

Public Disclosure Authorized

OFFICIAL DOCUMENTS

LOAN NUMBER 8769-IN

Loan Agreement

(Skill India Mission Operation)

between

INDIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated *DECEMBER 13*, 2017

LOAN NUMBER 8769-IN

LOAN AGREEMENT

Agreement dated DECEMBER 13, 2017, between INDIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank 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 — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of two hundred and fifty million Dollars (USD250,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the program and the project as described in Parts I (the "Program") and II (the "Project") of Schedule 1 to this Agreement (the Program and the Project hereinafter jointly referred to as the "Operation").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Loan Account shall be deposited by the Bank into an account specified by the Borrower and acceptable to the Bank.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any

amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

- 2.06. The Payment Dates are February 15 and August 15, in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 4 to this Agreement.
- 2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
- 2.09. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of

one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower, and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) "Standard Exposure Limit" means the standard limit on the Bank's financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) "Total Exposure" means for any given day, the Bank's total financial exposure to the Borrower, as reasonably determined by the Bank.

ARTICLE III — OPERATION

- 3.01. The Borrower declares its commitment to the objectives of the Operation. To this end, the Borrower shall carry out: (i) the Program, with the assistance of the Participating States; and (ii) the Project, all in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Operation 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.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is any of the following officials, acting severally: the Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary of the Department of Economic Affairs of the Borrower's Ministry of Finance.

5.02. The Borrower's Address is:

Secretary
Department of Economic Affairs
Ministry of Finance
North Block
New Delhi 110 001, India

Facsimile:

+91-11-2309 2247

5.03. The Bank's Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

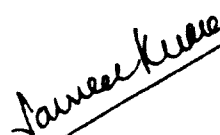
Facsimile:

1-202-477-6391

AGREED at NEW DELHI, India, as of the day and year first above written.

INDIA

By



Authorized Representative

Name: SANGEER KUMAR KHARE

Title: JOINT SECRETARY

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: JUNAID KAMAL AHMAD

Title: COUNTRY DIRECTOR, INDIA

SCHEDULE I

Operation Description

The objectives of the Operation are to enhance institutional mechanisms for skills development and increase access to quality and market-relevant training for the work force.

Part I: The Program consists of the following activities:

Results Area I: Institutional Strengthening at the National and State Levels for Planning, Delivering, and Monitoring High-Quality Market-Relevant Training

1a. Institutional Strengthening at the National Level

Strengthening the MSDE in its financial management and coordination role for all skills development activities across all ministries and states through, *inter alia*:

- (i) Strengthening the National Skills Development Agency (NSDA) as MSDE's research arm in charge of quality assurance, monitoring and evaluation, that include, *inter alia*: (a) fostering the adoption and implementation of the National Skills Qualifications Framework (NSQF) across ministries and states; (b) supporting the establishment of the National Skills Research Division (NSRD) that will analyze the Labor Market Information System (LMIS) data, conduct periodic skill surveys and other relevant studies, and serve as think tank for MSDE; (c) supporting the creation of the LMIS in the NSDA to aggregate databases on skill development activities of all stakeholders, and link with employment exchanges; and (d) strengthening the Sector Skills Councils (SSCs) to align the quality assurance systems of the skill development programs with industry demand and short-term trainings needs of the private sector.
- (ii) Supporting the SSCs for improved governance systems and financial sustainability, by undertaking activities that include, *inter alia*: (a) identification of skill development needs; (b) preparation of sector skill development plan; (c) development and streamlining of competency standards and qualifications, and ensuring their NSQF-compliance; (d) development of Qualification Packs (QPs); (e) design, plan, and facilitate the implementation of Training of Trainers (ToT); (f) the carrying out of assessment and certification of trainers and assessors; (g) special initiatives to ensure program offerings are available and tailored to meet the needs and context of disabled and minority populations; and (h) facilitate placement of skilled and certified persons.
- (iii) Standardizing registration and accreditation criteria for training providers, and establishing a credible skills assessment ecosystem through the setting up of a National Skills Certification Board (NSCB).

- (iv) Streamlining functions of the NSDC to, *inter alia*: (a) operate as a nodal agency for promoting Public-Private Partnerships in skill development and encouraging private investment; (b) encourage private investment in the skill development sector; (c) improve the quality of short-term skilling programs implemented directly by NSDC; (d) strengthen oversight mechanisms at the National Skill Development Fund (NSDF); and (e) augment government efforts in mobilizing corporate social responsibility (CSR) funds.
- (v) Setting up of a national governance, planning, quality assurance, financing, and evaluation mechanism that eliminates perceived conflicts of interest in the system, particularly with respect to training delivery, assessments, and certifications.
- (vi) Developing a massive open online courses (MOOC)-based platform for skill development.
- (vii) Setting up of sector mentor committees to review and align content of short-term courses with long-term courses.

1b. Institutional Strengthening at the State and District Levels

Strengthening the State Skills Development Missions (SSDMs) in the planning, implementation, and monitoring capacity at the state and district levels through the provision of competitive State Incentive Grants (SIG) linked to states' performance and based on proposed annual District Skills Development Plans (DSDPs) and State Skills Development Plans (SSDPs) approved by the Program Appraisal Board (PAB) to, *inter alia*: (i) foster collaboration between SSDMs and NSDC and SSCs; (ii) ensure alignment of skill development programs with the NSQF; (iii) coordinate all skill training activities in the state; (iv) manage skill training activities in the state using a state-level transaction processing system and/or MIS linked to the LMIS; (v) coordinate with the SSCs to review and tailor curricula, training materials, and/or e-learning packages to ensure that the QPs are adjusted to meet local industry needs, norms, or context; (vi) achieve training targets under the PMKVY; (vii) monitor and evaluate trends and outcomes of state-level training programs, including carrying out tracer studies, skills gap analyses, and other relevant performance analyses in coordination with NSRD; (viii) conduct candidate mobilization activities, information campaigns, and corporate outreach events to communicate achievements and plans, leverage potential investments, and increase business productivity; (ix) offer technical assistance services to districts and training providers to improve their institutional and staffing capacity to plan, deliver, measure, and monitor the delivery of new, high-quality training programs; and (x) promote use of common affiliation and certification norms.

