

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4319-IN

Financing Agreement

(Vocational Training Improvement Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 2, 2007

Public Disclosure Authorized



CREDIT NUMBER 4319-IN

FINANCING AGREEMENT

AGREEMENT dated November 2, 2007, entered into between INDIA acting by its President (“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 Appendix 1 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 credit in an amount equivalent to one hundred eighty five million one hundred thousand Special Drawing Rights (SDR 185,100,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 May 15 and November 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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient, through MoLE, shall: (a) carry out Parts 1(ii)(a)B, 1(ii)(a)D, 1(ii)(a)E, 1(ii)(b), 2(i), 2(iii) and relevant activities under Part 3 of the Project; and (b) cause Project Executing Agencies to carry out Parts 1(i), 1(ii)(a)A, 1(ii)(a)C, 1(iii), 2(ii) and relevant activities under Part 3 of the Project, all 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.
- 3.03. The Recipient, through MoLE, shall:
 - (a) establish and implement arrangements satisfactory to the Association for making available the proceeds of the Financing to the Participating States, and Centrally-Funded Institutions, for carrying out their relevant activities under the Project within 30 days of withdrawal of the proceeds of the Financing from the Financing Account; and
 - (b) cause each Participating State to establish and implement arrangements satisfactory to the Association for making available the proceeds of the Financing to the Project ITIs for carrying out their relevant activities under the Project within 30 days from the date of release of the proceeds of the Financing by the Recipient, through MoLE, to such State.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) The PIP has been amended, waived or abrogated so as to affect materially and adversely the implementation, or the achievement of the objectives, of the Project.
 - (b) The Financial Management Manual or the Procurement Manual has been amended, waived or abrogated so as to affect materially and adversely the achievement of the objectives of efficiency, economy and transparency of procurement methods and procedures, financial control and management and auditing and reporting or the implementation of the Project.

- (c) Any provision of any Memorandum of Understanding has been amended, waived or abrogated so as to materially and adversely affect the implementation, or the achievement of the objectives, of the Project.
- (d) Any Participating State has failed to perform any of its obligations under its respective Memorandum of Understanding.
- (e) The Association has determined that a fraudulent or corrupt activity has occurred in the carrying out of the Project.
- (f) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that any Participating State will be able to perform its obligations under its respective Memorandum of Understanding.

4.02. The Additional Events of Acceleration consist of the following:

- (a) Any event specified in paragraphs (a) through (e) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
- (b) The event specified in paragraph (f) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is any Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary or Under Secretary of the Department of Economic Affairs in the Ministry of Finance of the Recipient.

The Recipient's Address is:

Secretary to the Government of India
Department of Economic Affairs
Ministry of Finance
New Delhi, India

Cable:	Telex:	Facsimile:
ECOFAIRS New Delhi	953-31-66175 FINE IN	91-11-23092477

6.02. 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) or 64145 (MCI)	1-202-477-6391

AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By

/s/ Madhusudan Prasad
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Isabel M. Guerrero
Country Director, India

SCHEDULE 1

Project Description

The objective of the Project is to improve the employment outcomes of graduates from the Recipient's vocational training system by making the design and delivery of training provided by such system more demand-responsive.

The Project consists of the following parts:

1. **Improving the Quality of Vocational Training**

(i) **Strengthening of Industrial Training Institutes**

Strengthening the capacity of Project ITIs in Participating States to provide training through, *inter-alia*:

- (a) refurbishing the teaching-training infrastructure;
- (b) upgrading the training facilities;
- (c) revising the training curricula with the participation of industry;
- (d) modernizing and strengthening the existing facilities including workshops for the purpose of enabling Project ITIs to impart training on the revised curricula;
- (e) launching new trade courses to meet the relevant industrial demands and discontinuing trade courses not demanded by industry;
- (f) establishing Centres of Excellence in about 300 Project ITIs in Participating States;
- (g) establishing facilities for management information system;
- (h) establishing facilities including workshops for providing new trade courses and for providing training in advance modules through Centres of Excellence;
- (i) increasing utilization of learning resources and other information available through media;
- (j) filling instructor vacancies and appointing additional instructors;
and

(k) establishing Training, Counseling and Placement Cells.

(ii) Strengthening Instructor Training

(a) Strengthening the instructor training network through, *inter-alia*:

- A. establishing instructor training wings in Project ITIs in 10 selected Participating States;
- B. improving training facilities in select Centrally-Funded Institutions;
- C. starting refresher training courses for instructors in Centres of Excellence in select 20 Project ITIs;
- D. establishing training facilities and conducting training programs for instructors selected to be appointed at the Centres of Excellence in select Centrally-Funded Institutions; and
- E. organizing specialized training programs for instructors in public organizations outside the purview of MoLE and in private organizations, as necessary.

