Loan Agreement

(Yunnan Technical and Vocational Education and Training Project)

between

PEOPLE'S REPUBLIC OF CHINA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 6, 2012
LOAN AGREEMENT

AGREEMENT dated August 6, 2012, 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 this 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 fifty million dollars ($50,000,000), 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty(30) days, then the interest payable by the Borrower shall instead be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(e) of the General Conditions.

2.05. The Payment Dates are March 15 and September 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: (A) 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; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 or the Reference 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 objective of the Project. To this end, the Borrower shall cause the Project Implementing Entity (Yunnan) to carry out the Project in accordance with the provisions of Article V of the General Conditions and the 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 and the Project 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: INTBAFRAD
      Telex: 248423(MCI) or 64145(MCI)
      Facsimile: 1-202-477-6391
AGREED at Beijing, Peoples Republic of China, as of the day and year first above written.

PEOPLE'S REPUBLIC OF CHINA

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality and relevance of technical and vocational education and training to produce skills that respond to the labor market demand, contributing to Yunnan's economic development during the Borrower's 12th Five Year Plan period.

The Project consists of the following parts:

**Part A: Improving the Quality and Relevance of TVET Programs in Project Schools**

1. Strengthening and institutionalizing school-industry collaboration through the provision of training, technical assistance and incremental operating costs to: (a) establish formal school-industry collaboration committees and sector specific industrial advisory committees; and (b) develop competency-based standards to revise selected training programs.

2. Developing school-based CBT curriculum and teaching-learning materials, including: (a) the preparation of core curriculum standards; (b) development of modular curricula and other teaching-learning materials through a cycle of piloting, evaluating, and revising; (c) publication of school-based new curriculum materials; and (d) establishment of a school level teaching and learning resource bank.

3. Improving management and instructional capacity of school managers through, inter alia: (a) with respect to top and middle level managers, the provision of domestic and overseas training aimed at: (i) raising awareness of the importance and specific instruments to strengthen linkages with industry; (ii) improving technical understanding of the process of developing competency-based training curriculum; and (iii) evidence-based policy making and overall management capacity; and (b) with respect to teachers, the provision of domestic and overseas training in the area of: (i) development and use of competency-based curriculum; (ii) development and use of new student-centered pedagogy; and (iii) skills development in relevant industries towards achieving higher levels of self-certification of skills.

4. Improving the quality of student assessment system by establishing a competency-based benchmark for measuring student and school performance through the provision of training, technical assistance and incremental operating costs for: (a) the development and implementation of new student assessment instruments including a graduate tracer study and employer satisfaction survey;
and (b) the development and implementation of a new teacher and teaching assessment instrument.

5. Improving instructional facilities through: (a) the expansion, upgrading and construction of training centers within the campus of selected Project Schools; (b) the provision of key training equipment needed for the revised training programs; and (c) development of guidelines for the management of training facilities and equipment.

6. Provision of incremental operating costs and logistical assistance to enhance Project impact to facilitate the participation of interested TVET institutions in selected Project training activities, at their own expenses, and to provide them with access to CBT and curriculum materials developed under the Project.

Part B: Strengthening Provincial Capacity in Coordination, Policy Development, and Monitoring and Evaluation

1. Strengthening the Provincial coordination of TVET activities and programs, through supporting the Inter-Departmental TVET Coordination Committee in: (a) carrying out study visits to provinces that have similar coordination mechanism; (b) carrying out regular meetings to discuss TVET affairs; and (c) carrying out field visits to Project Schools.

2. Supporting the school level development of CBT programs, through: (a) the formation of a Provincial Expert Team to guide the curriculum development in schools; (b) organization of teacher training in student-centered pedagogy; (c) carrying out of teacher trainings in the development and implementation of CBT curriculum; and (d) carrying out of teacher training related to the development of curriculum clusters.

3. Provision of technical advisory services and incremental operating costs, inter alia, to: (a) carry out policy research and produce policy briefs related to various TVET topics; and (b) organize provincial TVET workshops for the purpose of school-industry collaboration and preparation of curriculum development case studies and lessons learned.

