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CREDIT NUMBER 4685-IN

# Financing Agreement

(Second Technical/Engineering Education Quality Improvement Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 14, 2010

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**CREDIT NUMBER 4685-IN**

**FINANCING AGREEMENT**

AGREEMENT dated July 14, 2010, entered into between INDIA (“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 credit in an amount equivalent one hundred eighty six million four hundred thousand Special Drawing Rights (SDR 186,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 15 and July 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 MHRD, with the assistance of the Participating States and Participating Institutions 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 — TERMINATION**

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

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. Except as provided in Section 2.02 of this Agreement, the Recipient's Representative is any of the following: 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.
- 5.02. The Recipient's Address is:

Secretary  
Department of Economic Affairs  
Ministry of Finance, Government of India  
North Block  
New Delhi 110001, India

Facsimile:

91-11-2309 4075

- 5.03. The Association's Address is:

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

Facsimile:

1-202-477-6391  
AGREED at New Delhi, India, as of the day and year first above written.

INDIA

By /s/ Anup K. Pujari  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ N. Roberto Zaghera  
Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to strengthen the Participating Institutions to produce more employable and high quality engineers, and prepare more post-graduate students to reduce faculty shortage.

The Project is part of a long-term program of the Recipient designed in pursuance of the Recipient's National Policy on Education (NPE - 1986 as revised in 1992) whose objective is to improve the quality of technical/engineering education including, *inter alia*, through: (i) creating an environment in which engineering education institutions can achieve and sustain academic excellence; (ii) supporting competitively selected institutions to achieve higher levels of academic and research and development performance, and (iii) supporting improvements in the education system management.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

#### Part A: Improving Quality of Education in Participating Institutions

The carrying out of Institutional Development Subprojects selected according to the criteria and procedures set forth in the Project Implementation Plan and comprising, *inter alia* the following activities:

1. Strengthening Participating Institutions with a view to improving learning outcomes and employability of graduates, and scaling-up post-graduate education, demand-driven research and development and innovation, through, *inter alia*:
  - (a) faculty and staff development;
  - (b) enhancing interaction with the Recipient's productive sectors;
  - (c) improving institutional governance, and management and administrative practices that are conducive to academic autonomy;
  - (d) implementing relevant institutional reforms;
  - (e) improving teaching, training and learning facilities;
  - (f) providing academic support to weak students;

- (g) increasing enrolment in post-graduate programs, and enhancing research and consultancy activities;
  - (h) modernizing libraries and other means to access knowledge resources;
  - (i) enhancing research and development;
  - (j) developing research interest among degree students;
  - (k) sharing resources through collaborative arrangements;
  - (l) modernizing and expanding laboratories; and
  - (m) establishing inter-disciplinary centers of excellence that conduct applicable thematic research and development in collaboration with industry and other knowledge users, converting research results into applicable technologies and projects, and enhancing collaborative activities with national and international institutions.
2. Faculty development for effective teaching through the provision of pedagogical training to faculty.

### **Part B: Improving Education System Management**

1. Strengthening the education sector's capacity through, *inter alia*: (a) the establishment of quality assurance practices and the promotion of effective governance in Participating States; (b) the establishment of a task force responsible for strategic planning of technical education in Participating States; (c) the establishment of curriculum development cells and the enhancement of management practices in universities affiliated with Project institutions; (d) the sharing of best practices with non-Participating Institutions; and (e) the organizing of professional development programs for policy planners and administrators.
2. Improving the education system's management, monitoring and evaluation capacity of Participating States, Participating Institutions and the IT through, *inter alia*: (a) the establishment and operation of Project management units at the national and State levels; (b) the establishment of an education management information system; (c) the carrying out of stakeholder satisfaction surveys, performance and fiduciary audits, and impact assessment studies; and (d) the carrying out of implementation and impact reviews of Institutional Development Subprojects.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements:

##### At the Central Level

1. Without limitation upon the provisions of Section 3.01 of this Agreement, the Recipient, through MHRD, shall:
  - (a) cause each Participating State, through the State-Sponsored Participating Institution; and
  - (b) cause each Centrally-Sponsored Participating Institution;

to carry out the Project in accordance with the Project Implementation Plan. In case of any conflict between the terms of the Project Implementation Plan and those of this Agreement, the terms of this Agreement shall prevail.
2. The Recipient, through MHRD, shall:
  - (a) maintain a project implementation plan, satisfactory to the Association, containing, *inter alia*, specific provisions on detailed arrangements for the carrying out of the Project, including:
    - (i) the procurement, financial management and disbursement requirements thereof;
    - (ii) action plans for Project implementation;
    - (iii) the detailed criteria for the identification and selection of the Participating States and Participating Institutions;
    - (iv) the EMF, the EAP, the Procurement Plan, the Procurement Manual and the Financial Management Manual;
    - (v) the agreed MHRD MOU and State MOU model drafts; and
    - (vi) the Key Performance Indicators.
  - (b) maintain, at all times during Project implementation, a fully operational implementation team, with functions and responsibilities agreed with the