(b) Strengthening capacity for managing the activities listed in paragraph (a) of this Part 1(ii) through, *inter-alia*:

- A. developing and maintaining a database of instructors which provides, *inter-alia*, full details of work experience and training history of each instructor;
- B. undertaking an analysis for identifying the training needs of instructors;
- C. developing curricula for basic, refresher and advanced training programs for instructors;
- D. reviewing the existing basic-level training programs, analyzing the needs of instructors and recommending changes to the training programs to NCVT on the basis of such review and analysis;
- E. setting norms and standards for new training programs; and
- F. carrying out periodic inspections for ensuring adherence to norms and standards for instructor training.

(iii) Incentive Fund

Providing Incentive Grants to the Participating States for the purpose of carrying out Incentive Sub-projects for, *inter-alia*, strengthening vocational training in such states, conducting short-term and medium-term training programs in emerging areas requiring specialized skills, strengthening training facilities in non-Project ITIs, and translating instructional packages into regional languages as required.

2. **Promoting Systemic Reforms and Innovations**

(i) Promoting Reforms

(a) Undertaking studies for developing proposals for reforming the Recipient's vocational training system including studies for: (A) developing a national vocational qualification framework which provides for, *inter-alia*, uniform procedures for determining pre-requisites for entry into different training programs, for assessing competency of trainees, and for certifying skills acquired through training programs; (B) developing a framework for registration of private training providers and for training programs offered by such providers; (C) developing replicable models for training of the informal sector in various organizations including public sector undertakings, training establishments within and outside the national and state governments, and polytechnics; and (D) assessing the feasibility of establishing a fund for vocational training.

(b) Conducting study tours and training programs for the purpose of, *inter alia*, enhancing the capacity of policy makers and select key staff of the Project Executing Agencies.

(ii) Innovations Fund

Providing Innovation Grants for Innovations Sub-projects for carrying out pilot activities for, *inter alia*, improving the quality of vocational training provided by ITIs, developing web-based training programs for delivering vocational training through distance-learning models, developing a system for comparing the training standards with the international standards, developing public-private partnerships and developing new delivery systems for informal training.

(iii) Strengthening the Capacity for Development of Curricula and Resource Materials

Strengthening the capacity of AHI, CSTARI and NIMI for developing curricula and resource materials for vocational training, through, *inter-alia*, establishing mechanisms for periodically updating the training curricula, the learning resources and the instructor training, developing procedures for assessing and testing instructors and trainees, and developing training standards in-line with international benchmarks.

3. **Project Management, and Monitoring and Evaluation**

(i) Project Management

Providing support for Project management at the national and state level, including support for establishing the NSC, the NPIU, the SSCs and the SPIUs and support for engaging the services of a procurement agent for carrying out procurement required at MoLE level for its relevant activities under the Project.

(ii) Monitoring and Evaluation

- (a) Establishing a computerized management information system for the purpose of, *inter-alia*, monitoring and evaluating progress in implementation of the Project.
- (b) Developing monitoring and evaluation capacity at the national and state level.
- (c) Carrying out Project monitoring and evaluation at the national and state level.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall, throughout the period of Project implementation and in a manner satisfactory to the Association, maintain the National Steering Committee which shall include representatives from industry associations and which shall be responsible for, *inter-alia*: (i) providing overall guidance for implementation of the Project; (ii) selecting States and ITIs for the purposes of Parts 1(i), 1(ii)(a)A, 1(ii)(a)C, 1(iii) and 3 of the Project; (iii) allocating funds to Participating States and Project ITIs; (iv) taking corrective measures based on the performance of the Participating States; (iv) selecting proposals under Parts 1(iii) and 2(ii) of the Project and for making Incentive Grants and Innovations Grants respectively; (v) suggesting studies for promoting reforms under the Part 2(i)(a) of the Project and reviewing the findings of the studies carried out under the said Part; (vi) approving the work plan and budget of the NPIU; and (vii) reviewing the functioning of the NPIU.

2. The Recipient, through MoLE, shall, by January 31, 2008, establish and shall thereafter maintain throughout the period of Project implementation, in form and with functions, staffing and resources satisfactory to the Association:

- (a) the NPIU headed by a National Project Director, which shall be responsible for, *inter-alia*: (i) overall implementation of the Project at the national and state level; (ii) coordination amongst the Participating States; (iii) providing guidance to the Participating States in preparation of Institutional Development Plans; (iv) providing training and guidance to the Participating States on financial and procurement arrangements for the Project; and (v) overall monitoring and evaluation of progress in implementation of the Project;
- (b) a procurement management unit within NPIU, which unit shall be responsible for, *inter-alia*, procurement at the MoLE level, overall management of all procurement required under the Project and for building capacity of the procurement officers at the state level;
- (c) a finance management unit within NPIU, which unit shall be responsible for, *inter-alia*, overall financial management of the Project, internal audits and controls within MoLE, preparing annual estimates and budget for the Project, ensuring maintenance of accounts, preparing interim un-audited financial reports and Consolidated Report on Audits referred to in paragraph B.2 and B.5 respectively of Section II of this Schedule 2,

coordinating receipt of audit reports from Participating States and ensuring timely release of funds;

