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LOAN NUMBER 7918-CN

# Shandong Project Agreement

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

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

SHANDONG PROVINCE

Dated August 9, 2010

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## **PROJECT AGREEMENT**

AGREEMENT dated August 9, 2010, (“Project Agreement”) entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and SHANDONG PROVINCE (“Shandong”) (“Project Implementing Entity”) in connection with the Loan Agreement (“Loan Agreement”) of the same date between PEOPLE’S REPUBLIC OF CHINA (“Borrower”) and the Bank. The Bank and Shandong hereby agree as follows:

### **ARTICLE I – GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to the Loan Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Project Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions.

### **ARTICLE II – PROJECT**

- 2.01. Shandong declares its commitment to the objectives of the Project. To this end, Shandong shall: (a) carry out, and cause its Respective Selected Schools to carry out, Parts 1 and 2 of the Project in accordance with the provisions of Article V of the General Conditions, as well as the respective Project Implementation Plan; and (b) provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and Shandong shall otherwise agree, Shandong shall carry out, and shall cause to be carried out, Parts 1 and 2 of the Project in accordance with the provisions of the Schedule to this Agreement.

### **ARTICLE III – REPRESENTATIVE; ADDRESSES**

- 3.01. The Representative of Shandong is its Governor or Vice Governor or such other person or persons as said Governor or Vice Governor shall designate in writing, and Shandong shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

3.02. 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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. Shandong's Address is:

Shandong Provincial Finance Bureau  
No. 3 Jida Rd.  
Jinan, Shandong Province  
People's Republic of China

Facsimile:  
  
86-531-82920751

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

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Klaus Rohland  
Authorized Representative

SHANDONG PROVINCE

By /s/ Huang Sheng  
Authorized Representative

## SCHEDULE

### Execution Of The Project

#### Section I. Implementation Arrangements

##### A. Project Management

1. Shandong shall maintain, and cause to be maintained, for purposes of carrying out its Respective Parts of the Project, the following organizations, with terms of reference, staffing and other resources acceptable to the Bank, throughout the period of implementation of its Respective Parts of the Project:
  - (a) A Project Steering Committee (“PSC”) led by a Vice Governor, which committee is responsible for: providing guidance in overall Project implementation; facilitating inter-agency coordination; assisting in the dissemination and sharing of lessons learnt from Project implementation; coordinating cross-sectoral policy issues related to technical and vocational education and training; and supervising Project implementation, including representatives from provincial finance bureau, provincial development and reform committee, provincial education bureau, and other related bureaus.
  - (b) A Project Management Office (“PMO”), established within the Education Department in Shandong Province, to be responsible for: overall Project management and coordination, facilitating communication and coordinating Project implementation among the Respective Selected Schools and providing support to each Selected School, including identifying specific needs for technical assistance, assessing investment decisions, developing terms of reference, reviewing and evaluating consultant proposals, monitoring Project progress, assisting in the dissemination of lessons learnt and assessing Project outputs.
  - (c) A Provincial Expert Team (“PET”) responsible for providing technical support to the PMO to enhance quality of Project design and implementation and providing assistance to the PMO in reviewing documents and implementing Parts 1 and 2 of the Project.

##### B. Anti-Corruption

Shandong each shall carry out, and cause each of its Respective Selected Schools to carry out, the Project in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Environmental Protection**

1. Shandong, in carrying out its Respective Parts of the Project :
  - (a) shall implement, and shall cause each of its Respective Selected Schools to implement, the Project, in accordance with the Environmental Management Framework in a manner satisfactory to the Bank and designed to ensure that the Project is implemented in accordance with sound environmental practices and standards; and
  - (b) shall provide, to the Bank for its prior concurrence any proposed modification or waiver of the Environmental Management Framework, and put into effect only such modification or waiver as shall have been agreed by the Bank in writing.

**D. Financial Arrangements**

1. Shandong shall allocate to each of its Respective Selected Schools a portion of the Loan under Subsidiary Agreements, and under arrangements satisfactory to the Bank, which shall include, without limitation, the following principal terms:
  - (a) Shandong shall make available the principal amount, which has been allocated to each of its Respective Selected Schools, in Dollars (on the date, or respective dates, of withdrawal from the Loan Account) of the value of the currency or currencies so withdrawn on account of the implementation of Project by the Respective Selected School.
  - (b) Shandong shall recover such principal amount so made available (including the fee paid pursuant to Section 2.03 of the Loan Agreement and the amount of the Premium paid pursuant to Section 2.07(c) of this Agreement) over a period of thirty (30) years, inclusive of a grace period of five (5) years.
  - (c) Shandong shall charge interest 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 Section 2.04 of the Loan Agreement.

