

CONFORMED COPY

CREDIT NUMBER 4924-NP

GRANT NUMBER H673-NP

Financing Agreement

(Enhanced Vocational Education and Training Project)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 30, 2011



CREDIT NUMBER 4924-NP
GRANT NUMBER H673-NP

FINANCING AGREEMENT

AGREEMENT dated June 30, 2011, entered into between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant and a credit (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to twelve million nine hundred thousand Special Drawing Rights (SDR 12,900,000) (“Grant”); and
 - (b) an amount equivalent to nineteen million Special Drawing Rights (SDR19,000,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through MOE, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary, Ministry of Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal

Facsimile: (977-1) 4211-164

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Kathmandu, Nepal, as of the day and year first above written.

NEPAL

By /s/ Krishna Hari Baskota

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Susan G. Goldmark

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to expand the supply of skilled and employable labor by increasing access to quality training programs, and by strengthening the technical and vocational education and training system in the Recipient's territory.

The Project consists of the following parts:

Part 1: Strengthening TEVT Regulatory Activities and Capacity Building

The carrying out of activities relevant to ensure:

- (a) the building of institutional capacity of CTEVT for the discharge of its regulatory mandate in the TEVT subsector, among which, quality assurance and the strengthening of the examination systems; and
- (b) the implementation by NSTB of selected activities in pursuance of increased autonomy for itself, covering *inter alia*: (i) the organization of regional workshops on skills testing and certification; (ii) the development of skills testing materials by course, including the introduction of mobile platforms for skills assessment; (iii) the training of about 5000 new assessors and about 350 new skills testing managers; and (iv) the training of about 1500 trainers and about 100 master trainers.

Part 2: Strengthening Technical Education

The provision of support in order to achieve, concomitantly, the strengthening of technical education at TSLC and Diploma level programs provided by Eligible Training Providers for Poor and Disadvantaged Groups ("PDGs"), together with an increased demand therefor and access thereto, through:

- (a) Matching Grants to be made to Eligible Institutions, based on approved IPs, for the carrying out of, *inter alia*: (i) improvements in institutional management, (ii) training of trainers in modern pedagogy, (iii) quality assurance at the institutional level; and (iv) up-grading of facilities and minor civil works;
- (b) Performance Grants to be made to Eligible Training Providers, based on approved PPs setting forth targets for the achievement of indicators reflecting access, quality, relevance and equity of the education made available by said Eligible Training Providers; and
- (c) Stipends and/or full or partial fee subsidy to be paid to about 4000 Enrolled Students under School Attendance Agreements, with express preference

granted to PDGs, in order to enhance the demand-side access to strengthened technical education.

Part 3: Supporting Short-Term Vocational Training and Recognition of Prior Learning

The carrying out of activities in, and the provision of related support for, short-term vocational training through:

- (a) (i) voucher-based financing of training, to be made available to about 10,000 prospective Beneficiary Students in the urban centers of *Kathmandu, Bhaktapur and Lalitpur* districts, with special focus on youth of PDGs, thereby enabling the purchase of training from Approved Training Providers (“ATPs”); and (ii) in parallel, results-based financing of the ATPs to about 35,000 prospective Beneficiary Students with special focus on youth of PDGs, consisting of a re-imbusement of actual costs incurred in connection with the training provided, including associated monetary incentives for post-training job placement and priority in training programs given to PDGs; and
- (b) skill testing financing of informally acquired skills of about 15,000 workers, and ensuing delivery of portable certificates by NSTB, including in anticipation thereof, the carrying out of media campaigns to attract potential candidates for such testing.

Part 4: Project Management and Monitoring and Evaluation

The provision of support in order to enable the technical and fiduciary competency of selected Project stakeholders, and thereby facilitate optimum Project implementation and coordination through:

- (a) assistance rendering with the establishment and operationalization of the entire institutional setting for the Project;
- (b) the elaboration, and ensuing use, of mechanisms to ensure the collection, analysis and dissemination of timely, complete and accurate information regarding Project inputs, outputs and outcomes with a view to enable the production of timely, user-friendly, decision-making feeding reports, including the development of a Results Framework for Project monitoring, evaluation and research; and
- (c) assistance rendering to: (i) MOLT and its department of labor with respect to the development of a LMIS; and (ii) MOE and CTEVT for conducting tracer studies, curricula development, impact assessments, placement training, and selected other research activities in collaboration with other relevant ministries and training providers.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

