



Financial Management & Procurement Manual
For
Disbursement of Loans & Grants

Prepared by:

**Seth Dua &
Associates**
Solicitors & Advocates

C – 56, Neeti Bagh
New Delhi - 11 0049, India
Contact Partner: Sunil Seth
Tel: 91 11 416 44700
Fax: 91 11 416 44600

CONTENTS

	Pages
Chapter 1: Introduction	3 -5
Chapter 2: Invitation for Proposal	6 -7
Chapter 3: Evaluation of Applications	8-17
Chapter 4: Award of Contract	18-20
Chapter 5: Monitoring	21-22
Chapter 6: Auditing	23-24
Chapter 7: Obligations of the Corporation	25-26
Chapter 8: Delegation of financial powers of the Corporation	27-28
Chapter 9: Code of Good Ethical Practice	29-32
Chapter 10: Review	33
Chapter 11: Miscellaneous	34-36

LIST OF ANNEXURES

Annexure I A	Invitation for Proposal Format (Generic)
Annexure I B	Invitation for Proposal Format (Private Players)
Annexure I C	Invitation for Proposal Format (NGO)
Annexure II	Draft Power of Attorney for Signing Invitation for Proposal (Single Entity)
Annexure III	Draft Power of Attorney for Signing Invitation for Proposal (Consortium)
Annexure IV	Draft Integrity Pact
Annexure V	Memorandum of Approval Format
Annexure VI	Draft Loan Agreement
Annexure VII	Draft Grant Agreement
Annexure VIII	Draft Mortgage Deed
Annexure IX	Draft Hypothecation Deed
Annexure X	Draft Borrower's Letter of Undertaking & Indemnity
Annexure XI	Draft Irrevocable Power of Attorney
Annexure XII	Draft Demand Promissory Note

CHAPTER 1: INTRODUCTION

- 1.1 As India moves progressively towards becoming a 'Knowledge Economy', the Planning Commission of India ("**Commission**") has recognized the importance of advancement of skills and skill development amongst Indian youth force in its Eleventh Five-Year Plan. In order to provide greater impetus and encouragement to the 'Skill Development' programmes and initiatives, the Commission launched the National Skill Development Mission ("**Mission**") in the Eleventh Five –Year Plan.
- 1.2 The Mission encompasses the efforts of several ministries of the Central Government, State Governments and the activity of the private arm, supported by the following institutions: (i) Prime Minister's National Council on Skill Development ("**Council**"), (ii) National Skill Development Coordination Board ("**NSDCB**"), (iii) National Skill Development Fund ("**NSDF**") and (iv) National Skill Development Corporation ("**Corporation**").
- 1.3 The Council would be assisted by the National Skill Development Coordination Board chaired by the Deputy Chairman, Planning Commission, which will coordinate action for skill development both in the public and the private sector.
- 1.4 NSDF has been incorporated as a trust under the Indian Trusts Act, 1882 to act as the receptacle for funds for the Corporation from Government sources, bilateral/ multilateral and other agencies. It has been set up with an initial corpus of Rs. 995.10 Crores received from the Government of India. Its main object is to enhance, stimulate and develop the skills of Indian youth force by various sector specific programmes.

- 1.5 The Corporation is a first-of-its-kind Public-Private Partnership (PPP) in India in the human development sector to facilitate skill development. It is a ‘not for profit’ company incorporated under the Companies Act, 1956 and set-up by the Ministry of Finance, Government of India, and licensed under Section 25 of the Companies Act, 1956 with an equity base of Rs 10 Crore.
- 1.6 The NSDF and the Corporation have entered into an Investment Management Agreement (“**IMA**”) whereby NSDF shall provide funds to the Corporation for furtherance of the objective of skill development, in accordance with the approved work and financial plan.
- 1.7 The main objective of the Corporation is to achieve the overall target of 150 million skilled workforce by the year 2022 through skill development and upgradation, mainly by fostering private sector initiatives in skill development. To achieve the aforesaid, the Corporation will act as a catalyst in skill development by providing necessary and appropriate financial assistance to enterprises, companies and organizations that provide skill training. The Corporation will also involve the industry in all aspects of skill development and develop appropriate PPP models to enhance, support and coordinate private sector initiatives to facilitate skill development especially targeting the unorganized sector.
- 1.8 As a first and foremost step, to achieve the aforesaid objective, the Corporation will provide financial assistance to the project proposal submitted by the interested players/ eligible applicants in the priority sector identified by the Commission, either by way of loan or equity or by providing grants or other forms of financial assistance. The exact nature of funding (loan, grant, equity etc) will depend on the nature of the proposal, viability or attractiveness of the segment and, to some extent, the category
-

- of the applicants (for-profit private, non-profit industry association or non-profit NGO).
- 1.9 This Financial Management and Procurement Manual (“**Manual**”) is meant to ensure efficiency, transparency, fairness and accountability of all its actions/decisions, while disbursing financial assistance to the Applicants/Proposers.
- 1.10 The objective of this Manual is intended to provide best practices and guidelines governing public procurement. This Manual provides the regulatory framework and step by step guidelines, starting from the invitation for proposal, submission of applications/proposals, stages of evaluation, procedure for evaluation, disbursement and post disbursement monitoring etc.
- 1.11 The procedures outlined in this Manual shall apply to all applications/proposals to be financed either as a loan or grant in whole or in part by the Corporation.

