

Public Disclosure Authorized

CONFORMED COPY

LOAN NUMBER 7918-CN

Loan Agreement

(Liaoning and Shandong
Technical and Vocational Education and Training Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 9, 2010

LOAN AGREEMENT

AGREEMENT dated August 9, 2010, between PEOPLE'S REPUBLIC OF CHINA ("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 the Loan 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 forty million dollars (\$40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 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 interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.

- 2.05. The Payment Dates are May 15 and November 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.
- 2.07. (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 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; and (iii) the setting of limits on the Variable 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.
- (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.

ARTICLE III – PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project Implementing Entities (Liaoning and Shandong, collectively) to carry out their Respective Parts of the Project in accordance with the provisions of Article V of the General Conditions and their respective Project Agreement.
- 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 Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV – TERMINATION

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

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower's Representative is the Borrower's Minister of Finance.

- 5.02. The Borrower's Address is:

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

Facsimile:

(86-10) 6855-1125

- 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

Cable address:

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/ Zheng Xiaosong
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the quality and relevance of technical education in eight schools in Liaoning and Shandong and produce lessons from this experience as a guide for future school reforms and policy development.

The Project consists of the following parts, subject to modifications thereof as the Borrower and the 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 Respective 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) compilation of training resource information 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 who are responsible for Competency-Based Training (“CBT”).
 - (iii) Develop and implement a flexible 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; and (B) instructional materials.
 - (iv) Improve quality of student assessment and quality assurance by establishing a competency-based benchmark for measuring student and school performance including, providing goods, training, and technical assistance for: (A) alignment of the student assessment system with the new CBT curricula, (B) development of instruments for reporting to the

public about aggregate student performance on competency examinations as an indicator of school quality; and (C) carrying out of research on student achievement of competencies as a guide to improve instruction.

- (v) Improve instructional capacity and quality of training including, providing technical assistance and training of instructors through pre-service and in-service measures to use competency-based curriculum and a learner-centered pedagogy.
- (b) Upgrading of facilities at the Respective 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: Knowledge development, policy studies, and capacity building

- (a) Improving monitoring and evaluation of Project implementation through provision of training, and technical assistance for: (i) design and implementation of quality assurance measures in monitoring and evaluating school-based reforms and innovations; (ii) development of a management information system, including development of a graduate tracking system; and (iii) carrying out policy studies on technical and vocational education.
- (b) Disseminating lessons acquired from Project implementation through provision of training, and technical assistance for: (i) preparation of media for dissemination about knowledge and good practices from the school-based reforms; (ii) preparation of an outreach plan during the first year of implementation by each province to disseminate lessons within the provinces; and (iii) carrying out of workshops to educate practitioners and policy makers on presentation and discussion of Project results.
- (c) Building capacity for Project management through provision of training, and technical assistance to the PMOs, Respective Selected Schools for, inter alia, management and coordination of construction, procurement, monitoring and evaluation, reporting, and other technical activities requiring coordination.

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

1. The Borrower shall make available to Liaoning and Shandong the proceeds of the Loan allocated from time to time to the categories for each such Province as set forth in the table in Section IV of this Schedule under terms and conditions satisfactory to the Bank, including the following principal terms:
 - (a) The principal amount shall be made available in Dollars (determined on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn.
 - (b) The principal amount so made available, including an amount equal to the fee paid pursuant to Section 2.03 of this Agreement and the amount of the Premium paid pursuant to Section 2.07(c) of this Agreement, shall be recovered over a period of thirty (30) years, inclusive of a grace period of five (5) years.
 - (c) Interest shall be charged on such principal amount withdrawn and outstanding from time to time at a rate equal to the rate of interest applicable from time to time to the Loan pursuant to the provisions of Section 2.04 of this Agreement.

B. Anti-Corruption

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

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

1. The Borrower shall monitor and evaluate, and cause each of Liaoning and Shandong to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth in the Annex of the Schedule to the Project Agreement respectively. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank not later than March 15 and September 15 each year starting March 15, 2011.

2. For purposes of Section 5.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain, or cause to be maintained, a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or cause to be prepared and furnished, to the 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 Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works 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 Schedule.
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 Schedule.
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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower (other than goods manufactured in the Hong Kong Special Administrative Region or the Macau Special Administrative Region of the Borrower).