4. Facilitating Project management, through, inter alia: (a) the provision of specific training to provincial and school level Project staff on subjects related to Project management, financial management, procurement, and monitoring and evaluation; and (b) support, through the PMO, to all provincial and school level procurement, financial management and monitoring and evaluation activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Financing Arrangements

1. The Borrower shall make available to the Project Implementing Entity (Yunnan) the proceeds of the Loan allocated from time to time to the categories 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 any Premium paid pursuant to Section 2.07(c) of this Agreement, shall be recovered over a period of twenty-five (25) years, inclusive of a grace period of eight (8) 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.

2. The Borrower shall cause the Project Implementing Entity (Yunnan) to:
   (a) manage, operate, monitor, transfer and reconcile the proceeds of the Loan made available to it pursuant to paragraph 1 above in accordance with arrangements and procedures satisfactory to the Bank; (b) take, all required actions, including provision of timely consents and approvals as may be necessary, to facilitate the utilization of said Loan proceeds and the implementation of the Project, to enable the Borrower and the Project Implementing Entity (Yunnan) to comply with their respective undertakings under this Agreement and the Project Agreement; and (c) maintain all relevant records and documents related to the Loan and the Project and provide promptly such documents and records, including all other information, as may be requested by the Borrower or the Bank from time to time.

5. The Borrower shall cause the Project Implementing Entity (Yunnan) to ensure that, prior to making any disbursement to any specific Project School, it shall have entered into a Subsidiary Loan Agreement, satisfactory to the Bank, with such Project School.
B. **Anti-Corruption**

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, including those applicable to Recipients of Loan proceeds other than the Borrower.

Section II. **Project Monitoring Reporting and Evaluation**

A. **Project Reports**

1. The Borrower shall monitor and evaluate, and cause the Project Implementing Entity (Yunnan) 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. Each Project Report shall cover the period of one Fiscal Year, and shall be furnished to the Bank not later than one month after the end of the period covered by such report.

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 cause to be prepared and furnished, to the Bank, not later than forty-five (45) days after the end of each calendar semester, interim unaudited 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**

1. All goods, works, non-consulting services and consultants' services required for 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 Project Agreement.
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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works</td>
<td>30,282,500</td>
<td>75%</td>
</tr>
<tr>
<td>(2) Goods, Consultants’ services, Training and Study Tours, and Incremental Operating Costs for the Project</td>
<td>19,592,500</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>125,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td></td>
<td>Amount due pursuant to Section 2.07(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>50,000,000</td>
<td></td>
</tr>
</tbody>
</table>
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 $10,000,000 equivalent may be made for payments made prior to this date but on or after October 1, 2011, for Eligible Expenditures under Categories (1) and (2).

2. The Closing Date is December 31, 2017.
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.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 September 2020</td>
<td>2.28</td>
</tr>
<tr>
<td>15 March 2021</td>
<td>2.31</td>
</tr>
<tr>
<td>15 September 2021</td>
<td>2.35</td>
</tr>
<tr>
<td>15 March 2022</td>
<td>2.38</td>
</tr>
<tr>
<td>15 September 2022</td>
<td>2.42</td>
</tr>
<tr>
<td>15 March 2023</td>
<td>2.46</td>
</tr>
<tr>
<td>15 September 2023</td>
<td>2.49</td>
</tr>
<tr>
<td>15 March 2024</td>
<td>2.53</td>
</tr>
<tr>
<td>15 September 2024</td>
<td>2.57</td>
</tr>
<tr>
<td>15 March 2025</td>
<td>2.61</td>
</tr>
<tr>
<td>15 September 2025</td>
<td>2.65</td>
</tr>
<tr>
<td>15 March 2026</td>
<td>2.69</td>
</tr>
<tr>
<td>15 September 2026</td>
<td>2.73</td>
</tr>
<tr>
<td>15 March 2027</td>
<td>2.77</td>
</tr>
<tr>
<td>15 September 2027</td>
<td>2.81</td>
</tr>
<tr>
<td>15 March 2028</td>
<td>2.85</td>
</tr>
<tr>
<td>15 September 2028</td>
<td>2.89</td>
</tr>
<tr>
<td>15 March 2029</td>
<td>2.94</td>
</tr>
<tr>
<td>15 September 2029</td>
<td>2.98</td>
</tr>
<tr>
<td>15 March 2030</td>
<td>3.03</td>
</tr>
<tr>
<td>15 September 2030</td>
<td>3.07</td>
</tr>
<tr>
<td>15 March 2031</td>
<td>3.12</td>
</tr>
<tr>
<td>15 September 2031</td>
<td>3.16</td>
</tr>
<tr>
<td>15 March 2032</td>
<td>3.21</td>
</tr>
<tr>
<td>15 September 2032</td>
<td>3.26</td>
</tr>
<tr>
<td>15 March 2033</td>
<td>3.31</td>
</tr>
<tr>
<td>15 September 2033</td>
<td>3.36</td>
</tr>
</tbody>
</table>
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