CHAPTER 2: INVITATION FOR PROPOSAL

- 2.1 The Corporation shall invite proposals from the eligible and interested players, as per the template of Invitation for Proposal (“**IFP**”), as per format at **Annexure IA(Generic IFP), IB (IFP for Private Players), IC(IFP for NGO)** to this Manual. The interested and eligible players (“**Applicants/Proposers**”) in the priority sectors identified by the Commission, seeking financial assistance in projects which can have a multiplier effect in the skill development segment and which are targeted at the said sectors with huge unmet needs, may respond to the IFP as the case may be and submit their project proposal (“**Application/Proposal**”) in the prescribed format to the Corporation.
- 2.2 The template of the IFP contains the eligibility criteria, instructions to Applicants/Proposers, benefits of the project proposal, description of the project, target sectors, operating model and project partnerships etc. The said template also provides for the role of the Applicants/Proposers, financial plan, profile of the management team and list of supportive documents to be furnished by the Applicants/Proposers.
- 2.3 The Applicants/Proposers may submit their Applications/Proposals in accordance with the template of the IFP as the case may be. The Corporation would encourage the interested and eligible players to study/research/analyze the skill development sector and enable such interested and eligible players to submit their Applications/Proposals at any point of time targeted at enhancement and enrichment of the skill development sector.
- 2.4 Each response to the IFP shall contain an Application/Proposal in the prescribed format along with Annexes and supporting documents as

required thereunder including but not limited to Power of Attorney for signing the Application/Proposal as per the format at **Annexure - II**; Power of Attorney for Lead Member of Consortium (in case Application/Proposal is through a consortium) as per the format at **Annexure - III** and Integrity Pact as per format at **Annexure - IV**.

- 2.5 The Applicants/Proposers shall submit their Application/Proposal to the Corporation either by person or by Registered Post/ Speed Post / Courier in the prescribed format as the case may be, along with the necessary documents and shall be addressed to:

Chief Operating Officer (or any authority to be notified by the Corporation)
National Skill Development Corporation,
D-4, Clarion Collection (Qutab Hotel),
Shaheed Jeet Singh Marg,
New Delhi 110 016

- 2.6 Upon receipt of the Application/Proposal, the Corporation shall make relevant entries of all such Applications/Proposals in the Register of Applications/Proposals to be maintained and updated by the Corporation from time to time.

CHAPTER 3: EVALUATION OF APPLICATION/PROPOSAL

- 3.1 Upon receipt of the Application/Proposal and corresponding entry having been made in the Register of the Applications/Proposals, the Corporation and the person so appointed by the Corporation shall commence the process of evaluation of the Application/Proposal by first conducting the test of responsiveness of the Application/Proposal within reasonable time.
- 3.2 The Corporation shall conduct the test of responsiveness through a person so appointed by it, who shall determine whether each Application/Proposal is responsive to the requirements of the Invitation for Proposal. An Application/Proposal shall be considered responsive only if:
- (a) it is received as per format at Annexure IA, IB or IC as the case may be;
 - (b) it is signed by a person having a legal capacity to do so;
 - (c) it is accompanied by the Power of Attorney as per format at Annexure II, and in the case of a Consortium, the Power of Attorney as per format at Annexure III;
 - (d) it contains all the information and documents (complete in all respects) as requested in the Invitation for Proposal;
 - (e) it does not contain any qualification or condition; and
 - (f) it is not non-responsive in terms hereof.
- 3.3 To facilitate evaluation of Applications/Proposals, the Corporation may, at its sole discretion, seek clarifications from any Applicant/Proposer regarding its Application/Proposal. Such clarification shall be provided within the time as specified by the Corporation. Any request for clarification and all clarifications in response thereto shall be in writing.

3.4 In cases where the Applicant/Proposer is a legal entity different from the entity which proposes to implement the project and/or the Application/Proposal has been submitted by a Group Company, Holding Company or any entity associated on account of any legal relationship, the PEC shall call for the documents as per the format given hereunder from the Applicant/Proposer entity as well as the proposed implementing entity. The Corporation shall consider the implementing entity as the Applicant/Proposer for all the matters connected hereunder and treat such implementing entity as Applicant/Proposer. The implementing entity shall at all times abide with all the requisite compliance construed hereunder and/or any other compliance which may be required as the case may be.

3.5 In the event of an Applicant/Proposer failing to provide the clarifications and/or documents as sought by the Corporation within the prescribed time, the same may result in rejection of such an Application/Proposal. In case the Corporation decides otherwise, for reasons to be recorded in writing, it may evaluate the Application/Proposal by construing the particulars requiring clarification to the best of its understanding and reach a logical conclusion.

3.6 The persons so appointed by the Corporation to conduct the test of responsiveness of Applications / Proposals, shall submit all Applications / Proposals which successfully pass the test of responsiveness to the next stage of evaluation within reasonable time.

3.7 Proposal Evaluation Committee (PEC)

3.7.1 The Corporation shall constitute a Proposal Evaluation Committee (“PEC”) comprising of independent members from financial, technical and legal disciplines. The financial viability and technical feasibility of the Applications/ Proposals are to be exclusively done by the financial and

technical members of the PEC. The legal members of the PEC shall evaluate the key legal issues pertaining to the legal status of the Applicants/Proposers and matters connected therewith. The appointment of such independent members (whether individuals, firms, companies or other legal associations) shall require the approval of the Board of the Corporation.