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	<p>National Competitive Bidding.</p> <p>In addition, the procedures to be followed for National Competitive Bidding shall be those set forth in the Law on Tendering and Bidding of the People’s Republic of China promulgated by Order No.21 of the President of the People’s Republic of China on August 30, 1999, with the following clarifications required for compliance with the Procurement Guidelines:</p> <ol style="list-style-type: none"> (i) All invitations to prequalify or to bid shall be advertised in a newspaper of national circulation in the Borrower’s country, except for civil works contracts that are estimated cost less than \$2,000,000 equivalent each and for goods contracts that are estimated to cost less than \$300,000 equivalent each, which may be advertised in a provincial daily newspaper. Such advertisement shall be made in sufficient time for prospective bidders to obtain prequalification or bidding documents and prepare and submit their responses. In any event, a minimum of thirty (30) days shall be given to bidders between the date of advertisement in such newspaper and the deadline for submission of bids, and the advertisement and bidding documents shall specify the deadline for such submission. (ii) Qualification requirements of bidders and the method of evaluating the qualification of each bidder shall be specified in detail in the bidding documents.

- (iii) All bidders that meet the qualification criteria set out in the pre-qualification document shall be allowed to bid and there shall be no limit on the number of pre-qualified bidders.
- (iv) All bidders shall be required to provide security in an amount sufficient to protect the Borrower, Liaoning or Shandong, as the case may be, in case of breach of contract by the contractor, and the bidding documents shall specify the required form and amount of such security.
- (v) Bidders will be allowed to submit bids by mail or by hand. The time for opening of all bids shall be the same as the deadline for receipt of such bids.
- (vi) All bids shall be opened in public; all bidders shall be offered an opportunity to be present (either in person or through their representatives) at the time of bid opening, but bidders shall not be required to be present at the bid opening.
- (vii) All bid evaluation criteria shall be disclosed in the bidding documents and quantified in monetary terms or expressed in the form of pass/fail requirements.
- (viii) No bid may be rejected solely on the basis that the bid price falls outside any standard contract estimate, or margin or bracket of average bids established by the Borrower, Liaoning, or Shandong, as the case may be.
- (ix) Each contract shall be awarded to the lowest evaluated responsive bidder, that is, the bidder who meets the appropriate standards of capability and resources and whose bid has been determined: (A) to be substantially responsive to the bidding documents; and (B) to offer the lowest evaluated cost. The winning bidder shall not be required, as a condition of award, to undertake responsibilities for work not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.
- (x) Each contract financed with the proceeds of the Loan shall provide that the suppliers and contractors shall permit the Bank, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Bank.

<ul style="list-style-type: none"> (xi) Government owned enterprises in the Borrower's country may be permitted to bid or submit a proposal of goods and works if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law; and (C) are not a dependent agency of the agency conducting the procurement. (xii) All bids shall not be rejected solely because the number of bids is less than three (3), and rejection of all bids or rebidding shall not take place without the Bank's prior written concurrence. (xiii) The results of bid evaluation and contract award shall be published in the national press or provincial press (as provided under sub-paragraph (i) above) or official gazette or a free and open access website and shall identify the name and offered price of the winning bidder, as well as the duration and summary scope of the awarded contract. (xiv) Liaoning and Shandong shall have in place provisions for bidders to protest.
<p>(b) Shopping</p>

C. Particular Methods of Procurement of Consultants' Services

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

Procurement Method	
(a)	Quality-based Selection
(b)	Selection based on Consultants' Qualifications
(c)	Single-source Selection
(d)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(e)	Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

1. 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 IV. 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 shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the 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 Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in Dollars)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Liaoning (a) Goods and works under Parts 1(b) and 2 of the Project (b) Innovation Sub-project Financing under Part 1(a) of the Project and services and training under Parts 1(b) and 2 of the Project	16,100,000 3,850,000	100% 100%
(2) Shandong (a) Goods and works under Parts 1(b) and 2 of the Project (b) Innovation Sub-project Financing under Part 1(a) of the Project and services and training under Parts 1(b) and 2 of the Project	16,830,000 3,120,000	100% 100%
(3) Front-end Fee	100,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(4) Premium for Interest Rate Cap or Interest Rate Collar	0	Amount payable pursuant to Section 2.07(c) of this Agreement and Section 4.05(c) of the General Conditions
TOTAL AMOUNT	40,000,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$8,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2010, for Eligible Expenditures under categories (1) and (2).
2. The Closing Date is December 31, 2015.

