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KTF GRANT NUMBER TF094998-CN

**Trust Fund for Bank-Korea Partnership  
on Poverty Reduction and  
Socio-Economic Development  
Grant Agreement**

(Guangdong Technical and Vocational Education and Training Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

acting as administrator of the Trust Fund for Bank-Korea Partnership on Poverty  
Reduction and Socio-Economic Development

Dated June 2, 2010

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**KTF GRANT NUMBER TF094998 -CN**

**TRUST FUND FOR BANK-KOREA PARTNERSHIP ON POVERTY  
REDUCTION AND SOCIO-ECONOMIC DEVELOPMENT  
GRANT AGREEMENT**

AGREEMENT dated June 2, 2010 entered into between: PEOPLE'S REPUBLIC OF CHINA ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as administrator of the Trust Fund for Bank-Korea Partnership on Poverty Reduction and Socio-Economic Development.

WHEREAS: (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("the Project"), has requested assistance from the Trust Fund for Bank-Korea Partnership on Poverty Reduction and Socio-Economic Development in the financing of the Project; and

(B) the Recipient has also requested the World Bank, acting on its own behalf, to provide additional assistance towards the financing of the Project and by agreement dated July 23, 2009 ("Loan Agreement"), between the Recipient and the World Bank, the World Bank has agreed to provide a loan in the amount of twenty million dollars (\$20,000,000) ("Loan"). In relation to the Loan Agreement, the World Bank and Guangdong Province has entered into an agreement ("Loan Project Agreement") for Guangdong Province to carry out the Project using the proceeds of the Loan.

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

- 1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 ("Standard Conditions"), 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 Standard Conditions or in the Appendix to this Agreement.

**Article II  
The Project**

- 2.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part 2(a) of the Project through its National Development and Reform Commission and Liaoning and Shandong Provinces, and cause Parts 1, 2(b) and 2(c) of the Project to be carried out by Guangdong

(“Project Implementing Entity”) in accordance with the provisions of the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time (“KTF Project Agreement”).

- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **Article III The Grant**

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to six hundred thousand United States Dollars (\$600,000) (“Grant”) to assist in financing Parts 2(a) and 2(b) of the Project.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

### **Article IV Additional Remedies**

- 4.01. The Additional Events of Suspension referred to in Section 4.02(k) of the Standard Conditions consists of the following:
  - (a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity of its obligations under the KTF Project Agreement.
  - (b) The Project Implementing Entity has failed to perform any obligation under the KTF Project Agreement.
  - (c) The World Bank or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the World Bank or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the World Bank or IDA (including as

administrator of funds provided by another financier), as a result of a determination by the World Bank or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the World Bank or IDA.

- (d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the KTF Project Agreement.
- (e) The World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.
- (f) The Recipient has failed to make payment (notwithstanding the fact that such payment may have been made by a third party) of principal or interest or any other amount due to the World Bank or IDA: (i) under the Loan Agreement (as defined hereinafter); or (ii) under any other agreement between the World Bank and the Recipient; or (iii) under any agreement between the Recipient and IDA; or (iv) in consequence of any guarantee extended or other financial obligation of any kind assumed by the World Bank or IDA to any third party with the agreement of the Recipient.

#### **Article V Effectiveness; Termination**

- 5.01 This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it have been fulfilled.
- 5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.
- 5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this

Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI**  
**Recipient's Representative; Addresses**

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Recipient's Minister of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
Sanlihe  
Beijing 100820  
People's Republic of China

Facsimile:

(86-10) 6855-1125

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

INTBAFRAD  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

AGREED at Beijing, People's Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By /s/ Wang Zhongjing  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT  
acting as administrator of the Trust Fund for Bank-Korea  
Partnership on Poverty Reduction and Socio-Economic  
Development

By /s/ Klaus Rohland  
Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to assist Guangdong Province in improving the quality and relevance of technical education in selected schools and using the experience as a guide to further school reforms and policy development.

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

#### **Part 1: School-Based Reforms and Innovation**

- (a) Carrying out of sub-projects by the Selected Schools to:
- (i) Strengthen and institutionalize the linkage between schools and local industry including, providing goods and technical assistance for: (A) establishment and strengthening of school-industry advisory bodies; (B) development of standard school and industry cooperation agreements, including agreements for training; (C) engagement of industry representatives in technical advisory committees to set competency standards, develop and adapt new curricula, validate testing and certification systems, and promote sharing of industry equipment and skilled personnel with schools; and (D) preparation of publicity and marketing materials for schools.
  - (ii) Improve the management of schools by building capacity for effective use of school resources and for producing learning outcomes responsive to a market economy including, providing training, study tours and technical assistance for: (A) the design and conduct of foreign and domestic study tours; and (B) provision of long-term and short-term training for school administrators and lead instructors.
  - (iii) Develop and implement a flexible competency-based training (“CBT”) curriculum with competency standards that are determined in accordance with industry demand to promote improvements in quality and relevance including, providing goods and technical assistance for the development of: (A) modular CBT curricula; (B) instructional materials; and (C) revised testing and certification instruments that give priority to skills in high demand, as determined from consultations with industries.
  - (iv) Improve quality of student assessment and quality assurance by establishing a competency-based benchmark for measuring student and school performance including providing goods and technical assistance



for: (A) alignment of the student assessment system with the new CBT curricula, and (B) development of instruments for reporting to the public about aggregate student performance on competency examinations as an indicator of school quality.