- 3.7.2 All the members of the PEC including its employees, members, agents, directors, officials, associates who are directly or indirectly involved in the evaluation process shall be required to sign the Statement of Code of Good Ethical Practice as per format provided in Clause 9.5 of Chapter 9 of this Manual before accepting the responsibility of evaluation of such Applications/Proposals.
- 3.7.3 The persons appointed by the Corporation to conduct the test of responsiveness shall submit all such Applications/Proposals which have successfully passed the test to PEC for further evaluation. Upon completion of the above process, the PEC shall thereafter evaluate such successful Applications/Proposals.
- 3.7.4 The Corporation shall adopt a Proposal Evaluation Guidebook (“**Guidelines**”) and provide it to the members of the PEC in assisting the evaluation of Applications/Proposals. The Guidelines shall provide parameters for evaluating the Applications/Proposals, including but not limited to the harmonization of the Application/Proposal with the mandate of the Corporation, identification of the target group, extent of financial contribution from the Applicant/ Proposer, extent of filling the gap in the skill sector, availability of trainees from the priority sector segment, component of training in soft skills, extent of impact, gap identified and addressed, overall plan details, nature of courses, type of funding,

- robustness of the financial model, prior experience, qualification, legal status, credibility and creditability etc of the execution team.
- 3.7.5 To facilitate evaluation of Applications/Proposals by the PEC, it may seek clarifications from any Applicant/Proposer regarding his/her/its Application/Proposal. The Applicant/Proposer would be required to provide such clarification or supplementary information within reasonable time as specified by the PEC.
- 3.7.6 In the event of an Applicant/Proposer failing to provide the clarifications as sought by the PEC within the prescribed time, such failure may result in rejection of the Application/Proposal. In case the PEC decides otherwise, for reasons to be recorded in writing, it may evaluate the Application/Proposal by construing the particulars requiring clarification to the best of its understanding and reach its own conclusion.
- 3.7.7 The PEC shall evaluate the Applications/Proposals based on the said Guidelines objectively and in a non-discriminating, non-arbitrary, fair and in a transparent manner.
- 3.7.8 The report to be submitted by the PEC shall include its findings on the technical, financial and legal aspects of the Applications/ Proposals. The technical aspect of the PEC report shall specifically emphasize upon the technicalities of the project and capabilities of the implementation team of the Applicant/Proposer with respect to the proposed project structure. The financial aspect of the PEC report shall highlight the viability and feasibility of the proposed project and the legal aspect shall elicit upon the legal status of the Applicant/Proposer. If instructed by the Corporation the legal team may on a case-to-case basis, recommend the best collaterals to the

- Corporation in the order of priority, based on the information and other details made available by the Applicant/Proposer.
- 3.7.9. For securing the financial assistance advanced by the Corporation, the PEC shall consider the following options but limited to creation of charge on movable/immovable properties of Applicant/Proposer (including land, building, plant and machinery), hypothecation/mortgage on acquired assets of Applicant/Proposer, charge on stock in trade, current assets/receivables, tendering of Bank Guarantees by the Applicant/Proposer, charge on personal assets (movable/immovable assets, securities etc.) of the Applicant/ Proposer or the Promoter /Relatives of the Applicant/Proposer, pledging of RBI bonds/govt. securities/deposits, assignment of IP Rights through appropriate documentation (existing/future) (provided such rights are copyrightable material and in compliance with respective IP laws), charge on existing IP Rights of the Applicant/Proposer, Personal Guarantee of Promoter/Director/Trustee to ensure repayment, taking Demand Promissory Note, Post Dated Cheques, provision of escrow account mechanism, etc and any other soft collaterals as the PEC may deem fit for the Application/Proposal.
- 3.7.10 The PEC shall submit its report to the Chief Executive Officer or the Chief Operating Officer of the Corporation or any other person so appointed by the Board of the Corporation within reasonable time and the same shall thereafter be submitted to the Proposal Approval Committee (PAC).
- 3.7.11 In cases of rejection of the Applications/Proposals by the PEC, the same shall be communicated by the PEC to the Chief Executive Officer or the Chief Operating Officer of the Corporation or any other person so appointed by the Board of the Corporation within reasonable time and the same shall be communicated to the Applicant/Proposer by the Corporation.

3.8 Proposal Approval Committee (PAC)

- 3.8.1 The Corporation shall constitute a Proposal Approval Committee (“PAC”) comprising of independent members from various disciplines not exceeding five (5) and not less than three (3). The PAC shall have at least one (1) member from Government of India, holding the position equivalent to that of a Joint Secretary of any Ministry of the Government of India. The total number of the members of the PAC shall always be odd numbers. The appointment of such members of the PAC shall require the approval of the Board of the Corporation.
- 3.8.2 All the members of the PAC shall be required to sign the Statement of Code of Good Ethical Practice as per format provided in Clause 9.5 of Chapter 9 of this Manual before accepting the responsibility of being a member of the PAC.
- 3.8.3 Upon receipt of the report of the PEC from the person so designated, the PAC shall further appraise the report submitted with it. The PAC shall analyze the aspects of the PEC report including the key findings, recommendations and conclusions contained therein and particularly the reasonableness behind arriving at such conclusions by the PEC.
- 3.8.4 The PAC shall evaluate the PEC report from a socio-economic perspective and would judge the viability, feasibility and implementation of the proposed project. The PAC shall also evaluate and independently assess the recommendations of the PEC with respect to the best collaterals available with the Applicants/Proposers for securing the financial assistance to be provided by the Corporation. The PAC shall also on its own, consider the probable extent of the impact of the proposed project in achieving the object and the mandate of the Corporation of facilitating skill development

