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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 225 MILLION  
(US\$ 350 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

SECOND PUNJAB EDUCATION SECTOR PROJECT

MARCH 30, 2012

Human Development Department  
South Asia Region

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: February 29, 2012)

Currency Unit = Pakistani Rupee (PKR)  
PKR 90.24 = US\$1.00  
US\$1.00 = SDR 0.64

FISCAL YEAR  
July 1 – June 30

## ABBREVIATIONS AND ACRONYMS

AEO	Assistant Education Officer
AG	Auditor General
ASC	Annual School Census
BER	Budget Execution Report
CB	Cost Benefit
CCT	Conditional Cash Transfer
CIDA	Canadian International Development Agency
CMMF	Chief Minister's Monitoring Force
COA	Chart of Accounts
CPS	Country Partnership Strategy
CQS	Consultants Qualification Selection
DAC	Departmental Accounts Committee
DDF	Deputy Director Finance
DfID	Department for International Development
DCO	District Coordination Officer
DDO	Drawing and Disbursement Officer
DEO	District Education Officer
DLI	Disbursement Linked Indicator
DMO	District Monitoring Officer
DPs	Development Partners
DSD	Directorate of Staff Development
DTE	District Teacher Educator
EA	Environmental Assessment
EDO	Executive District Officer
EEP	Eligible Expenditure Program
EMIS	Education Monitoring Information System
ESMF	Environmental and Social Management Framework
FAS	Foundation Assisted Schools
FBS	Federal Bureau of Statistics
FMIS	Financial Management Information System
FBs	Fixed Budget Selection
FD	Finance Department

GDP	Gross Domestic Product
GPI	Gender Parity Index
GoPunjab	Government of Punjab
HDI	Human Development Index
HRM	Human Resource Management
ICB	International Competitive Bidding
ICT	Information and Communication Technologies
IDA	International Development Association
IFR	Interim Financial Report
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
LEAPS	Learning and Educational Achievement in Punjab Schools
LCS	Least Cost Selection
LGO	Local Government Ordinance
M&E	Monitoring and Evaluation
MEA	Monitoring and Evaluation Assistant
MDG	Millennium Development Goal
MTBF	Medium Term Budgetary Framework
MTFF	Medium Term Fiscal Framework
MTSF	Medium Term Sector Framework
NAM	New Accounting Model
NCB	National Competitive Bidding
NER	Net Enrollment Rate
NFC	National Finance Commission
NGO	Non Governmental Organization
ORAF	Operational Risk Assessment Framework
PBS	Pakistan Bureau of Statistics
P&D	Planning & Development
PDV	Present Discounted Value
PEAS	Punjab Education Assessment System
PEC	Punjab Examination Commission
PEEDA	Punjab Employees Efficiency, Discipline, and Accountability Act
PEF	Punjab Education Foundation
PEFA	Public Expenditure & Financial Accountability
PER	Performance Evaluation Report
PESP	Punjab Education Sector Project
PESP II	Second Punjab Education Sector Project
PESRP	Punjab Education Sector Reform Program
PESRP II	Second Punjab Education Sector Reform Program
PDO	Project Development Objective
PDV	Present Discounted Value
PFC	Provincial Finance Commission
PFM	Public Financial Management
PFMAA	Public Financial Management and Accountability Assessment
PIFRA	Project to Improve Financial Reporting and Auditing
PMIU	Program Monitoring and Implementation Unit

PPP	Public-Private Partnership
PPSC	Provincial Program Steering Committee
PSLM	Pakistan Social and Living Standards Measurement Survey
QBS	Quality Based Selection
SABER	System for Assessment and Benchmarking for Education Results
SC	School Council
SDA	Special Drawing Account
SED	School Education Department
SEP	Sindh Education Sector Project
SPN	Specific Procurement Notice
SSS	Single Source Selection
TA	Technical Assistance
TBD	To be determined
TE	Teacher Educator
TIMSS	Trends in International Mathematics and Science Study
TPV	Third Party Validation
UNDP	United Nations Development Program
WA	Withdrawal Application

Regional Vice President:	Isabel Guerrero
Country Director:	Rachid Benmessaoud
Sector Director:	Amit Dar (Acting)
Sector Manager:	Amit Dar
Task Team Leaders:	Dhushyanth Raju & Huma Waheed

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**PAD DATA SHEET**

*Pakistan*

*Pakistan: Second Punjab Education Sector Project (P125958)*

**PROJECT APPRAISAL DOCUMENT**

*SOUTH ASIA*

*SASED*

<b>Basic Information</b>		
Date: 30-March-2012	Sectors: Primary education (100%)	
Country Director: Rachid Benmessaoud	Themes: Education for all (80%), Other public sector governance (20%)	
Sector Manager/Director: Amit Dar/Amit Dar		
Project ID: P125958	EA Category: B - Partial Assessment	
Lending Instrument: Specific Investment Credit		
Team Leader(s): Dhushyanth Raju and Huma Waheed		
Joint IFC: No		
Borrower: Islamic Republic of Pakistan		
Responsible Agency: School Education Department		
Contact: Mr. Aslam Kamboh	Title: Secretary	
Telephone No.: (92-42) 9921-2012	Email: secretary.schoolseducation@gmail.com	
Project Implementation Period: Start Date: 15-June-2012	End Date: 31-Dec-2015	
Expected Effectiveness Date: 15-June-2012		
Expected Closing Date: 31-Dec-2015		
<b>Project Financing Data(US\$M)</b>		
<input type="checkbox"/> Loan	<input type="checkbox"/> Grant	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Credit	<input type="checkbox"/> Guarantee	
<b>For Loans/Credits/Others</b>		
Total Project Cost (US\$M):	4407.00	
Total Bank Financing (US\$M):	350.00	
<b>Financing Source</b>	<b>Amount(US\$M)</b>	
BORROWER/RECIPIENT	3837.70	

International Development Association (IDA)	350.00
CANADA Canadian International Development Agency (CIDA)	19.30
UK British Department for International Development (DfID)	200.00
Total	4407.00

### Expected Disbursements (in USD Million)

Fiscal Year	2013	2014	2015	2016
Annual	94.00	113.00	142.00	1.00
Cumulative	94.00	207.00	349.00	350.00

### Project Development Objective

The Project Development Objective (PDO) of PESP II is to support the education sector reform program of the Government of Punjab to increase child school participation (at multiple levels) and student achievement.

Success of the project in meeting its objectives will be measured by the following outcome indicators:

1. Primary school participation: Net Enrollment Rate (NER), primary level (6–10 age group)
2. Middle school participation: Net Enrollment Rate, middle level (11–13 age group)
3. High school participation: Net Enrollment Rate, matriculate level (14–15 age group)
4. Student achievement: Mean test score

### Components

Component Name	Cost (USD Millions)
Results-based component: will finance the second phase of the education sector reform program, amounting to US\$340 million (97% of the total Credit)	340.00
Technical Assistance (TA) component: will finance essential advisory, technical, and capacity-building support for the second phase of the education sector reform program, amounting to US\$10 million (3% of the total Credit)	10.00

### Compliance

#### Policy

Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]
Does the project require any waivers of Bank policies?	Yes [ ]	No [ X ]
Have these been approved by Bank management?	Yes [ ]	No [ X ]
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [ X ]
Does the project meet the Regional criteria for readiness for implementation?	Yes [ X ]	No [ ]



<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>
Environmental Assessment OP/BP 4.01	<b>X</b>	
Natural Habitats OP/BP 4.04		<b>X</b>
Forests OP/BP 4.36		<b>X</b>
Pest Management OP 4.09		<b>X</b>
Physical Cultural Resources OP/BP 4.11		<b>X</b>
Indigenous Peoples OP/BP 4.10		<b>X</b>
Involuntary Resettlement OP/BP 4.12		<b>X</b>
Safety of Dams OP/BP 4.37		<b>X</b>
Projects on International Waterways OP/BP 7.50		<b>X</b>
Projects in Disputed Areas OP/BP 7.60		<b>X</b>

<b>Conditions and Legal Covenants</b>		
<i>Financing Agreement (FA)/ Project Agreement (PA) Reference</i>	<i>Description of Condition/Covenant</i>	<i>Due date</i>
Article 4.01 (a) of the FA	Government of Punjab (GoPunjab) to approve the Second Punjab Education Sector Reform Program (“PESRP II”) by May 31, 2013.	Additional event of suspension
Section I, Part C of Schedule 2 to the FA and Section I, Part C of the Schedule to the PA	Government of Pakistan and GoPunjab to ensure that the activities under the Project (i) are carried out in accordance with the Environmental and Social Management Framework; and (ii) do not entail land acquisition or give rise to Displaced Persons.	Throughout the project implementation period
Section IV, Part B.1 (a) of Schedule 2 to the FA	Retroactive financing up to US\$500,000 for eligible expenditures under Component 2 (TA component) incurred as of March 15, 2012.	N/A
Section IV, Part B.1 (c) Schedule 2 to the FA	Second disbursement of Component 1 (results-based component) subject to GoPunjab’s achievement of one (1) or more Disbursement Linked Indicators (DLIs) for the actions to be completed in Fiscal Year 2012/13.	Disbursement condition
Section IV, Part B.1 (d) Schedule 2 to the FA	Third disbursement of Component 1 (results-based component) subject to GoPunjab’s achievement of (i) five (5) or more DLIs for the actions to be completed in Fiscal Year 2012/13; and (ii) at least one (1) or more DLIs for the actions to be completed in Fiscal Year 2013/14.	Disbursement condition
Section IV, Part B.1 (e) Schedule 2 to the FA	Fourth disbursement of Component 1 (results-based) subject to GoPunjab’s achievement of (i) all ten (10) DLIs for the actions to be completed in Fiscal Year 2012/13; (ii) five (5) or more DLIs for the actions to be completed in Fiscal Year 2013/14; and (iii) at least one	Disbursement condition

	(1) or more DLIs for the actions to be completed in Fiscal Year 2014/15.	
Section IV, Part B.4 of Schedule 2 to the FA	Not more than 70% of the withdrawn amounts shall be used to finance salary-related expenditures (financing cap) at any point in time. Second, Third and Fourth scheduled disbursements under Component 1 (results-based component) to be processed on a reimbursement basis.	N/A
Section I, Part A (a), (b) (1), and (c) of the Schedule to the PA	GoPunjab to maintain a Provincial Steering Committee, a Program Monitoring and Implementation Unit (PMIU), and District Review Committees (DRCs) in all provincial districts.	Throughout the project implementation period
Section I, Part A (b) (2) (i) of the Schedule to the PA	GoPunjab to hire a finance officer for PMIU.	August 31, 2012
Section I, Part A (b) (2) (ii) & (iii) of the Schedule to the PA	GoPunjab to prepare an action plan to reorganize and restructure PMIU, and thereafter implement it.	August 31, 2012/March 31, 2013 (respectively)
Section I, Part D (a) & (b) of the Schedule to the PA	GoPunjab to carry out a stakeholder information and communications needs assessment, and thereafter develop an information and communications strategy.	December 31, 2012/ June 30, 2013 (respectively)
Section I, Part D (c) of the Schedule to the PA	GoPunjab to strengthen and update the Complaints Redressal System currently operating within the School Education Department (SED).	June 30, 2013
Section I, Part E (a) of the Schedule to the PA	GoPunjab to ensure that SED prepares and implements an institutional plan for strengthening the capacity of the Chief Minister's Monitoring Force (CMMF).	December 31, 2012
Section I, Part E (b) & (c) of the Schedule to the PA	GoPunjab to (i) ensure that all government schools are surveyed by CMMF, at least once in each calendar quarter; and (ii) make the information so collected publicly available within 60 days of the end of the quarter.	Throughout the project implementation period
Section I, Part E (d) of the Schedule to the PA	GoPunjab to ensure that SED prepares semiannual district reports, detailing the disciplinary actions taken against teachers and/or officials of the district education departments.	Throughout the project implementation period
Section I, Part F (a) of the Schedule to the PA	GoPunjab to prepare a plan for strengthening the Punjab Examination Commission and the Punjab Education Assessment System.	December 31, 2012
Section I, Part F (b) of the Schedule to the PA	GoPunjab to carry out annual province-wide examinations of students in grades 5 and 8 and district-representative diagnostic assessments.	Throughout the project implementation period
Section I, Part G (a), (b) &	GoPunjab to (i) prepare a policy framework for the	May 15, 2013/

(c) of the Schedule to the PA	introduction of a new teacher certification and licensing regime; (ii) prepare an implementation plan for the introduction of such regime; and (iii) submit to Punjab's Provincial Assembly, for its consideration, a draft law for the establishment of a teacher certification and licensing body.	May 15, 2014/ May 15, 2015 (respectively)
Section, Part H of the Schedule to the PA	GoPunjab to cause SED to enter into a Memorandum of Understanding with the Punjab Education Foundation (PEF) detailing the responsibilities of SED and PEF in the financing and implementation of PEF's private school subsidy and student vouchers programs.	March 31, 2013
Section II, Part B.4 of the Schedule to the PA	GoPunjab to submit the audit reports covering the overall budgetary expenditures of GoPunjab for said Fiscal Year, as well as the individual audits corresponding to each of its District governments.	1 month as of the receipt of the audits reports from the Auditor General of Pakistan
Section II, Part C of the Schedule to the PA	GoPunjab to prepare quarterly consolidated budget execution reports ("BERs") setting out values of budgets, actual expenditures incurred, per month, per budget line, for the whole education sector, with a cover note summarizing budget allocations and utilization in the Eligible Expenditure Programs (EEPs) for monitoring project implementation progress.	Thirty 30 days after the end of each calendar quarter throughout the project implementation period
Section II, Part D of the Schedule to the PA	GoPunjab to ensure that school councils abide by the simplified Financial Management and Procurement Guidelines for School Councils.	Throughout the project implementation period
Section III, paragraph 2 (a) & (b)	GoPunjab to (i) establish a system for the handling of procurement complaints; and (ii) maintain a procurement documentation and recordkeeping system, including a publicly-accessible website.	June 30, 2012 / throughout the project implementation period

### Team Composition

#### Bank Staff

Name	Title	Specialization	Unit
Ali Ansari	Consultant	Education	SASED
Amna W. Mir	Program Assistant	Program Assistant	SASHD
Anwar Ali Bhatti	Financial Analyst	Disbursement	SACPK
Alberto Rodriguez	Sector Manager (Peer Reviewer)	Education	ECHS2
Aristeidis I. Panou	E T Consultant	Legal	LEGES
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Chau-Ching Shen	Senior Finance Officer	Disbursement	CTRLN
Dhushyanth Raju	Senior Economist	Team Co-lead	SASED
Elfreda Vincent	Program Assistant	Program Assistant	SASHD
Hanid Mukhtar	Senior Economist	Economic Management	SASEP
Huma Ali Waheed	Operations Officer	Team Co-lead	SASED
Javaid Afzal	Senior Environmental Specialist	Environment	SASDI
Khalid Bin Anjum	Procurement Specialist	Procurement	SARPS
Martin M. Serrano	Senior Counsel	Legal	LEGES
Mohammad Omar Khalid	Consultant	Environment	SASDI
Robin S. Horn	Sector Manager (Peer Reviewer)	Education	HDNED
Saeeda Sabah Rashid	Sr Financial Management Specialist	Financial Management	SARFM
Salman Asim	Consultant	Education	SASHD
Shashi K. Shrivastava	Consultant	Operations	SASED
Surendra K. Agarwal	Consultant	Operations	SASED
Umbreen Arif	Senior Education Specialist	Education	SASED
Uzma Sadaf	Senior Procurement Specialist	Procurement	SARPS
Zubair Khurshid Bhatti	E T Consultant	Governance	SASED

#### **Non Bank Staff**

<b>Name</b>	<b>Title</b>	<b>Office Phone</b>	<b>City</b>
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Eirini Gouleta	Sr. Education Advisor, DfID	92-51-2012000	Islamabad
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Sarah Hawkes	Team Leader, Results and Program Planning, DfID	92-51-2012000	Islamabad
Zulfiqar Ahmed	Governance Adviser, DfID	92-51-2012000	Islamabad

## **I. STRATEGIC CONTEXT**

### **A. Country and provincial context**

1. Pakistan is the world's sixth most populous country with an estimated 187 million people in 2011. It is a lower-middle income country with a per-capita gross national income of US\$1,050 in 2010. After a period of strong economic growth and poverty reduction,<sup>1</sup> progress appears to have stalled as a result of a deterioration and increased volatility in fiscal, macroeconomic, political, and security conditions, adversely affecting the socioeconomic status of households, the productivity and profitability of firms and employment activities, and the functioning of private markets and public services. The large-scale, devastating floods and rains in 2010 and 2011 have taken a further toll on the country. Adding to this, weak public sector governance remains a significant challenge.<sup>2</sup> The near-term outlook is poor, with forecasts of weak growth, and threats arising from political, governance, and security fronts, debt and external financing concerns, persisting structural and fiscal weaknesses, and mounting price pressure.

