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraph 3.5 of the Guidelines. Contracts for vehicles costing less than \$100,000, however, may be purchased on the basis of shopping procedures. Director General Supplies & Disposal (DGS&D) rate contracts are acceptable as a substitute to shopping procedures.

3. Direct Contracting. Goods which are proprietary in nature and estimated to cost less than \$10,000 equivalent per contract may all be procured in accordance with the

provisions of paragraphs 3.6 and 3.7 of the Guidelines. Petty items estimated to cost less than \$100 equivalent per contract also may be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Force Account. Works which meet the requirements of paragraph 3.8 of the Guidelines, and estimated to cost less than \$30,000 equivalent per contract, may be carried by force account in accordance with the provisions of the said paragraph of the Guidelines provided, however, that works under the Project estimated to cost \$10,000 or more proposed under force account procedures will require prior approval from the Association.

5. Consortia Participation in Procurement. Goods and works required for Subprojects shall be procured in accordance with procedures acceptable to the Association, and specified in the PIP.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. For purposes of paragraph 2.7 of the Consultant Guidelines, the short list of consultants for services estimated to cost less than \$500,000 equivalent per contract may comprise entirely national consultants.

B. Other Procedures

1. Selection Under a Fixed Budget. Services for assignments which the Association agrees meet the requirements of paragraph 3.5 of the Consultant Guidelines may be procured under contracts awarded on the basis of a Fixed Budget in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection. Services for assignments which the Association agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

4. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

5. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

Section IV. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.