- amongst the Indian youth force. The PAC shall at all times adopt fair play, non-discriminatory, non-arbitrary and transparent process of evaluation.
- 3.8.5 While appraising the PEC report along with the Application/Proposal, the PAC may seek certain clarifications/information either from the PEC or directly from any Applicant/Proposer regarding his/her/its Application/Proposal. The Applicant/Proposer would be required to provide such clarification or supplementary information within reasonable time as specified by the PAC.
- 3.8.6 In the event of an Applicant/Proposer failing to provide the clarifications as sought by the PAC within the prescribed time, the same may result in rejection of such an Application/Proposal. In case the PAC decides otherwise, for reasons to be recorded in writing, it may evaluate the Application/Proposal by construing the particulars requiring clarification to the best of its understanding and reach its own conclusion.
- 3.8.7 The PAC may on its own include its own parameters in evaluating the Applications/ Proposals for the proposed projects in accordance with the object and mandate of the Corporation.
- 3.8.8 Based upon the evaluation of the PEC report and its independent evaluation, the PAC shall, in cases of successful Applications/Proposals, through its Chairman or a member so authorized by it, communicate the in-principle acceptance of Application / Proposal to the Applicant/Proposer accompanied with the Memorandum of Approval as per format at **Annexure V**. The Memorandum of Approval would be sent through registered post with acknowledgement due, speed post or courier or any acceptable mode of communication as the PAC may deem fit.

- 3.8.9 The Applicant/Proposer shall, upon receiving the Memorandum of Approval, within such time as mentioned therein, sign the Memorandum of Approval and return the original signed copy of the Memorandum of Approval to the PAC. That return of signed copy of the Memorandum of Approval shall be deemed to be an acceptance of all the terms and conditions contained therein by the Applicant/Proposer.
- 3.8.10 Subsequent to the Applicant/Proposer accepting the terms and conditions of the Memorandum of Approval, the PAC shall enter into negotiations and consultations with the Applicant/Proposer for taking the subsequent actions in providing the financial assistance to the approved projects. The same shall entail discussions and deliberations regarding the disbursement schedule linked with the project milestones, the interest rate, repayment schedule, security/guarantees as evaluated by the PEC under Clause 3.7.9 and other conditions. Detailed terms of sanction would be discussed with the Applicants/ Proposers for finalizing the terms and conditions by the PAC including the conditions for pre-disbursement and disbursement schedule.
- 3.8.11 The PAC shall thereafter prepare its report of recommendation. The report of recommendation shall contain the details of all the successful Applications/Proposals, the terms and conditions agreed with the successful Applicants/Proposers including but not limited to the agreed disbursement schedule linked with the project milestones, the interest rate, repayment schedule, security/guarantees and other pre-disbursement conditions etc, to the Board of the Corporation.
- 3.8.12 In other cases, the PAC may be of the view that Applications / Proposals evaluated by them require amendments and modifications in the proposed projects so as to meet the demands for bridging gaps in the skill

development sector. The PAC in such cases would submit its report of recommendations to the Chief Executive Officer or the Managing Director of the Corporation for forwarding the Applications/Proposals to the Applicants/Proposals for necessary amendments/modifications.

3.9 Consideration and Approval of PAC Report by the Board of the Corporation

3.9.1 The Board of the Corporation shall take on record, the PAC report of recommendations including all successful Applications/Proposals, the terms and conditions agreed with the successful Applicants/Proposers including but not limited to the agreed disbursement schedule linked with the project milestones, the interest rate, repayment schedule, security/guarantees and other pre-disbursement conditions etc. Upon taking on record the report of recommendation submitted by the PAC, the Board of the Corporation would consider whether the evaluation parameters have been adequately met by the PAC and the PEC and that the recommendations have been made with reasonableness. Before granting its approval, the Board of the Corporation would proceed to satisfy itself that the proposed projects match with the mandate and the object of the Corporation. While considering the case of any Application/Proposal, the Board of the Corporation may require clarification(s)/information to arrive at a conclusion as the case may be. The Board of the Corporation shall thereafter call upon the PAC to provide such clarification(s)/information as may be required.

3.9.2 Upon a comprehensive analysis of the report of recommendations of the PAC Applications/Proposals and any other information available, the Board of the Corporation may either accept the Applications/Proposals or reject the same.

- 3.9.3 While approving the Application/Proposal, the Board of the Corporation shall either accept or reject the collaterals or other options recommended by PAC as the case may be. Alternatively, the Board of the Corporation may, on its own choose from the list of probable collaterals or other options as listed in order of priority by PAC as the case may be recording the reasons thereof.
- 3.9.4 The Board of the Corporation shall communicate its decision of final approval of the Applications/Proposal, in writing to the Chief Executive Officer / Managing Director / Chief Operating Officer or to any other person so appointed or designated (“**Contracting Authority**”) by the Board of the Corporation to take necessary steps for award of contract including but not limited to signing of necessary agreements. The Board of the Corporation shall also finalize the nature of collateral or other options to be created/provided for advancing the financial assistance to the approved projects to be executed by the successful Applicants/ Proposers and shall inform the Contracting Authority in writing.
- 3.9.5 In case of rejection of the Application/Proposal by the Board of the Corporation, the same shall be communicated in writing by the Contracting Authority to the Applicant/Proposer.