2. Beyond recovery, strong and robust economic growth and development will necessarily have to include sound investments in education, health, and social protection. The need is pressing given a rapidly-expanding population. The country has a relatively young population with over two-fifths of the population below age 15. To reap the economic benefits of the demographic transition requires investing in building the human capital of the present young.

3. Punjab is Pakistan's largest province, accounting for roughly three-fifths of the country's population and income. Given its size, the economic growth and poverty reduction story for the country largely reflects the story in Punjab. Deteriorating conditions in recent years as described above have adversely affected the Government of Punjab's (GoPunjab's) fiscal health. There have been large shortfalls in revenues and large increases in expenditures, leading to heavy domestic borrowing to finance growing fiscal deficits. Servicing the debt has imposed a significant burden on GoPunjab. In FY2010/11, GoPunjab managed to produce a fiscal surplus, partly as a result of the latest (7<sup>th</sup>) National Finance Commission (NFC) award which increased the provincial shares of the divisible pool of tax receipts and an effort by GoPunjab to reduce expenditures to low-priority initiatives. Controlling expenditure growth and improving the effectiveness and efficiency of existing expenditures will remain key priorities for GoPunjab for the foreseeable future.

### **B. Sectoral and institutional context**

4. Pakistan is ranked 145 out of 187 countries in the UNDP Human Development Index.<sup>3</sup> What pulls down Pakistan's rank in the index are its education levels in particular. The country's performance in education has generally been poor in absolute terms, relative to other countries in

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<sup>1</sup> The economy grew at an average of 7.3% between fiscal years 2004 and 2007 and the poverty rate fell by half from 34.5% in 2001/02 to 17.2% in 2007/08.

<sup>2</sup> Weak governance has been identified as one of the main constraints to economic growth and development in the federal government's Growth Strategy (Planning Commission, Government of Pakistan, 2011).

<sup>3</sup> The HDI is a composite indicator that captures levels of literacy, life expectancy, education, and per capita income.

South Asia, and relative to other developing countries at its level of per capita income. Given the present trend, the UNDP reports that the country is unlikely to meet the United Nations' Millennium Development Goal of universal primary education by 2015. Standard education indicators in Punjab tend to be comparable or slightly higher than those of other provinces.<sup>4</sup>

5. Shortfalls persist in school participation and student achievement in the province.<sup>5</sup> Net enrollment rates (NERs) at the primary, middle, and high school levels in 2010–11 are 70%, 37%, and 25%, respectively.<sup>6</sup> The child's age and the household's socioeconomic status and location (district, urban vs. rural) appear to matter substantively for participation.<sup>7</sup> The probabilities of participation at the primary and middle levels increase with age, and suggest late entry into school. Children from (asset-) poor households appear to suffer a large participation disadvantage at all levels. The participation disadvantage rises sharply for rural households at the middle and high levels. Districts show large variation in participation at all levels; as one measure, district primary NERs range from a low of 50% to a high of 90%.

6. Student achievement tends to be low, significantly below standard curricular levels. For example, the Learning and Educational Achievement in Punjab Schools (LEAPS) survey of children in rural villages in selected Punjab districts finds that, in 2003, students in grade 3 scored 30%, 29%, and 38% in English, Urdu, and mathematics tests, respectively (Andrabi, Das, Khwaja, Vishwanath, and Zajonc 2007). Four years later, in 2007, students in grade 3 in the same villages scored similarly or slightly lower at 31%, 27%, and 34% in English, Urdu, and mathematics tests, respectively.<sup>8</sup> Data from universal testing exercises in 2010 and 2011 suggest that the child's gender (a general disadvantage for boys), urban vs. rural status (a disadvantage for rural children), and district matter for the conditional mean test scores for government school students in grades 5 and 8.<sup>9</sup>

7. One of the more significant positive developments in education in the province has been the dramatic growth in the private school system as reflected by the number of institutions. In addition, responding to the broad demand for greater access and better quality, the system has evolved in character, increasingly reaching low-income and rural households. This has produced a sizeable and rapidly expanding low-cost private schooling system which serves as an alternative to the government school system for low-income and rural households (the main clientele for government schools).

8. Consistent with the increase in institutions, the share of children that go to private schools has also increased. In 2010/11, 31% and 21% of children ages 6–10 and 11–15 years respectively went to private schools, a growth of 7 and 6 percentage points for these respective age groups from 2004/05. In fact, in *net* terms, virtually *all* the gain in school participation over the period 2004/05–2010/11, particularly at the primary level, is due to the gain in private school

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<sup>4</sup> The participation edge for Punjab relative to the other provinces largely appears with respect to girls.

<sup>5</sup> All statistics in this paragraph and the following one are staff estimates based on various rounds of the Pakistan Social and Living Standards Measurement (PSLM) survey.

<sup>6</sup> The NER measures the share of children of official ages for a given level that attend that level.

<sup>7</sup> Gender is significantly correlated with participation at the primary and middle levels but the size of the correlation is much smaller than for the other mentioned factors.

<sup>8</sup> The percentages reflect the shares of correct answers.

<sup>9</sup> Staff estimates using student test score data from the Punjab Examination Commission.

participation.<sup>10</sup> In addition, it appears that private schools tend to have a higher achievement level than government schools, and an important explanation behind the achievement advantage for private schools is that they produce more learning (Andrabi et al 2007).

9. GoPunjab has largely been responsible for policy formulation, sector financing, program design, and implementation guidance and support, through the School Education Department (SED) and its subdepartments, specifically, the Program Management and Implementation Unit (PMIU). This responsibility has been made complete and formal vis-à-vis the federal government through the 18<sup>th</sup> amendment to the Constitution of Pakistan approved in 2010. The province has in turn delegated the responsibility for education service delivery to the district administrations, which have district education departments with staff at the district, tehsil, and markaz levels.<sup>11</sup> The district administrations presently cover 58,187 functional government schools which offer free schooling.<sup>12</sup> There are roughly 8.4 million children enrolled in grades 1+; and over 309,000 teachers. GoPunjab also supports roughly 1.1 million children enrolled in 2,233 low-cost private schools free of charge under school subsidy and student voucher programs administered by the Punjab Education Foundation (PEF).

10. GoPunjab has been implementing a multifaceted sector reform program, which mainly supports public education at the primary and secondary levels (up to grade 10), since 2003 called the Punjab Education Sector Reform Program (PESRP). This reform program has received financial and technical support from the Bank through four development policy credits (2004–2007) and an ongoing results-based specific investment credit (2009–), the Punjab Education Sector Project (PESP). The program is also supported by the United Kingdom’s Department for International Development (DfID) and the Canadian International Development Agency (CIDA). Under PESRP, GoPunjab has focused on developing administrative systems (e.g., regular measurement of student achievement via universal testing), improving the provision and quality of inputs (e.g., textbook delivery, school infrastructure development, teachers via merit-based recruitment, school funds via school councils, training school councils), and the development of interventions that strengthen incentives and accountability for service delivery performance (e.g., teacher performance pay, achievement- and enrollment-tied subsidy payments to low-cost private schools). The majority of PESP PDO-level indicators and virtually all Disbursement Linked Indicators (DLIs) have been satisfactory met.<sup>13</sup>

11. PESRP comes to an end at the close of this fiscal year (FY2011/12). Building on the institutional, administrative, and program foundations laid by PESRP, GoPunjab is presently developing its next medium-term sector reform program for primary and secondary education,

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<sup>10</sup> Note that with population growth, the number of government school students would have increased. In addition, although the share has stayed more or less unchanged, the composition of students in government schools could have changed.

<sup>11</sup> Under the present structure, there are three administrative tiers below the province: district, tehsil, and markaz. There are 36 districts, 144 tehsils, and 584 markaz in Punjab.

<sup>12</sup> To be accurate, government school students pay a nominal fee (approximately US\$0.25 per month) to a fund for school resources. Exceptions for certain types of students can be made by teachers and school councils.

<sup>13</sup> The important exception is the PDO-level indicator NER at the primary level. The possible reasons behind the lack of progress in this indicator under PESRP and planned efforts to promote progress in this indicator under PESRP II are discussed in Section III.A (Project Description), Section III.C (Lessons learned and reflected in the program design, and Section IV.B (Appraisal Summary; Technical).

the Second Punjab Education Sector Reform Program (PESRP II), which aims to better orient and ratchet up efforts to address the remaining deficiencies in participation and achievement outcomes.<sup>14</sup> To improve outcomes, the main challenge in public education is to improve teacher quality and performance. The teacher is the main instrument for student learning in this context, so many of the initiatives can affect the child only *through* the teacher. Improved student learning, in turn, helps retain students in school *and* attract new children to school. Recognizing that the participation returns from learning gains may take time to materialize, PESRP II also includes initiatives that directly attempt to increase participation at different levels.

12. In April 2011, GoPunjab introduced an Education Sector Reform Roadmap which focuses the provincial leadership's attention on dramatically improving schooling outcomes through holding delivery agents accountable for performance. The aspirations in the Roadmap include that every child in the province is in school and learning.<sup>15</sup> The interventions under PESRP II to improve system and school performance are being developed by GoPunjab to support and enable the Roadmap to yield real and sustainable gains in participation and achievement outcomes.

### **C. Higher level objectives to which the project contributes**

13. PESRP II seeks to increase child school participation and student achievement. PESP II supports the same objectives. The project objectives are also consistent with the objectives of the FY2010–13 Country Partnership Strategy (CPS). PESP II directly contributes to implementing the CPS's fourth pillar of improving human development, by supporting GoPunjab's education sector reform program which seeks to promote the above stated objectives, via strengthening systems, capacity, governance, and accountability for improved service delivery performance.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. Project Development Objective**

14. The Project Development Objective (PDO) of PESP II is to support the education sector reform program of the Government of Punjab to increase child school participation (at multiple levels) and student achievement.

#### **PDO-level results indicators**

The PDO-level results indicators are provided in Table 1.

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<sup>14</sup> The Medium Term Sector Framework for PERSP II is expected to be finalized and approved by GoPunjab by the end of FY2011/12.

<sup>15</sup> The Roadmap uses the share of children in a given age group in school as its key performance indicator related to school participation; in line with the indicator for measuring progress in MDG 2 on universal schooling, the proposed project uses the Net Enrollment Rate (NER) as the PDO-level indicator related to school participation. The share of children in a given age group in school is also estimated and reported as part of the set of monitoring indicators for this project.



**Table 1. PDO-level results indicators**

Outcome indicator	Latest available baseline <sup>2</sup>	Target, 2014/15 <sup>3</sup>
Net Enrollment Rate (NER), primary level, ages 6–10 years <sup>1</sup>	70	75
NER, middle level, ages 11–13 years	37	44
NER, matriculate level, ages 14–15 years	25	32
Average share of correct answers, English, Urdu, and mathematics tests, grade-4 and grade-5 students, sample schools	To be established in academic year 2012–13	+5 percentage points from baseline percent

Notes: <sup>1</sup>The primary-level NER excludes students in katchi. <sup>2</sup>NERs are obtained from the 2010/11 Pakistan Social and Living Standards Measurement survey, the latest available data. If the 2011/12 PSLM survey shows a major increase in the NER statistics, after sufficient due diligence, the Bank may revise the baseline statistics upwards and set new end-of-project targets. <sup>3</sup>Targets for school participation were established by forecasting after estimating the relationship between the outcome (relative to the 2010/11 value) and a quadratic function of time using observations for the period 1998/99–2010/11. The forecasted values for the NER at the primary level were then multiplied by 50%, the estimated PESRP II effect on the outcome. The forecasted values for the NERs at the middle and high levels were multiplied by 25%.

15. The participation aims will be measured by the NER at three levels of schooling (primary: grades 1–5; middle: grades 6–8; and matriculate: grades 9–10) using published official statistics from Pakistan's Social and Living Standards Measurement (PSLM) survey, a large-scale, representative household sample survey conducted by the Pakistan Bureau of Statistics (PBS), the country's official statistical organization, which serves as the main data source of the government to measure progress towards the 2015 Millennium Development Goals.<sup>16</sup>

16. The PDO-level result indicator on student achievement will be measured using annual student assessments designed and administered independently and supported under the proposed project's technical assistance (TA) component.<sup>17</sup> The assessments will be administered to grade-4 and grade-5 students in a reasonably-sized, representative sample of government schools and publicly-supported low-cost private schools in the province. The baseline assessment is expected to be conducted in the upcoming academic year, 2012–13. Follow-up assessments will be conducted annually over the project implementation period.

### Project beneficiaries

17. Project beneficiaries will comprise of all students in government schools and low-cost private schools that are covered by the initiatives under PESRP II. Information on beneficiaries (gender-wise) will be obtained from the Annual School Census (ASC) carried out by SED/PMIU which gathers information from all government schools annually as well as, where needed, other initiative-specific administrative data. Information on beneficiaries (gender-wise) in low-cost

<sup>16</sup> The PSLM survey has been a longstanding data collection activity of the PBS, and no major issues in survey design and implementation have been reported.