Results Area 2: Improved Quality and Market Relevance of Skills Development Programs

Increasing access of training providers to packages of technical resources and materials to improve the quality of their program offerings and labor market transitions of trainees through, *inter alia*: (i) development of guidelines and procedures to obtain and maintain state accreditation in accordance with the new qualification guidelines; (ii) development and dissemination by the NSDC and SSCs of curriculum content and reference guides aligned with the NSQF; (iii) preparation by the SSCs of packages of technical resources and material available for training providers, including guidelines, toolkits, and online support; (iv) development of guidelines to identify, recruit, and retain effective master trainers and the setting up of local cadre of master trainers; (v) development of guidelines, tools, and initiatives to help graduates transition successfully into the labor market upon the completion of training; (vi) design and implementation of trainer training programs to overcome trainer shortage, and training of qualified assessors; (vii) provision of information and options to access an efficient and credible assessment scheme/body that evaluates and certifies skill competencies in accordance with the NSQF; (viii) provision of online support to carry out effective outreach events with the SSCs, local industries, employers, and relevant primary and secondary schools to facilitate apprenticeships and placement; (ix) provision of customized online technical assistance support to new or weaker training providers to prepare submission forms and procedures to comply with the Program standards; (x) provision of data requirements and submission procedures to ensure timely and accurate compliance with state and/or national level monitoring and evaluation systems; and (xi) provision of bi-monthly information and planning sessions (face-to-face and online) to help improve performance.

Results Area 3: Improved access to and completion of skills training for female trainees and other disadvantaged groups

Supporting demand-side and supply-side interventions focused on socially excluded groups (women, Scheduled Tribes (STs), Scheduled Castes (SCs), and persons with disabilities (PWD)), in particular through:

3a. Innovations to Enhance Access for Socially Excluded Groups

(i) Developing modules, guidelines, and protocols to deliver counselling support and socio emotional/life skills training as a complement to job-specific training content; (ii) designing and evaluating pilots to test the cost-effectiveness and impact of financial incentives (such as Direct Benefit Transfer-enabled skills vouchers, transport support, cash transfers, and scholarships) to bolster participation and placement of women, ST and/or SC youth at the state level in partnership with the SSDMs and the PMKVY; (iii) designing and evaluating pilots to test cost-effective methods of offering counselling support (centers, peer-groups, web-based platforms) as complements to training programs for socially excluded groups and those in remote locations; (iv) improving exposure of women to non-traditional and non-stereotypical occupations, facilitative support for self-employment, and

developing a cadre of women trainers; (v) focusing on select, low-income states to support special strategies and incentivizing them with larger financial allocations if needed based on initial assessment of capacity and resource constraints; and (vi) establishing better accountability arrangements with incentives and community participation for enhancing service delivery of skill development programs in all such programs.

3b. Support Integration of Socially Excluded Groups into Planning, Monitoring, and Program Delivery

Supporting the integration of socially excluded groups by facilitating linkages with high growth sectors and locations in the economy, and incorporating identity-specific constraints into job diagnostics; undertaking strategic interventions to increase relevant job opportunities and self-employment provisions for PWDs, along with further disaggregated strategies for women with disabilities through, *inter alia*: (i) establishing model training centers for PWDs in select locations (with required trainers, infrastructure, equipment, and curriculum design) and sectors; (ii) strengthening capacities of the SSDMs and the NSRD to integrate disability into jobs diagnostics and skill gap analysis; (iii) establishing referral and job placement programs for PWD to facilitate finding, obtaining, maintaining, and returning to work; and (iv) testing the effectiveness of using Information and Communication Technology (ICT) enabled training in remote locations and areas with high concentrations of disadvantaged groups, as a means to create hubs of excellence for relevant sectors and link economically weaker locations to high-growth sectors or locations.

Result Area 4: Expanding skills training through private-public partnerships (PPPs)

Mobilization of CSR funds through the establishing of the CSR Skills Fund as a funding mechanism supported by the Skills to Jobs Platform (S2J Platform), an online platform that enables CSR funds provided by the private sector to be matched by government funds for joint public-private investment in key skills development priorities.

Part II: The Project consists of the following activities:

Technical Assistance

Providing technical assistance for capacity building through, *inter alia*: (i) establishing the MSDE's program management unit (PMU) to strengthen existing capacities in financial management, planning, and program coordination within the National Skill Development Mission (NSDM), NSDA, and NSDC; (ii) hiring the Independent Verification Agency (IVA) in charge of verifying all Program's results and DLIs; (iii) providing support to SSDMs aiming to improve their skills development program design and pilots; and (iv) supporting monitoring and evaluation, impact evaluation, and third party assessments/validation of implementation activities and program outcomes.

SCHEDULE 2

Operation Execution

Section I. Implementation Arrangements for the Program and the Project

A. Institutional Arrangements

The Borrower shall:

- (a) vest the overall responsibility for the implementation of the Operation's activities in the MSDE, who will carry out the activities with the assistance of NSDC, NSDA, NSDF and the SSDMs;
- (b) maintain, through the period of implementation of the Operation, the institutional governance mechanism for the Program including the Governing Council (headed by the Prime Minister), the Steering Committee (headed by the Minister of MSDE), and the Mission Directorate (headed by the Secretary of MSDE, who will function as the Program Director);
- (c) by no later than three (3) months after the Effective Date, establish and maintain, throughout the period of implementation of the Operation, a national Program Management Unit ("PMU") within the Mission Directorate, which unit shall be provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Bank, and vested with powers, financial resources, functions and competences, acceptable to the Bank, to serve as the focal unit in the carrying out of the day-to-day implementation of the Operation;
- (d) by no later than three (3) months after the Effective Date, establish and maintain, throughout the period of implementation of the Operation, a Program Appraisal Board ("PAB") within the MSDE, which shall be provided with competent, experienced and qualified staff, in sufficient numbers and under terms of reference acceptable to the Bank, and vested with powers, financial resources, functions and competences, acceptable to the Bank, to carry out the responsibility of assessing, selecting, and approving Participating States' SSDPs, and proposals to access funds from the SIGs;
- (e) select and engage by the earlier of the date which is three (3) months after the Effective Date and the first date on which the Borrower undertakes a verification protocol in accordance with Section III.C of this Schedule 2, and thereafter maintain throughout the period of implementation of the Operation, the services of an Independent Verification Agency (IVA) with

qualification and experience and under terms of reference acceptable to the Bank, in order to: (i) support the Operation's monitoring and evaluation; (ii) document the achievement of DLIs/DLRs and the achievement of initiatives under the CSR Skills Fund; and (iii) prepare a mid-term process evaluation report on the Program;

- (f) establish by no later than three (3) months after the Effective Date, and thereafter maintain throughout the period of implementation of the Operation: (i) the Skills Fund Management Team; and (ii) the Skills Fund Oversight Committee, both with terms of reference and qualifications acceptable to the Bank, dedicated to support the NSDC in the management of the CSR Skills Fund;
- (g) produce, approve, and adopt by the earlier of the date which is three (3) months after the Effective Date and the first date on which the Borrower undertakes a verification protocol in accordance with Section III.C of this Schedule 2, the CSR Skills Funds Manual in form and substance acceptable to the Bank. The Borrower shall thereafter implement the Program in accordance with the CSR Skills Fund Manual;
- (h) carry out at least biannual Joint Review Missions in each fiscal year with the participation of the Bank, NSDA, NSDC, Participating States, and other stakeholders, to review the progress of the Operation in accordance with terms of reference satisfactory to the Bank; and
- (i) cause the Comptroller and Auditor General of India to conduct an audit of the use of public funds under the Operation at mid-term; which audit shall cover all the activities and results areas of the Operation, with the exception of the CSR Skills fund for which a private independent auditor will carry out audits with terms of reference satisfactory to the Bank.