The Recipient shall:

1. (a) vest the responsibility for Project leadership, overall implementation and management in MOE; (b) ensure, through MOE, an active and efficient collaboration, for purposes of Project implementation, among MOE, CTEVT, the Recipient's Ministry of Agriculture, Ministry of Finance, National Planning Commission, Ministry of Industry, Ministry of Labor and Transportation, and other Recipient's structures, departments, agencies and entities; and (c) ensure that all legal and administrative instruments required to enable the carrying out of the Project, and therewith, the potential receipt of proceeds of the Financing by each of the Recipient's participating ministries, agencies and entities, are duly entered into and/or issued in accordance with the Recipient's applicable laws.

2. establish not later than September 30, 2011 and thereafter maintain, throughout Project implementation, the following structures:
 - (a) the Coordination Committee ("CC"), headed by the Recipient's Minister of Education and consisting of, inter alia, representatives of the various ministries, government agencies, employers, participating private sector training providers and NGOs, independent experts of the sub-sector, and selected other representatives described in the PIM, to perform selected functions such as: (i) providing a platform for sharing knowledge about TEVT activities carried out by various ministries and NGOs, and by the private sector; (ii) providing overall guidance on the TEVT in the Recipient's territory; (iii) reviewing and updating, as needed, TEVT policy in Nepal.

 - (b) (i) the Project Implementation Committee ("PIC"), chaired by the Secretary, Ministry of Education, consisting of, inter alia, members from various ministries and government agencies implementing the Project, independent experts in the field and representatives of employers, Eligible Institutions, and private sector and/or NGO training providers, and responsible for guiding and overseeing Project implementation based on selected assignments set forth in detail in the PIM, including:

- (A) the review and approval of Project annual work plans and budgets prepared by the Secretariat; (B) advice rendering to the Secretariat on the priority training areas of the different ministries involved in the Project; (C) the coordination among the ministries and government agencies receiving support from the Project; and (D) the monitoring of Project implementation progress and outcomes; and
- (ii) to serve as the main advising body to PIC, the Technical Advisory Committee, headed by the Member Secretary of CTEVT and comprising TEVT experts and practitioners, shall provide expert technical guidance on technical matters regarding activities of the subsector; and
- (c) the Secretariat for the Project, headed by a Project Director and staffed with professionals, all of whom shall have qualifications, experience, terms of reference, powers and resources satisfactory to the Association, including as may be appointed in accordance with the provisions of the PIM, and entrusted with the day-to-day implementation of the Project, including, *inter alia*, the planning, budgeting, coordination, procurement, financial management, auditing, and the monitoring and evaluation aspects in relation thereto.
- (d) The Recipient shall ensure that, except in case of unsatisfactory performance, or as required by the Recipient's laws, the key staff referred to in (c) above shall not be transferred to other positions until completion of the Project, and, in the case of the accounts and finance officers, no such transfer shall occur until at least six (6) months after the Closing Date or submission by the Recipient of the final audited Financial Statements, whichever occurs later.
3. The Recipient shall ensure that all staff and employees who have participated in an international training course or a study visit under the Project, shall remain in post for a minimum period as specified by Clause 40(c) of the Civil Service Act, 2049 (1993), or any amendment thereto.

B. Implementation Documents

1. The Recipient shall, through MOE, adopt a Project Implementation Manual, satisfactory in form and substance to the Association, consisting of different modules setting forth rules, methods, guidelines, standard documents and procedures for the carrying out of the Project, including the following:

- (i) the detailed description of Project implementation, including: (A) all Project activities, their sequencing and the potential timetable and benchmarks in relation thereto; and (B) the institutional arrangements in respect thereof, including the allocation of duties between Recipient's ministries, agencies and other participating entities, the additional terms and conditions for their participation and all related procedures;
- (ii) the Project administrative, accounting, auditing, reporting, financial, disbursement and procurement procedures including all pertinent Standard Bidding Documents and model contracts for the procurement methods set forth in the Procurement Plan and the final form of the interim unaudited financial reports and Financial Statements for the Project and the terms of reference for the financial audits of the Project;
- (iii) the selection and eligibility criteria, as applies, for: (A) the Eligible Training Providers and the ATPs; (B) the Beneficiary Students of the Voucher Training Program under Part 3 (a) (i) of the Project, (C) Enrolled Students for the award of Stipends under Parts 3 (a) of the Project; (D) the guidelines for the screening, appraisal, selection, approval, implementation, monitoring and evaluation of the IPs and the PPs and selection criteria for Enrolled Students under Part 2 of the Project; (E) the terms and conditions for the Matching Grants and the Performance Grants, including, *inter alia*, the arrangements for the management of funds disbursed thereunder; and (F) the model forms of the Matching Grant Agreements and the Performance Grant Agreements;
- (iv) the detailed costing mechanism and related rules and procedures for: (A) the Voucher Training Program under Part 3 (a)(i) and (ii) of the Project, and associated modalities for results-based payments made to Approved Training Providers; (B) the costing mechanism and the procedures and modalities for the payment of Stipends under School Attendance Agreements;
- (v) detailed guidelines and procedures for the carrying out of all financial, technical, and social audits of Project activities;
- (vi) the ESMF, with IPDF and VCDF enclosed, containing provisions to guide the activities under the Project, as well as

provisions to address erosion control, protection of cultural property under a chance find, first aid instructions and restriction on the use of child labor;

- (vii) the overview of planned capacity building and training activities, including workshops and study tours, to be carried out for purposes of the Project under Part 1 of the Project;
 - (viii) the plan for the monitoring and supervision of the Project, including in respect of the Results Framework and all pertinent environmental and social aspects in relation thereto; and
 - (ix) the performance indicators for the Project.
2. The Recipient shall carry out the Project in accordance with the PIM. In the event that any provision of the PIM shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.
 3. The Recipient may amend the PIM from time to time only with the Association's prior written consent.

C. Anti-Corruption, Governance and Accountability

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and those of the GAAP.

D. Sub-projects

1. The Recipient shall, through the Secretariat, enter into agreements, satisfactory to the Association, with Eligible Training Providers in accordance with procedures satisfactory to the association, including those set forth in the PIM, such agreements to set forth the respective obligations of the parties thereto, notably with respect to the terms and conditions of the implementation of the IPs ("Matching Grant Agreements") and the PPs ("Performance Grant Agreements"), including all applicable environmental and social plans prepared under the ESMF, such agreements to set forth, *inter alia*, the following:
 - (a) Subject to the provisions of paragraph (c)(i) hereunder, the Matching Grants and the Performance Grants shall be made on a non-reimbursable basis to Eligible Institutions in the case of Matching Grants, and to Eligible Training Providers and Eligible Institutions in the case of

Performance Grants, for amounts and under specific terms and conditions set forth in detail in the PIM;

- (b) the Matching Grants and the Performance Grants shall be made to support, inter alia, Eligible Training Providers' institutional strengthening, operational efficiency and technical upgrading that enhances access to, and quality of, technical education in the Recipient's territory; and
- (c) the Recipient shall, through the Secretariat, obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the Eligible Training Provider to use the proceeds of the Matching Grant and/or the Performance Grant, or obtain a refund of all or any part of the amount of the Matching Grant or the Performance Grant then withdrawn, upon the Eligible Training Provider's failure to perform any of its obligations under the respective Matching Grant Agreement or Performance Grant Agreement, as the case may be; and
 - (ii) require each Eligible Training Provider to:
 - (A) carry out its PIP and/or Performance Plan with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient;
 - (B) provide, promptly as needed, the resources required for that purpose;
 - (C) procure the goods, works and services to be financed out of the Matching Grant and Performance Grant in accordance with the provisions of Section III of Schedule 2 to this Agreement;
 - (D) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with indicators acceptable to the Association, the progress of the activities financed by the Matching Grant and/or Performance Grant, and the achievement of their objective;
 - (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards, acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Matching Grant and/or the Performance Grant; and (2) at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
 - (F) enable the Recipient and the Association to inspect the activities financed under the Matching Grant and/or Performance Grant, their operation and any relevant records and documents; and
 - (G) prepare and furnish to the Recipient and the Association all such information as

the Recipient or the Association shall reasonably request relating to the foregoing.