<sup>17</sup> Student achievement data are available but suffer from shortcomings. For example, achievement data are being generated from universal testing exercises administered by the provincial government but further strengthening of the systems is required in order to improve the validity and reliability of the data. Efforts to do this are an important part of PESRP II. Credible achievement information is available from the LEAPS project discussed in Section I but the sample is not representative of the province.

private schools covered under PESRP II will be obtained from administrative data gathered by PEF. SED/PMIU and PEF have had well-functioning administrative data systems under PESRP, and can quickly introduce arrangements to yield any additional data required for accurately and regularly measuring beneficiary numbers. The core indicator on the number of beneficiaries (broken down by gender) is included in the monitoring indicators table (Table 1) in Annex 1.

### **III. PROJECT DESCRIPTION**

#### **A. Project components**

18. The proposed project is a US\$350 million Specific Investment Credit which will support the design and implementation of PESRP II, over the period from 2012 to 2015. The project comprises of two components: (1) a results-based component—Component 1—which would finance PESRP II, amounting to US\$340 million (97% of the total Credit); and (2) a Technical Assistance (TA) component—Component 2—which would finance essential advisory, technical, and capacity-building support for PESRP II, amounting to US\$10 million (3% of the total Credit).

19. Under PESRP II, GoPunjab plans to take the next evolutionary step and zero in on improving service delivery performance at the *school level* in order to realize both meaningful and continuing gains in outcomes of interest. This objective necessarily implies focusing on improving teacher quality and performance given that, in this context in particular, these factors are virtually synonymous with school quality and performance. The available evidence clearly suggests serious shortcomings in teacher quality and performance. For example, government school teacher salaries are determined mainly by individual credentials (experience, training, and education), and the student-learning returns to these credentials are limited under the current institutional environment. Furthermore, importantly, government school teacher salaries appear to be largely unrelated to the levels of teacher absence, teacher knowledge, and student achievement (Andrabi et al 2007).

20. From the perspective of public finances, improving teacher quality and performance implies taking measures to increase the efficiency and effectiveness of teacher salaries (which constitute 93% of total recurrent expenditures), *as well as* taking measures to increase the adequacy, efficiency, and effectiveness of other expenditures formulated to be consistent with the same underlying motivation.

21. Thus, under PESRP II, teacher quality and performance are expected to be promoted directly and indirectly through a coherent mix of initiatives related to (1) institutional arrangements and functions, (2) resources and support, and (3) monitoring and accountability.

22. The initiatives include

- (a) strengthening the system of field-based advisory support to teachers at the school and targeting the support at achievement-poor schools;
- (b) introducing test-based recruitment of teachers;

- (c) fixing teaching posts at the school level based on school need and reallocating teachers against these rationalized teaching posts;
- (d) formulating and offering school-specific nonsalary budgets following formula that relate the school nonsalary budget to student enrollment and basic school operational and classroom needs;
- (e) decentralizing administrative and financial management powers to schools (or, where not immediately feasible, to school clusters) for managing school-specific budgets and resources;
- (f) starting with teachers in achievement-poor schools and districts, tying teacher compensation more closely to school performance as measured in terms of improvements in student achievement;
- (g) increasing the authority, autonomy, and capacity of school councils to support and monitor school performance; and
- (h) improving the regular collection of credible information on school, teacher, and student performance (e.g., teacher absence, teacher on-task, student achievement) and feeding this information back to internal and external stakeholders.

23. The above initiatives are designed to directly promote greater school quality, and, through these improvements, promote the retention of students in schools and school participation of new children. To more directly promote gains in participation, the initiatives also include

- (a) strengthening the design of an existing program that offers tuition-replacement vouchers to children from disadvantaged households in poor urban areas to promote access to and participation in low-cost private schools subject to a rigorous quality assurance system, and
- (b) offering attendance-tied supplemental cash transfers to promote secondary schooling among rural girls in participation-poor districts (as well as strengthening delivery performance by phasing in branchless banking).

24. Taken as a whole, the initiatives are formulated to yield returns in the short term in terms of participation and achievement gains, but also promote well-performing, robust, sustainable institutions and administrative systems that would generate returns over the medium to long term (i.e., PESRP II attempts to achieve an appropriate balance between its short-term "target-reaching" and longer-term "trajectory-changing" objectives).

## **B. Project financing**

### **Lending instrument**

25. Under Component 1, credit disbursements will reimburse GoPunjab expenditures incurred in selected key education budget line items referred to as Eligible Expenditure Programs (EEPs). The event and amount of disbursements will be contingent on the satisfactory achievement of agreed, prespecified program implementation progress and performance results related to the initiatives mentioned in the previous section, referred to as Disbursement Linked Indicators (DLIs) and presented in Table 2 in Annex 1. There are ten DLIs for each fiscal year, and each DLI in the fiscal year is priced equally. The verification of the achievement of the DLIs in a given fiscal year will be conducted by April/May in that fiscal year.

26. DLIs are designed to help intensify, deepen, or expand the supported initiatives under PESRP II over the project implementation period. Maximizing the returns in terms of gains in outcomes requires that GoPunjab continues to sustain efforts to meet more demanding program implementation progress and performance targets. In order to incentivize increasing effort by GoPunjab over time, the total planned disbursement in Component 1 is structured to increase annually over the project implementation period, from US\$90 million in FY2012/13, to US\$110 million in FY2013/14, to US\$140 million in FY2014/15.

27. Given that the total planned disbursement increases annually over the project implementation period, the price of each DLI also increases annually over the same period. Credit disbursements in any given fiscal year would be the simple sum of the unitary prices of the DLIs which have been satisfactorily met by the provincial government as validated on the basis of agreed data and documentary evidence.

28. While the total planned disbursement amount of US\$90 million for FY2012/13 is conditional on GoPunjab satisfactorily meeting the FY2012/13 DLIs, in order to help GoPunjab to fully and adequately fund the budget needs of its education sector reform program given cash flow constraints, a disbursement of US\$45 million will be made upon project effectiveness as (i) a reimbursement of EEPs to be incurred from signing up to project effectiveness and/or (ii) an advance against EEPs to be incurred over the six months immediately following project effectiveness. Actual expenditures against the advance so made in this disbursement will be documented in the first Interim Financial Report submitted by GoPunjab by November 30, 2012. The remaining US\$45 million will be disbursed on a reimbursement basis to the extent that the FY2012/13 DLIs are satisfactorily met. The US\$45 million reimbursement/advance will be adjusted in the computation of the amount due for disbursement in May 2013.

29. Apart from the US\$45 million provided at project effectiveness (which may in part or wholly be an advance), the remaining credit disbursements (US\$295 million or 87% of the allocation for Component 1) will reimburse expenditures incurred in EEPs, which would help ensure that allocations by GoPunjab to EEPs translate into actual expenditures. The proposed EEPs include both sizeable recurrent expenditures that would have an impact on the agreed results and outcomes and smaller ones that finance important pilot initiatives and administrative and monitoring and evaluation systems. To promote expenditures in non-salary EEPs, 70% of

the disbursement will reimburse expenditures incurred in employee-related expenses, while the remaining 30% will reimburse expenditures incurred in the rest of the EEPs. The EEPs are described in Annex 3.

30. In order to encourage more holistic program implementation progress and performance, a minimum of five FY2012/13 DLIs have to be satisfactorily met for any disbursements tied to FY2013/14 DLIs to be made. Likewise, all 10 FY2012/13 DLIs and a minimum of 5 FY2013/14 DLIs have to be satisfactorily met for any disbursements tied to FY2014/15 DLIs to be made.

31. The proposed valuation of DLIs and schedule of disbursements are presented in Tables 3 and 4 in Annex 3.

32. Under Component 2, TA resources will finance important technical, advisory, and capacity-building support to strengthen fiduciary, environmental management, administrative, and monitoring and evaluation activities. The selected activities would aid program implementation towards the achievement of DLIs as well as the verification of the achievement of DLIs. SED/PMIU would manage the TA activities. TA activities that are already identified are discussed in Annexes 2 and 3 (a summary table is provided in Annex 2).

33. The Bank's guidelines on financial management and procurement will be applicable to the EEPs and TA.

### **Development Partner support**

34. CIDA is to commit financial support to PESRP II, under a cofinancing arrangement with the Bank. Their support is expected to be submitted for approval in May 2012. DfID expects to commit financial support of up to GBP 200 million over five years towards GoPunjab's education development efforts more broadly. DfID envisages three components: (1) support to PESRP II against the same DLIs and covenants under PESP II, either under a parallel financing or cofinancing arrangement; (2) technical assistance managed by DfID (which would be complementary to any TA support provided under PESP II); and (3) support for selected school civil works activities. Note that the design of DfID's support is subject to DfID's business case review process and final decision by DfID's Ministers.

35. Program financing by the different partners over the period FY2012/13–FY2014/15 is presented in Table 2.

**Table 2. PESRP II financing, FY2012/13–FY2014/15 (three years)**

Partner	Total (in US\$million)	Share (in percent)
IDA	350.0	7.9
Financing of PESRP II	340.0	
DfID <sup>1</sup>	200.0	4.5
CIDA	19.3	0.4
Provincial government financing	3,837.7	87.1
Total	4,407.0	100.0

<sup>1</sup> US\$200 million is obtained by multiplying 65% of GBP 200 million by an exchange rate of USD1.6 per GBP. The amount indicated is subject to DfID's business case review process and final decision by DfID's Ministers.

### C. Lessons learned and reflected in the program design

36. The designs of PESRP II and PESP II are informed by lessons derived from the longstanding engagement of the Bank with the province in primary and secondary education, including Bank experience from the implementation of results-based investment operations in the sector in general and in Pakistan in specific (e.g., the Punjab and Sindh Education Sector Projects—PESP and SEP—currently under supervision).<sup>18</sup> Broad lessons related to lending instrument design, program content, and program implementation supervision and support are discussed below. In addition, lessons learned related specifically to the performance of the TA component under PESP are discussed (Annex 7 provides details, as well as other, more specific lessons that have informed program design).

37. *Instrument design:* The results-based instrument design, specifically the use of covenants and DLIs, has aided GoPunjab in focusing on and satisfactorily achieving the majority of agreed program implementation progress and performance targets. Examples include (1) improvements in the timeliness and extent of delivery of free textbooks to government schools and cash stipends to girls in secondary grades in government schools, (2) the expansion of capacity-building support and regular transfer of cash grants to school councils, (3) annual student examinations and assessments, and (4) increases in the number of low-cost private schools supported by government under accountability-based per-student subsidies. The timely achievement of targets aided knowledge creation through integrated reviews, validations, and evaluations which require data collection at specific milestones. The TA component was critical in supporting the achievement of DLIs as well as the validation of DLI achievement. Given these demonstrated benefits, the design is retained for PESP II.

38. The new design has some refinements from PESP. To help promote sustained program implementation (which would be instrumental for fully realizing gains in school participation and student achievement from the program actions), planned disbursements are fixed to increase over the project implementation period. To promote expenditures in the EEPs (releases and expenditures were a concern under PESP), with the exception of the first disbursement of US\$45 million at project effectiveness (which may in part or wholly be an advance), PESP-II disbursements under the results-based component (Component 1) are to be on a reimbursement basis (rather than on an advance basis as under PESP). To promote expenditures in nonsalary

<sup>18</sup> Empirical findings that have informed program design were partly discussed earlier in Section III.A.

EEPs, total disbursements against expenditures incurred in employee-related expenses is capped at 70% (there was no cap under PESP).

39. *Program content:* PESP promoted and supported GoPunjab actions under PESRP to introduce, strengthen, and help ensure the running of education institutions and systems. While these actions are necessary, they are not sufficient for gains in outcomes to be (fully) realized. In addition, over the implementation period of PESP, economic conditions deteriorated, adversely affecting GoPunjab's fiscal health and its ability to expand investments in education and household demand for schooling, as suggested, for example, by ongoing research on economic shocks and school participation in Pakistan (Hong and Raju *forthcoming*). Thus, while GoPunjab satisfactorily met the majority of PESP DLIs, progress in child school participation at the primary level (a PDO-level result indicator) was less than satisfactory. Reflecting the lessons derived from experience, PESRP II builds on the foundations laid by PESRP to introduce actions that have a closer and/or tighter link with service delivery performance at the school level, and, thus, with outcomes. In addition, in light of its tight fiscal situation and concerns over the quality of sector expenditures, GoPunjab plans to (1) cut back expenditures (or constrain expenditure growth) in initiatives it views as yielding limited returns and (2) provide adequate allocations for promising/proven initiatives. More details on how these design considerations have influenced program content are provided in Section VI.B—the Technical Appraisal—and Annex 2.

40. *Program implementation supervision and support:* Under PESRP, program implementation supervision and support have been time and cost intensive, as well as challenging given the variable security environment. The requirements included (1) policy dialogue on critical reforms with the political and bureaucratic leadership; (2) monitoring and review/analysis of data and documentation for validating covenant compliance, DLI achievement, and EEP expenditures; (3) oversight and support to help ensure timely and proper implementation of the TA component; and (4) technical assistance and advisory support for the design and implementation of analytical activities. The lessons learned from responding to (changes in) circumstances and needs through alternative strategies have helped inform the design of arrangements and required resources for needed supervision and support, and the preparation of emergency/back-up arrangements for continued supervision and support, if/when security conditions deteriorate. Details on program implementation supervision and support plan, required human and financial resources, and supervision strategy during poor security conditions are discussed in Annex 5.

41. *Project technical assistance:* Under PESRP, there were delays by SED/PMIU in executing the TA component of PESP. The delays were principally due to SED/PMIU's inexperience with Bank procurement guidelines and the early lack of appreciation for the need to synchronize activities supported by the TA with the activities supported by the DLIs and covenants. SED/PMIU is now much more familiar with Bank procurement guidelines and procedures and the effective use of TA (albeit contracted with delay) to strengthen the human resource and technical capacity of PMIU and other SED subdepartments and carry out assessments in the field has demonstrated to GoPunjab the critical role that TA performs. Given the past delay, the scope of work of the contracted TA firm under PESP is to be changed in order to cover part of the new TA requirements under PESRP II. Additional TA services will be contracted in the first year of the PESP-II implementation period to cover any remaining TA

requirements. GoPunjab has also put in place a procurement focalpoint at PMIU in order to strengthen procurement and contract management. These steps, combined with stronger TA implementation supervision and support by the Bank, improve the starting position and will likely improve implementation performance of the TA component of PESP II.

#### **IV. IMPLEMENTATION**

##### **A. Institutional and implementation arrangements**

42. Institutional and implementation arrangements for PESRP II will largely use the arrangements in place for PESRP. GoPunjab's Planning and Development Board will continue to head the Provincial Program Steering Committee (PPSC) for PESRP II, with participation of, among others, Finance and Education/PMIU and its subdepartments. PPSC will provide overall strategic guidance and enabling support to PESRP II, and serve as a forum for high-level decisionmaking and an interface with the political leadership.