- (d) an institutional development unit within NPIU, which unit shall be responsible for, *inter-alia*, orienting the Participating States on the structure and methodologies for preparing IDPs, raising awareness on the objectives of the Project, and developing and overseeing procedures for undertaking quality audits of Project ITIs;
- (e) a training and academic unit within NPIU, which unit shall be responsible for, *inter-alia*, organizing and facilitating trainings under Part 1(ii) of the Project, reviewing the training plans of Participating States and facilitating strengthening of national institutions under the Project;
- (f) a monitoring and evaluation unit within NPIU, which unit shall be responsible for, *inter-alia*, developing, implementing and maintaining the management information system under Part 3(ii) of the Project, guiding monitoring and evaluation of Project activities at the state level, and preparing reports referred to in paragraph A.1 of Section II of this Schedule 2; and
- (g) a policy development unit within NPIU, which unit shall be headed by the Policy Development Coordinator and which unit shall be responsible for, *inter-alia*, developing terms of reference for studies under Part 2(i)(a) of the Project, coordinating activities under the said Part, and organizing workshops for disseminating the findings of such studies.

3. The Recipient, through MoLE, shall appoint and thereafter retain throughout the period of Project implementation, a National Project Coordinator having qualification and experience satisfactory to the Association, who shall be responsible for, *inter-alia*, providing support to the National Project Director of NPIU, liaising with various stakeholders under the Project and coordinating with Participating States and who shall have been delegated financial and administrative powers for facilitating implementation of the Project, in a manner satisfactory to the Association.

4. The Recipient, through MoLE, shall carry out the studies under Part 2 (i) (a) of the Project under terms of reference and a time frame satisfactory to the Association and on the basis of such studies, shall formulate proposals for reforming the Recipient's vocational training system.

B. Memorandum of Understanding and On-lending to Participating States

1. For the purposes of implementation of Parts 1(i), 1(ii)(a)A, 1(ii)(a)C and relevant activities under Part 3 of the Project, the Recipient, through MoLE, shall cause NSC to:

- (a) select States which meet the eligibility criteria set forth in the PIP including the criteria set forth in Appendix 2 to this Agreement;
 - (b) select ITIs meeting the eligibility criteria set forth in the PIP including the criteria set forth in Appendix 3 to this Agreement, all in accordance with the PIP;
 - (c) appraise and approve IDPs of ITIs selected pursuant to paragraph (b) above in accordance with the PIP;
 - (d) cause each Participating State to carry out, and to cause each of its Project ITIs to carry out, its respective activities in accordance with its respective Memorandum of Understanding, IDPs approved pursuant to paragraph (c) above and the provisions of this Agreement.
2. **Incentive Fund:** For the purpose of implementation of Part 1(iii) of the Project, the Recipient, through MoLE, shall cause NSC to:
- (a) invite proposals during Fiscal Year 2009-2010 and Fiscal Year 2010-2011 from Participating States for Incentive Sub-projects.
 - (b) select and approve Incentive Sub-projects of Participating States on the basis of criteria set forth in the PIP including the following criteria:
 - (i) the progress of the Participating State in implementing the relevant activities under the Project;
 - (ii) the proportion of allocated funds utilized by the Participating State;
 - (iii) the proportion of trainees from craftsmen training system who have obtained NCVT certification in the Participating State; and
 - (iv) the proportion of instructors in all ITIs in Participating State who have received training.
 - (c) make Incentive Grants for Approved Incentive Sub-projects to the Participating States, provided, however, that, except as the Association may otherwise agree: (i) the value of each Incentive Grant shall not exceed US\$2,000,000, or 75% of the amount required for implementation of the Approved Incentive Sub-project, whichever is lower; and (ii) the Participating State shall be required to contribute 25% of the total amount required for implementation of the Approved Incentive Sub-project; and

- (d) cause each selected Participating State to carry out each of its Approved Incentive Sub-projects in accordance with its respective Memorandum of Understanding.

3. The Recipient shall, and shall cause MoLE to, take all actions, including the provisions of funds, facilities, services and other resources, necessary or appropriate to enable each Participating State to perform all of its respective obligations set forth in this Agreement and its respective Memorandum of Understanding. The Recipient shall not take or permit to be taken any action which would prevent or interfere with such performance.

4. The Recipient shall cause MoLE to exercise its rights under each Memorandum of Understanding 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 ensure that MoLE shall not assign, amend, abrogate or waive any Memorandum of Understanding or any of its provisions.

5. The Recipient, through MoLE, shall cause NSC to: (a) review by November 30, 2009, the performance of the Participating States and the Project ITIs; (b) share with the Association the findings of such review during the Mid-term Review; and (c) take corrective measures, all in a manner satisfactory to the Association.