- (v) Improve instructional capacity and the quality of training including, providing technical assistance for: (A) use of student learning assessments to highlight areas for improving instructor performance under the new CBT curricula; and (B) training instructors, before and during their start of service, to use the competency-based curriculum.
- (b) Upgrading of facilities at the Selected Schools based on market demand including, carrying out civil works and providing equipment and technical assistance to:
  - (i) upgrade and expand teaching facilities and related infrastructure; and
  - (ii) equip facilities to conform to the needs of the new modular CBT curricula.

## **Part 2: Policy Development and Capacity Building**

- (a) Supporting policy research and knowledge generation, providing assistance for: (i) carrying out national policy studies on key issues in technical and vocational education and training through the National Development and Reform Commission, (ii) carrying out provincial studies in Liaoning and Shandong provinces through Liaoning and Shandong Provinces; and (iii) learning from the experience of implementing the Project and other related projects and disseminating such lessons learnt and the results of said studies.
- (b) Improving monitoring and evaluation as a step towards evidence-based management and policy development including, providing technical assistance and training for: (i) the design and implementation of Project beneficiary assessments and tracer studies, and (ii) development and implementation of a school-based management information system for monitoring school performance.
- (c) Enhancing the capacity of the Provincial Project Management Office in Project management and coordination through provision of technical assistance and training.

**SCHEDULE 2****Project Execution****Section I. Implementation Arrangements****A. Financing Arrangements**

1. The Recipient shall make available part of the proceeds of the Grant to the Project Implementing Entity as a grant.

**B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”).

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports; Completion Report**

1. The Recipient shall monitor and evaluate, and cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Annex of the Schedule to the KTF Project Agreement. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than March 15 and September 15 each year.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall maintain, or cause to be maintained, a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish, or cause to be prepared and furnished, to the World Bank as part of the Project Report by not later than March 15 and September 15 each year, interim un-audited financial reports for the Project covering the preceding calendar semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Sections I and IV of the Consultant Guidelines; and
  - (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Consultant Guidelines.

**B. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for procurement of consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>	
(a)	Selection based on Consultants’ Qualifications
(b)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants

**C. Review by the World Bank of Procurement Decisions**

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

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Consultants' services under Part 2(a) i of the Project (through National Development and Reform Commission)	210,000	100%
(2) Consultants' services under Part 2(a) ii of the Project (through Liaoning and Shandong Provinces)	200,000	
(3) Consultants' services under Part 2(b) of the Project	100,000	100%
(4) Training, workshops and overseas study tours under Part 2(a) of the Project (through National	60,000	100%

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
Development and Reform Commission)		
(5) Operating costs under Part 2(a) of the Project (through National Development and Reform Commission)	30,000	100%
<b>TOTAL AMOUNT</b>	600,000	

For purposes of this paragraph, the term “Operating costs” means the reasonable expenditures directly related to the implementation of Part 2(a) of the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including the costs of publications and dissemination, but excluding salaries.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2014.

**APPENDIX****Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Framework” means the Environmental Management Framework dated October 20, 2008, prepared by the World Bank Loan Project Management Office, Department of Labor and Social Security of Guangdong Province and referred to in Section I, paragraph C.1 of the Schedule to the KTF Project Agreement, which framework sets out the policies and procedures for environment assessment and preparation of environment mitigation plans in respect of activities under the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as said framework may be revised from time to time with the agreement of the World Bank.
5. “Guangdong” means the Recipient’s Province of Guangdong, and any successor thereto.
6. “Innovation Sub-project” means, individually, a sub-project selected by the Project Implementing Entity and approved by the World Bank in accordance with paragraph 1 of Section IV of the Schedule to the KTF Project Agreement, and comprising activities to be carried out under Part 1(a) of the Project by a Selected School; and “Innovation Sub-projects” means, collectively, all such sub-projects.
7. “Innovation Sub-project Financing” means the reasonable cost of: (a) goods, but excluding fixed assets; (b) workshops and training, including rental of premises, the provision of related materials and honorarium paid to industry/sector experts; and (c) incremental expenditures incurred by each Selected School in the implementation of an Innovation Sub-project (which expenditures would not have been incurred absent the Innovation Sub-project) including, but not limited to, the reasonable cost of office consumables, communication, transportation, per diem, printing, translation, and interpretation, but excluding the salaries and salary supplements of staff of the Selected Schools.

8. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006.
9. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 13, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
10. “Project Implementation Plan” means the project implementation plan dated March 16, 2009, setting out the procedural basis for implementation of the Project and its monitoring and supervision, which was adopted on April 15, 2009, by the Project Implementing Entity through its Department of Labor and Social Security.
11. “Project Implementing Entity” means Guangdong.
12. “Project Steering Committee” and the acronym “PSC” mean the project steering committee that will be maintained pursuant to the provisions of Section I.A paragraph 1(a) of the Schedule to the KTF Project Agreement.
13. “Provincial Project Management Office” and the acronym “PPMO” mean the project management office established in the Guangdong Department of Labor and Social Security and to be maintained pursuant to the provisions of Section I.A paragraph 1(c) of the Schedule to the KTF Project Agreement.
14. “Selected Schools” means, collectively:
  - (a) Guangdong Urban Construction Secondary and Tertiary Technical School founded in 1980, the Guangdong Light Industry Secondary and Tertiary Technical School founded in 1974, and the Yangjiang Secondary and Tertiary Technical School founded in 1997; and
  - (b) any other schools selected by agreement among the Recipient, Guangdong and the World Bank,

and any successors thereto; and “Selected School” means, individually, any of such Selected Schools.