B. Anti-Corruption Guidelines for the Program

The Borrower shall ensure that the Program be carried out in accordance with the provisions of the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012 and revised July 10, 2015.

C. Anti-Corruption Guidelines for the Project

The Borrower shall ensure that the Project be carried out in accordance with the provisions of the Bank's "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, and as of July 1, 2016.

D. Program Fiduciary, Environmental and Social Systems for the Program

Without limitation on the provisions of Article V of the General Conditions, the Borrower shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Bank, including those set out in the ESSA, the SIG Manual, and the Program Action Plan ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

- (a) the Loan proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
- (b) the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

E. Safeguard Requirements under the Project

1. The Borrower shall carry out the Project, or cause the Project to be carried out, in accordance with the TPPF and each additional assessment or plan required to be prepared and implemented thereunder; and to refrain, and/or cause the Participating States, to refrain, from taking any action which would prevent or interfere with the implementation of any requirements under the TPPF, including any amendment, suspension, waiver, and/or voidance of any provision of the TPPF, whether in whole or in part, without the prior written concurrence of the Bank.
2. Any activities involving involuntary resettlement (as defined in the Bank's Operational Policy 4.12) is excluded from the financing under the Project.
3. In the event of any conflict between the provisions of any of the TPPF, on one hand, and the provisions of this Agreement, on the other hand, the provisions of this Agreement shall prevail.

F. Program Action Plan

1. The Borrower shall:
 - (a) implement the Program Action Plan agreed with the Bank, in a manner and substance satisfactory to the Bank; and

- (b) refrain from amending, revising, waiving, voiding, suspending or abrogating, any provision of the Program Action Plan, whether in whole or in part, without the prior written concurrence of the Bank.
 - 2. In the event of any inconsistency between the provision of the Program Action Plan and those of this Agreement, the provision of this Agreement shall govern.
- G. State Incentive Grants (SIG)**
- 1. By no later than the earlier of the date which is three (3) months after the Effective Date and the first date on which the Borrower undertakes a verification protocol in accordance with Section III.C of this Schedule 2, the Borrower shall produce, approve and adopt the States Incentive Grant Manual ("SIG Manual") in form and substance acceptable to the Bank. The Borrower shall thereafter implement and cause each Participating State to implement the Program in accordance with the SIG Manual.
 - 2. After proceeds of the Loan allocated to DLI#6 under Category (1) of the table set forth in paragraph 2 of Section V.A of this Schedule 2 have been withdrawn in accordance with the relevant provisions of this Agreement, the Borrower shall make such proceeds available to the Participating States in accordance with the applicable arrangements and procedures set forth in the SIG Manual, which manual shall provide *inter alia*, that each Participating State shall:
 - (a) formally establish a State Skill Development Mission (SSDM) in the respective department implementing the State's skills development program;
 - (b) prepare annual District Skills Development Plans (DSDPs) based on the SIG Manual's criteria and on consultations with stakeholders and SSCs; and
 - (c) consolidate the DSDPs into state level State Skills Development Plans (SSDPs), and submit said SSDPs as Annual Implementation Plans to the MSDE's PAB for assessment and approval.
 - 3. Upon the assessment and approval of the SSDPs by the MSDE's PAB and pursuant to the SIG Manual; the Borrower, acting through MSDE, shall enter into a written agreement ("Letter of Undertaking") with each Participating State for the provision of State Incentive Grants (SIGs), under terms and conditions acceptable to the Bank, which may include, *inter alia*:
 - (a) the Participating State commits to the objective of the Program; and undertakes to carry out any activities under the Program in accordance with sound technical, financial, managerial, social and environmental and

labor standards, consistent with the minimum requirements set forth in the SIG Manual and the ESSA, and acceptable to the Bank;

- (b) the SIGs shall: (i) be used to exclusively finance the eligible expenditures set forth in the SIG Manual (with the exclusions set forth in Section II of this Schedule); (ii) be disbursed upon the Participating State's achievement of specific, measurable, verifiable and attributable indicators/results; and (iii) have a closing date (end of disbursement period) not to exceed the date set forth in Section V.D.2 of this Schedule;
- (c) the Participating State shall implement its respective activities under the Program, in compliance with the Bank's "Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing" dated February 1, 2012 and revised July 10, 2015;
- (d) the Participating State shall: (i) establish and/or maintain policies and procedures that would allow the Borrower and/or the Bank to carry out supervision and monitoring the implementation of the Participating State's activities under the Program; (ii) prepare and furnish to the Borrower and/or the Bank, all such information that the Borrower, and/or the Bank shall reasonably request in relation to the Program; and (iii) accept the carrying out of inspections by the Borrower and/or the Bank for the monitoring of, and in relation to, the carrying out of the activities under the Program;
- (e) the Participating State shall: (i) prepare progress reports based on standard reporting templates prepared by the MSDE on Program activities under the Participant State's responsibility and submit said reports to the Borrower for consolidation and further submission to the Bank;
- (f) the Participating State shall: (i) maintain records and accounts adequate to reflect, in accordance with sound accounting practices, the operations, resources and expenditures incurred in the implementation of its respective activities under the Program; and (ii) have such records and accounts audited in accordance with appropriate auditing principles consistently applied by an independent auditor;
- (g) the Borrower shall have the right to suspend or terminate the right of the Participating State to withdraw and use the proceeds of the SIG upon any failure of the Participating State to perform its obligations under the Letter of Undertaking; and
- (h) the Participating State acknowledges and consents to the Borrower's right of restitution of any amounts disbursed under the SIG with respect to

which fraud and corruption has occurred, or with which an ineligible expenditure has been paid.

Section II. Excluded Activities under the Program

The Borrower shall ensure that the Program excludes any activities which:

- (a) in the opinion of the Bank, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- (b) involve the procurement of: (1) works, estimated to cost fifty million United States Dollars (USD 50,000,000) equivalent or more per contract; (2) goods, and non-consulting services, estimated to cost thirty million United States Dollars (USD 30,000,000) equivalent or more per contract; or (3) consultants' services, estimated to cost fifteen million United States Dollars (USD 15,000,000) equivalent or more per contract.