CHAPTER 4: AWARD OF CONTRACT

- 4.1 The Contracting Authority shall communicate the final approval of the Application / Proposal by the Board of the Corporation to the Applicant/Proposer within 14 days of such approval by the Board of the Corporation. Such communication by the Contracting Authority shall be sent through registered post with acknowledgement due, speed post or courier or any acceptable mode of communication as the Contracting Authority may deem fit.
- 4.2 Upon receiving the communication of the final approval by the Board of the Corporation, the successful Applicant/Proposer shall approach the Contracting Authority to formalize all the agreed terms and conditions by way of proper legal documentation and execute the necessary definitive agreements.
- 4.3 Subsequently, necessary documentation shall be executed by the Applicant/Proposer thereby containing the details regarding and including but not limited to the agreed pre-disbursement conditions, disbursement schedule, the interest rate, repayment schedule, security/guarantees and other conditions.
- 4.4 The Contracting Authority shall enter into the relevant Agreements, namely, Loan Agreement or the Grant Agreement or any other definitive agreements as the Contracting Authority may specify, within a reasonable period of time. The requisite terms regarding the conditions for pre-disbursement and disbursement schedule would also be incorporated in the Loan Agreement/Grant Agreement and would form an integral part thereof.

- 4.5 The Applicant/Proposer would thereafter endeavor to fulfill the pre-disbursement conditions as specified by the Contracting Authority and as contained in the Loan Agreement/Grant Agreement or any other definitive agreement as the case may be.
- 4.6 The Applicant/Proposer after fulfilling the pre-disbursement conditions shall submit all the details evidencing such fulfillment with the Contracting Authority within such time as mutually agreed between the Contracting Authority and the Applicant/Proposer. The Contracting Authority upon receipt of the same shall submit it to the PAC or to the authority so appointed or authorized by the PAC to evaluate the adequate and satisfactory completion of the pre-disbursement conditions. The PAC or the authority so appointed or authorized by the PAC shall objectively evaluate the fulfillment of the pre-disbursement conditions and the documents, details and other particulars submitted by the Applicants/ Proposers. The PAC or the authority so appointed or authorized by the PAC shall ensure the compliance with the pre-disbursement conditions and once the PAC or the authority so appointed is satisfied with same, it shall submit its report on the satisfactory compliance of the pre-disbursement conditions to the Board of the Corporation.
- 4.7 Once the Board of the Corporation is satisfied with the report of the PAC or the authority so appointed or authorized by the PAC on the fulfillment of the pre-disbursement conditions, the Board of the Corporation shall accord its approval for the release of the Loan or the Grant by way of a cheque or in any other manner as per the agreed disbursement schedule, which the Board of the Corporation may deem fit.
- 4.8 The Corporation shall at all times provide the financial assistance to the successful Applicants/ Proposers in such a manner that the disbursement of

the financial assistance may be suitably phased out so as to link it with the project milestones to be achieved by the Applicant/Proposer.

CHAPTER 5: MONITORING OF PROJECT

- 5.1 Subsequent to the disbursement of the Loan/Grant or any other financial assistance to the Applicant/Proposer, the Applicant/Proposer shall submit Periodical Progress Reports (“**PPR**”) to the Corporation detailing their performance. The Periodical Progress Report shall contain details regarding the activities carried out, status of the project progress, chart of the various components of the work and a comparison of the forecasts in the project with the actual results. The Applicant/Proposer would be required to submit its reports quarterly to the Board of the Corporation or to any other authority so appointed by the Corporation.
- 5.2 The Board of the Corporation shall also appoint a “**Project Monitor**” who would undertake an on-going monitoring of the projects so awarded by the Corporation. The Corporation shall provide the Project Monitor with the necessary documents to carry out its functions effectively and efficiently.
- 5.3 The monitoring function shall include review/monitor the project milestones. It will also include but not be limited to functions such as reviewing the end use of the funds so advanced, the operations of the assisted units vis-à-vis projections, compliance with the terms of the sanction, securities offered/charged and related documentation and changes in management structure, if any.
- 5.4 The Project Monitor shall undertake an on-going monitoring of the project and scrutinize the PPR submitted by the Applicant/Proposer to confirm that the same is in harmony with the Application/Proposal and the projected results. The Project Monitor would do so through periodic visits to assisted units and the PPR submitted by the Applicant/Proposer.

- 5.5 The Project Monitor shall have the powers to call for any additional report or data from the Applicant/Proposer to supplement his understanding of the progress of the project and to assist him in assessing the status of operations and identify deviations and discrepancies, if any.
- 5.6 The Project Monitor shall, at all times, be constructive in its monitoring process and sympathetically deal with genuine difficulties that the Applicant/Proposer may face while implementing the project.
- 5.7 Based on the inputs received by the Project Monitor from the Applicant/Proposer, and on its independent monitoring and evaluations of the progress made, the Project Monitor shall submit its quarterly report to the Corporation. The report of the Project Monitor may also highlight the potential risks, if any, that may hamper the progress of the project and thereby promptly inform the Corporation to notify the Applicant/Proposer to initiate necessary action to mitigate such problems and address the same in an effective and efficient manner.
- 5.8 The Corporation and/or Board of the Corporation shall review the report of the Project Monitor and shall examine the same on a regular basis.
- 5.9 The Corporation and/or Board of the Corporation shall take appropriate steps to remove/rectify any discrepancies or delay in implementation of the project, if any featured in the said report of the Project Monitor.