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


4. “CBT” means Competency-Based Training, a training involving a cluster of related knowledge, skills, and attitudes that correlates with performance on the job.

5. “ECOP” means the Environmental Codes of Practice, adopted and disclosed by the Project Implementing Entity on September 20, 2011, which set out the guidelines and procedures for environmental assessment and preparation of environmental mitigation measures in respect of activities under the Project, as well as administrative and monitoring arrangements to ensure the implementation of said guidelines, as such guidelines may be revised from time to time with the prior written agreement of the Bank.


7. “Fiscal Year” and the acronym “FY” mean the Borrower’s Fiscal Year covering the period January 1 through December 31, each year.

8. “Incremental Operating Costs” means Project-related incremental operating costs incurred on account of implementation, management and monitoring, dissemination of Project-related information, office rental and office equipment purchase or leasing, maintenance and repair, vehicle leasing, equipment maintenance and repair, travel, including travel to Project sites, security, communication, bank charges, advertising, and other costs directly associated with the Project, but excluding the salaries of the Borrower’s and the Project Implementing Entity’s civil servants.

9. “Inter-Departmental TVET Coordination Committee” means the Committee referred to under Part B.1 of the Project.

11. "Procurement Plan" means the Borrower's procurement plan for the Project, dated December 31, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

12. "Project Implementing Entity" means the Borrower's Province of Yunnan, or any successor thereto.

13. "Project Implementation Unit" or the acronym "PIU" means any of the Project Implementation Units to be maintained by each of the Project Schools pursuant to the provisions of paragraph 2(c) of Section I.B of the Schedule to the Project Agreement.

14. "Project Implementation Manual" or the acronym "PIM" means the Project Implementation Manual for the Project, dated December 31, 2011, which sets out the eligibility and cost-sharing criteria of Project Schools, procedures and details regarding the implementation of the Project, its monitoring and supervision, and which includes the Financial Management Manual, as the same may be updated from time to time, with prior written agreement of the Bank.

15. "Project Management Office" and the acronym "PMO" mean the Project Management Office established in Yunnan Provincial Department of Education, and to be maintained pursuant to the provisions of paragraph 2(a) of Section I.B of the Schedule to the Project Agreement.

16. "Project Schools" means, collectively, the following learning institutions: (i) Tengchong No.1 Vocational School; (ii) Dali Secondary Vocational School; (iii) Yunnan Technician College; (iv) Yunnan Jiaotong College; (v) Yunnan Traffic Technician College; (vi) Yunnan Provincial Tourism and Vocational College; (vii) Yunnan Qujing Agricultural School; (viii) Yunnan Land and Resources Vocational College; and (ix) Yunnan Forestry Technological College, and any successors to the foregoing learning institutions; and "Project School" means, individually, any of such respective Project Schools.

17. "Provincial Expert Team" means the Provincial TVET Expert Team established under Part B.2 of the Project.

18. "Subsidiary Loan Agreements" means, collectively, the agreements referred to Paragraph A.3 of Section I of Schedule 2 to this Agreement and in Paragraph B.4 of Section 1 of the Schedule to the Project Agreement, as the same may be amended from time to time, and such term includes all schedules and agreements
supplemental to said agreements; and "Subsidiary Loan Agreement" means, individually, any of said Subsidiary Loan Agreements.


20. "Training and Study Tours" shall mean to include the costs of training under the Project, based on annual work plans and budgets approved by the Bank, and attributable to seminars, workshops, and study tours, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other expenditures directly related to trainer service and translation for course preparation and implementation.

21. "Yunnan" means the Borrower's Province of Yunnan, or any successor thereto.