Section III. Operation Monitoring, Reporting and Evaluation; Audits

A. Progress Reports for the Operation

The Borrower, through MSDE, shall monitor and evaluate the progress of the Operation and prepare Progress Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Without limiting Section 5.08 of the General Conditions, the Progress Reports shall cover the progress achieved by the Borrower in the implementation of the Program Action Plan. Each Progress Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management and Audits for the Operation

1. The Borrower shall maintain, and shall cause the Participating States to maintain, financial management systems and prepare, and cause the Participating States to prepare, financial statements ("Financial Statements") in accordance with consistently applied accounting standards acceptable to the Bank, in a manner to adequately reflect resources and expenditures related to the Operation.
2. Without limitation on the generality of Section I.D. of this Schedule 2 and Section 5.09 of the General Conditions, the Borrower shall, and shall cause the Participating States to, have the Financial Statements for the Program and the Project audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Project's and the Program's Financial Statements shall cover the period of one fiscal year of the Borrower or the Participating States.

as the case may be, commencing with the fiscal year in which the first withdrawal was made from the Loan under the Program and/or the Project, respectively. Unless otherwise agreed with the Bank, the Borrowers' and the Participating States' audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

C. Verification Protocols for the Program

The Borrower shall:

- (a) undertake a verification process, in accordance with the terms of reference agreed with the Bank, to certify the fulfillment of the Disbursement Linked Results set out in Schedule 3 to this Agreement; and
- (b) furnish to the Bank corresponding verification report(s), in form and substance agreed with the Bank.

D. Interim Financial Report for the Project

Without limitation of the provisions of sub-Sections III.A and III.B of this Schedule 2, the Borrower shall prepare and furnish to the Bank, not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports ("IUFs") for the Project covering the Eligible Expenditures incurred during the quarter, all in form and substance satisfactory to the Bank.

Section IV. Procurement Activities under the Project (Part II of Schedule 1 to this Agreement)

A. General

1. **Goods and Non-consulting Services.** All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan 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 Loan 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 Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following method, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions agreed from time to time in the Procurement Plan; (c) Shopping and (d) 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 methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

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

Section V. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Borrower in order to finance:

- (a) the Program Expenditures on the basis of the results ("Disbursement Linked Results" or "DLRs") achieved by the Borrower, as measured against specific indicators ("Disbursement Linked Indicators" or "DLIs"), all as set forth in Category (1) of the table in paragraph 2 (below) of this sub-Section V.A and Schedule 3 to this Agreement;
 - (b) the Project's Eligible Expenditures as set forth in Category (2) of the table in paragraph 2 (below) of this sub-Section V.A;
 - (c) the Front-end Fee; and/or
 - (d) each Interest Rate Cap or Interest Rate Collar premium, if applicable, upon the Borrower's exercising the respective options set forth in Section 2.08 of this Agreement.
2. The following table specifies the categories for the withdrawal of the proceeds of the Loan, and allocated amounts for each such category, including, as the case may be: (a) the Programs' Disbursement Linked Indicators that may be financed out of the proceeds of the Loan under Category (1); and (b) the Project's Eligible Expenditures that may be financed out of the proceeds of the Loan under Category (2) and the financing percentages thereof. Notwithstanding the foregoing, for purposes of Category (1) of the table below, the actual amounts authorized for disbursement ("Allocated Amount") and/or the formula for their determination upon the achievement of an individual DLR for any given DLI financed under such Category, are set forth in Schedule 3 to this Agreement:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Eligible Expenditures to be Financed (inclusive of Taxes)
(1) Disbursements under the Program for:		
(a) DLI # 1: Trainees who have successfully completed the NSQF aligned market-relevant short-term SD programs and were certified	27,500,000	N/A
(b) DLI #2: Percentage of graduates who are wage employed or self-employed	20,000,000	

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Eligible Expenditures to be Financed (inclusive of Taxes)
within six months of completion of short-term SD programs		
(c) DLI #3: NSQF aligned QPs translated into model curriculum, trainers guide, and teaching learning resource packs	16,250,000	
(d) DLI #4: Number of trainers and assessors trained/retrained with the new CPD modules	8,750,000	
(e) DLI # 5: A system in place to undertake M&E of SD programs at the national and state level	15,000,000	
(f) DLI #6: Improved performance of states on institutional strengthening, market relevance of SD programs, and access to and completion of training by marginalized populations	100,000,000	
(g) DLI #7: Increase in percentage of women, SCs and STs, and PWD participating in SD programs	12,500,000	
(h) DLI #8: Joint public and private sector funding successfully	36,875,000	

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Eligible Expenditures to be Financed (inclusive of Taxes)
channelized and utilized into priority SD initiatives		
(2) Eligible Expenditures under the Project for goods, non-consulting services consultants' services, Training and Workshops and Incremental Operating Costs for the Project.	12,500,000	100%
(3) Front-end Fee to be paid pursuant to Section 2.03 of this Agreement in accordance with Section 2.05(b) of the General Conditions (renumbered as such pursuant to paragraphs 3 and 5 of Section II of the Appendix to this Agreement	625,000	100%
(4) Interest Rate Cap or Interest Rate Collar premium to be paid pursuant to Section 2.08(c) of this Agreement in accordance with Section 4.05 of the General Conditions	0	100%
TOTAL AMOUNT	250,000,000	