43. SED/PMIU will be the main implementing agency for PESRP II, with the support of other subdepartments. For PESP II, SED/PMIU will be responsible for (1) coordinating support from and actively communicating with the Bank and other development partners; (2) reporting on covenants, DLIs, EEPs, monitoring indicators, and TA implementation; and (3) ensuring that Bank fiduciary and safeguard regulations and requirements are followed. Under PESRP II, recognizing that program implementation progress and performance depend in an important way on PMIU performance, GoPunjab plans to strengthen the organization and align its staffing with an empowered mandate, which would include program implementation, coordination, and monitoring and evaluation. A key element of the plan to strengthen PMIU is to augment staffing in line with needs and recruiting from the open market via a competitive, transparent, and objective process.

44. SED/PMIU will share program implementation and monitoring responsibilities (to differing degrees depending on the subprogram) with the district education administrations which have primary responsibility for public education service delivery and have staff at the district, tehsil, and markaz levels. In addition, school councils have been set up in government schools as a formal mechanism for community and parental engagement in supporting, monitoring, and influencing government school operations and performance.

45. The higher levels of institutional arrangements for program implementation have a track record of satisfactory performance. Implementation weaknesses mainly exist with district education administrations and schools, including with school councils. Under PESRP II, the proposed program activities and actions aim to improve the capability, capacity, and performance of district education administrations, schools, and school councils (see Annex 2 for details). Details on institutional and implementation arrangements are discussed in Annex 3.

##### **B. Results monitoring and evaluation**

46. The sources of information for monitoring the PDO-level results indicators (net enrollment rates and student achievement scores) were discussed earlier in Section II. Other



indicators (including selected relevant Core Indicators) and sample breakdowns of the PDO-level results indicators are also derived from PSLM surveys.<sup>19</sup>

47. There are three major general monitoring systems under GoPunjab that yield information on additional indicators. These systems are the (1) Annual School Census (ASC) conducted by SED/PMIU, (2) school inspections conducted by the Chief Minister's Monitoring Force under SED, and (3) student achievement tests conducted by the Punjab Examination Commission (PEC). The ASC is administered annually and captures information in a standardized questionnaire on basic characteristics of schools and teachers and enrollment numbers (by grade and gender) in all government schools. School inspections are carried out monthly and capture information in a standardized questionnaire on the administration of key activities and subprograms and, importantly, on teacher and student presence, in all government schools. Standardized tests are administered annually and capture test score data on multiple subjects from grade-5 and grade-8 students. Coverage of government schools in these tests is virtually 100%.

48. GoPunjab has administered the ASC, school inspections, and PEC tests since 1992, 2005, and 2006, respectively.<sup>20</sup> Issues however remain with respect to coverage, regularity, reliability, use, and dissemination of the data. Under PESRP II, GoPunjab plans to take specific steps to assess data issues and address them. PESRP II supports these actions using DLIs and TA (the issues and actions are discussed in Annex 2).

49. PESRP-II subprograms will also have their own dedicated monitoring systems, which would provide more detailed information for assessing subprogram implementation progress and performance.<sup>21</sup> These dedicated monitoring systems will serve as the source of information on subprogram implementation progress and performance monitoring indicators, including selected relevant Core Indicators and DLIs.

50. *Third-party assessments:* Implementation progress and performance of selected subprograms will be assessed through reviews, validations, and process and impact evaluations conducted by third parties contracted by GoPunjab, financed by TA, and with technical and advisory support from the Bank and other development partners. Reflecting their importance, several third-party assessments are embedded into the DLIs (see Table 2 in Annex 1) and their satisfactory execution and completion would also be assessed as part of the overall assessment of the achievement of the relevant DLIs.

51. Monitoring related to fiduciary and procurement activities and functions as well as environmental and social safeguards is discussed in Annex 3.

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<sup>19</sup> The PSLM surveys in 2012/13 and 2014/15 are expected to be representative at the district level, allowing the construction of statistics for district subsamples.

<sup>20</sup> Primary responsibility for the ASC activity was assumed by PMIU in 2004.

<sup>21</sup> The general monitoring systems will capture some identical pieces of information to these dedicated systems, allowing the general monitoring systems to serve as validation tools.

## C. Sustainability

52. The likelihood of sustained implementation of PESRP II (which is likely to extend beyond PESRP II) is mainly promoted by four factors. First, the priority and attention given by the political and bureaucratic leadership to addressing the challenges in public education have been boosted by the recent adoption of the Roadmap; this facilitates the introduction and implementation of a program which would underpin the aspirations in the Roadmap.

53. Second, GoPunjab has led the design of PESRP II, with advisory and technical support from the Bank and other development partners. During the design process, consultations were held with relevant stakeholders, comprising of subdepartment officials, district government officials (including district education management), government school teachers, and present and potential beneficiaries (parents and students). The ownership and consensus-building at the design stage are likely to aid in staying on course during program implementation.

54. Third, during program implementation, the Bank and other development partners intend to support GoPunjab in the development and implementation of a system that effectively communicates the program agenda to and receive feedback from internal and external stakeholders, thereby, facilitating broad ownership for sustaining reforms. Such an initiative, of the nature envisaged, has not been undertaken previously.

55. Fourth, GoPunjab is focused on improving service delivery and education outcomes by increasing the efficiency and effectiveness of sector expenditures (where the general view is that there is considerable slack), and given a tight fiscal situation (which is expected to remain for the foreseeable future) and several legitimate competing demands on scarce public finances. This decision is viewed as sound from both a technical and sustainability perspective.

56. Notwithstanding, risks to sustainability of program interventions remain and these are discussed in Annex 4.

## V. KEY RISKS AND MITIGATING MEASURES

57. The risk ratings summary is provided in Table 3.

**Table 3. Risk ratings summary**

Risk	Rating
Stakeholder Risk	Substantial
Implementing Agency Risk	
- Capacity	Substantial
- Governance	Substantial
Project Risk	
- Design	Substantial
- Social and Environmental	Substantial
- Program and Donor	Moderate
- Delivery Monitoring and Sustainability	Substantial
Overall Implementation Risk	Substantial

Risk rating scale: Low, Moderate, Substantial, High

58. The overall implementation risk rating for PESP II is *Substantial*, and is attributable to five risks. A fuller set of risks and risk-mitigating measures is presented in Annex 4.

59. *Poor underlying economic conditions*: The extended period of limited economic growth and poverty reduction and the rapid increases in the prices of essential commodities—compounded by large-scale natural disasters over the last two years—have adversely affected the socioeconomic status of households, which international evidence shows can impair human capital investments. Even if economic conditions begin to improve, the effects of past and present events and circumstances are likely to persist, potentially arresting improvements in schooling outcomes, and, in turn, the potential returns from PESRP II.

60. *Political changes and the continuation of education sector reforms*: The period leading up to the election and the result of the election may hold implications for the composition of reform actions taken forward by GoPunjab. Under PESRP, when there was a change in the government in 2008, although the lending modality changed, the basic design features of the support from the Bank were retained and presumably contributed to GoPunjab staying on course with implementation. Specific potentially beneficial features included (1) disbursements contingent on meeting agreed results; (2) intensive, regular, and coordinated dialogue with government leadership, multiple departments (Planning and Development, Finance, and Education), and tiers (province and district); and (3) technical and advisory support which assisted in providing evidence-based support for setting priorities and actions. The same basic design features are used in PESP II.

61. *Weaknesses in district and subdistrict education administration*: To a large extent, some of the initiatives under PESRP have yielded limited results due to the weak capacity and capability of and performance incentives for education administration at the district level. Under PESRP II, GoPunjab plans to take incremental remedial steps starting with delegating administrative and financial powers to schools or school clusters (to reduce the problems arising from too wide a span of control), carrying out a critical review of district education management performance, and assessing the pros and cons and feasibility of alternative arrangements (including human resource management).

62. *Resistance to major reforms*: Major reform initiatives under PESRP II, particularly those that change the status quo, are likely to face resistance from special interest groups. The proposed initiatives that have the highest likelihood of meeting resistance include: (1) test-based teacher recruitment and needs-based placement; (2) the provision of greater authority and autonomy to lower tiers of district education administrations, schools, and school councils; and (3) allocating teachers against rationalized school-specific teaching posts in line with school enrollment and other needs. To help mitigate these risks, the proposed activities are being designed through a participatory approach, entailing consultations with different stakeholders including political representatives at various levels, teachers (and their representative bodies), district education administrators, and parents, thereby, helping build ownership for the design and make the agreed design more feasible to implement. In addition, contentious initiatives will be piloted and lessons learned will be used to inform any modifications/refinements before the initiatives are rolled out. GoPunjab also plans to introduce a formal information and

communications subprogram to provide information to and collect feedback from internal and external stakeholders during PESRP-II implementation, and use gathered information to make any needed adjustments and refinements.

63. *Weaknesses in and stress on measurement systems:* Well-performing systems for generating regular and reliable information are critical for measuring program implementation progress and performance. Presently, there are weaknesses in existing systems. Emphasis on sector performance management with strong accountability may make data obtained from measurement systems high stakes. Given system weaknesses, the generated data are thus vulnerable to potential manipulation, possibly yielding artificial movements in results and outcomes. To mitigate these risks, the project is supporting specific actions, via intensive dialogue, DLIs, covenants, and TA, to strengthen procedures, practices, and protections to help ensure that the systems generate credible information.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and financial analysis**

64. *Economic analysis:* A cost-benefit (CB) analysis of PESRP II was conducted using the present discounted value (PDV) method. The current and future economic benefits and costs incurred by a child age 6 (the official age for entering primary school at grade 1) given a projected school completion profile when the child reaches age 16 (one year after the official age for completing secondary school—grade 10), both with and without PESRP II, are estimated. In line with the standard practice in CB analyses of education investments, the economic benefits are estimated by using lifetime adult labor earnings whereas the economic costs are estimated using schooling expenditures (for the child by the household and government per-student expenditures for government schooling), and, given the context, forgone child labor earnings over the period of schooling.

65. The CB analysis suggests that PESRP II yields positive expected incremental net benefits under the base case as well as under the selected alternative cases examined in the sensitivity analysis. Under the base case, the PDV of expected incremental net benefits was roughly Rs. 2,945 per representative child age 6 (in 2000–2001 rupees). In the low case, a 10% reduction in the expected growth rate in the probability of completing secondary school yields a PDV estimate of 56% of the base-case PDV estimate. In the high case, a 10% increase in the growth rate in the probability of completing secondary school yields a PDV estimate of 130.2% of the base-case PDV estimate.

66. *Fiscal sustainability analysis:* Keeping salary costs for school employees fixed at the FY2010-11 level, maintaining PESRP-II activities beyond the life of the project is expected to increase annual recurrent costs by approximately Rs. 8–12 billion (in current rupees). The MTFE projections indicate that at the end of the project life, expected revenues will exceed expected expenditures by over Rs. 100 billion. Given this, the expected increase in annual recurrent costs beyond the life of the project is absorbable. This assessment is robust to more pessimistic forecasts of GDP growth and government revenue growth. Alternatively, even if the additional

annual recurrent costs were fully financed through borrowing, the addition to the government debt as a share of provincial GDP is expected to be 0.3–0.4 percentage points.

## **B. Technical**

67. The technical review of PESRP II indicates that the design principles applied and choices made appear to be sound, help make implementation feasible and sustainable, and take account of macroconstraints and macroconditions (i.e., emanating from outside the sector).

68. *Link between action and response at the school level:* The proposed PESRP-II subprograms and specific actions supported by PESP II are considered to be sound and consistent with the objectives of the program to raise child school participation and student achievement. The results chains (Figures 1 and 2) presented in Annex 2 delineate the channels. The program design choice to promote and support actions at the school level (or as close to the school level as possible), shortens the link between actions and school system and school performance responses, and, hence, potentially accelerates the process of generating gains in outcomes of interest. Such actions include (1) strengthening the capacity, autonomy, and authority of school councils to support and monitor school performance; (2) fixing adequate nonsalary budgets and rationalizing teaching staff in relation to enrollment and needs at the school level and devolving administrative and financial powers to schools (or school clusters); and (3) providing teaching advisory support to teachers at the school.

69. *Focus on school quality and performance:* The choice of program actions also indicates a focus on improving school quality and performance, viewing these factors as instrumental for drawing new children into school and retaining students longer (i.e., improving the quality of school supply in order to improve the returns to schooling, and, in turn, inducing a higher demand for schooling). This perspective is compelling given that local school availability has largely been addressed in the province, with a wide distribution of government schools and a private school system, mainly low-cost in nature, which is rapidly spreading into rural and remote areas, as well as evidence of poor student achievement levels. There is also evidence from Pakistan and elsewhere that parental demand for schooling and choice of school are sensitive to school quality measured in terms of student achievement. The actions listed in the previous paragraph as well as others such as linking teacher compensation to student achievement gains and recruiting new teachers screened in on the basis of a test are some that aim to improve school quality and performance.

70. *Targeting, piloting, and phasing:* In selected subprograms, proposed actions are targeted at subpopulations with the largest initial shortfalls in outcomes. The underlying assumption is that efficiency gains are inversely related to the initial level of the outcome, which is reflected in much of the existing evidence. Examples of such targeting include (1) attendance-tied cash transfers to girls who attend secondary schools in rural areas in districts with the poorest participation rates for secondary school-aged girls, (2) field-based teaching advisory support to teachers in achievement-poor schools, (3) cash bonuses tied to achievement gains to teachers in achievement-poor schools and districts, and (4) private school vouchers to children from disadvantaged households in poor urban neighborhoods. Furthermore, in several subprograms, proposed actions are to be pilot-tested and phased in over time and space. The actions that are

expected to be piloted and phased-in are those that (1) are new and can encounter pitfalls or problems that are difficult to anticipate in advance, (2) may encounter initial skepticism and resistance, and/or (3) require careful initial implementation and learning to inform continuation and/or any adjustments and refinements before further roll out.

71. *Planning, budgeting, and expenditures:* The choice of proposed actions has specific expenditure implications. While expenditures are expected to increase with selected actions such as the provision of adequate school budgets for school operations and resources, the majority of actions translate into improving the efficiency and effectiveness of expenditures. In practice, this means allocating adequate funds to support proven or promising initiatives for improving system and school performance and ensuring that allocations are disbursed in full and on time. While this design principle has been applied in the selection of the proposed subprograms for PESRP II, it will need to be continually assessed and applied over the program implementation period. To enable this, the development partners expect to undertake a review of public spending in health and education. This review, coupled with microreviews of expenditures in selected PESRP-II subprograms, is expected to inform decisions related to the level and composition of the sector budget. In addition, informed by the various reviews and analyses, GoPunjab expects to develop a formal sector plan that not only encompasses PESRP II but proposes a feasible path towards achieving the education-related MDGs with a concrete timeframe, estimated resourcing needs (based on a rigorous cost analysis), and required partnerships (private-public, government-development partners).<sup>22</sup>

### **C. Governance, accountability, and anticorruption**

72. The choice of actions under PESRP II indicates that GoPunjab plans to address shortfalls in outcomes principally by strengthening governance and accountability. The “quiet corruption” from the underperformance of service delivery agents is a major concern. Given that teacher salaries are the single biggest expenditure in the sector, teacher underperformance constitutes an important source of inefficiency in sector expenditures. The most overt manifestation of underperformance is absence from work. Notwithstanding, underperformance of education sector staff (both administrative and teaching), when present, remains a concern. Education managers at various levels may not carry out their administrative, monitoring, and support responsibilities and roles as expected. Teachers may come to school but arrive late and/or depart early, and/or not teach while at school or perform their other complementary duties as expected.