C. Implementation arrangements for Parts 1(ii) and 2(iii) of the Project

1. The Recipient, through MoLE, shall cause the Centrally-Funded Institutions to:
 - (a) carry out their relevant activities with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework and agree to provide, promptly as needed, the resources required for the purpose of implementation of said activities under Parts 1(ii) and 2(iii) of the Project;
 - (b) carry out procurement for the relevant activities in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, as the said provisions may be further elaborated in the Procurement Plan;
 - (c) maintain a financial management system, 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 relevant activities;

- (d) at the Association's or Recipient's request, have the financial statements referred to in (c) above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements so audited to the Recipient and the Association;
- (e) agree that the Association or the Recipient may from time to time inspect implementation of the relevant activities including all the goods, works and services procured for such and all records and documents thereto;
- (f) from time to time, at the request of the Association, (i) undertake to exchange views with the Association with regard to the progress of carrying out the relevant activities; and (ii) furnish all such information related thereto as may reasonably be required by the Association; and
- (g) agree that the Recipient, through MoLE, may suspend or terminate the right of any Centrally-Funded Institution to use the proceeds of the Financing: (i) upon failure of such Centrally-Funded Institution to perform any of its obligations under this Agreement; and (ii) upon suspension by the Association of the Financing under this Agreement or upon issuance of a notice declaring an intent to suspend such Financing.

2. The Recipient, through MoLE, shall cause AHI to:

- (a) select Participating States and Project ITIs in accordance with the PIP for the purpose of carrying out activities under Parts 1(ii)(a)A and 1(ii)(a)C of the Project; and
- (b) prepare detailed plans for carrying out the relevant activities and submit the same to NSC for approval, and carry out relevant activities in accordance with the plans approved by the NSC, all in accordance with the PIP.

D. Innovations Fund

1. For the purpose of implementation of Part 2(ii) of the Project, the Recipient, through MoLE and in accordance with the PIP, shall cause NSC to:

- (a) invite proposals for Innovations Sub-projects for carrying out innovative activities including pilot interventions to implement and assess the impact of policies identified under Part 2(i)(a) of the Project, developing web-based training programs and piloting new methodologies for training in emerging trades;

- (b) review and select Innovations Sub-projects in accordance with the criteria and procedures set forth in the PIP;
- (c) seek the Associations approval to Innovations Sub-projects selected pursuant to paragraph (b) above;
- (d) for the purpose of implementation of Innovations Sub-projects approved by the Association pursuant to (c) above, make Innovations Grants to Innovations Grant Recipients under Innovations Grant Agreements containing terms and conditions satisfactory to the Association including the terms and conditions set forth in paragraph 3 of this paragraph D, provided, however, that, except as the Association may otherwise agree, the value of each Innovations Grant shall not exceed US\$1,000,000; and
- (e) cause each Innovations Grant Recipients to carry out Innovations Sub-projects in accordance with its respective Innovations Grant Agreement.

2. The Recipient, through MoLE, shall exercise its rights under each Innovations 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 Grant Agreement or any of its provisions.

3. Without prejudice to the generality of the provisions of paragraph 1(d) of this paragraph D and except as the Association may otherwise agree, each Innovations Grant Agreement shall include the following terms and conditions wherein the Innovations Grant Recipient shall:

- (a) agree to carry out its activities with due diligence and efficiency and in conformity with appropriate administrative, technical, financial, economic, environmental and social standards and practices, and in accordance with the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework;
- (b) agree to provide, promptly as needed, the resources required for the purpose of implementation of activities under the Innovations Sub-project;
- (c) agree to carry out procurement for the Innovations Sub-project in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement, as the said provisions may be further elaborated in the Procurement Plan;

- (d) agree to maintain a financial management system, 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 activities for the Innovations Sub-project under the Innovations Grant Agreement;
- (e) at the Association's or Recipient's request, have the financial statements referred to in (d) above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements so audited to the Recipient and the Association;
- (f) agree to furnish reports, including financial reports and reports on progress in implementation of the Innovations Sub-project, in accordance with the PIP;
- (g) agree that the Association or the Recipient may from time to time inspect implementation of the Innovations Sub-project under the Innovations Grant Agreement including all the goods, works and services procured for such Sub-project and all records and documents thereto;
- (h) from time to time, at the request of the Association, (i) undertake to exchange views with the Association with regard to the progress of carrying out the Innovations Sub-project and performance of its obligations under its respective Innovations Grant Agreement; and (ii) furnish all such information related thereto as may reasonably be required by the Association;
- (i) agree to promptly inform the Recipient of any condition which interferes or threatens to interfere with the progress of its respective obligations under its Innovations Grant Agreement; and
- (j) agree that the Recipient, through MoLE, may suspend or terminate the right of the Innovations Grant Recipient to use the proceeds of the Financing made available under the Innovations Grant Agreement: (i) upon failure of such Innovations Grant Recipient to perform any of its obligations under its respective Innovations Grant Agreement; and (ii) upon suspension by the Association of the Financing under the Financing Agreement or upon issuance of a notice declaring an intent to suspend such Financing.