CHAPTER 6: AUDITING OF THE FUNDS ADVANCED BY THE CORPORATION UNDER THE PRESENT MANUAL

- 6.1 The Corporation shall endeavor to adopt the reputed and recommended financial management systems such as MIS, ERP or any other system which the Corporation may deem fit. In order to achieve the desired results in the socio economic sector, especially to enhance the skill sets of the Indian youth force, the Corporation shall audit the utilization of funds (advanced hereunder) by adopting both internal and external audit systems.
- 6.2 The Corporation shall appoint an internal auditor who shall be responsible for adequate auditing of the financials of the Corporation with respect to the financial assistance being rendered by the Corporation in the form of loans or grants or in any other manner by adopting the standard accounting procedures. The internal auditor shall endeavor to examine and evaluate the adequacy and effectiveness of the fiscal management of the Corporation. The internal auditor, while examining and evaluating the fiscal management, may also consider the Project Monitor Reports by the Project Monitor as well as the Periodical Progress Reports submitted by the Applicant/Proposer. The internal auditor shall render its financial reports and findings as per the standard accounting procedure and applicable laws. These reports will help in identifying discrepancies, if any, removing the bottlenecks, if any thereby leading to fast and effective flow of funds in complete adherence to the standard accounting procedures as well as proper fiscal management being executed in the priority sectors identified by the Planning Commission of India.
- 6.3 The Corporation shall appoint an external auditor to conduct the audit of the accounts of the Corporation at regular intervals as per the provisions of

- the Companies Act, 1956 by an auditor selected from the approved panel of auditors of Comptroller and Auditor General of India.
- 6.4 The external auditor shall prepare an audit report as per the standard accounting procedures and applicable laws. The audit by the external auditor shall consider the reports submitted by the internal auditor of the Corporation, the PPR submitted by the Applicant, the Project Monitor Report and its own independent findings.
- 6.5 The Board of the Corporation upon receipt of the reports from the internal or the external auditor, shall examine the same and record any objections/ discrepancies featured in the said reports.
- 6.6 The Board of the Corporation shall thereafter appraise and take necessary steps to remove and/or rectify the said discrepancies within reasonable time and shall also take necessary steps to avoid recurrence of the same in future by adopting requisite mechanism.

CHAPTER 7: OBLIGATIONS OF THE CORPORATION

- 7.1 In pursuance to the Investment Management Agreement executed between the NSDF and the Corporation, the Corporation has several obligations towards NSDF.
- 7.2 The Corporation is vested with the responsibility of managing, investing and utilizing the funds transferred by NSDF to the Corporation for the development of the priority sectors as well as in achieving its objectives of establishing, running, promoting and developing skills.
- 7.3 In discharge of its obligations towards the NSDF, the Corporation shall receive and hold all such assets and use the same solely for the exclusive attainment of its objectives and the Corporation shall ensure that no funds would be permitted to be diverted for any purpose other than the objectives set forth in the IMA.
- 7.4 The Corporation shall employ persons on the recommendations of the Board of Trustees of the NSDF to effectuate the objectives of the Corporation and the Corporation. The Corporation shall also execute contracts, agreements and other certificates/documents as may be required or necessary to carry out the duties and responsibilities vested upon the Corporation in order to achieve the objectives.
- 7.5 The Corporation shall submit half yearly progress reports to the Board of Trustees of NSDF with regard to utilization of funds.
- 7.6 The Corporation shall audit its annual accounts and shall submit the same to the Board of Trustees of NSDF within six months of the close of each financial year along with auditor's report and utilization certificate outlining

- the detailed allocation of the funds towards each scheme. All records pertaining to the duties and responsibilities are required to be submitted by the Corporation to the representatives of the NSDF at a mutually agreed time.
- 7.7 The Corporation shall, through all possible modes of communication alongwith a written report and within reasonable time, notify NSDF of an action which is likely to disrupt any scheme resulting in near or total loss to such a scheme.
- 7.8 The Corporation is entrusted with the responsibility of publishing an Annual Report and providing it in the public domain highlighting the progress in various programmes and schemes for Skill Development and Vocational Training.
- 7.9 The Corporation shall not pay any dividends to its shareholders and may run its activities on commercial lines with social responsibility.
- 7.10 The Corporation shall inform NSDF about any payment or exchange of money or any other thing of value, directly or indirectly to any third party in the procurement or furtherance of the IMA.
- 7.11 The Corporation shall communicate with the NSDF through normal modes of communication including email, fax and registered post.