Association, including, *inter alia*, the responsibility of said team to coordinate and monitor the carrying out of the Project;

- (c) ensure that the IT is: (i) at all times during Project implementation, led by a central Project advisor and is assisted by adequate professional and administrative staff (including procurement, financial management specialists), in numbers and with experience and qualifications agreed with the Association, operating under terms of reference satisfactory to the Association; and (ii) not frequently replaced during the period of Project implementation;
  - (d) maintain at all times during Project implementation a National Steering Committee, with responsibilities and functions agreed with the Association, including, *inter alia*, overseeing overall Project implementation;
  - (e) maintain at all times during Project implementation, a National Project Directorate within MHRD's Department of Higher Education, with responsibilities and functions agreed with the Association, including, *inter alia*, monitoring overall utilization of Project funds, participating in Project review missions and organizing the meetings of the National Steering Committee;
  - (f) ensure that the selection of the Participating States, the Centrally-Sponsored Participating Institutions and the State-Sponsored Participating Institutions to benefit under the Project is transparent and in accordance with the agreed eligibility criteria and selection process set forth in the PIP; and
  - (g) enforce the eligibility criteria for Participating States set forth in the PIP and shall only allow to participate in the Project those States which adequately demonstrate preparedness to carry out all such reforms as are required by the eligibility criteria and which meet the criteria in all respects;
3. Without limitation upon the provisions of paragraph 2 above, the Recipient, through MHRD, shall:
- (a) make part of the proceeds of the Financing available to each of the Participating States and each of the Centrally-Sponsored Participating Institutions under an agreement (MOU) between MHRD and the respective Participating States and Centrally Sponsored Participating Institutions, under terms and conditions agreed with the Association, which shall include, *inter alia*, their obligation to: (a) carry out the Project in accordance with the PIP, the EMF, the EAP and the Anti-



Corruption Guidelines; (b) maintain, on behalf of the Recipient, records and accounts adequate to reflect the operations, resources and expenditures under the Project; (c) grant the Association the right to examine and audit such records and accounts; (d) refund to the Association any portion of the Financing which the Association may have found to be ineligible for funding under the Project; and (e) enable the Recipient, through MHRD, to comply with its obligations under this Agreement; and

- (b) exercise its rights under the relevant MOU 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, through MHRD, shall not assign, amend, abrogate, waive or fail to enforce any MOU or any of its provisions.
4. The Recipient agrees that no Institutional Development Subproject shall be eligible for financing out of the proceeds of the Financing unless such Subproject has been prepared in accordance with the requirements set forth in the PIP, and the respective MHRD MOU and State MOU have been duly executed.

#### **At the State Level**

5. The Recipient, through MHRD, shall cause each Participating State to:
- (a) maintain, at all times during Project implementation, a fully operational project facilitation unit, with functions and responsibilities agreed with the Association, including, *inter alia*, the responsibility of said unit to avoid frequent staff turnover, and to facilitate and monitor the carrying out of the Project in each of the State-Sponsored Participating Institutions;
  - (b) enforce the eligibility criteria for the State-Sponsored Participating Institutions agreed between the Recipient and the Association, set forth in the PIP, and ensure that only institutions which meet the criteria in all material respects are considered under the Project;
  - (c) make part of the proceeds of the Financing available to each State-Sponsored Participating Institution under an agreement (MOU) between the Participating State and the respective State-Sponsored Participating Institution, under terms and conditions agreed with the Association, which shall include, *inter alia*, the State-Sponsored Participating Institutions' obligation to: (a) carry out the Project in accordance with the PIP, the EMF, the EAP and the Anti-Corruption Guidelines; (b) maintain, on behalf of the Recipient and the Participating State, records and accounts adequate to reflect the operations, resources and

expenditures under the Project; (c) grant the Association the right to examine and audit such records and accounts; (d) refund to the Association any portion of the Financing which the Association may have found to be ineligible for funding under the Project; and (e) enable the Recipient, through MHRD, and the respective Participating State to comply with its obligations under this Agreement; and

- (d) exercise its rights under the relevant MOU 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, through MHRD, shall not assign, amend, abrogate, waive or fail to enforce any MOU or any of its provisions.

**B. Anti-Corruption**

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

**C. Safeguards**

The Recipient, through MHRD, shall cause each Participating State and each Participating Institution to:

- (a) carry out the Project in accordance with the agreed EMF and the EAP in a manner satisfactory to the Association;
- (b) implement mitigation measures set forth in the EMF and the EAP in a manner satisfactory to the Association; and
- (c) ensure that the environmental and social screening criteria provided for under the EMF and the EAP are updated regularly, and are at all times consistently and satisfactory applied.

**Section II. Project Reporting, Monitoring and Evaluation**

**A. Project Reports**

The Recipient, through MHRD, 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 Key Performance Indicators. Each Project Report shall cover the period of six (6) months of Project Implementation, and shall be furnished to the Association not later than three (3) months after the end of the period covered by such report.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient, through MHRD, 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, through MHRD, shall prepare and furnish to the Association not later than forty-five (45) days after the end of each Financial Year quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient, through MHRD, shall have the Project's 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) Financial Year of the Recipient, commencing with the Financial Year in which the first withdrawal under the Project was made. 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 modernization and expansion 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 modernization and expansion works shall be procured under contracts awarded on the basis of International Competitive

Bidding, subject to the additional provisions agreed upon from time to time between the Recipient and the Association.