E. Manuals and Plans

1. Throughout the period of Project implementation, the Recipient, through MoLE, shall:

- (a) maintain the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework and implement the same in a manner satisfactory to the Association;
- (b) carry out, and cause each Project Executing Agency to carry out, the Project in accordance with the provisions of the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework and this Agreement;
- (c) refrain, and cause each Project Executing Agency to refrain, from taking any action which shall prevent or interfere with the implementation of the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework; and
- (d) except as the Association shall otherwise agree, not waive, amend or abrogate the PIP, the Financial Management Manual, the Procurement Manual, the Equity Assurance Plan and the Environment Management Framework.

2. The Recipient, through MoLE, shall:

- (a) carry out the Project in accordance with the provisions of the Disclosure Management Framework;
- (b) implement the Disclosure Management Framework in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein, and in such a manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing;
- (c) refrain from taking any action which shall prevent or interfere with the implementation of the Disclosure Management Framework;
- (d) except as the Association shall otherwise agree, not waive, amend or abrogate the Disclosure Management Framework or any provision thereof; and

- (e) bi-annually provide written reports to the Association on the progress achieved in the implementation of the Disclosure Management Framework. Such report shall be provided by April 30 and October 31 of each Fiscal Year.

F. Management Information System

1. The Recipient, through MoLE and in a manner satisfactory to the Association, shall:

- (a) establish by July 31, 2008, and thereafter maintain throughout the period of Project implementation, a management information system for the purposes of, *inter-alia*, monitoring and evaluation of the progress in implementation of the Project at the national and state level; and
- (b) cause the NSC, through the monitoring and evaluation unit referred to in paragraph A.2(f) of Section I of this Schedule 2, and SSCs to periodically review and monitor the implementation of the Project at the national and state level on the basis of the system referred to in (a) above, all in accordance with the PIP.

G. Internal Audits, Management Review, Environment Audits, Surveys

1. The Recipient, through MoLE, shall cause NSC to:

- (a) carry out two management reviews, the first to be carried out by December 31, 2009 and the second to be carried out by December 31, 2011, focusing on, *inter-alia*, effectiveness of delegation of authority within MoLE at various levels, information management and reporting arrangements and quality and adequacy of staff, under terms of reference satisfactory to the Association;
- (b) promptly share the reports of the review referred to in (a) above with the Association and take such further measures as may be recommended by the Association on the basis of such review.

2. The Recipient, through MoLE, shall cause NSC to carry out two tracer studies, the first to be completed not later than December 31, 2009, and the second to be completed not later than April 30, 2012, or by such later dates as the Association shall otherwise agree, for the purpose of, *inter-alia*, tracing random samples of students who graduated two years or earlier from the Project and non-Project ITIs for comparing their labor market outcomes, all under terms of reference satisfactory to the Association.

3. The Recipient, through MoLE, shall cause NSC to: (a) carry out two environment audits, the first to be completed not later than December 31, 2009, and the second to be completed not later than April 30, 2012, which audits shall, *inter-alia*, focus on compliance and monitoring of the Environment Management Framework under the Project; (b) promptly share the reports of such audits with the Association; and (c) take such further measures as may be recommended by the Association on the basis of such environment audits. Such environment audits shall be carried out by independent auditors acceptable to the Association and having terms of reference satisfactory to the Association.

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 indicators agreed with the Association. Each Project Report shall cover the period of the six-month period of a Fiscal Year, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

2. Without prejudice to the provisions of the General Conditions and except as the Association shall otherwise agree, the Recipient, through MoLE and with the participation of the Project Executing Agencies, shall review with the Association in the months of May and November of each year of Project implementation, progress made in carrying out of the Project and the attainment of the objectives thereof, such reviews to be based on the Project Reports referred to in paragraph 1 above; and thereafter take, or cause to be taken, all such action as reasonably requested by the Association during such reviews as necessary for the efficient execution of the Project and the achievement of the objectives thereof.

3. The Recipient, through MoLE and with the participation of the Project Executing Agencies, shall review not later than January 31, 2010, the progress made in carrying out the Project which shall constitute the Mid-term Review of the Project. Such Mid-term Review shall be carried out in accordance with the terms of reference agreed to with the Association.

4. Without prejudice to the provisions of paragraphs A.1 and A.2 of this Section II, the Recipient, through MoLE, shall cause the monitoring and evaluation unit referred to in paragraph A.2(f) of Section I of this Schedule 2 to: (a) periodically update the management information system developed under Part 3 of the Project; and (b) carry out, by December 31, 2009, and by April 30, 2012, an evaluation of the progress in implementation of the Project by an independent evaluator having terms of reference satisfactory to the Association.