73. Promoted by DLIs and supported by TA, GoPunjab plans to detect and address these risks through the (1) monitoring of school staff performance by communities through school councils, (2) regular collection of credible information on teacher absence and teacher on-task through CMMF school inspections and feeding the information back to internal and external stakeholders and decisionmakers at multiple levels, (3) linking of teacher compensation to teacher performance, and (4) collection of data on teacher presence and teacher on-task as part of school sample surveys conducted by third-party organizations for capturing information on implementation performance and progress in selected subprograms.

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<sup>22</sup> The development of the sector plan is also expected to be informed by good practices in the design and implementation of sector plans by other developing countries.

74. Promoted by DLIs and covenants and supported by TA, GoPunjab also plans to take specific steps to detect and address integrity risks in selected subprograms including (1) school nonsalary budgets and school council grants, (2) tuition-replacement private school vouchers for disadvantaged urban children, (3) cash stipends for girls that attend secondary grades in government schools, (4) and school inspections undertaken by CMMF. In order to support GoPunjab's efforts to improve procurement performance in the sector more broadly, the development partners expect to support the assessment of integrity risks in textbook and civil works procurement. Details on planned actions are provided in the Governance and Accountability Action Plan (Annex 7).

75. *Demand-side accountability and transparency:* PESRP II promotes local demand-side accountability by communities and parents through multiple, mutually-enhancing actions including: (1) strengthened school councils with greater autonomy and authority to support and monitor schools; and (2) regular interactions via, for example, formal organized gatherings and dedicated talk/text message lines to encourage engagement, gather feedback on satisfaction and concerns, and advise on rights, roles, responsibilities, and options for recourse. GoPunjab plans to promote transparency through, for example, the regular delivery of credible information through multiple channels on program implementation progress and performance including on individual school performance (covering, among other things, teacher absence and teaching activity), as well as the open display of critical pieces of information at the school. Many of the actions related to relaying relevant information to internal and external stakeholders and collecting feedback are expected to be undertaken by GoPunjab as part of a formal information and communications subprogram. This subprogram signals GoPunjab's recognition of its importance and represents a new element under PESRP II.

76. *Third-party assessments:* In order to ease the administrative burden on GoPunjab, take advantage of the knowhow and capacity in the private sector, and, importantly, for greater credibility, GoPunjab plans to carry out third-party assessments of program implementation progress and performance by contracting individuals/organizations from the private sector. This emphasis on third-party assessments is reflected in the DLIs and covenants: virtually all subprograms with actions promoted by DLIs and covenants have reviews, validations, and evaluations that are to be conducted by third-party organizations at relevant points over the project implementation period.

77. *Use of information and communication technologies (ICT):* Under PESRP II, GoPunjab plans to take advantage of advances in ICT for the purposes of enhancing governance and accountability. Examples include the (1) phased introduction of smartphones (with GPS capability, digital camera, high-speed connectivity, and web-based data management) for school inspectors under CMMF for paperless data capture and the verification of school visits; (2) piloting of smartphones for teachers to verify presence in school; (3) leveraging of the high mobilephone penetration rate in the province, use of SMS, robocalls, and call agents to communicate with communities and other relevant local actors; (4) disclosure of an extensive set of relevant data and documentation on program progress and performance through, inter alia, a publicly-accessible website; and (5) web-based grievance redressal management.

## D. Financial management

78. The assessment of the financial management arrangements proposed for PESP II takes into account the experience under PESP. Having due regard for the state of public financial management systems in the country and particularly in the province of Punjab, the overall FM risk is assessed as *Moderate*. Staffing, budgeting, accounting, internal controls, financial reporting and audit arrangements are all found satisfactory. A Finance Officer to support the finance function at PMIU is to be engaged. GoPunjab will prepare annual financial statements for the project in accordance with cash basis International Public Sector Accounting Standard which will be submitted to the Bank within six months of the end of the year. The statements will be audited by the Auditor-General of Pakistan, acceptable to the Bank as an independent auditor.<sup>23</sup> In addition, audit reports for the provincial and district governments (including SED) will be submitted within one month of receipt from the Auditor General of Pakistan. Quarterly budget execution reports with a cover note summarizing budget allocations and utilization in the EEPs will be submitted within 30 days of the end of each calendar quarter.

79. Disbursements will be report-based. For Component 1 (the results-based component), funds will be disbursed to the Provincial Consolidated Fund Account No. I (Non-Food) of GoPunjab, conditional on the satisfactory achievement of DLIs, which will be applied against reimbursement of expenditures incurred in EEPs. The only possible exception to the reimbursement basis for Component 1, however, is the first disbursement of US\$45 million to be made upon project effectiveness (i) as a reimbursement of EEPs to be incurred from signing up to project effectiveness, and/or (ii) as an advance against EEPs to be incurred over the six months immediately following project effectiveness. Actual expenditures against the advance so made will be documented in the first Interim Financial Report to be submitted by GoPunjab by November 30, 2012. The remaining US\$45 million scheduled to be disbursed for FY2012/13 will be disbursed on a reimbursement basis to the extent that the FY2012/13 DLIs are satisfactorily met. The US\$45 million reimbursement/advance will be adjusted in the computation of the amount due for disbursement for FY2012/13.

80. For Component 1, not more than 70% of the amount to be disbursed will be applied against expenditures in the EEP for employee-related expenses; the remaining 30% will be applied against the overall expenditures in the rest of the EEPs. This design element is expected to promote selected nonsalary expenditures viewed as critical for key reform actions. For Component 2 (the TA component), funds will be disbursed semi-annually against cash forecasts provided in interim unaudited financial reports (IFRs) to be submitted within 30 days of the end of semesters ending April 30 and October 31. The DLIs and verification data and documentation are presented in Table 2 in Annex 1. Details of the FM assessment are provided in Annex 3.

81. Based on the Bank's assessment, the FM arrangements for PESP II are considered satisfactory and there is sufficient assurance that the requirements of OP 10.02 will be met. The

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<sup>23</sup> The role of the Auditor-General to carry out the annual audit of the financial statements of Bank-financed projects is generally acceptable to the Bank. The Auditor-General being the Supreme Audit Institution in Pakistan has formally adopted the INTOSAI Standards on auditing. In addition, the new Financial Audit Manual enshrines the principles contained in the International Standards on Auditing issued by the International Federation of Accountants.



implementing entity will ensure that the Bank's *Guidelines: Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants* (revised January 2011) are followed under PESP II.

## **E. Procurement**

82. Procurement arrangements under PESP have been generally satisfactory and are expected to be continued under PESP II. All procurement activities under the project's EEPs and the TA component are to be carried out in accordance with World Bank's *Guidelines: Procurement of Goods, Works, and Nonconsulting Services under IBRD Loans and IDA Credits and Grants for World Bank Borrowers* (dated January 2011), and *Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers* (dated January 2011). A focalpoint for procurement will be identified and placed at the PMIU; the focalpoint position will be required to remain throughout the project implementation period. PEF has an established system of procurement; the Deputy Managing Director (Human Resource Management), assisted by his staff, is responsible for all procurement. PMIU and PEF will maintain a consolidated procurement plan throughout the project implementation period and regularly update it for any new procurement activities, after review and clearance by the Bank, as well as disclose all relevant procurement activities on a publicly-accessible website.

83. EEPs which include procurable items are school council grants and the grants to PEF for supporting public-private partnerships with low-cost private schools. Procurement arrangements and procedures for these EEPs have been agreed with SED/PMIU. Under PESRP, fiduciary guidelines for school council grants were developed and distributed to school councils; these guidelines will be revised if needed and redistributed under PESRP II. These fiduciary guidelines will also be adapted for use by the low-cost private schools supported by PEF.

84. PESP-II TA funds are to be administered by PMIU, and will primarily finance consultancies for providing analytical, advisory, and capacity-building support. Goods procurement, specifically the procurement of ICT hardware and software, is also expected. In order to support GoPunjab's efforts to improve procurement performance in the sector more broadly, it plans to use project TA funds to (1) carry out a systematic performance review of civil works procurement in the sector and (2) introduce an electronic procurement planning tool at the subdistrict level to capture school needs for major goods and works. Using its own resources, the Bank will also support a systematic review of the textbook production market in Pakistan and procurement of content development and publishing services. The findings and recommendations from the reviews are to form part of the information base for GoPunjab decisionmaking on improving procurement procedures and practices in the sector with respect to timeliness, cost, and quality.

## **F. Social**

85. *Participatory approach:* A collaborative design process was followed for PESRP II, entailing consultations with internal and external stakeholders in order to identify and prioritize program activities. During the program implementation period, GoPunjab plans to continue to engage with stakeholders in order to obtain their feedback. In addition, GoPunjab has included improved and proactive information dissemination and communications on program activities, progress, and performance as an integral component of PESRP II. By doing this, GoPunjab aims to enhance transparency and build wider and stronger ownership and commitment to sustaining promising/successful reforms.

86. *Outcome differences across social groups:* Child school participation and student achievement shortfalls vary systematically across selected subpopulations. The socioeconomic dimensions examined comprise of gender, poverty, rural/urban, and district.<sup>24</sup> With respect to school participation, the two dimensions that appear to matter most for school participation at all levels are the child's household poverty status and district; rural vs. urban becomes salient with middle and high school participation. Meaningful gender disadvantages in participation are not present in general but appear when gender differences are examined in rural or poor households, or households in certain districts. With respect to student achievement, it appears that boys and children from households from rural areas and certain districts suffer from relatively larger shortfalls. PESRP II aims to improve school participation and student achievement in general and in subpopulations where the shortfalls are largest in particular. This targeting to participation-poor or achievement-poor subpopulations is reflected in the DLIs. Relevant education indicators for the subpopulations of interest are to be monitored as well.

87. *Land needs:* GoPunjab does not plan to build new government schools. There may however be cases of voluntary donations of land by communities for setting up or expanding the space for government schools. In order to ensure transparency and genuine voluntariness in land transactions, the ESMF requires evidentiary documentation. The required contents of the documentation are detailed in Annex 3.

88. *Inclusive education:* In order to promote the inclusion of children with physical disabilities in the government school system at large, discussions are presently underway on the (1) development and provision of information to internal and external stakeholders on GoPunjab's position on inclusive education; (2) development and provision of a training module by the Department for Staff Development (DSD) which offers basic guidance to teachers on detecting disabilities, making instructional and classroom management practices sensitive to the needs of children with disabilities, and referral services; (3) school monitoring and necessary interventions to support children with disabilities through GoPunjab's school health program; and (4) collection of information on physical disabilities of children through the planned household and school surveys under PESRP II.

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<sup>24</sup> Official household surveys and censuses do not collect information on language, religion, or caste/tribe. These dimensions could be significant and meaningful correlates of participation, as suggested, for example, by Jacoby and Mansuri (2011).

89. *Indigenous peoples:* As with PESRP, indigenous groups have not been identified in the areas expected to be covered by PESRP II; thus, OP 4.10 is not triggered. If any such group is identified during the course of program implementation, an Indigenous Peoples Development Plan will be prepared and any necessary measures incorporated into PESRP II.

90. *Grievance redressal:* The ESMF discusses mechanisms for the redressal of grievances related to PESRP II. Key established mechanisms include the Chief Minister's Complaints Cell and the Chief Secretary's Petition Cell, with subcells in the District Coordination Officer (DCO) offices in all districts, and the e-complaints system under SED. The systems allow multiple avenues for registering complaints and tracking progress in complaint handling, including through the web. Experience from supporting PESRP indicates that grievances often stem from the absence of information (or misinformation) on program activities, procedures and practices, and benefit eligibility rules. To lessen the problem, GoPunjab expects to proactively and widely communicate relevant information on PESRP II through the proposed Communications Unit in PMIU.

## **G. Environment**

91. The PESRP-II activities to be financed by the Bank are environmental benign. While GoPunjab has indicated that it plans to make better use of its existing infrastructure and is expecting to curtail infrastructural development, there may be some school construction, rehabilitation, and/or upgradation work that are undertaken. Depending on their nature and extent, the activities may yield low-to-medium negative environmental impacts. Hence, the project has been classified as Category B, in accordance with World Bank OP 4.01.

92. For PESP, which supported PESRP, an Environmental Assessment (EA) was carried out and an ESMF was prepared by GoPunjab. Although PESP II does not cover infrastructure development, given that civil works can occur in the sector at large, the assessment findings remain relevant and the ESMF for PESRP—which covers mitigation measures to address safeguard issues, implementation and institutional arrangements and plans, monitoring requirements, and supervision roles and responsibilities—applies to PESRP II, with minor revisions. The revised ESMF was publicly disclosed on March 20, 2012.

93. The institutional arrangements under PESRP for the implementation of safeguard requirements are to be continued under PESRP II (see Annex 3 for details). To strengthen the monitoring of ESMF compliance, GoPunjab plans to increase the frequency and efficiency of data collection on ESMF compliance by integrating the checklist into the CMMF school inspections form (instead of a separate form). All schools will be covered at least once a quarter and the compliance reports will be constructed using these data. Selected data will also be uploaded to a publicly-accessible website. In order to expand coverage, the ESMF compliance checklist will be incorporated into the fiduciary guidelines to be offered to school councils and low-cost private schools under PEF. In addition, training on ESMF compliance is to be conducted more regularly in districts, and ESMF-related staffing at PMIU is expected to be further empowered and enabled.

94. PESRP II is also expected to promote and support activities that can help address concerns with the state of the existing school system infrastructure. Significant shares of schools lack access to safe drinking water and sanitation facilities, and have poor natural lighting and ventilation. Existing school building designs and construction quality do not result in structures that are sufficiently resistant against natural disasters such as earthquakes and floods. Maintenance and repair of buildings and facilities can also be poor. The proposed actions under PESRP II to provide adequate nonsalary budgets to schools and empowering schools to use them as well as strengthening and empowering school councils to use their grants for repair and maintenance and small civil works will likely help. In addition, using the project's TA funds, GoPunjab plans to continue to avail of analytical and advisory services for environmental enhancements in schools (see Annex 3 for details).

## **H. Communications**

95. Under PESRP II, GoPunjab has included the development and implementation of an information and communications strategy as an integral part of its overall education sector reform efforts. The strategy will focus on the proactive and timely dissemination of relevant information on program implementation status, progress, and performance and the collection of feedback from both internal and external stakeholders. The strategy aims to generate greater transparency and awareness among stakeholders including citizens, communities and service providers, by informing them about their roles, responsibilities, and rights, and the standards of service delivery they can expect under PESRP II, and facilitate access to grievance redressal mechanisms to handle any service failures that may occur at delivery points. Development and implementation of this strategy are promoted through a project covenant and supported via TA. A Communications Unit will be set up at the provincial level that will develop specific information products using the available data and documentation within the system in line with the needs of various stakeholders to assist informed decisionmaking from the policymaker to the parent, and provide a platform for stakeholders to meet on a regular basis for information exchange. The institutional architecture for the information and communications subprogram may be further extended to the district level.