CHAPTER 8: DELEGATION OF FINANCIAL POWERS OF THE CORPORATION

8.1 The Corporation shall have the power to delegate the financial powers with respect to day to day expenditure which would be incurred by the Corporation from time to time. The authorities delegated and entrusted with the powers to authorize expenditure for each transaction for and on behalf of the Corporation or for issuing cheques on behalf of the Corporation or to approve, authorize and sanction expenditure would be as per the limits prescribed hereunder:

8.1.1 For Authorizing Expenditure:

- | | | |
|-------|---|---|
| (i) | Up to Rs.10 lac | - COO |
| (ii) | Beyond Rs.10 lac
to Rs.30 lac | - COO with the approval
of the Chairman. |
| (iii) | Beyond Rs.30 lac
but up to Rs.50 lac | - COO with the approval
of the Chairman and one of the
directors (non - government
representative) |
| (iv) | Beyond Rs.50 lacs | - COO with the approval of the
Board of Directors |

8.1.2 For Signing Cheques:

- | | | |
|------|--|---|
| (i) | Up to Rs.30 lacs | - Manager-cum-COO |
| (ii) | Beyond Rs.30 lacs
Without any limit | - Manager-cum-COO
jointly with any of the Directors
(non-Government) and which
may include the Chairman of the
Corporation. |

- 8.1.3 The Board of the Corporation at all times, shall have the authority to delegate the financial powers with respect to the signing of cheques, and authorization for expenditure to be incurred by the Corporation, to the MD/CEO or any other person so designated or notified by the Corporation.
- 8.2 The Corporation shall at all times have the power to sanction the financial assistance to the successful Applicants/Proposers. That the Corporation, on a case to case basis or generally after the accordance of sanction in the meeting of the Board of the Corporation, may authorize/delegate the power in favour of COO or any other authority and in such manner as the Corporation may prescribe on a case to case basis, to sign the cheque to be issued to the successful Applicant/Proposer.

CHAPTER 9: CODE OF GOOD ETHICAL PRACTICE

- 9.1 This code of good ethical practice is issued by Corporation to instill standards of integrity, ethical conduct, and professionalism in the evaluation of Applications/ Proposals throughout the procurement process. This code of good ethical practice is intended to confirm the commitment of every member involved in the process prescribed hereunder, to all its prescripts; guide members who are faced with ethical dilemmas in an increasingly complex operational environment; serve as a public commitment by the institution to the highest standards of ethical and professional conduct in the evaluation of Applications/ Proposals.
- 9.2 This code of good ethical practice is a voluntary step on the part of the Corporation to ensure that the process as laid down hereunder is conducted in a non-arbitrary, transparent, non-discriminatory and fair manner.
- 9.3 Every member of a PEC/ PAC, Contracting Authority/Project Monitor/Internal Auditor/External Auditor/ any other authority person or committee appointed by the Board of the Corporation to evaluate the Applications/Proposals, monitor/audit the project received for any form of financial assistance is required to sign this code of conduct before evaluation, monitoring/auditing of such Applications/ Proposals/ Projects.
- 9.4 In addition, each member of the Board of the Corporation PEC/ PAC, Contracting Authority/Project Monitor/Internal Auditor/External Auditor/any other authority person or committee appointed by the Board of the Corporation has to sign the statement of declaration of interest as soon as the identities of the proposals are announced and recorded.

9.5 Statement of Code of Good Ethical Practice



I, [insert name of member of Board of the Corporation PEC/PAC, Contracting Authority/Project Monitor/Internal Auditor/External Auditor/any other authority or person or committee appointed by the Board of the Corporation] acting in my capacity as member of the Board of the Corporation, PEC/PAC, Contracting Authority/Project Monitor/Internal Auditor/External Auditor/any other authority person or committee appointed by the Board of the Corporation for evaluation/approval of Applications/Proposals or monitoring/auditing of the project hereby undertake:

1. to act at all times with fidelity, honesty, integrity and in the best interests of the state and the general public it serves; and
2. to perform diligently the duties and act at all times efficiently and effectively in accordance with the relevant legislation, regulation and rule of law; and
3. to take the utmost care in ensuring that there is reasonable protection of the records of the Corporation and all Applications/ Proposals; and
4. not to misuse the position or privileges of a member, or privileged or confidential information obtained as a member; and
5. to carry out duties with the skill and care expected from a person of knowledge and experience, and to exercise due judgment; and
6. not to discriminate unfairly against any Applicant/ Proposer on the grounds of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, political persuasion, conscience, belief, culture or language; and
7. not to abuse any position to promote or prejudice the interest of any political party or interest group; and

8. to report to the appropriate authorities in case of any fraud, corruption, nepotism, maladministration and any other acts which constitute an offence or which are prejudicial to the public interest, arising during the evaluation, monitoring, auditing proceedings; and
9. to declare, diligently, accurately and honestly in the declaration of interest statement, all personal and/or business interests that I or a family member may have in any business of any Applicant/Proposer, and to abide by willingly of any decision of the appointing authority to withdraw as a member of the panel because of this; and
10. to be open and honest about all decisions and actions taken regarding the proposal evaluation, and to give clear reasons for these, which can be duly recorded; and
11. not to make any dishonest allegations about any Applicant/ Proposer; and
12. not to make any false or misleading entries into the records of the Board of the Corporation/ Proposal Evaluation Committee /Proposal Approval Committee Contracting Authority/ Project Monitor/Internal Auditor/External Auditor/any other authority person or committee appointed by the Board of the Corporation; and
13. not to make any contractual commitments relating to the Application/ Proposal, to any Applicant/Proposer, on behalf of the Corporation; and
14. to protect proactively privileged or confidential information of the Board of the Corporation/ PEC/ PAC, Contracting Authority/ Project Monitor/Internal Auditor/External Auditor/any other authority person or any committee appointed by the Board of the Corporation, from unauthorized disclosure or inappropriate use; and

15. not to request, solicit or accept any reward, gift or favour in return for acting or not acting in a particular way on any matter, or for disclosing privileged or confidential information; and
16. not to accept or agree to accept later, any 'kickbacks' in the form of money, favours, gifts or anything else of value from a member of the public, government, a political or social movement, or any stakeholder or potential stakeholder which is or may be viewed as aimed at influencing or directing evaluation of the Applications/Proposals, monitoring and auditing of the project; and
17. to disclose immediately to the chairperson any attempted inducement or offers of perks that may be construed as aimed at influencing or directing the evaluation of the Applications/ Proposals; and
18. not to decide, attend or participate in any other way in any meeting or hearing in relation to any matter before the Board of the Corporation/ PEC/ PAC, Contracting Authority/ Project Monitor/ Internal Auditor/ External Auditor/ any other authority person or committee appointed by the Board of the Corporation, if any interest prevents me from carrying out functions in a fair, unbiased and proper way in accordance with this code of conduct.