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 not later than forty five (45) days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements and the records and accounts for the designated account(s) referred to in Section 2.04 of the General Conditions for each Fiscal Year audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. The audited Financial Statements for each such period shall be furnished to the Association, as a part of the Consolidated Report on Audits referred to in paragraph B.5 of this Section II, not later than six (6) months after the end of such Fiscal Year.
4. The Recipient, through MoLE, shall cause each Participating State and Project ITIs to:
 - (a) have its financial statements for each Fiscal Year audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;
 - (b) upon request, furnish to the Association its financial statements as soon as such statements are available, but in any case not later than six (6) months after the end of the Fiscal Year to which the request relates; and
 - (c) furnish to the Association such other information concerning its audited financial statements and such auditors, as the Association may from time to time reasonably request.
5. The Recipient, through MoLE, shall:
 - (a) furnish to the Association no later than six (6) months after the end of each Fiscal Year, a Consolidated Report on Audits containing, inter-alia, the audited Financial Statements referred to in paragraph B.3 of this Section II and an opinion on the financial statements referred to in paragraph B.4 of this Section II, of such scope and in such detail as the Association shall have reasonably requested; and
 - (b) furnish to the Association such other information concerning such Consolidated Report on Audits as the Association may from time to time reasonably request.

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 paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International 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) National Competitive Bidding, subject to additional provisions agreed with the Association
(b) Shopping
(c) 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. For the purpose of Section 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 of national consultants.

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 Method
(a) Quality-based Selection
(b) Least-Cost Selection
(c) Selection Based on the Consultants' Qualifications
(d) Single Source Selection
(e) Selection of Individual Consultants'

D. 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.

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 Credit ("Category"), the allocations of the amounts of the Credit 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)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, services, trainings, workshops, studies, study tours and Operating Costs under Parts 1(i), 1(ii), 2(i), 2(iii) and 3 of the Project until December 31, 2009	77,350,000	78%
(2) Goods, services, trainings, workshops, studies, study tours and Operating Costs under Parts 1(i), 1(ii), 2(i), 2(iii) and 3 of the Project from January 1, 2010	85,950,000	78%
(3) Goods, works, services, trainings, workshops and studies for Incentive Sub-projects under Part 1(iii) and Innovations Sub-projects under Part 2(ii) of the Project	21,800,000	78%
TOTAL AMOUNT	185,100,000	

3. For the purpose of this Section IV, the term “Operating Costs” means the cost of operation and maintenance of buildings, equipment, furniture and vehicles, office rentals, salaries, general office expenses, travel allowances of all Project staff, expenses for hiring of vehicles, all incurred for the purposes of carrying out the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section and except as the Association shall otherwise agree, 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 SDR 6,600,000 equivalent may be made for payments made prior to this date but on or after August 1, 2006, for Eligible Expenditures under Category (1).

- (b) under Category (2), unless the following actions shall have been completed in a manner satisfactory to the Association:
 - (i) instructor training wings shall have been established and shall have commenced providing training in Project ITIs in at least 4 Participating States under Part 1(ii)(a)A of the Project;
 - (ii) refresher training courses shall have been started in Centres of Excellence in at least 10 Project ITIs under Part 1(ii)(a)C of the Project;
 - (iii) part 1(ii)(a)D of the Project shall have been implemented;
 - (iv) at least 2 studies shall have been launched under Part 2(i)(a) of the Project in accordance with terms of reference satisfactory to the Association;
 - (v) at least two Innovation Grants shall have been awarded under Part 2(ii) of the Project;
 - (vi) the management information system under Part 3(ii) of the Project shall have been operationalized; and
 - (vii) Parts 1(ii)(b)A and 1(ii)(b)B of the Project shall have been implemented.

2. The Closing Date is December 31, 2012.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 15 and November 15:	
Commencing November 15, 2017 to and including May 15, 2027	1.25%
Commencing November 15, 2027 to and including May 15, 2042	2.5%

* 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.

APPENDIX 1

Definitions

1. “AHI” means the Recipient’s Apex Hi-tech Institute at Bangalore.
2. “Approved Incentive Sub-projects” means Incentive Sub-projects selected by NSC (as defined hereinafter) pursuant to paragraph B.2 (b) of Section I of Schedule 2 to the Financing Agreement.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Centrally-Funded Institutions” means the following national institutions, namely: (i) the Advanced Training Institute at Howrah; (ii) the Advanced Training Institute at Hyderabad; (iii) the Advanced Training Institute at Kanpur; (iv) the Advanced Training Institute at Ludhiana; (v) the Advanced Training Institute at Mumbai; (vi) the Advanced Training Institute at Chennai; (vii) the Advanced Training Institute for Electronic Process Instrumentation at Hyderabad; (viii) the Advanced Training Institute for Electronic Process Instrumentation at Dehradun; (ix) the National Vocational Training Institute for women at Noida, Uttar Pradesh; (x) Foreman Training Institute at Bangalore; (xi) the AHI; (xii) NIMI (as defined hereinafter); (xiii) CSTARI (as defined hereinafter) and (xiv) Central Training Institute for Instructor at Chennai.
5. “Centre of Excellence” or “COE” means a centre within an ITI or any Select Central Institution which is responsible for, *inter-alia*, providing specialized training in select industrial sectors.
6. “Consolidated Report on Audits” means the report covering the audits referred to in paragraph B.3 and B.4 of Section II of Schedule 2 to this Agreement and as referred to in paragraph B.5 of Section II of Schedule 2 to this Agreement.
7. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
8. “CSTARI” means the MoLE’s (as defined hereinafter) Central Staff Training and Research Institute at Kolkata.
9. “Disclosure Management Framework” or “DMF” means MoLE’s framework, dated April 18, 2007, setting out the arrangements for, *inter-alia*, enhancing disclosure and for handling complaints under the Project, as such framework may be amended from time to time with the prior approval of the Association.