SCHEDULE 3**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 May 15 and November 15 beginning November 15, 2015 through May 15, 2040	2%

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 (2) 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.

APPENDIX**Section I. 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 2009, prepared by Liaoning Urban Construction and Renewal Project Office and referred to in Section I, paragraph C.1 of the Schedule to the Project Agreements, which framework sets out the policies and procedures for environmental assessment and preparation of environmental mitigation plans in respect of activities under the Project, as well as administrative and monitoring arrangements to ensure the implementation of said plans, as such framework may be revised from time to time with the prior written agreement of the Bank.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.
6. “Innovation Sub-project” means, individually, a sub-project selected by the Project Implementing Entity and approved by the Bank in accordance with paragraph 1 of Section IV of the Schedule to the Project Agreements, and comprising activities to be carried out under Part 1(a) of the Project by a Respective 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) technical assistance, workshops and training including, but not limited to rental of premises, the provision of related materials and honorarium paid to industry/sector experts; and (c) incremental expenditures incurred by each of the Respective Selected Schools 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 Respective Selected Schools.

8. “Liaoning” means the Borrower’s Province of Liaoning and any successor thereto.
9. “Liaoning Project Agreement” means the agreement between the Bank and Liaoning of even date herewith relating to implementation of its Respective Parts of the Project, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Liaoning Project Agreement.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
11. “Procurement Plans” means, collectively, the Borrower’s procurement plans dated December 30, 2009 for Liaoning, and dated March 15, 2010 for Shandong, 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.
12. “Project Agreements” means the Liaoning Project Agreement and the Shandong Project Agreement.
13. “Project Implementation Plans” and its abbreviation “PIP” mean, collectively: (a) the project implementation plan, including the Financial Management Manual, dated December 30, 2009 for Liaoning; and (b) the project implementation plan including the Financial Management Manual, dated December 30, 2009 for Shandong, both setting out the procedural basis for implementation of the Project and its monitoring and supervision.
14. “Project Implementing Entities” means, collectively, Liaoning and Shandong and “Project Implementing Entity” means, individually, any such Project Implementing Entities.
15. “Project Steering Committees” and the acronym “PSC” mean the project steering committees established in Liaoning and Shandong respectively, and to be maintained pursuant to the provisions of Section I.A paragraph 1(a) of the Schedule to the Project Agreement.
16. “Project Management Office” and the acronym “PMO” mean any one of the project management offices established in Liaoning and Shandong, respectively, and to be maintained pursuant to the provisions of Section I.A paragraph 1(b) of the Schedule to the Project Agreement.

17. “Respective Parts of the Project” mean in the case of Liaoning and Shandong, the activities described in Schedule 1 to this Agreement under the jurisdiction of their respective provinces.
18. “Respective Selected Schools” means, with respect to:
 - (a) Liaoning Province: Equipment Manufacture College, Liaoning Vocational College, Labor Economy College, Urban Construction School and any other schools selected by agreement among Liaoning and the Bank; and
 - (b) Shandong Province: Dezhou Technical and Vocational College , Yantai Automotive Engineering College, Jining Technical and Vocational College, Weihai Vocational College and any other schools selected by agreement between Shandong and the Bank;and any successors to the foregoing learning institutions; and “Respective Selected School” means, individually, any of such Respective Selected Schools.
19. “Shandong” means the Borrower’s Province of Shandong and any successor thereto.
20. “Shandong Project Agreement” means the agreement between the Bank and Shandong of even date herewith relating to implementation of its Respective Parts of the Project, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Shandong Project Agreement.
21. “Subsidiary Agreement” means any one of the agreements referred to in Section I D.1 of the Schedule to the Project Agreement.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

“Section 7.02. *Suspension by the Bank*

....

- (l) *Ineligibility.* The Bank or the Association has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Association or otherwise to participate in the preparation or implementation of any project

financed in whole or in part by the Bank or the Association, as a result of a determination by the Bank or the Association that the Borrower or 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 Bank or the Association.”

2. The definition of the term “Conversion Date” in the Appendix is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”