2. The Recipient shall exercise its rights under each Matching Grant Agreement and each Performance Grant Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Matching Grant Agreement and any Performance Grant Agreement or any of their respective provisions.
3. In the event that any provision of a Matching Grant Agreement and/or a Performance Grant Agreement shall conflict with any provision of this Agreement, the terms of this Agreement shall prevail.
4. The Recipient shall ensure that no Matching Grant and no Performance Grant shall be eligible for financing out of the proceeds of the Grant and/or Credit until and unless a relevant Matching Grant Agreement and/or Performance Grant Agreement has been entered into on the basis of the respective model grant agreements set forth in the PIM and in accordance with the provisions of paragraph D. 1 above.

E. Additional Implementation Arrangements

1. The Recipient shall, through the Secretariat, and as a pre-requisite to using Financing proceeds to finance Stipends: (a) establish a separate stipend fund account with an entity acceptable to the Association selected in accordance with the relevant provisions set out in Section III of Schedule 2 to this Agreement; and (b) ensure that all amounts deposited in the Stipend Fund Account are used exclusively to make payments for Enrolled Students under the Project.
2. The Recipient shall, through the Secretariat, prior to commencing an academic year starting from calendar year 2011:
 - (a) enter into a School Attendance Agreement with each Enrolled Student setting forth, *inter alia*: (i) modalities for the payment of Stipends; (ii) annual targets in respect of school attendance obligations and associated results monitoring indicators; and (iii) annual work programs for implementation under the School Attendance Agreement, all on terms and conditions satisfactory to the Association; and

- (b) make Stipends available to Enrolled Students in accordance with detailed provisions, procedures, sequencing and timing in relation thereto set forth in the PIM including, *inter alia*, the following requirements:
 - (i) each Enrolled Student shall maintain a minimum of 80% attendance annually;
 - (ii) each Enrolled Student shall receive a minimum of average marks in his/her annual examination;
 - (iii) following a period of twelve (12) months after a first request for withdrawal is made by the Recipient for the payment of a portion of Stipends under Category 2, and each year thereafter, the Recipient shall, within two (2) months thereof, make available to Enrolled Students the balance of such Stipends, as set forth in the PIM, upon validation of the estimated number of Enrolled Students maintaining satisfactory status in each of the Recipients' participating regions; and
 - (iv) the validation of the estimated number of Enrolled Students shall be made through the use of periodic independent external third-party verification carried out by technical experts with experience and qualifications satisfactory to the Association, and pursuant to terms of reference satisfactory to the Association, such verification reports to be furnished to the Association on an annual basis.
3. In order to achieve the objectives of Part 3(a)(ii) of the Project, the Recipient shall, through the Secretariat:
- (a) enter into a Voucher Training Program Agreement with each ATP setting forth, *inter alia*: (i) financing mechanisms of actual costs; (ii) annual targets in respect of the related results monitoring indicators set forth in the PIM; and (iii) annual work programs for implementation of the Voucher Training Program, all on terms and conditions satisfactory to the Association;
 - (b) reimburse ATPs in accordance with the provisions, procedures, sequencing and timing, all as set forth in the PIM, including, *inter alia*, the requirement that no withdrawal for reimbursements be made by the Recipient out of Category (2) until and unless auditors, with experience and qualifications satisfactory to the Association, have carried out audits,

pursuant to terms of reference satisfactory to the Association, and furnished the resulting audit reports to the Association, such reports, which shall be acceptable to the Association, to contain annual reconciliations between: (A) the costs incurred by ATPs and the vouchers presented by Beneficiary Students.; (B) the validated number of Beneficiary Students maintaining such status, against the estimated number of Beneficiary Students for that year; and (C) the certification and validation of the number of Beneficiary Students, and the assessment of ATP's performance against agreed targets set forth in their Voucher Training Program Agreements.

4. The Recipient, through the Secretariat, shall ensure that: (a) annual reviews of selected activities of the Project, such as the Stipends award, Voucher Training Program and the training program of the Eligible Institutions, Eligible Training Providers and ATPs, with all associated results monitoring indicators, are carried out jointly with the Association according to the periodicity, sequencing and timing specified in the PIM; and (b) the implementation of the Project is subsequently carried out applying the views and recommendations of the Association in that respect.