10. “Environment Management Framework” means MoLE’s framework dated April 4, 2007, which provides for, *inter-alia*, measures for preventing, minimizing and managing environmental, health and safety concerns relating to implementation of the Project, as such Framework may be amended from time to time with the prior approval of the Association.
11. “Equity Assurance Plan” means MoLE’s plan dated April 4, 2007, which sets out, *inter-alia*, measures for improving benefits to disadvantaged groups, including tribal population, under the Project as such Plan may be amended from time to time with the prior approval of the Association.
12. “Financial Management Manual” or “FMM” means MoLE’s manual dated April 18, 2007 for the Project which provides, *inter-alia*, the arrangements for financial management, auditing, reporting and internal controls, as such manual may be amended from time to time with the prior approval of the Association.
13. “Fiscal Year” or “FY” means the fiscal year of the Recipient, which commences on April 1 of a calendar year and ends on March 31 of the following calendar year.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
15. “Institutional Development Plan” or “IDP” means an institutional development plan prepared by an ITI in accordance with the PIP, which plan sets out, *inter-alia*, the institutional goals, framework and timelines for carrying out relevant activities under the Project, the performance monitoring indicators and the financial requirement for carrying out proposed activities.
16. “IMC” means the Institute Management Committee within an ITI which is responsible for, *inter-alia*, the overall management and functioning of the ITI.
17. “Incentive Grant” means a grant made out of the proceeds of the Financing to a Participating State for Approved Incentive Sub-project.
18. “Incentive Sub-projects” means subprojects under Part-1(iii) of the Project developed by Participating States for, *inter-alia*, strengthening vocational training in such state.
19. “Innovations Grants” means grants made out of the proceeds of the Financing to Innovations Grant Recipients in accordance with the provisions of paragraph D of Section I of Schedule 2 to this Agreement for the purpose of carrying out Innovations Sub-projects.

20. “Innovations Grant Recipients” means any entity including Participating States and any vocational training institution within MoLE’s vocational training system with whom the Recipient, through MoLE, enters into a grant agreement in accordance with paragraph D.1(d) of Section I of Schedule 2 to this Agreement for the purpose of providing Innovations Grant for carrying out Innovations Sub-project.
21. “Innovations Grant Agreement” means any agreement between the Recipient, through MoLE, and Innovations Grant Recipient made pursuant to the provisions of paragraph D.1(d) of Section I of Schedule 2 to this Agreement for the purpose of carrying out an Innovations Sub-project.
22. “Innovations Sub-projects” means subprojects under Part 2(ii) of the Project for the purpose of, *inter-alia*, improving the quality of vocational training provided by ITIs.
23. “ITI” means any industrial training institute in any State which is, *inter-alia*, engaged in providing vocational training and which is financed and managed by such State.
24. “Memorandum of Understanding” or “MOU” means a memorandum of understanding executed between the Recipient, through MoLE, and a State and as referred to in paragraph 1 of Appendix 2 to this Agreement.
25. “MoLE” means the Recipient’s Ministry of Labor and Employment.
26. “Mid-term Review” means the review referred to in paragraph A.3 of Section II of Schedule 2 to this Agreement.
27. “NCVT” means the MOLE’s National Council for Vocational Training.
28. “National Project Coordinator” means coordinator appointed by the MoLE for the purpose of, *inter-alia*, coordination of various activities under the Project and as referred to in paragraph A.3 of Section I of Schedule 2 to this Agreement.
29. “National Project Director” means director appointed by the MoLE for heading the NPIU and as referred to in paragraph A.2 (a) of Section I of Schedule 2 to this Agreement.
30. “National Project Implementation Unit” or “NPIU” means the unit within MoLE which is responsible for, *inter-alia*, the overall implementation of the Project.
31. “National Steering Committee” or “NSC” means the committee within MoLE which is responsible for, *inter-alia*, providing overall guidance for implementation of the Project, selecting States meeting the eligibility criteria set

forth in Appendix 2 to this Agreement, and approving the IDPs of ITIs meeting the eligibility criteria as set forth in Appendix 3 to this Agreement and as referred to in paragraph A.1 of Section I of Schedule 2 to this Agreement.