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

1. Shandong shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Parts of the Project, which shall also include adequate information regarding progress on the implementation

of the Environmental Management Framework, in accordance with the provisions of Section 5.08(b) of the General Conditions and on the basis of the indicators set forth in the Annex to this Schedule. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Bank by March 15 and September 15 each year, starting March 15, 2011.

**B. Financial Management, Financial Reports and Audits**

1. Shandong shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to its Respective Parts of the Project.
2. Shandong shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one (1) fiscal year of Shandong. The audited financial statements for each period shall be furnished to the Borrower and the Bank not later than six (6) months after the end of the period.
3. Without limitation on the provisions of Part B of this Section, Shandong 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.

**Section III. Procurement**

All goods, works and services required for its Respective Parts of the Project to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 2 to the Loan Agreement.

**Section IV. Innovation Sub-projects under Part 1(a) of the Project**

1. Shandong shall, and shall cause each of its Respective Selected Schools:
  - (a) By December 1 of each year, commencing on December 1, 2010, to prepare and furnish to the Bank a draft annual work plan for the implementation of the activities under Part 1(a) of the Project proposed for the following calendar year. Said work plan shall include the following:
    - (i) a description of proposed activities, which activities shall not entail land acquisition or civil works;

- (ii) specific outputs of said activities and the reporting and verification requirements;
  - (iii) total cost of said activities;
  - (iv) expenditures proposed to be financed from the Loan proceeds; and
  - (v) payment schedule and releasing conditions.
- (b) Thereafter, to carry out the activities under Part 1(a) of the Project in accordance with such work plan that has been approved by the Bank.

## ANNEX to SCHEDULE

**Indicators  
Arrangements for Results Monitoring**

<b>Project Objective</b>	<b>Project Outcome Indicators</b>	<b>Use of Project Outcome Information</b>
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	(1) Percentage of graduates who pass skill certification exams (middle and high level) (2) Percentage of graduates finding initial employment within 3 months in the specialties in which they were trained (3) Improved trainee and employer satisfaction	Indicates the extent to which training delivered meets market demand and standards for quality
<b>Component 1: School-Based Reforms and Innovation</b>		
<b>Intermediate Outcomes</b>	<b>Intermediate Outcome Indicators</b>	<b>Use of Intermediate Outcome Monitoring</b>
<b>Outcome 1: Strengthened linkage with industry</b>	(1) Percentage of instructors trained in industry attachments (Number of instructors trained / total instructors in the same specialties) (2) Percentage of industrial experts from the enterprises participated in teaching in schools (Number of industrial experts teaching in schools/total instructors in the same specialties)	Indicates extent to which industry is engaged in school planning and operations
<b>Outcome 2: Improved management capacity</b>	(1) Number of new or enhanced internal school regulations and procedures (2) Number of new practices/school reforms initiatives implemented	Measures the application of learning and the improved capacity of school management
<b>Outcome 3: Developed and introduced modular, competency-based curriculum and instructional materials</b>	Percentage of students enrolled in modular, CBT curricula (Number of students enrolled in modular, CBT curricula / total students enrolled in the same specialties)	Indicates scale of curriculum reform to improve quality and relevance
<b>Outcome 4: Improved student assessment and quality assurance</b>	Percentage of students assessed with outcomes-based student assessment systems (Number of students assessed with outcomes-based student assessment systems / total students studied in the same specialties)	Indicates extent to which instructors have adapted measurement of quality against competency standards



<b>Outcome 5: Improved quality of instruction</b>	Percentage of instructors using new CBT curricula (Number of instructors using new CBT curricula / total instructors in the same specialty departments)	Indicates the degree to which instructors have adapted flexible, outcomes-focused methods of instruction (CBT)
<b>Outcome 6: Upgraded instructional equipment, facilities, and technology</b>	Percentage of students utilizing upgraded instructional equipment aligned with new CBT curricula (students utilizing upgraded instructional equipment / total students studied in the same specialties)	Monitors workshops that are upgraded to use new technologies demanded by employers
<b>Component 2: Knowledge development and capacity building</b>		
<b>Outcome 1: Improved capacity in monitoring and evaluation</b>	(1) Improved school Management Information System established (2) Improved student tracer and beneficiary studies implemented and analyzed (3) Employer satisfaction survey implemented and analyzed	Measures improvement in school management and M&E capacity
<b>Outcome 2: Reform lessons disseminated</b>	Number of knowledge products produced and shared with various stakeholders and decision makers	Measures the built capacity in knowledge development and application
<b>Outcome 3: Improved capacity for planning and implementation of the reforms</b>	(1) Number of provincial capacity building activities (2) Number of participants for provincial capacity building activity	Measures improved capacity of provincial capacity for project planning and management