F. Safeguards

The Recipient shall ensure, at all times during Project implementation, that: (i) the Project, including the implementation of IPs and PPs, is carried out in accordance with the provisions of the ESMF, including those of the IPDF and VCDF, and all plans prepared thereunder or deriving therefrom; and (ii) no action is taken which would prevent or interfere with such implementation.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association and sent forth in the PIM. Each Project Report shall cover the period of one (1) calendar trimester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association and as part of the Project Report not later than forty-five (45) days after the end of each calendar trimester, interim unaudited financial reports for the Project covering the trimester, in form and substance satisfactory to the Association
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **National Competitive Bidding.** Except as otherwise provided in paragraph 3 below, goods and works shall be procured under contracts awarded on the basis of National Competitive Bidding in accordance with the Public Procurement Act (and regulations made thereunder), subject to the following additional procedures:

- (i) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (ii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (iii) bids shall be opened in public in one place, immediately after the deadline for submission of bids;
- (iv) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;
- (v) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association and contracts shall be awarded to the lowest evaluated bidders;
- (vi) rebidding shall not be carried out without the prior concurrence of the Association;
- (vii) extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than four (4) weeks and (B) for all subsequent requests for extension irrespective of the period; and
- (viii) there shall not be any restrictions on the means of delivery of the bids.

2. Other Methods of Procurement of Goods and Works. The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Shopping
(b) Direct Contracting

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Methods
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least-Cost Selection
(d) Selection Based on Consultants’ Qualifications
(e) Single-Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

1. The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. Notwithstanding the foregoing, and except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:
 - (a) each contract for goods or works estimated to cost the equivalent of \$200,000 or more, irrespective of the procurement method used therefor, all contracts procured under Direct Contracting; and

 - (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; all contracts procured using Single Source selection, and all contracts for the selection of Individual Consultants.

2. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit and of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Eligible Expenditures Program under Part A of the Project for the:			
(a) First scheduled disbursement (on or about September 15, 2012)	1,160,000	900,000	100%
(b) Second scheduled disbursement (on or about September 15, 2013)	640,000	500,000	100%
(c) Third scheduled disbursement (on or about September 15, 2014)	510,000	380,000	100%

(d) Fourth scheduled disbursement (on or about September 15, 2015)	390,000	270,000	100%
(2) Performance Grants, Matching Grants, Stipends and Vouchers under Parts 2 and 3 of the Project	15,800,000	9,250,000	100%
(3) Goods and Operating Costs under Part 4 of the Project	500,000	500,000	100%
(4) Consultants' Services, Training, and Workshops under Part 4 of the Project	0	1,100,000	100%
TOTAL AMOUNT	19,000,000	12,900,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$500,000 equivalent may be made for payments made prior to this date but on or after May 16, 2011, for Eligible Expenditures under Categories (3) and (4);
 - (b) for payments under Categories (1) and (2) until the Project Implementation Manual has been adopted by MOE on behalf of the Recipient in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement; or
 - (c) under Category (1):
 - (i) for purposes of Sub-Category (1)(a) until October 15, 2012, and unless the Recipient shall have:

- A. submitted the respective interim un-audited financial report; and
 - B. by no later than August 31, 2012, furnished the Association with evidence, satisfactory to the Association, of the achievement of the DLIs 1-7 for disbursements in FY2012/13 (Year 1), as set out in Schedule 4 to this Agreement;
- (ii) for purposes of Sub-Category (1)(b) until October 15, 2013, and unless the Recipient shall have:
- A. submitted the respective interim un-audited financial report; and
 - B. by no later than August 31, 2013, furnished the Association with evidence, satisfactory to the Association, of the achievement of the DLIs 1-7 for disbursements in FY2013/14 (Year 2), as set out in Schedule 4 to this Agreement;
- (iii) for purposes of Sub-Category (1)(c) until October 15, 2014, and unless the Recipient shall have:
- A. submitted the respective interim un-audited financial report; and
 - B. by no later than August 31, 2014, furnished the Association with evidence, satisfactory to the Association, of the achievement of the DLIs 1-7 for disbursements in FY2013/14 (Year 3), as set out in Schedule 4 to this Agreement;
- (iv) for purposes of Sub-Category (1)(d) until October 15, 2015, and unless the Recipient shall have:
- A. submitted the respective interim un-audited financial report; and
 - B. by no later than August 31, 2015, furnished the Association with evidence, satisfactory to the Association, of the achievement of the DLIs for disbursements in FY2014/15 (Year 4), as set out in Schedule 4 to this Agreement.