## Annex 1: Results framework and monitoring

### PAKISTAN: Second Punjab Education Sector Project

**Table 1. Results and Monitoring Indicators**

Project Development Objective (PDO): The Project Development Objective (PDO) of PESP II is to support the education sector reform program of the Government of Punjab to increase child school participation (at multiple levels) and student achievement.										
Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values			Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description
				2012/13	2013/14	2014/15				
<b>PDO level results indicators</b>										
Net enrollment rate, primary, ages 6–10 years	<input type="checkbox"/>	%	70	72	73	75	Annual	PSLM surveys	PBS	Share of 6–10 year olds in grades 1–5.
NER, middle level, ages 11–13 years	<input type="checkbox"/>	%	37	39	41	44		Baseline year: 2011/12		Share of 11–13 year olds in grades 6–8.
NER, matriculate level, ages 14–15 years	<input type="checkbox"/>	%	25	27	29	32				Share of 14–15 year olds in grades 9–10.
Average share of correct answers, independent test, grade-4 and grade-5 students	<input type="checkbox"/>	%	Baseline (BL) to be set in academic year 2012/13	-	+2.5% pts	+5% pts	Annual	Independent test	Contracted firm	Mean total score in written tests in English, and mathematics, grade-4 and grade-5 students in sample government and publicly-supported low-cost private schools.
<b>Other outcome indicators</b>										
NER, primary level, ages 6–10 years	<input type="checkbox"/>	%	Rural girls: 64	67	68	69	Annual (District level data: 2012/13 & 2014/15)	PSLM surveys	PBS	Share of 6–10 year olds in a given subpopulation in grades 1–5.
			Rural: 67	69	70	71		Baseline year: 2011/12		
			Asset poor: 47	48	48	49				
			Participation-poor districts: 55	57	58	59				
NER, middle level, ages 11–13 years	<input type="checkbox"/>	%	Rural girls: 29	31	32	33				Share of 11–13 year olds in a given subpopulation in grades 6–8.
			Rural: 31	33	35	39				
			Asset poor: 13	14	14	14				
			Participation-poor districts: 23	24	25	25				
NER, high level, ages 14–15 years	<input type="checkbox"/>	%	Rural girls: 19	22	23	25				Share of 14–15 year olds in a given subpopulation in grades 9–10.
			Rural: 20	22	23	25				
			Asset poor: 7	7	7	7				
			Participation-poor districts: 17	19	20	21				
School participation rate, ages 6-10 years	<input type="checkbox"/>	%	All: 73	75	76	77				Share of 6–10 year olds who attend school (grades 1+; government or private).
			Rural girls: 65	68	69	71				
			Rural: 69	71	73	74				

**PAKISTAN: Second Punjab Education Sector Project**  
**Table 1. Results and Monitoring Indicators**

			Asset poor: 48	49	49	50				
			Participation-poor districts: 57	59	60	61				
School participation rate, ages 11-15 years		%	All: 70	73	74	76	Annual (District level data: 2012/13 & 2014/15)	PSLM surveys	PBS	Share of 11–15 year olds who attend school (government or private).
			Rural girls: 58	63	65	67				
			Rural: 65	68	70	71				
			Asset poor: 38	39	39	40				
			Participation-poor districts: 55	57	59	60				
NER, government schools	<input type="checkbox"/>	%	Primary: 43	45	47	48				Share of given age group in a given school level. Primary: grades 1–5; ages 6–10 years; middle: grades 6–8; ages 11–13 years; high: grades 9–10; ages 14–15 years.
			Middle: 24	27	28	29				
			High: 16	19	20	21				
Primary school completion rate	<input type="checkbox"/>	%	All: 92	93	93	94				Share of 15–19 year olds in a given subpopulation that completed grade 5, conditional on any schooling (grade 1+).
			Rural girls: 90	92	92	93				
			Rural: 90	91	92	92				
			Asset poor: 76	77	78	78				
			Participation-poor districts: 86	88	89	90				
Secondary school completion rate	<input type="checkbox"/>	%	All: 50	51	52	53				Share of 20–24 year olds in a given subpopulation that completed grade 10, conditional on any schooling (grade 1+).
			Rural girls: 43	46	47	48				
			Rural: 41	42	43	44				
			Asset poor: 17	19	20	21				
			Participation-poor districts: 41	43	44	45				
Mean test score, government schools, grade-5 test takers	<input type="checkbox"/>	Pts.	All: 158	162	166	174	Annual	PEC examinations	SED, PEC	Mean total raw score (out of 400) in English, Urdu, mathematics, and science, grade-5 testtakers in government schools.
			Boys: 157	161	165	173				
			Rural: 158	162	166	174				
			Participation-poor districts: 173	177	182	190				
Mean test score, government schools, grade-8 test takers	<input type="checkbox"/>	Pts.	All: 188	193	197	207				Mean total raw score in English (out of 400), Urdu, mathematics, and science, grade-8 testtakers in government schools.
			Boys: 187	192	196	206				
			Rural: 188	193	197	207				
			Participation-poor districts: 194	199	204	213				
Mean test score, early		%	Baseline (BL) to be set in	-	+2.5%	+5% pts	Annual	Independent	Contracted firm	Mean total score in early reading test, grade-1

**PAKISTAN: Second Punjab Education Sector Project**

**Table 1. Results and Monitoring Indicators**

reading/numeracy test, grade-1 and grade-2 students			academic year 2012/13		pts			test		and grade-2 students in sample government and publicly-supported low-cost private schools.
<b>Core Indicators</b>										
Number of students (grade 1+) in government schools under PESRP II	X	# mil.	All: 8.5	8.6	8.8	9.1	Annual	ASC and subprogram data and documentation  Baseline year: 2010/11	SED, PMIU	Cumulative number of students (grades 1+) in government schools and publicly-supported private schools covered under PESRP II.  For girls: number in grades 1–8 only.
			Girls: 3.8	3.9	4.1	4.4				
Gender Parity Index (GPI), <i>government schools</i>	X	%	86	88	89	90	Annual	ASC  Baseline year: 2010/11	SED, PMIU	Ratio of female enrollment to male enrollment at primary level (grades 1–5) in government schools.
Number of additional qualified teachers at the primary level under PESRP II	X	#	0	15,000	30,000	45,000	Per recruitment	Merit-based recruitment statistics	SED, PMIU	The cumulative number of additional qualified teachers at the primary level in government schools under PESRP II. Qualified is defined as meeting the minimum required score in the recruitment test.  The numbers of teachers to be recruited conditional on test performance in grades 9–16 (15,000 in Y1, 15,000 in Y2, and 15,000 in Y3) are gross approximations. Final numbers will depend on additional teacher needs in schools (current and expected) and the provision of budget to pay for additional teachers.
System of learning assessment at the primary level	X		Yes, 4**	Yes, 4	Yes, 4	Yes, 4	Annual  Baseline data year: 2011	PEC documentation	PEC	Whether or not the basic elements of an assessment system exist.
<b>Intermediate indicators</b>										
Teacher absence rate		%	All: 16	15	15	15	Monthly	External monitoring data	SED, PMIU	Share of posted teachers absent for any reason on the day of the visit, government schools.
Recurrent nonsalary expenditures		PKR	8	9	12	15	Annual	Financial reports	FD	Self-explanatory. In billions of rupees.
Nonsalary expenditures: Share of nonsalary expenditures in total recurrent expenditures		%	7	8	10	12	Annual	Financial reports	FD	Self-explanatory.
Stipends for girls for secondary		#	Base stipends only: 382,632	411,366	425,733	440,100	Annual	Administrative	SED, PMIU	Self-explanatory.

**PAKISTAN: Second Punjab Education Sector Project**

**Table 1. Results and Monitoring Indicators**

schooling: Number of beneficiaries			Supplemental stipends: 0	97,671	146,316	203,713		records		
Vouchers for private schooling: Number of beneficiaries	#		140,000	150,000	175,000	200,000	Annual	Administrative records	PEF	Self-explanatory.

Notes: Asset-poor households are those in the bottom quintile in a normalized asset index constructed the standard way (via PCA). Participation-poor districts are based on the primary participation rate derived from the 2010/11 PSLM survey data and comprise of those in the bottom quintile, namely Bahawalpur, Bahawalnagar, Muzaffargarh, Rajanpur, Lodhran, and Rahimyar Khan. Targets for PSLM survey-based indicators were set by taking the annualized changes in the recent past and projecting forward in time over the period period with a 25% increase in the trajectory, reflecting the PESRP-II effect. Targets for the PEC-based indicators were set by multiplying the baseline value by 1.025 for Y1, 1.05 for Y2, and 1.10 for Y3 (i.e., increasing effect over time). Note that these are steep predicted trajectories for changes in participation and achievement, particularly when compared to changes in participation and achievement in the recent past. Also note that there is a risk that the growth in achievement measured in the early reading/numeracy tests may be arrested by potential participation gains, with children that make up the gain being compositionally different from other children.



**PAKISTAN: Second Punjab Education Sector Project**  
**Table 2. Disbursement Linked Indicators**

Subprogram	Disbursement Linked Indicators (DLIs)				Definitions and verification sources
	Baseline FY2011/12	Year 1 FY2012/13	Year 2 FY2013/14	Year 3 FY2014/15	
<b>DLI 1: Field-based professional development:</b> <i>Strengthening field-based teaching advisory support for improved teacher performance.</i>	Field-based system of teaching advisory support to teachers at school has been introduced province-wide but operational capacity and performance are presently deficient.	Primary grades of at least 30% of achievement-poor schools in all 36 districts actively covered by the strengthened field-based system for teaching advisory support to teachers at school.	Primary grades of at least 75% of achievement-poor schools in all 36 districts actively covered by the strengthened field-based system for teaching advisory support to teachers at school.	Primary grades of 100% of achievement-poor schools in all 36 districts actively covered by the strengthened field-based system for teaching advisory support to teachers at school.	<p><i>Definitions/details:</i> An achievement-poor school is defined as in the bottom quartile in the unadjusted core-subjects mean score from the Punjab Examination Commission grade-5 test. Schools include standalone primary schools and primary sections of middle schools. A strengthened system comprises of (1) allocation of adequate resources including teaching guides, logistic allowances for DTEs, and resources for conducting professional days; (2) filling all DTE posts on merit basis for all clusters; and (3) improved continuous assessment processes and reporting to DSD, SED, and schools.</p> <p><i>Sources:</i> (1) Summary report prepared by DSD on school visits with dates, school names, EMIS codes, and teacher names and CNICs, in agreed format. (2) For each visited school, dated and fully-filled in school visit report prepared by the relevant DTE/TE, countersigned by the school teacher, and submitted to DSD.</p>
<b>DLI 2: Teacher recruitment:</b> <i>Improving teacher quality at entry.</i>	Present recruitment is objective but is not needs-based; in addition, the screening is primarily based on qualifications, which appear to be weak indicators of competency.	Testing system and revised transparent, objective, merit- and needs-based recruitment program developed and made ready for implementation.	All teachers, subject-specific and general, recruited to fill confirmed, rationalized school-specific needs, conditional on clearing a recruitment test based on teacher standards approved by SED.	All teachers, both subject-specific and general, recruited to fill confirmed school-specific, rationalized needs, conditional on clearing a recruitment test based on teacher standards approved by SED.	<p><i>Definitions/details:</i> (1) Rationalized needs refer to needs determined after the analysis of the existing teacher workforce level in relation to enrollment and other agreed requirements at the school level. (2) Teacher recruitment tests and training will be based on agreed teacher standards approved by SED. (3) The recruitment test is expected to be reviewed and quality-assured by an appropriate third party as agreed with the DPs, prior to test administration.</p>

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					<p><i>Sources:</i> (1) Approved policy and implementation review documents. (2) Reports and databases on school-specific rationalized needs and teacher-specific test results, training, and placement, in agreed formats.</p>
<p><b>DLI 3: Teacher rationalization:</b> <i>Fixing teaching posts at the school level based on school needs and reallocating teachers in line with rationalized posts.</i></p>	<p>Teaching posts are not allocated at the school level for primary, middle, and elementary schools and teachers are not necessarily posted on the basis of enrollment and other needs.</p>	<p>Allocation of sanctioned teaching posts to schools in accordance with agreed school-specific, needs-based formula completed, and teacher rationalization and recruitment against school-specific, needs-based teaching posts implemented in at least 3 districts, and an implementation review conducted by a third party.</p>	<p>Allocation of sanctioned teaching posts to schools in accordance with agreed school-specific, needs-based formula completed, and teacher rationalization and recruitment against school-specific, needs-based teaching posts implemented in at least 9 districts.</p>	<p>Allocation of sanctioned teaching posts to schools in accordance with agreed school-specific, needs-based formula completed, and teacher rationalization and recruitment against school-specific, needs-based teaching posts implemented in 27 districts.</p>	<p><i>Definitions/details:</i> (1) The school-specific, needs-based formula will relate allocation of teaching posts to enrollment and grade level. (2) Allocation of teaching posts means fixing teaching posts at the school level based on agreed formula. (3) Rationalization refers to transferring teachers from overstuffed to understuffed schools to fill the number of rationalized teaching posts in schools.</p> <p><i>Sources:</i> (1) Notified list of schools (with unique school identifiers) with school-specific rationalized teaching posts. (2) ASC and CMMF inspection data in agreed formats. (3) Implementation review study and database.</p>
<p><b>DLI 4: School nonsalary budgets:</b> <i>Setting and executing school budgets in line with school resourcing needs.</i></p>	<p>No school-level budgeting, planning, and execution for primary, middle and elementary schools.</p>	<p>School-specific nonsalary budgets for FY2013/14 prepared in accordance with agreed funding formula, and submitted for inclusion in FY2013/14 district budgets in at least 9 districts.</p>	<p>(1) School-specific nonsalary budgets prepared in the preceding year approved, disbursed, and openly displayed at schools; school-specific nonsalary budgets for FY2014/15 prepared in accordance with agreed funding formula, and submitted for inclusion in FY2014/15 district budgets for at least 18 districts; and expenditure review conducted by a third party.</p>	<p>(1) School-specific nonsalary budgets prepared in the preceding year approved, disbursed and openly displayed at schools; school-specific nonsalary budgets for FY2015/16 prepared in accordance with agreed funding formula and submitted for inclusion in FY2015/16 district budgets for all 36 districts; and expenditure review conducted by a third party.</p>	<p><i>Definitions/details:</i> (1) The funding formula will relate funds to enrollment, school level, and minimum resourcing needs. (2) Display is defined to include the display of the school's budgeted allocation, receipt, and any expenditure.</p> <p><i>Sources:</i> (1) Approved annual school nonsalary budgets against unique school identifiers. (2) Approved annual district budgets which incorporate school nonsalary budgets, with unique school identifiers. (3) Implementation review report and database. (4) Expenditure review reports and databases.</p>