3. Notwithstanding the foregoing, for purposes of Category (1)(f) and (1)(h) of the table above, no withdrawal shall be made for DLRs under: (i) DLI # 6; and (ii) DLI # 8 until and unless the SIG Manual (for DLI #6) and the CSR Skills Funds Manual (for DLI #8), respectively, have been prepared, approved, and adopted by the Borrower in a manner satisfactory to the Bank.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for purposes of Section 2.03 of the General Conditions (renumbered as such pursuant to paragraph 6 of Section III of the Appendix to this Agreement) and relating to *Program Expenditures*, for DLRs achieved prior to the date of this Agreement; or
 - (b) for any DLR under any subcategory in Category (1), until and unless the Borrower has furnished evidence satisfactory to the Bank that said DLR has been achieved.
2. Notwithstanding the provisions of Part B.1(b) of this Section, the Borrower may withdraw the proceeds of the Loan up to an aggregate amount not to exceed the equivalent of twenty-five percent (25%) of the amounts allocated to all subcategories under Category (1) (net of any cancellations), as advance for purposes of achieving one or more DLRs for which the Borrower shall subsequently furnish to the Bank the evidence referred to in sub-paragraph (b) of paragraph 1 of this sub-Section V.B; provided, however, that if by the Closing Date the Borrower has withdrawn amounts in excess of the Allocated Amounts authorized for disbursement as per Schedule 3 to this Agreement in respect of documented/achieved DLRs, the Bank shall require the Borrower to refund the amounts of such excess to the Bank promptly upon notice thereof by the Bank, in order for the Bank to proceed with its cancellation. Notwithstanding the foregoing, the Bank may, at any time, in its own discretion, exercise any of the actions set forth in sub-paragraph 3(a) and/or 3(b) (below) of this sub-Section V.B in respect of such amounts.
3. Notwithstanding the provisions of Part B.1(b) of this Section, if the Bank is not satisfied that any of the DLR(s) set forth in Schedule 3 to this Agreement has/have been achieved by the end of the respective Year(s) in which said DLR(s) is/are set to be achieved, and/or the Allocated Amount(s) of such DLR(s) has/have not been fully withdrawn, the Bank may, at any time, by notice to the Borrower, decide, in its sole discretion, to:
- (a) authorize the withdrawal of such lesser amount of the respective Loan amount then allocated to said DLR(s) which, in the opinion of the Bank, corresponds to the extent of achievement of said DLR(s);
 - (b) withhold all or a portion of the proceeds of the Loan then allocated to said DLR(s) until such DLR(s) is/are satisfactorily met; or
 - (c) reallocate all or a portion of the proceeds of the Loan then allocated to said DLR(s) to any other DLR(s); and/or
 - (d) cancel all or a portion of the proceeds of the Loan then allocated to said DLR(s).

4. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for Eligible Expenditures under Category (2) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed USD 2,500,000 may be made for payments made not more than twelve months prior to the date of this Agreement for Eligible Expenditures under Category (2).

C. Withdrawal Conditions Applicable to the Operation: Withdrawal Period

1. Notwithstanding the foregoing provisions of this Section V, if at any time after the Closing Date the Borrower has failed to provide evidence satisfactory to the Bank that the Withdrawn Loan Balance does not exceed the aggregate of the total amount of Program Expenditures and Eligible Expenditures paid by the Borrower on account of implementation of the Operation (exclusive of any such expenditures financed by any other financier or by the Bank under any other loan, credit or grant), the Borrower shall, promptly upon notice from the Bank, refund to the Bank such excess amount of the Withdrawn Loan Balance. The Bank shall cancel the refunded amount of the Withdrawn Loan Balance.
2. The Closing Date is March 31, 2023.

SCHEDULE 3

Disbursement Linked Indicators, Disbursement Linked Results and Allocated Amounts Applicable to the Program

DISBURSEMENT LINKED INDICATORS*	BASELINE	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2020/21 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2021/22 (YEAR 5)	RESULTS TO BE ACHIEVED IN FY2022/23 (YEAR 6)
1. Trainees who have successfully completed the NSQF-aligned market-relevant short-term SD programs and were certified	2 million	2.76 million** cumulative over baseline	3.78 million** cumulative over baseline	5.06 million** cumulative over baseline	6.33 million** cumulative over baseline	7.60 million** cumulative over baseline	8.87 million** cumulative over baseline
Allocated Amount US\$ 27,500,000		Upon achievement of at least 50% of the target mentioned in each respective year: US\$ 514,286 for every 100,000 trainees trained in the Years 1 to 3; US\$ 308,571 for every 100,000 trainees trained in the Years 4 to 6.					
2. Percentage of graduates who are wage employed or self-employed within six months of completion of short-term SD programs	27% of graduates are wage employed or self-employed within six months of completion of SD programs		30%*** of graduates placed/self-employed within six months of completion of SD program training in Year 1	35%*** of graduates placed/self-employed within six months of completion of SD program training in Year 2	40%*** of graduates placed/self-employed within six months of completion of SD program training in Year 3	45%*** of graduates placed/self-employed within six months of completion of SD program training in Year 4	50%*** of successful students placed/self-employed within six months of completion of SD program training in Year 5
Allocated Amount		Upon achievement of target mentioned in each respective year: US\$ 271,903 for every 100,000 trainees placed/self-employed within six months of completion of short-term SD program training in Years 1 to 3, and					

* All the DLIs presented in this Annex are not time-bound, except for results to be achieved in Year 1 for DLIs 4, 5 and 6, which need to be achieved by March 31, 2018. For all other results, the Fiscal Years in which they are expected to be achieved are strictly for indicative purposes as they can be met at any time up to the Closing Date.

** These are estimated projections of achievements. The minimum targets to trigger disbursements for each Year are 50% of these projections, i.e. 1,381,937; 1,891,186; 2,527,747; 3,164,308; 3,800,870; 4,437,444 for Years 1, 2, 3, 4, 5, and 6, respectively.

*** In this case, these percentages represent the minimum real targets to be achieved based on the actual numbers of trainees successfully trained.

DISBURSEMENT LINKED INDICATORS*	BASILINE	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2020/21 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2021/22 (YEAR 5)	RESULTS TO BE ACHIEVED IN FY2022/23 (YEAR 6)	
US\$ 20,000,000			US\$163,142 for every 100,000 trainees placed/self-employed within six months of completion of short-term SD program training in Years 4 to 6					
3. NSQF aligned into model curriculum, trainers guide, and teaching learning resource packs	(i) The NSDA set up as the regulatory arm of the MSDE (ii) The NQAF overview manual notified in 2015 (iii) 40 SSCs have been approved, out of which 32 are operational 1426 QPs approved by the NSQC with limited impact on SD programs	At least 200 NSQC approved QPs made into model curriculum and 100 job roles for transitional standards developed according to NQAF Manuals	NQAF accreditation standards have been applied to all TPs delivering NSQF qualifications affiliated with the NSDC and the SSCs	Teaching learning resource packs have been developed under Creative Commons license for 80% job roles at levels 5-7 of the NSQF	QPs and teaching learning packs based on the model curriculum developed and approved by the NSQC for MSMEs for at least 100 job roles in 25 sectors	At least 1,000 NSQC approved QPs or 100% of the existing QPs (current or revised) cumulatively from Year 1 are covered by the model curriculum, trainers guide, and teaching learning resource packs, and disclosed on the NSDC website	Accreditation, assessment and certification conducted according to the NQAF for all central and state level short-term training programs under the Program	
Amount Allocated US\$16,250,000		US\$6,500,000	US\$6,500,000	US\$2,000,000	US\$500,000	US\$500,000	US\$250,000	