2. Notwithstanding the foregoing, if one or more of the DLIs referred to in the foregoing disbursement conditions applicable to Sub-Categories (1)(a) through (1)(d) have not been achieved by their due dates, as required under said conditions, the Association, at its sole discretion, may:

- (a) (i) with respect to sub-Categories (1)(a), (1)(b), (1)(c), and (1)(d) withhold:

- (A) an amount equivalent to the entire allocation for each respective sub-category if the Recipient has not achieved at least one-half of the stated annual targets set out in DLIs 1, 2, 3, 4 and 7; and
 - (B) an amount equivalent to the entire allocation for each respective sub-category if the Recipient has not achieved the stated annual target set out in DLIs 5 and 6.
- (b) at a later date, if and when the Association is satisfied that the DLIs referred to in sub-paragraphs (a)(i) (A) and (B) above have been achieved, authorize the withdrawal of the Financing proceeds so withheld; and
 - (c) at any time, by notice to the Recipient, cancel the corresponding amount of the Financing withheld pursuant to sub-paragraphs (a)(i)(A) and (B) above, or reallocate said amount to another Category or Sub-Category.
3. The Closing Date is October 30, 2015.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing October 15, 2021 to and including April 15, 2031	1%
commencing October 15, 2031 to and including April 15, 2051	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

SCHEDULE 4

Disbursement Linked Indicators

Part A: STRENGTHENING TEVT REGULATORY ACTIVITIES AND C					
Area/Sub Program	Indicator	Baseline FY2011	Yearly Targets for Disbursement		
			DLIs for Disbursement in FY 2012/13	DLIs for Disbursement in FY 2013/14	DLIs for Disbursement in FY 2014/15
Expanding the pool of Lead and Assistant trainers	DLI 1: Number of lead and assistant trainers trained by TITI and other qualified trainers	Identification of trainees and the development of training materials	At least 200 lead and assistant trainers trained by TITI and other qualified trainers	At least 300 lead and assistant trainers trained by TITI and other qualified trainers	At least 400 lead and assistant trainers trained by TITI and other qualified trainers
Expanding the pool of Master Trainers and improving the quality of training faculty	DLI 2: Number of master trainers trained by TITI and other qualified trainers	Identification of trainees and the development of training materials	At least 25 master trainers trained by TITI and other qualified trainers	At least 50 master trainers trained by TITI and other qualified trainers	At least 5 master trainers trained by TITI and other qualified trainers
Strengthening the ability to assess skills nationally	DLI 3: Number of master skills assessors and skills assessors trained and certified by NSTB	Communication and information strategy developed Identification of assessors and the development of training information	At least 1250 master assessors and skills assessors trained and certified by NSTB	At least 1250 master assessors and skills assessors trained and certified by NSTB	At least 1250 master assessors and skills assessors trained and certified by NSTB

<p>Strengthening the ability to undertake skills testing nationally.</p>	<p>DLI 4: Number of Skills Test Managers trained and certified by NSTB</p>	<p>Communication and information strategy developed</p> <p>Identification of assessors and the development of training information</p>	<p>At least 100 Skills Test Managers trained and certified by NSTB</p>	<p>At least 100 Skills Test Managers trained and certified by NSTB</p>	<p>At least 100 Skills Test Managers trained and certified by NSTB</p>
<p>Enhancing transparency in the process of affiliation of institutions by CTEVT</p>	<p>DLI 5: CTEVT develops and establishes on-line system to improve transparency in the affiliation process</p>	<p>Conduct comprehensive media campaign to adopt short and medium term transparency objectives</p> <p>Develop service standards in the affiliation process based on a fixed calendar (Service Standards)</p> <p>Contract out development of online system to a qualified and reputed firm</p>	<p>Beta version of online system established and piloted on CTEVT institutions</p>	<p>Debug and strengthen the online system established</p> <p>Open online system for public and private for scrutiny and utilization</p> <p>Service Standards are met for 60% of the institutions</p>	<p>Online system open to public and private for scrutiny and utilization</p> <p>Service standards are met for 75% of the institutions</p>