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<p><b>DLI 5: Decentralized resource management:</b>  <i>Decentralizing resource management powers to schools/school clusters.</i></p>	<p>Budgets operated at a higher level than the school, potentially impairing decisionmaking related to expenditures in line with school needs and responsiveness.</p>	<p>Administrative and financial management powers devolved to Education Officers for middle schools and primary-school clusters in at least 9 districts.</p>	<p>Administrative and financial management powers devolved to Education Officers for middle schools and primary-school clusters in at least 18 districts.</p>	<p>Administrative and financial management powers devolved to Education Officers for middle schools and primary-school clusters in 36 districts.</p>	<p><i>Definitions/details:</i> (1) Devolution of financial management powers is defined as the notification of drawing and disbursing powers to relevant Education Officers (which could include headteachers), and is to be accompanied by needed training and development. (2) Education Officers refers to officers notified as responsible for middle schools and notified clusters of primary schools, and can include headteachers. (3) The selection of districts will be aligned with districts selected under DLI 4.</p> <p><i>Sources:</i> (1) Notified drawing and disbursing officer (DDO) codes reflected in district budget documents with nonsalary allocations against these codes. (2) Notification of primary-school clusters (with unique school identifiers), with database of schools in agreed format. (3) Notification of Education Officers with DDO powers for primary-school clusters, with database of officers in agreed format.</p>
<p><b>DLI 6: Teacher performance incentives:</b>  <i>Incentivizing teacher and student performance by strengthening the link between monetary rewards and student achievement.</i></p>	<p>Two bonus programs were introduced: “high-achievers” and “improvers”. GoPunjab is to discontinue the high-achievers program due to poor returns arising from design and implementation issues.</p> <p>The improvers program rewards teachers on the basis of changes in student enrollment and achievement and is to be continued, with increased experimentation to arrive at sound teacher incentive pay designs.</p>	<p>Continued implementation of the existing “improvers” teacher performance bonus program in selected government primary schools in achievement-poor districts, consistent with agreed program and impact evaluation design.</p>	<p>Implementation of adapted teacher performance bonus program following new value-added model in targeted government primary schools in at least 3 achievement-poor districts, consistent with agreed impact evaluation design.</p>	<p>Continued implementation of adapted teacher performance bonus program following new value-added model in targeted government primary schools in at least 6 achievement-poor districts, consistent with agreed impact evaluation design.</p>	<p><i>Definitions/details:</i> (1) The improvers program offers bonuses on the basis of changes in school enrollment and student achievement and levels of test participation (derived from ASC and PEC data). (2) The new value-added program will offer bonuses to teachers in a school based on changes in student performance netted for, inter alia, changes in student performance in a similar school not covered by the program. (3) The achievement-poor status of districts will be determined on the basis of PEC test data for government school students.</p> <p><i>Sources:</i> (1) Teacher registration data in relevant schools (with unique teacher and</p>

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					<p>school identifiers) in agreed database format. (2) Sample bonus score cards. (3) Teacher bonus calculations for relevant teachers in relevant schools (with unique teacher and school identifiers) in agreed database format. (4) Confirmation of receipt of bonuses in teacher accounts, via direct deposit, from relevant banks, in agreed database format.</p>
<p><b>DLI 7: Schools councils:</b>  <i>Strengthening the capacity of and empowering communities to support, monitor, and promote school performance.</i></p>	<p>Schools councils formed province-wide, annual grants for school development offered, and community mobilization, formation, and capacity development facilitated by contracted NGOs.</p> <p>School-council performance presently impaired by limited interest, capacity, and powers.</p>	<p>Reconstitution and operation of school councils in accordance with rules and powers in revised school-council policy, supported by a new capacity development program, in at least 50% of schools in at least 5 districts, and implementation reviewed by a third party.</p>	<p>Reconstitution and operation of school councils in accordance with rules and powers in revised school-council policy, supported by a new capacity development program with agreed modifications, in at least 50% of schools in at least 10 districts.</p>	<p>Reconstitution and operation of school councils in accordance with rules and powers in revised school-council policy, supported by a new capacity development program, in at least 50% of schools in all districts, and grant expenditures reviewed by a third party.</p>	<p><i>Definitions/details:</i> (1) Capacity development program is to be based on ICT for the provision of advice and support to school councils and communities. (2) Schools comprise of primary, middle, elementary, and secondary schools.</p> <p><i>Sources:</i> (1) Approved school council policy. (2) Expenditure and implementation review reports and databases, in agreed formats. (3) Software-generated reports based on regular contact with school council members, in agreed formats.</p>
<p><b>DLI 8: Provision and use of system and school performance information:</b>  <i>Regularly feeding relevant and reliable information to various levels to improve evidence-based school performance management.</i></p>	<p>Delivery of information of any kind across the government school system is ad hoc and piecemeal, and the presentation and content of delivered information are weak, impairing evidence-based decisionmaking to improve system and school performance.</p>	<p>District and school performance report cards, following agreed format and contents, prepared and delivered on a semiannual basis to district education administrations and 100% of middle and high schools and school councils, and openly displayed at schools.</p>	<p>District and school performance report cards, following agreed format and contents, prepared and delivered on a quarterly basis to all district education administrations and on a semiannual basis to 100% of middle, high, and urban primary schools and school councils, openly displayed at schools, and implementation reviewed by a third party.</p>	<p>District and school performance report cards, following agreed format and contents, prepared and delivered on a quarterly basis to all district education administrations and on a semiannual basis to 100% of primary, middle, and high schools and school councils, and openly displayed at schools.</p>	<p><i>Definitions/details:</i> (1) Indicators in the report cards will include student achievement from the Punjab Examination Commission student tests and teacher absence, teacher on-task, student absence, and progress and performance in selected subprograms from the CMMF school inspections.</p> <p><i>Sources:</i> (1) Sample district and school performance report cards. (2) District and school-level lists with signatures of relevant officials indicating receipt of cards by district education administrations and schools, in agreed format. (3) Validation study report and database.</p>

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<p><b>DLI 9: Private school vouchers:</b> <i>Strengthening program design and expanding coverage of tuition-replacement vouchers to children from disadvantaged, urban households by increasing school choice to include private schools under a quality-assurance system.</i></p>	<p>Vouchers to attend private schools offered to children from disadvantaged households in poor areas in 17 district capitals.</p> <p>Program is of small scale and present program design and administration features potentially arrest returns.</p>	<p>Vouchers to attend private schools under a quality-assurance system expanded to cover additional disadvantaged children in 17 districts and 3 new districts, in accordance with agreed adapted voucher program.</p>	<p>Vouchers to attend private schools under a quality-assurance system expanded to cover additional disadvantaged children in 20 districts and 16 new districts, in accordance with agreed adapted voucher program, and consistent with agreed impact evaluation design.</p>	<p>Vouchers to attend private schools under a quality-assurance system expanded to cover additional disadvantaged children in 36 districts, in accordance with agreed adapted voucher program, and consistent with agreed impact evaluation design.</p>	<p><i>Definitions/details:</i> (1) Adapted voucher program includes new screening and qualifying criteria and screening instruments for households and schools. (2) New qualifying criteria for schools will relax the school-proximity criterion. (3) Quality assurance system refers to the administration of the Quality Assurance Test by PEF (in collaboration with other organizations).</p> <p><i>Sources:</i> (1) Approved revised screening and qualifying criteria for households and schools. (2) Approved revised screening instruments for households and schools. (3) Databases of prospective households (with unique identifiers) subject to screening, in agreed format. (4) Databases of prospective schools (with unique identifiers) subject to screening, in agreed format. (5) Voucher schools and students (with unique identifiers), in agreed format. (6) Expenditures under the vouchers program, in agreed format.</p>
<p><b>DLI 10: Stipends for secondary school girls</b> <i>Increasing incentives, efficiency, and delivery performance for promoting the transition to and retention of girls at the secondary level.</i></p>	<p>Attendance-tied stipend benefits offered on a quarterly basis to beneficiary girls in grades 6–10 in government schools in targeted stipend districts.</p> <p>Concerns of limited program efficiency and effectiveness due to present benefit level and structure.</p>	<p>Attendance-tied supplemental stipend benefits following agreed benefit structure offered to beneficiary girls in grades 6–10 in rural government schools in existing stipends districts, and phased in consistent with agreed impact evaluation design.</p>	<p>Attendance-tied supplemental stipend benefits following agreed benefit structure offered to beneficiary girls in grades 6–10 in rural government schools in existing stipends districts, and phased in consistent with agreed impact evaluation design.</p>	<p>Attendance-tied supplemental stipend benefits following agreed benefit structure offered to beneficiary girls in grades 6–10 in all rural government schools in existing stipends districts.</p>	<p><i>Definitions/details:</i> (1) The supplemental stipend is to be on top of the existing stipend amount for rural beneficiaries. (2) The benefit schedule for the supplemental stipend is fixed to be higher for later grades.</p> <p><i>Sources:</i> (1) Annual School Census data on stipends distribution and amounts, in agreed format. (2) CMMF school inspection data on stipends distribution and amount, in agreed format.</p>
	<p>Stipends administration currently handled by district education administrations and stipends delivery handled</p>	<p>Field testing of selected branchless banking options for stipends distribution to beneficiary girls completed</p>	<p>Intended beneficiary girls in grades 6–10 in 100% of urban government schools receive stipend benefits</p>	<p>Intended beneficiary girls in grades 6–10 in 100% of urban government schools and 50% of rural government</p>	<p><i>Definitions/details:</i> (1) Branchless banking options include and electronic and mobile payments.</p>

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<p>by the government postal system.</p> <p>Concerns of delays and potential errors and leakage.</p>	<p>and partner financial institution(s) for full implementation contracted.</p>	<p>through agreed branchless banking options.</p>	<p>schools receive stipend benefits through agreed branchless banking options.</p>	<p><i>Sources:</i> (1) Field-testing report. (2) Contracts with private banks for stipends delivery through selected branchless/mobile banking options. (3) Beneficiary-level database of stipends receipt, in agreed format.</p>
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## **Annex 2: Detailed project description**

1. The proposed project is a US\$350 million Specific Investment Credit which will support the design and implementation of PESRP II, over the period from 2012 to 2015. The project comprises of two components: (1) a results-based component—Component 1—which would finance PESRP II, amounting to US\$340 million (97% of the total Credit) and (2) a Technical Assistance (TA) component—Component 2—which would support essential technical, advisory, and capacity-building support for PESRP II, amounting to US\$10 million (3% of the total Credit).
2. GoPunjab is embarking on its next medium-term, multifaceted reform program in primary and secondary education, the Second Punjab Education Sector Reform Program (PESRP II). The main objectives of PESRP II are to improve child school participation and student achievement, and these objectives are reflected in the project’s PDO-level indicators.
3. Under PESRP II, GoPunjab plans to take the next evolutionary step and zero in on improving service delivery performance at the school level in order to realize both meaningful and continuing gains in outcomes of interest. This objective necessarily implies focusing on improving teacher quality and performance given that, particularly in this context, these factors are virtually synonymous with school quality and performance. The available evidence clearly suggests serious shortcomings in teacher quality and performance. For example, government school teacher salaries are determined mainly by individual credentials (experience, training, and education), and the student-learning returns to these credentials are limited under the current institutional environment. Furthermore, importantly, government school teacher salaries appear to be largely unrelated to the levels of teacher absence, teacher knowledge, and student achievement. While teachers in government schools tend to be better credentialed and obtain significantly higher salaries than teachers in low-cost private schools, private schools tend to significantly outperform government schools in terms of student achievement (Andrabi et al 2007).
4. From the perspective of public finances, improving teacher quality and performance implies taking measures to increase the efficiency and effectiveness of teacher salaries (which presently constitute 93% of total recurrent expenditures), as well as taking measures to increase the adequacy, efficiency, and effectiveness of other expenditures formulated to be consistent with the same underlying motivation.
5. Thus, under PESRP II, teacher quality and performance are expected to be promoted directly and indirectly through a coherent mix of initiatives related to (1) institutional arrangements and functions, (2) resources and support, and (3) monitoring and accountability.
6. The initiatives include
  - (a) strengthening the system of field-based advisory support to teachers at the school and targeting the support at achievement-poor schools (DLI 1);
  - (b) introducing test-based recruitment of teachers (DLI 2);

- (c) rationalizing teaching posts and teachers across schools based on school need (DLI 3);
- (d) formulating and offering school-specific nonsalary budgets following formula that relate the school nonsalary budget to student enrollment and basic school operational and classroom needs (DLI 4);
- (e) decentralizing administrative and financial management powers to schools (or, where not immediately feasible, to school clusters) for managing school-specific budgets and resources (DLI 5);
- (f) starting with teachers in achievement-poor schools and districts, tying teacher compensation more closely to school performance as measured in terms of improvements in student achievement (DLI 6);
- (g) increasing the authority, autonomy, and capacity of school councils to support and monitor school performance (DLI 7); and
- (h) improving the regular collection of credible information on school, teacher, and student performance (e.g., teacher absence, teacher on-task, student achievement) and feeding this information back to internal and external stakeholders (legal covenants and DLI 8).

7. The above initiatives are designed to directly promote greater school quality, and, through these improvements, promote the retention of students in schools and school participation of new children. To more directly promote gains in participation, the initiatives also include

- (a) strengthening the design of an existing program that offers tuition-replacement vouchers to children from disadvantaged households in poor urban areas to promote access to and participation in low-cost private schools subject to a rigorous quality assurance system (DLI 9), and
- (b) offering attendance-tied supplemental cash transfers to promote secondary schooling among rural girls in participation-poor districts (as well as strengthening delivery performance by phasing in branchless banking) (DLI 10).

8. Taken as a whole, the initiatives are formulated to yield returns in the short term in terms of participation and achievement gains, but also promote well-performing, robust, sustainable institutions and administrative systems that would generate returns over the medium to long term (i.e., PESRP II attempts to achieve an appropriate balance between its short-term "target-reaching" and longer-term "trajectory-changing" objectives).

9. In what follows, more details on each of the PESRP-II subprograms are provided. For each subprogram, the contents cover the backdrop, rationale, primary objectives, primary actions, and institutional and implementation arrangements (the last aspect is covered in more detail in Annex 3). The contents also include how the project is framed to support the particular



subprogram using its main design features of DLIs, covenants, EEPs, and TA. This is followed by the presentation of results chains (Figures 1 and 2) which attempt to delineate the main potential channels through which the proposed actions under PESRP II can engender improvements in the PDO-level indicators. The Annex ends with an indicative list of the analytical, advisory, and capacity-building activities to be supported by the project's TA component.

