

June 21, 2022

Mr. Rajesh Aggarwal  
Secretary  
Ministry of Skill Development and Entrepreneurship (MSDE)  
Government of India  
Room No. 524, Shram Shakti Bhawan  
Rafi Marg  
New Delhi - 110001

Dear Mr. Aggarwal:

***India: Skills Strengthening for Industrial Value Enhancement (STRIVE) Operation  
[IDA Credit no. 5965-IN] – Joint Review Mission (May 2-13, 2022)***

Thank you for the cooperation extended by the MSDE team during the Joint Review Mission of the Skills Strengthening for Industrial Value Enhancement (STRIVE) Operation held from May 2-13, 2022. The attached Aide Memoire summarizes the findings of the Mission.

I am pleased to note that the operation is catching up with the restructured implementation schedule. Implementation progress in the states is being regularly evaluated and feedback is being collected periodically by the National Project Implementation Unit (NPIU). The problems faced by State-level implementing agencies are being addressed in a timely manner. Further, regular capacity building and knowledge sharing workshops are also being conducted.

Despite the progress being made, overall Project Development Objective and Implementation Progress continue to be Moderately Satisfactory on account of fiduciary, environment, and safeguards management issues. Based on the mission findings, Project ratings for fiduciary aspects continue to be *Moderately Unsatisfactory*. The main reasons for this rating are due to weak accounting, reporting, internal control, delays in fund flows from the State Treasuries to the State Societies, and significantly low utilization of funds. The rating will be reviewed in three-months and will be upgraded upon receiving evidence from the NPIU on satisfactory completion of the agreed actions in the Aide Memoire.

I would like to request your support to address the following critical areas:

- ***Increase program expenditures:*** Although program expenditures have increased from INR80 crores (US\$10.66 million) in September 2021 to INR132 crores (US\$17.6 million) in March 2022, this is only 23 percent of the disbursed amount of US\$76.46 million from the Bank to date. A significant acceleration in the pace of implementation and increase in expenditures is required for the program to catch up with the disbursements already made. Kindly note that as per Bank PforR policy, if project expenditures as per the expenditure framework are less than

project disbursements by the end of the Program, the difference will need to be refunded to the WB.

- *Improve the oversight for the timeliness of expenditure reporting and the quality of State internal audits:* Delays in internal audits and receipt of audit reports from the States need to be resolved with appropriate support to the states. The NPIU has received Utilization Certificates for only about 50 percent of the reported expenditures. Internal audit arrangements have been instituted at the State level in only 21 out of 34 participating States. Most of the State internal audit reports do not include opinions to guide the State Project Implementation Units (SPIU) and are of low quality. In most instances there is no reporting on procurement audit matters, and there are missing audit opinions.
- *Improve the Bank of India (BOI) expenditure monitoring:* There is need for facilitation at the national level for a smoother implementation of the Single Nodal Agency (SNA) guidelines. For example, the states are facing serious challenges with the Bank of India (BOI) dashboard as a centralized tool for real time expenditure monitoring.
- *Oversee the PMC's support to the National Project Implementation Unit (PIU) on the above aspects:* The PMC needs to enhance support for financial management and procurement management, environmental and social management aspects, and the monitoring and reporting of STRIVE activities in the states. For more effective support from the PMC, there needs to be seamless back-up arrangements in the PMC staff to overcome transmission losses due to frequent staff change.

The Department of Economic Affairs (DEA) has sought the World Bank's views on the no-cost extension request of 18 months for the Program, moving the closing date from November 30, 2022 to May 31, 2024. We will field an interim mission in mid-August 2022 to take stock of progress made on the agreed actions in the Aide Memoire and jointly decide on whether an extension of the closing date would help to complete critical project activities, fully achieve the Project Development Objectives, and raise expenditures to account for funds already disbursed.

I look forward to continuing our partnership with your Ministry to complete this Project successfully. Should you have any questions, please contact the task team leader, Ms. Shobhana Sosale ([ssosale@worldbank.org](mailto:ssosale@worldbank.org)).

Yours sincerely,



Oliver Braedt  
Acting Country Director, India

Encl. Aide-mémoire of the May 2-13, 2022, Joint Review Mission

cc:

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Mr. Ritesh Kumar Singh, Senior Advisor to Executive Director, World Bank

Government of India

Mr. Hanish Chhabra, Director, Department of Economic Affairs, Ministry of Finance

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*Cleared with and bcc: Cristian Aedo, Practice Manager (HSAED)*

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*Sharepoint (P156867)*