Signed: _____

[signature of member]

Witnesses:

CHAPTER 10: REVIEW

- 10.1 The Board of the Corporation, after every two years or as and when necessary, would review and may revise the process and procedure as prescribed hereunder the Manual for advancing Loans and Grants to the Applicants/Proposers within the broad object and contours defined in the Investment Management Agreement.

CHAPTER 11: MISCELLANEOUS

- 11.1 The evaluation process shall be governed by, and construed in accordance with the laws of India. Any dispute or differences whatsoever arising between the Applicants/ Proposers and the Corporation out of or relating to the construction, meaning and operation of this Manual shall be settled by arbitration in accordance with the Rules of Arbitration of the Indian Council of Arbitration which rules are deemed to be incorporated by reference in this clause and the Award made in pursuance thereof shall be binding on the parties. The seat of arbitration shall be at New Delhi and the language of the arbitration shall be English.
- 11.2 The Corporation, in its sole discretion and without incurring any obligation or liability, reserves the right, at any time, to;
- (a) suspend and/ or cancel the evaluation process and/ or amend and/ or supplement the evaluation process or modify the terms and conditions including standard template for Invitation for Proposal relating thereto;
 - (b) consult with any Applicant/Proposer in order to receive clarification or further information;
 - (c) pre-qualify or not to pre-qualify any Applicant/Proposer and/ or to consult with any Applicant/Proposer in order to receive clarification or further information;
 - (d) reject or send back any non-responsive Application/Proposal to the Applicants/Proposers.
 - (e) retain any information and/ or evidence submitted to the Corporation by, on behalf of, and/ or in relation to any Applicant/Proposer; and/ or
 - (f) independently verify, disqualify, reject and/ or accept any and all submissions or other information and/ or evidence submitted by or on behalf of any Applicant/Proposer.

- (g) advance financial assistance in any manner other than loans or grants as prescribed hereunder, either by way of equity, by acquisition of shares/debentures or any other hybrid instruments or any other form after following the applicable laws.
 - (h) to ensure that the Applicants/Proposers are utilizing the financial assistance advanced to them in a mode and manner so as not to violate any of the legislations or regulatory mechanisms and /or any applicable laws of the country.
 - (i) to add, alter, modify or amend any of the procedures as laid down under the present Manual after following the due process of law.
- 11.3 It shall be deemed that by submitting the Application/ Proposal, the Applicant/Proposer agrees and releases the Corporation, its employees, agents and advisers, irrevocably, unconditionally, fully and finally from any and all liability for claims, losses, damages, costs, expenses or liabilities in any way related to or arising from the exercise of any rights and/ or performance of any obligations hereunder and the project proposal documents, pursuant hereto, and/ or in connection with the evaluation process, to the fullest extent permitted by applicable law, and waives any and all rights and/ or claims it may have in this respect, whether actual or contingent, whether present or in future.
- 11.4 It shall be deemed that all documents and other information supplied by the Corporation or submitted by an Applicant/Proposer to the Corporation or to any authority (PEC/ PAC, Contracting Authority / Project Monitor/Internal Auditor/ External Auditor/any other authority/ person or committee appointed by the Board of the Corporation) so appointed in furtherance of the procedures as laid down under the present Manual, shall remain or become the property of the Corporation.

- 11.5 It shall be deemed that the Applicant/Proposer agrees to treat all information as strictly confidential and shall not use it for any purpose other than for preparation and submission of their Application/Proposal.
- 11.6 The PEC/ PAC, Contracting Authority/ Project Monitor/Internal Auditor/External Auditor/any other authority person or any other committee appointed by the Board of the Corporation to assist in the adoption of the procedures as laid down under the present Manual shall be bound to maintain the record being dealt with it at each stage, at every work centre and facilitate proper stacking and preservation of records pertaining thereto.
- 11.7 In case of observation of any deviations from the procedures as laid down hereunder without any recorded reasons, or any arbitrary, discriminatory, unlawful or unreasonable action by any of the constituents of the authorities as appointed or provided under the Manual, the Board of the Corporation shall take such steps and follow the due procedure of law to rectify and resolve the same.
- 11.8 That the Corporation is committed to the cause of environmental protection and sustainable development and shall endeavor to encourage those programmes which adhere to the necessary environmental and social safeguards.

*This report has been prepared by **Seth Dua & Associates** (“Seth Dua”) is a leading full service Indian law firm. Seth Dua and its lawyers have been listed and recommended in leading international legal guides such as Legal 500, Chambers Asia, Asia Law Profiles, India Business Journal etc.*

Vasanth Rajasekaran of Seth Dua & Associates has drafted this Financial Management and Procurement Manual for NSDC.