TSLC and Diploma Examination Systems strengthening	DLI 6: Establishment of computerized system	Conduct comprehensive media campaign to adopt short and medium term transparency objectives Ensure Service Standards in the affiliation process based on a fixed calendar Contract out development of online system to a qualified and reputed firm	Contract for Computerized system for examination evaluation awarded (OMR)	Computerized system for examination evaluation completed	Active functioning of the system with recommendations
Establishment of Training Management Information System (TMIS)	DLI 7: percentage of institutions connected to the TMIS	Contract out development of online system to a qualified and reputed firm	Functioning TMIS in constituent institutions (at least 90%)	Functioning TMIS in Annex schools (at least 50%)	Functioning TMIS in Affiliated institutions (40%) and Annex Schools (20%)

APPENDIX**Section I. Definitions**

1. “Approved Training Providers” and “ATP” mean training providers selected, in accordance with criteria acceptable to the Association, including those set forth in the PIM, whose names shall be included in a pre-approved list of Eligible Training Providers for purposes of carrying out the Voucher Training Program referred to under Part 3(a) of the Project.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Beneficiary Students” means the prospective students, with special emphasis on youth among Poor and Disadvantaged Groups, selected in accordance with criteria acceptable to the Association, including those set forth in the PIM, to receive vouchers under the Voucher Training Program referred to under Part 3 (a)(i) of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Civil Service Act” means the Recipient’s Civil Service Act of 2049 (1993), or any amendment thereto.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006 and May 2010.
7. “Coordination Committee” means the committee referred to in Section I. A.2(a) of schedule 2 to this Agreement.
8. “CTEVT’s” means the Council for Technical Education and Vocational Training, established in 1989 by CTEVT Act for the purpose of providing policy formulation, coordination, quality assurance, and project implementation related to technical education and vocational training in the territory of the Recipient.

9. “Diploma” means the Diploma and Proficiency Certificate Level program, a degree awarded to recipients of a completed advanced 3-year technical training in various TEVT areas.
10. “Disbursement-Linked Indicators” and the acronym “DLI” mean, collectively, the disbursement-linked targets set forth in Schedule 4 to this Agreement; and the acronym “DLI” means, individually, any one of such targets.
11. “Eligible Expenditures Program” means the Recipient’s program whose objective is to strengthen TEVT’s regulatory activities and institutional capacity.
12. “Eligible Institutions” means public institutions, community institutions and community annex programs which have met specific eligibility criteria, approved by the Association, in order to receive Matching Grants and Performance Grants for the financing of IPs and PPs.
13. “Eligible Training Providers” means, collectively, Eligible Institutions, private sector organizations and NGO training providers which have met various selection criteria for participating in the Project.
14. “Enrolled Students” means students who have been found eligible, under criteria acceptable to the Association, including those set forth in the PIM, to be awarded a Stipend for the defrayment of training costs owed an ATP.
15. “ESMF” means Environmental and Social Management Framework, the Recipient’s framework of actions, policy and measures for the management of social and environmental aspects of the Project dated February 19, 2011, as may be amended from time to time with the prior consent of the Association and including therein the IPDF and VCDF.
16. “Governance and Accountability Action Plan” and the acronym “GAAP” mean the Governance and Accountability Action Plan, dated February 22, 2011, satisfactory to the Association, setting out, *inter alia*, policies and procedures for addressing and mitigating fiduciary risks and other programmatic risks under the Project, as the same may be amended from time to time with the prior agreement of the Association.
17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.