DISBURSEMENT LINKED INDICATORS*	BASELINE	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2020/21 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2021/22 (YEAR 5)	RESULTS TO BE ACHIEVED IN FY2022/23 (YEAR 6)
4. Number of trainers and assessors trained/retrained with the new CPD modules	Insufficiently skilled trainers, lack of qualified assessors, assessment practices questionable	Training of Trainers (TOT) and assessors plan for existing and potential trainers created and approved, including curriculum design, and materials for new modules	All faculty of the current TPs delivering NSQF compliant qualifications, and at least 4,750 trainers and 750 assessors have been trained with new modules	ToT programs executed in compliance with NSQF for at least 7,500 trainers and 1,500 assessors cumulatively from Year 2	ToT programs conducted in compliance with NSQF for at least 10,000 trainers and 2,000 assessors cumulatively from Year 2	ToT programs conducted in compliance with NSQF for at least 12,500 trainers and 2,500 assessors cumulatively from Year 2	ToT programs conducted in compliance with NSQF for at least 15,000 trainers and 3,000 assessors cumulatively from Year 2
Allocated Amount US\$ 8,750,000		US\$ 1,250,000	US\$30,000 for every 100 trainers and US\$100,000 for every 100 assessors trained upon achievement of target above-mentioned in the respective Year.				
5. A system in place to undertake M&E of SD programs at the national and state level	Several MIS blocks are in place nationally and at state level, but design is fragmented and reliability of data questionable	(i) The National Skills Research Division (NSRD) has been formally established, and (ii) The NSRD has completed a baseline report for SIMO's impact evaluation	At least five central schemes (including SDKMS) have an MIS put in place and at least 10 SSDMs in Participating States submitted data to the LMIS	The first tracer study (including the PMKVY) report has been disclosed by the NSRD	At least 16 SSDMs in total have contributed data to the LMIS	The second tracer study (including the PMKVY) report has been disclosed by the NSRD	(i) At least 25 Participating States have submitted data to the LMIS, (ii) All data incorporated in final SIMO impact evaluation report
Allocated Amount US\$ 15,000,000		(i) US\$ 2,500,000 (ii) US\$ 2,000,000	US\$ 4,125,000 (US\$ 275,000 per central management scheme and per SSDM)	US\$ 2,375,000	US\$ 1,500,000 (US\$250,000 per SSDM)	US\$ 500,000	(i) US\$ 1,500,000 (ii) US\$ 500,000
6. Improved performance of states on institutional strengthening.		The baseline for the State Incentive Grants* (SIG) Scorecard (Scorecard) has been	Participating States have improved their SIG scores by 15 points over the	Participating States have improved their SIG scores by 15 points over the previous year,	Participating States have improved their SIG scores by 15 points over the	Participating States have improved their SIG scores by	Participating States have improved their SIG scores by

DISBURSEMENT LINKED INDICATORS*	BASELINE	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2020/21 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2021/22 (YEAR 5)	RESULTS TO BE ACHIEVED IN FY2022/23 (YEAR 6)
<i>market relevance of SD programs, and access to and completion of training by marginalized populations</i>		calculated for each state	baseline, with at least 3 points in each component of the Scorecard	with at least 3 points in each component of the Scorecard	previous year, with at least 3 points in each component of the Scorecard	15 points over the previous year, with at least 3 points in each component of the Scorecard	15 points over the previous year, with at least 3 points in each component of the Scorecard
Allocated Amounts US\$ 100,000,000		US\$ 10,000,000	US\$ 10,000,000	US\$ 10,000,000	US\$ 10,000,000	US\$ 10,000,000	US\$ 10,000,000
7. Increase in percentage of women, SCs and STs, and PWD participating in SD programs	Current Participation of women in SD programs is 31% Participation of SC's and STs in SD programs is 18%. Participation of Persons With Disability (PWD) in SD programs is negligible.		Participation of women and disadvantaged groups in SD programs has increased to Women - 32% SCs and STs - 19% PWD - 0.5%	Participation of women and disadvantaged groups in SD programs has increased to Women - 33% SCs and STs - 21% PWD - 0.8%	Participation of women and disadvantaged groups in SD programs has increased to: Women - 34% SCs and STs - 22% PWD - 1%	Participation of women and disadvantaged groups in SD programs has increased to: Women - 34% SCs and STs - 22% PWD - 1%	Participation of women and disadvantaged groups in SD programs has increased to: Women - 34% SCs and STs - 22% PWD - 1%
Allocated Amount US\$ 12,500,000		(1) SDJ Platform has been developed and made operational	At least US\$ 2,000,000	(1) At least US\$ 2,000,000	US\$ 1,500,000	US\$ 1,000,000	US\$ 1,000,000
8. Joint public and private sector	CSR provides an option for						

DISBURSEMENT LINKED INDICATORS*	BASELINE	RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 1)	RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 2)	RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 3)	RESULTS TO BE ACHIEVED IN FY2020/21 (YEAR 4)	RESULTS TO BE ACHIEVED IN FY2021/22 (YEAR 5)	RESULTS TO BE ACHIEVED IN FY2022/23 (YEAR 6)
<p><i>funding successfully channeled and utilized into priority SD initiatives</i></p>	<p>firms to contribute 2% of their profits to community development, including SD</p> <p>No transparent and reliable mechanism exists to mobilize CSR funds for SD.</p>	<p>(i) At least US\$ 2,000,000 CSR funds have been credited to the CSR Skills Fund</p>	<p>additional CSR funds to Year 1 have been credited to the CSR Skills Fund</p>	<p>in CSR funds additional to Year 2 have been credited to the CSR Skills Fund</p> <p>(ii) At least 50% of CSR Funds contributed by the end of Year 1 have been successfully utilized</p>			
<p><i>Allocated Amount</i> US\$ 36,875,000</p>		<p>Upon achievement of target above mentioned, US\$ 1 for every US\$ 1 of private funds credited to the CSR Skills Fund</p>		<p>Upon achievement of targets (i) and (ii) above mentioned in each Year, US\$ 1 for every US\$ 1 of private funds credited to the CSR Skills Fund contingent on successful use of the funds</p>			

SCHEDULE 4

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
On each February 15, and August 15 Beginning on August 15, 2023 Through August 15, 2034	4.17%
On February 15, 2035	4.09%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.
5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

APPENDIX

Section I. Definitions

1. "Allocated Amounts" means the amount in United States dollars allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed, in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Bank, from time to time, as the case may be, in accordance with the provisions of Section V.B.3 of Schedule 2 to this Agreement.
2. "Category" means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
3. "Consultant's Guidelines" means the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
4. "Corporate Social Responsibility" and the acronym "CSR" mean the activities carried out by corporations in the private sector to contribute to good community relations.
5. "CPD" means continuous professional development.
6. "CSR Skills Fund" means the portion of the NSDF that will be financed through the private sector contributions and the Bank matching component and whose proceeds and transactions will be visible on the S2J Platform.
7. "CSR Skills Funds Manual" means the Borrower's manual, satisfactory to the Bank, for purposes of carrying out the activities related to the CSR Skills Fund, which manual shall comprise, *inter alia*: composition and terms of reference of the Skills Fund Management Team, composition and terms of reference of the Skills Fund Oversight Committee, and detailed governance mechanism and business processes for the operations of the fund.
8. "Disbursement Linked Indicator" or "DLI" means each of the disbursement linked indicators listed in the first column of the matrix set forth in Schedule 3 to this Agreement.
9. "Disbursement Linked Result" or "DLR" means each of the disbursement linked targets/results set forth in Schedule 3 to this Agreement in the columns entitled "Results to be Achieved in FY2017/18 (Year 1)", "Results to be Achieved in FY2018/19 (Year 2)", "Results to be Achieved in FY2019/20 (Year 3)", "Results to be Achieved in FY2020/21 (Year 4)", "Results to be Achieved in FY2021/22 (Year 5)" or "Results to be Achieved in FY2022/23 (Year 6)", as applicable.