32. “NIMI” means the MoLE’s National Instructional Media Institute at Chennai.
33. “Project Implementation Plan” or the “PIP” means MoLE’s plan dated April 18, 2007 for implementation of the Project, which sets forth, *inter-alia*, the planning and financing norms of the Project and which includes the Disclosure Management Framework, as such PIP may be amended from time to time with the prior agreement of the Association.
34. “Participating State” means any State which has been selected by the NSC in accordance with the provisions of paragraph B.1(a) of Section I of Schedule 2 to this Agreement on the basis of the eligibility criteria set forth in Appendix 2 to this Agreement.
35. “Policy Development Coordinator” means the coordinator within NPIU who responsible for heading the policy development unit referred to in paragraph A.2 (g) of Section I of Schedule 2 to this Agreement and as referred to in the said paragraph.
36. “Principal” means the principal of an ITI.
37. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
38. “Procurement Manual” means MoLE’s manual dated April 11, 2007, which sets forth, *inter-alia*, methods and procedures for the procurement of goods, works and services under the Project, as such manual may be amended from time to time with the prior approval of the Association.
39. “Procurement Plan” means MoLE’s procurement plan for the Project, dated April 12, 2007, 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.
40. “Project Executing Agencies” means any entity responsible for the implementation of any part of the Project, and includes MoLE, the Participating States, Project ITIs, and Centrally-Funded Institutions.
41. “Project ITIs” means any ITI in a Participating State selected for support under the Project by the NSC in accordance with the provisions of paragraph B.1(b) of Section I of Schedule 2 on the basis of eligibility criteria set forth in Appendix 3

to this Agreement and whose IDP has been approved by the NSC in accordance with the provisions of this Agreement.

42. “Rupees” or “Rs.” means the lawful currency of the Recipient.
43. “State” means any State or Union Territory of the Recipient, including any successor or successors thereto.
44. “State Project Implementation Unit” or “SPIU” means the implementation unit within each Participating State which is responsible for, *inter-alia*, implementation of relevant activities under the Project in such state.
45. “State Steering Committee” or “SSC” means the committee within each Participating State which is responsible, *inter-alia*, for guidance for implementation of relevant Project activities in such state and for reviewing the IDPs from ITIs meeting the eligibility criteria set forth in Appendix 3 to this Agreement.
46. “Training, Counseling and Placement Cell” means the cell within Project ITI which is responsible for securing, *inter-alia*, industry attachments for COE trainees, apprenticeship or other industrial training for students, and employment for graduates.

APPENDIX 2

Except as the Association shall otherwise agree, the criteria referred to in paragraph B.1(a) of Section I of Schedule 2 to this Agreement shall include the following:

1. The State shall have signed a MOU satisfactory to the Association, and shall have, in accordance with its respective MOU, established:

- (i) the State Council for Vocational Training;
- (ii) the State Steering Committee; and
- (iii) the State Project Implementation Unit.
- (iv) The State shall have established an IMC for the entire ITI in each ITI in such state in form and with functions, resources and staffing satisfactory to the Association. The State shall have included employers nominated by industry associations as members in the IMCs and shall have vested the IMCs with adequate financial autonomy and decision making powers.

APPENDIX 3

Except as the Association shall otherwise agree, the criteria referred to in paragraph B.1(b) of Section I of Schedule 2 to this Agreement shall include the following:

1. The ITI shall have an IDP.
2. The ITI shall have an IMC for the entire ITI in form and with functions, resources and staffing satisfactory to the Association. The IMC shall include members nominated by industry associations and shall preferably have the chairperson from the relevant industrial sector. The IMC shall have been delegated adequate financial autonomy and decision making powers, including the following, by the relevant Participating State:
 - (a) the power to suggest modifications to various training courses;
 - (b) the power to abolish trades in which training is offered under intimation to the Participating State and NCVT;
 - (c) the power to start short term training programs, review training needs of instructors and administrative staff and approve trainings on the basis of such review;
 - (d) the power to facilitate placement of graduates;
 - (e) the power to approve expenditures proposed by the Principal;
 - (f) the power to generate, retain and utilize revenue (other than prescribed fees); and
 - (g) the power to appoint faculty on contractual basis.
3. The ITI shall have a regular full-time Principal who shall have been delegated financial and administrative powers by the Participating State in accordance with the PIP including the powers to undertake, on behalf of the IMC, procurement of purchases upto Rs. 25,000 without any approval, and to award contracts estimated to cost Rs. 900,000 per contract on the basis of recommendation of the purchase committee within ITI.
4. The ITI shall have full time instructors.
5. The instructor vacancy in the ITI shall not exceed 10%.
6. All positions in accordance with the IDP shall have been sanctioned.

7. The ITI shall have adequate facilities in terms of land and buildings so as to permit upgrading and improvement.