18. “IP” means Institutional Plan, a plan comprised of certain activities eligible for financing under a Matching Grant proposed to be made to an Eligible Institution under the Project.
19. “IPDF” means Indigenous People’s Development Framework, a document of the Recipient incorporated into the ESMF, which sets forth actions and measures to ensure that the collective identity of indigenous peoples does not: (i) constitute a barrier for accessing Project benefits; or (ii) contribute to any potential adverse impacts caused by the Project, as referred to in Section I.B.1(vi).of Schedule 2 to this Agreement, as such framework may be amended from time to time only with the prior agreement of the Association.
20. “LMIS” means Labor Market Information System.
21. “Matching Grant” means a grant made by the Recipient, through the Secretariat, to an Eligible Institution under Part 2(a) of the Project.
22. “Matching Grant Agreement” means the agreement entered into between the Recipient, through the Secretariat, and an Eligible Institution for the implementation of an IP.
23. “MOE” means the Recipient’s Ministry of Education.
24. “MOLT” means the Recipient’s Ministry of Labor and Transport Management.
25. “NSTB” means the Recipient’s National Skills Testing Board.
26. “NGO” means a domestic or international non-governmental organization licensed to operate in the territory of the Recipient.
27. “Operating costs” means, in respect of Category (3), the incremental expenses incurred on account of Project implementation, including office and IT equipment and supplies, vehicle operation and maintenance, insurance costs, office administration costs, utilities, travel, *per diem* and supervision costs and salaries of locally contracted employees.
28. “Performance Grants” means grants made by the Recipient, through the Secretariat, to Eligible Training Providers and Eligible Institutions for the carrying out of PPs.

29. “Performance Grant Agreement” means the agreement entered into between the Recipient, through the Secretariat, and Eligible Training Providers for the carrying out of PPs.
30. “PP” and “Performance Plan” mean a specific, result-based plan setting forth targets for a list of activities eligible for financing under a Performance Grant proposed to be made to Eligible Training Providers under the Project.
31. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
32. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 10, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
33. “Public Procurement Act” means the Recipient’s Public Procurement Act, 2063 (2007).
34. “PDGs” means Poor and Disadvantaged Groups, which refers to segments of the Recipient’s population considered poor by national and/or international standards, notably but not exclusively, in the lagging regions of the Recipient’s territory, and including therein, inter alia, girls, *Dalits*, *Madheshis*, and marginalized *Janajatis*.
35. “Project Director” has the meaning set forth in Section I. A2 (c) of Schedule 2 to this Agreement.
36. “Project Implementation Committee” and “PIC” refer to the committee described under Section I. A.2(b) of Schedule 2 to this Agreement.
37. “Project Implementation Manual” and “PIM” have the meaning given to them under Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended, supplemented or otherwise modified from time to time with the prior consent of the Association.
38. “Results Framework” means a logical framework which sets forth, *inter alia*, the indicators to be monitored under the Project, their base-line and target values, the frequency of monitoring activities, the sources of data, the instruments through

which relevant data shall be collected and the methods for determining performance of all participating institutions.

39. "School Attendance Agreement" means an agreement entered between an Enrolled Student and the Recipient, through the Secretariat, for the payment of Stipends to defray training costs owed an ATP under the Project.
40. "Secretariat" refers to the structure described in section I.A.2(c) of Schedule 2 to this Agreement.
41. "SBD" means Standard Bidding Document, a document agreed with the Association to be used for purposes of procuring goods, works and services under the Project.
42. "Technical Advisory Committee" means the committee described in Section I. A 2(b) of Schedule 2 to this Agreement.
43. "TMIS" means Training Management Information System, a computerized system application for training management purposes.
44. "Training and Workshops" means, in respect of Category 4: (i) reasonable travel, room, board and *per diem* expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators, including workshops and study tours in foreign countries; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under said section
45. "TSLC" means Technical School Leaving Certificate.
46. "TEVT" means Technical Education and Vocational Training.
47. "Voucher Training Program" means the program to be carried out under Part 3 (a)(ii) of the Project pursuant to which ATPs shall be reimbursed for actual costs not covered by vouchers with respect to training provided to Beneficiary Students under Part 3(a)(i) of the Project.
48. "Voucher Training Program Agreement" means the agreement entered between the Recipient, through the Secretariat, and ATP for purposes of carrying out Part 3(a)(ii) of the Project.

49. “VCDF” means Vulnerable Community Development Framework, a document of the Recipient incorporated into the ESMF and interchangeable with the IPDF whose objective is to ensure that vulnerable communities in the territory of the Recipient have access to the benefits of the Project, including its outcomes and impacts.