10. "District Skills Development Plan" and the acronym "DSDP" mean the annual plan prepared by the districts based on the SIG criteria incorporating inter-state and intra-state migration trends and numbers, linkages with MSME sectors, outreach strategies and pilots for marginalized communities.
11. "ESSA" means the Environmental and Social Systems Assessment, dated June 2016 and published in Infoshop on June 1, 2016 applicable to the Program, setting forth the description of the Program's activities, assessing the Borrower's and Participating States' environmental and social management systems, detailing the Program's environmental and social benefits, risks, and impacts, and recommending remedial measures to strengthen the social and environmental systems performance.
12. "Fiscal Year" or "FY" means the Borrower's, Participating States' fiscal year, as the case may be. For purposes of Schedule 3 to this Agreement, FY means the Borrower's fiscal year which begins on April 1 of each calendar year and ends on March 31 of the next calendar year.
13. "General Conditions" means:
 - (a) For the Project: the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II of this Appendix; and
 - (b) For the Program: the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012, with the modifications set forth in Section II and III of this Appendix.
14. "IUFRRs" means the interim unaudited financial reports referred to in Section III.D of Schedule 2 to this Agreement.
15. "Incremental Operating Costs" means the incremental expenditures for salaries of contractual staff (other than consultants), per diems, office rental, office supplies, utilities, conveyance, travel and boarding/lodging allowances, operation and maintenance of office equipment and vehicles, advertising expenses and bank charges, insurance, media broadcastings, newspaper subscriptions, periodicals, and printing and stationery costs incurred by either the Borrower, the Participating States in connection with the management, coordination and implementation of Operations' activities, which expenditures would not have been incurred absent the Operation, but excluding salaries and salary top-ups of the Borrower's and Participating States' civil servants.

16. "IVA" means the Independent Verification Agent to be appointed by the Borrower for the purpose of verifying DLRs in accordance with Section I.A(e) of Schedule 2 to this Agreement.
17. "Letter of Undertaking" means the agreement to be entered into by and between MSDE and a State willing to take part in the Program pursuant to Section I.G(3) of Schedule 2 to this Agreement.
18. "LMIS" means the Borrower's national Labor Market Information System to be established as part of the Program.
19. "Low Income Participating State" means any of the Participating States among Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, and Uttar Pradesh.
20. "MSDE" means the Borrower's Ministry of Skills Development and Entrepreneurship or any successor thereto.
21. "NSDA" means the Borrower's National Skills Development Agency or any successor thereto.
22. "NSDC" means the Borrower's National Skills Development Corporation, or any successor thereto.
23. "NSDF" means the Borrower's National Skills Development Fund established by the Government of India.
24. "NSDM" means the Borrower's National Skill Development Mission.
25. "NSRD" means the Borrower's National Skills Research Division, or any successor thereto.
26. "NSQF" means the Borrower's National Skills Qualifications Framework established by the Government of India.
27. "Operation" means, collectively, all activities described under the Program and the Project in Schedule 1 to this Agreement.
28. "Participating State" means a State that has entered into a Letter of Undertaking with the MSDE for purposes of qualifying to participate in activities financed by the Program.
29. "PMKVY" means the Borrower's Pradhan Mantri Kaushal Vikas Yojana.

30. "PMU" means MSDE's Program Management Unit, to be established by the Borrower pursuant to sub-paragraph (c) of Section I.A of Schedule 2 to this Agreement.
31. "PPP" means private-public partnership.
32. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
33. "Procurement Plan" means the procurement plan for the Project, dated May 24, 2017, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
34. "Program" means, collectively, the activities described in Part I of the Schedule 1 to this Agreement.
35. "Program Action Plan" means the set of priority actions agreed by the Borrower and the Bank for the strengthening of the Borrower, the Participating States', sectoral and institutional frameworks (including the Program Fiduciary and Environmental and Social Systems), dated May 24, 2017, and referred to in Section I.F of Schedule 2 to this Agreement, as may be amended from time to time with the written agreement of the Bank.
36. "Program Fiduciary and Environmental and Social Systems" means the Borrower's, Participating States' systems for the Program referred to in Section I.D of Schedule 2 to this Agreement.
37. "Program Appraisal Board" and the acronym "PAB" mean the body to be established by the Borrower pursuant to sub-paragraph (d) of Section I.A of Schedule 2 to this Agreement.
38. "Project" means the activities described in Part II of the Schedule 1 to this Agreement.
39. "PWD" means persons with disabilities.
40. "QPs" mean qualification packs setting out skill qualification requirements for identified sectors.
41. "SC" means a scheduled caste set out in the Constitution of India and as amended from time to time.

42. "SD" means skills development in line with the Borrower's National Policy for Skills Development and Entrepreneurship (2017-2023), of a short term nature (usually three to six months or up to 600 hours), excluding longer-term programs delivered by industrial training institutes under the Directorate General of Training.
43. "SIMO" means Skill India Mission, which is the Operation that is the subject of Schedule 1 to this Agreement.
44. "SSC" means a Sector Skills Council, established as an autonomous industry-led body by the NSDC.
45. "SSDM" means a state skills development mission established by Participating States.
46. "SSDP" means the annual plan prepared by the States based on the SIG criteria incorporating inter-state and intra-state migration trends and numbers, linkages with MSME sectors, outreach strategies and pilots for marginalized communities.
47. "States" means any of the states or union territories of the Borrower.
48. "States Incentive Grants Scorecard" means the criteria against which SIG performance will be measured as set out in the SIG Manual, including: (i) strengthened institutional mechanisms; (ii) improved quality and market relevance of SD programs; and (iii) improved access and completion of skill training for women and disadvantaged groups.
49. "ST" means a scheduled tribe set out in the Constitution of India and as amended from time to time.
50. "State Incentive Grant" or "SIG" means the performance based grant funding to be provided by MSDE to a Participating State, in the amounts and under the terms and conditions set forth in the respective Letter of Undertaking and in accordance with the SIG Manual.
51. "State Incentive Grant Manual" or "SIG Manual" means the Borrower's manual, satisfactory to the Bank, for purposes of carrying out the activities related to the State Incentive Grants, which manual shall comprise, *inter alia*: (i) the SIG implementation arrangements; (ii) the eligibility criteria and screening protocols and procedures for the assessment and selection of Participating States proposals to be financed under SIGs; (iii) the environmental, social, labor and safety, financial management and procurement standards to be followed by MSDE and the Participating States in the implementation of their respective activities in relation to SIGs; (iv) the terms and conditions applicable to SIGs; (v) the templates for the SIG agreements; and (vi) the SIG monitoring and evaluation, and reporting