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 modernization and expansion works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>	
(a)	National Competitive Bidding
(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.
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.

<b>Procurement Method</b>	
(a)	Selection Made Under a Fixed Budget
(b)	Least Cost Selection
(c)	Selection Based on Consultant’s Qualifications
(d)	Single Source Selection

**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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, consultants’ services, training (including workshops) and operating costs for the Project; and Institutional Development Subprojects	186,400,000	60%
<b>TOTAL AMOUNT</b>	<b>186,400,000</b>	

For purposes of this Section IV:

- (a) the term “training” means non-consultant expenditures incurred in connection with the provision of training, including training institution fees, logistics, materials, and the reasonable cost of travel and per diem of trainers and trainees and
- (b) the term “operating costs” means the incremental costs of operation and maintenance of equipment, office rental and expenses, hiring of vehicles, salaries and allowances of incremental staff, and travel costs incurred for the purposes of carrying out the Project.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 18,000,000 equivalent may be made for payments made prior to this date but on or after April 1, 2009 for Eligible Expenditures.
2. The Closing Date is December 31, 2014.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each January 15 and July 15:	
commencing July 15, 2020 to and including January 15, 2030	1.25%
commencing July 15, 2030 to and including January 15, 2045	2.50%

\* 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****Definitions**

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Centrally-Sponsored Participating Institution” means a public technical education institution operating at the central level, which has been selected for funding under the Project (based on the eligibility criteria set forth in the PIP (as hereinafter defined) to carry out an Institutional Development Subproject (as hereinafter defined).
4. “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.
5. “EAP” means the Recipient’s Equity Action Plan, dated December 7, 2009, which sets forth the actions to be taken during Project implementation to help achieve equity among students and faculty in all of the Centrally-Sponsored Participating Institutions and State Sponsored Participating Institutions, including the tribal population and other vulnerable groups, as said plan may be updated from time to time by agreement between the Association and Recipient.
6. “EMF” means the Recipient’s Environmental Management Framework, dated December 7, 2009, governing all environmental aspects of Project implementation, including mitigation and adaptive measures to offset, reduce to acceptable levels, or eliminate, any adverse environmental impacts under the Project, as said framework may be updated from time to time by agreement between the Association and Recipient.
7. “Financial Management Manual” means the Financial Management Manual, set forth as Appendix I of the PIP (as hereinafter defined), which provides for the financial management and institutional arrangements and obligations under the Project, as such Manual may be amended from time to time by agreement between the Association and Recipient.
8. “Financial Year” means the fiscal year of the Recipient which year begins on April 1 and ends on March 31 of each year.



9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
10. “Implementation Team” or “IT” means the Project Implementation Team referred to in Section I.A.2(b) of this Agreement.
11. “Institutional Development Subproject” means an institutional project implemented by either a Centrally-Sponsored Participating Institution or a State-Sponsored Participating Institution, consisting of activities classified in Part A of the Project and which has been prepared and agreed in accordance with the criteria and procedures set forth in the PIP.
12. “Key Performance Indicators” means the indicators for monitoring and evaluating progress towards the attainment of Project objectives.
13. “MHRD” means the Recipient’s Ministry of Human Resource Development, or any successor thereto.
14. “MHRD MOU” means a memorandum of understanding referred to in Section I.A.3 of Schedule 2 to this Agreement, as said MHRD MOU may be amended from time to time by agreement between the Association and Recipient.
15. “Participating Institution” means either a Centrally-Sponsored Participating Institution or a State-Sponsored Participating Institution (as hereinafter defined).
16. “Participating State” means such State of the Recipient to be selected on the basis of criteria set forth in the PIP (as hereinafter defined) to assist in the implementation of the Project.
17. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
18. “Procurement Manual” means the Procurement Manual set forth as Appendix II of the PIP (as hereinafter defined), which Manual sets forth the procurement management and institutional arrangements and obligations under the Project as such Manual may be amended from time to time by agreement between the Association and Recipient.
19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 18, 2009 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.

20. “Project Implementation Plan” or “PIP” means the Recipient’s plan referred to in Section I.A.2(a) of Schedule 2 to this Agreement, dated December 7, 2009, as said plan may be amended from time to time by agreement between the Association and the Recipient.
21. “State-Sponsored Participating Institution” means either a public technical education institution, a public-aided but private technical education institution or a non-public-aided private technical education institution, all operating at the State level, which has been selected for funding under the Project on the basis of the eligibility criteria set forth in the PIP, to carry out an Institutional Development Subproject.
22. “State MOU” means a memorandum of understanding referred to in Section I.A.5(c) of Schedule 2 to this Agreement, as said State MOU may be amended from time to time by agreement between the Association and the Recipient.