- requirements, including the format of the IUFs and the format for progress reports, as the same might be amended from time to time with the prior written concurrence of the Bank.
52. "S2J Platform" means the Borrower's Skills to Jobs technology platform for monitoring of CSR Skills Fund.
53. "TP" means Training Providers.
54. "TPPF" means the Borrower's Tribal People Planning Framework, published in Infoshop on October 7, 2016, which sets forth, inter alia: (a) the protocols for screening the Operation's activities and identifying and assessing any potential Operation-related social impact on Tribal Groups; and (b) preparing any mitigation actions therefore (i.e. Tribal Peoples' plans); as well as (c) the monitoring and reporting requirements in relation thereto. The TPPF may be amended from time to time with the prior written concurrence of the Bank.
55. "Training and Workshops" means the training, study tours, conferences and workshops conducted and/or attended by staff from MSDE and/or other stakeholders, in the territory of the Borrower or, subject to the Banks' prior no objection, overseas, including the purchase and publication of materials, rental of facilities, course fees, and lodging, travel expenses and per diems for trainers and/or trainees.
56. "Tribal Groups" means any distinct, vulnerable, social and cultural group within the territory of the Borrower, that: (i) self-identifies as such and claims, and is recognized by others as, having a distinguishable cultural identity; (ii) has collective attachment to geographically distinct habitats or ancestral territories in the Project area, and to the natural resources in these habitat and territories; (iii) has customary cultural, economic, social and political institutions that are separate from those of the dominant society and culture; and (iv) has an indigenous language, often different from the official languages of the Borrower.
57. "Year" means any of the Years 1 through 6 of Program implementation, and the context shall determine.
58. "Year 1" means the first year of implementation of Program activities, which have taken place in the Borrower's Fiscal Year 2017/18 in order to achieve the results shown in the third column of the table in Schedule 3 to this Agreement.
59. "Year 2" means the second year of implementation of Program activities, expected to take place in the Borrower's Fiscal Year 2018/19 in order to achieve the results shown in the fourth column of the table in Schedule 3 to this Agreement.

60. "Year 3" means the third year of implementation of Program activities, expected to take place in the Borrower's Fiscal Year 2019/20 in order to achieve the results shown in the fifth column of the table in Schedule 3 to this Agreement.
61. "Year 4" means the fourth year of implementation of Program activities, expected to take place in the Borrower's Fiscal Year 2020/21 in order to achieve the results shown in the sixth column of the table in Schedule 3 to this Agreement.
62. "Year 5" means the fifth year of implementation of Program activities, expected to take place in the Borrower's Fiscal Year 2021/22 in order to achieve the results shown in the seventh column of the table in Schedule 3 to this Agreement.
63. "Year 6" means the sixth year of implementation of Program activities, expected to take place in the Borrower's Fiscal Year 2022/23 in order to achieve the results shown in the eighth column of the table in Schedule 3 to this Agreement.

Section II Modifications to the General Conditions for purposes of Project and Program Implementation

The modifications of the General Conditions for the Project and Program are as follows:

1. Whenever used throughout the General Conditions, the term "Project Report" is modified to read "Progress Report".
2. Section 3.01. (*Front-end Fee*) is modified to read as follows:

"Section 3.01. *Front-end Fee: Commitment Charge*

 - (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee").
 - (b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."
3. In the Appendix, **Definitions**, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."
5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of "Front-end Fee" is modified by replacing the reference to Section 3.01 with Section 3.01 (a).
6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term "Loan Payment" is modified to read as follows:

"68. "Loan Payment" means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, interest at the Default Interest Rate (if any), the Commitment Charge, any surcharge and any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower."
7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of "Payment Date" is modified by deleting the word "is" and inserting the words "and Commitment Charge are" after the word "interest".

Section III. Modifications to the General Conditions and Section II above for purposes of Program Implementation.

The modification to the General Conditions for the Program are as follows:

1. Wherever used throughout the General Conditions, the term "the Project" is modified to read "the Program", the term "the Project Agreement" is modified to read "the Program Agreement", the term "Project Implementing Entity" is modified to read "the Program Implementing Entity", the term "Project Report" is modified to read "Program Report", and the term "Eligible Expenditures" is modified to read "Program Expenditures".
2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set forth below.
3. Section 2.02, *Special Commitment by the Bank*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading "*Applications for Withdrawal or for Special Commitment*" is replaced with "*Applications for Withdrawal*", and the phrase "or to request the Bank to enter into a Special Commitment" is deleted.
5. The section originally numbered as Section 2.04, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.
6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed "Program Expenditures" in accordance with paragraph 1 of this Section II), is modified to read: "(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Loan in accordance with the provisions of the Legal Agreements:".
7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: "To that end, if the Bank at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Bank may, by notice to the Borrower, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Loan, as required to ensure consistency with such policy of the Bank."
8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read:

"Notwithstanding any allocation of an amount of the Loan to a withdrawal category under the Loan Agreement, the Bank may, by notice to the Borrower, reallocate any other amount of the Loan to such category if the Bank reasonably determines at any time that such reallocation is appropriate for the purposes of the Program."
9. Section 7.01, *Cancellation by the Borrower*, is modified to read: "The Borrower may, by notice to the Bank, cancel any amount of the Unwithdrawn Loan Balance."
10. Paragraph (d) of Section 7.03, *Cancellation by the Bank*, entitled "*Misprocurement*", is deleted, and subsequent paragraphs are relettered accordingly.
11. Section 7.04, *Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Bank*, is deleted in its entirety, and subsequent Sections in Article VII and references to such Sections are renumbered accordingly.

12. In the Appendix, **Definitions**, all references to Section numbers and paragraphs are modified, as necessary, to reflect the modifications set forth above.
13. Renumbered paragraph 88 (originally paragraph 87) of the Appendix, setting forth the definition of "Special Commitment" is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.