10. **Teacher quality and teaching support:** GoPunjab has invested significant resources in the professional development of in-service teachers, especially teachers of primary grades, but teacher capacity and performance remain weak. Under PESRP, recruitment of new teachers has followed objective, merit-based criteria; recruitment has however largely been based on academic and professional qualifications of teaching candidates. This has improved the academic and professional qualification levels of teachers but the available evidence from the province suggests that credentials do not appear to be associated with improved teacher competency and teaching performance. In addition, over time, the authenticity of professional credentials has become questionable due to the availability of pre-service diplomas and degrees through non-accredited programs. An important development under PESRP has been the introduction and phased expansion of on-site advisory support to teachers through a network of field-based District Teacher Educators (DTEs) and Teacher Educators (TEs), located in high schools or government elementary teacher education colleges managed by the Directorate of Staff Development (DSD), under SED. This field-based support system serves as a new and promising conduit for providing more regular, customized teacher support and improving teaching performance.

11. Under PESRP II, GoPunjab proposes to strengthen the system of on-site advisory support to schools. Actions include the (1) competitive, merit-based, transparent recruitment of DTEs and TEs in line with required human resource needs; (2) formal training at entry; and (3) special attention to clusters of schools with the poorest achievement levels in order to provide continuous, on-site customized advisory support to teachers, including feeding in findings from student tests conducted by the Punjab Examination Commission and the continuous assessment system introduced by DSD.

12. To help improve teacher quality at entry, GoPunjab plans to screen candidates for the teaching profession using a standardized test of subject knowledge and pedagogic skills based on standards jointly developed by competent authorities (SED/PMIU, district education administrations, DSD, PEC, and any other relevant organizations working with pre-service and in-service teachers). Test design and test administration procedures will be subject to a rigorous, independent prior review to assess quality and appropriateness. In addition to the test, GoPunjab has also introduced post-induction training and testing of newly-recruited teachers by DSD, which are expected to be continued and strengthened. The development of approved standards for teachers and the introduction of the tests will lay the foundation for a teacher certification and licensing regime in the province. GoPunjab is committed to a thorough review of teacher management (teacher recruitment, induction, training and career development) in the province and the conceptualization of a teacher certification and licensing regime (including the development of the implementation plans). The concept will be developed in consultation with key stakeholders in the province.

13. The actions related to the field-based advisory support to schools and test-based teacher recruitment are to be promoted through DLIs, while the actions related to laying the foundations for the introduction of a certification and licensing body are to be promoted through the use of project covenants. Institutional and implementation arrangements for the strengthened program of field-based support to schools will be the same as under PESRP: DSD will continue to have primary administrative responsibility, with oversight and guidance from SED/PMIU. Background work for designing a sound and pragmatic certification/licensing system including the associated institutional framework is expected to be financed using the project's TA component. TA is also expected to be used to explore possibilities for institutional linkages with teacher certification and licensing systems with other countries to support institutional knowledge transfer and learning.

14. **School budgets, teacher rationalization, and budget management:** Roughly 93% of recurrent expenditures in the education sector in the province is employee-related expenses; only 3% of expenditures is on goods and services. A meager 0.2% of recurrent expenditures is spent on repairs and maintenance. The inadequate allocations for key nonsalary inputs such as for basic school maintenance and operations and teaching and learning materials potentially adversely affect school quality and performance. In addition, given that there is no criteria-based allocation of resources to schools, there are both inefficiencies and inequities in school financing with some schools remaining chronically and acutely under resourced while other schools receive more than they require. Under the current tight fiscal situation of the province, GoPunjab is interested in implementing changes to budgetary allocation practices that will lead to more efficient use of financing for the education sector. At the same time, GoPunjab is committed to providing adequate nonsalary recurrent allocations to schools as part of its efforts to improve school quality and performance.

15. Under PESRP II, GoPunjab intends to introduce school financing reforms that aim to fix budgets, both salary and nonsalary, at the school level and set the amounts as a function of school enrollment. This formula-based funding mechanism can lead to significant gains in efficiency and effectiveness by equipping schools with the ability to manage their resources based on their specific needs. At the same time, it can give the provincial/district governments the tools with which they can structure finance rules and accountability mechanisms for managing incentives. The first phase of implementation of this reform will entail preparing the ground for instituting a process of formula-based allocations to schools that are responsive to school needs and includes decentralization of decisionmaking on resource deployment to the school or a cluster of schools. Key actions include the (1) phased rationalization of teaching staff posts across the school system based on school needs; (2) phased formalization of the necessary governance structures to allow schools control over the resources they are allocated, entailing the decentralization of administrative and financial powers to schools or clusters or schools; (3) construction and application of a per-student funding formula to determine the allocation of nonsalary budgets to schools; (4) timely availability of funds to schools for effective utilization of their nonsalary budgets; and (5) capacity building of subdistrict and school personnel to effectively help prepare and manage school budgets.

16. Actions under this subprogram are to be promoted through the use of DLIs and supported using the project's TA component. FD, SED/PMIU, and district administrations under the oversight of the P&D Board will have joint responsibility for the implementation of the activities. Implementing arrangements rely on extensive coordination between these departments. In addition, effective communication of the proposed reforms with relevant stakeholders, specifically teachers and subdistrict administrators, will be an essential part of subprogram implementation to encourage ownership and a smooth transition to the new system of budgetary allocation and execution. Project TA resources will also be used to finance implementation and expenditure reviews of school nonsalary budgets over the project implementation period.

17. **Teacher performance bonuses:** Evidence from the province suggests that government school teacher salaries are principally determined by teacher academic and professional qualifications, experience, and tenure, along with allowances and benefits that relate to the characteristics of the location and school where the teacher is placed. Importantly, government school teacher salaries do not appear to be sensitive to the levels of teacher absence, teacher subject knowledge, and student achievement (Andrabi et al 2007).<sup>25</sup> In order to improve teacher performance and, hence, school service delivery, under PESRP, GoPunjab embarked on programs that offered government school teachers sizeable cash bonuses for school performance measured in terms of student enrollment and achievement, among other variables. One of the programs, called the improvers bonus program, is based on a simple value-added structure and offers group-based teacher bonuses to schools which show positive changes in enrollment and achievement. The program has been piloted in achievement-poor schools in the three districts with the poorest achievement levels as measured using PEC test score data. Multiple variants of the above basic structure are being tested and subject to an ongoing rigorous impact evaluation supported by PESP TA and Bank resources. Administration of the program is also highly streamlined, with program management by SED/PMIU, and bonuses being delivered by district account offices directly into the personal bank accounts of qualifying teachers.

18. Under PESRP II, GoPunjab plans to continue piloting the existing improvers bonus program (along with the impact evaluation), and dismantling other bonus programs where qualitative information indicates that these other programs have not worked as expected due to issues related to design and implementation. Based on more advanced value-added models being implemented and tested in the developed world, GoPunjab plans to additionally pilot a modified improvers bonus program that would provide group-based cash bonuses against improvements in outcomes in the school under the program relative to a school with an identical starting point but not under the program. The modified program will also be targeted at achievement-poor schools, and subject to a rigorous impact evaluation. The findings from these evaluations will be used to identify and fine tune variants to implement on a wider scale.

19. The design and implementation of the bonus programs are to be promoted through the use of DLIs, and the expenditures under the bonus programs are to be an EEP. Implementation and institutional arrangements for the programs are expected to remain the same as under PESRP, with SED/PMIU having primary responsibility for the administration of the programs with direct transfers of the bonuses into the personal bank accounts of qualifying teachers.

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<sup>25</sup> In contrast, private school teacher salaries appear to be sensitive to these variables.

Required data and documentation collection and processing for administering the programs are expected to be financed using the project's TA component. The impact evaluations are expected to be financed using the project's TA component and other resources mobilized by the development partners.

20. **Community and parental engagement via government school councils:** In order to formally promote local community and parental engagement in school affairs, GoPunjab introduced school councils, essentially parent-teacher associations, into the government school system in the 1990s. Under PESRP, school councils were activated across the province and offered annual flat grants for meeting basic school support/development needs. GoPunjab also contracted nongovernmental organizations to help with community mobilization, the formation of school councils, and the capacity building of school councils. Despite significant progress in institutionalizing school councils, there are concerns of their underperformance. Overarching reasons include the lack of public confidence in the quality of government public services, with parents opting not to send their children to government schools, and other more immediate and pressing interests taking priority over demanding better public education. At the ground level, local community and parental engagement through school councils is seen as weak or perfunctory. In addition, while school council grant utilization rates have risen, there has been limited success in school councils actively supporting and monitoring school performance, the problem stemming from the lack of awareness, intent, and means.

21. Under PESRP II, in order to improve school service delivery, GoPunjab plans to undertake major institutional reforms and modify/refine existing procedures and practices to address existing impediments to and shortcomings in school council performance. These actions include (1) the opening up of participation in school councils to local individuals that possess professional and vocational backgrounds that signal leadership, planning, management, and execution competencies as well as influence and interest in improving public services; (2) longer tenures for elected school councils; (3) increased authority for and autonomy in school council decisionmaking; (4) increased expenditure ceilings and expanded scope on uses for grants, including for civil works, after any required due diligence (coupled with appropriate fiduciary guidelines and an ESMF compliance checklist); and (5) the phasing in of a ICT-based capacity development program (SMSs, robocalls, and call agents), coupled with regular provision of relevant written materials, and, as needed, school council awareness-building and training sessions in the field.

22. The proposed actions are to be promoted through the use of DLIs; school council grants are to be an EEP. Implementation and institutional arrangements for supporting the formation and functioning of school councils are expected to remain the same as under PESRP, and entails the strong partnership of SED/PMIU with district education administrations. The roles of district education administrators vis-a-vis school councils are expected to change with the roles of the former confined to facilitation, advice, and compliance verification. School council functioning will be monitored by CMMF. Project TA resources are expected to be used, inter alia, to finance sample-based implementation and expenditure reviews at various stages and the ICT-based capacity development program (including an evaluation of this component).

23. **Reliable generation and use of student test information:** The regular and credible measurement of student achievement and the use of this information for decisionmaking at various levels are essential for evaluating and improving system and school service delivery performance. Under PESRP, the Punjab Examination Commission (PEC) was set up as a semi-autonomous body, resourced, and supported through technical and advisory services, and presently designs and administers (with the partnership of district education administrations) annual, curriculum-linked, competency-based tests of students in grades 5 and 8 in all government schools as well as private schools that opt to take the tests. In addition, under PESRP, the Punjab Education Assessment System (PEAS) was strengthened and presently designs and administers (with the partnership of district education administrations) annual diagnostic tests of students in grades 4 and 8 in sample government schools.

24. Under PESRP II, GoPunjab plans to improve the design and administration of student tests and the dissemination of test findings. Proposed actions include (1) competitive, transparent, market-based recruitment of professional staff for test item development, including psychometricians and curriculum specialists; (2) pretesting and piloting of test items; (3) advance provision of information to prospective testtakers to increase their awareness of test contents and testtaking requirements; (4) improved procedures and practices (including controls) for the registration of test candidates and accurate identification of the schools where the candidates come from (where applicable); (5) development and provision of clear and detailed protocols for test administration and grading (including practical training on protocols); (6) sample-based monitoring of all stages of test administration by third-party organizations and other government agencies; (7) development and provision of precise guidelines for grading of open-ended questions and strengthened controls for grader selection and oversight of the grading activity; (8) testing of core subjects only; and (9) dissemination of test findings through multiple channels—including the web, publications, school cards and pamphlets, and mobilephone-based SMS—to a wide range of stakeholders including district education administrators, teachers, school councils, and communities. These actions are relevant for one or both test institutions. The quality of the test data is important in general but is particularly important for subprograms under PESRP II which expect to use these data as part of their design and/or implementation.

25. The proposed actions are to be promoted through a project covenant. Institutional and implementation arrangements will largely remain the same as under PESRP, comprising of a partnership between PEC/PEAS and district education administrations, with oversight and guidance from SED/PMIU. GoPunjab expects to introduce monitoring of all stages of test administration by third-party organizations and other government departments as well as market-based recruitment of required technical staff for test design and data analysis, financed through the budgetary allocations for PEC/PEAS. Primary responsibility for dissemination of test findings will lie with PEC/PEAS but is expected to be aided by the proposed data analysis and communications units under PMIU. Project TA resources are expected to be used to finance technical and advisory support for, inter alia, (1) strengthening the institutions and the introduction of improved test design and administration procedures and controls, and (2) independent checks of progress and performance related to test design, administration, and dissemination of test findings.

26. **System and school performance measurement:** Under PESRP II, GoPunjab expects to strengthen the existing monitoring and evaluation system to improve the relevance, coverage, regularity, reliability, analysis, dissemination, and use of data for evidence-based policymaking to improve service delivery performance. On the collection side, the focus is on two sources: school inspection data via CMMF and the Annual School Census. CMMF, comprising of District Monitoring Officers (DMOs) and Monitoring and Evaluation Assistants (MEAs), is responsible for capturing information from government schools on, among other things, teacher presence, student attendance, and the status of selected activities and benefit delivery. The proposed actions include (1) improving the school inspection forms to include say teacher on-task and integrate in indicators to measure ESMF compliance, (2) covering all schools at least every quarter, (3) monitoring the performance of MEAs via random visits to schools by DMOs, (4) filling vacancies for DMO and MEA positions via open market competition, and (5) providing technological solutions (smartphones) to collect data electronically and transfer them in real time. The ASC form and ASC database management are also expected to be improved. Given the importance of credible information, GoPunjab plans to carry out data validations by contracted third-party organizations to assess the extent and nature of any discrepancies between the administrative data and validation data, and take remedial steps if needed.

27. The existing M&E system has placed more emphasis on the collection of data than on systematically processing and analyzing the collected data and packaging and disseminating them for evidence-based decisionmaking by internal and external stakeholders. To address this issue, (1) the databases from various key entities (FD, Accountant-General, DSD, PEC, PEAS, CMMF, PEF, and PMIU) are to be integrated at the lowest level possible (e.g., school, teacher, student) with unique identifiers, and (2) a Data Coordination and Analysis Unit will be established at PMIU with adequate resourcing (human resources and other) to process and integrate databases, triangulate and analyze information, and prepare various information products, the last in partnership with the proposed Communications Unit at PMIU under the communications and information subprogram. An important information tool to be developed and delivered to district education administrations and schools with increasing coverage and periodicity is district and school performance cards. These performance cards will include information on say teacher absence, teacher on-task, student achievement both in absolute terms and benchmarked against comparable schools.

28. The proposed actions are to be promoted through the use of DLIs and legal covenants and supported by TA. CMMF and PMIU will have primary responsibility for the implementation of the school inspections and ASC, respectively. There is also expected to be a formal arrangement for the timely delivery of complete, clean data (and accompanying documentation and codebooks) in required formats to PMIU from DSD, PEC, PEAS, PEF, FD, AG, and CMMF. Project TA resources are expected to be used for, inter alia, the resourcing of the Data Coordination and Analysis Unit at PMIU, data validation surveys, and ICT solutions for data collection and dissemination.

29. **Communication and information dissemination:** Presently, no formal system exists to communicate and interact with stakeholders on PESRP II, either in the form of information dissemination or a stakeholder feedback mechanism. There is an abundance of data available from several sources (e.g., the CMMF school inspection database, PEC student assessment data,

PEAS student assessment data, the Annual School Census), but the use of these data are often restricted to the source organization itself, and a limited group of stakeholders. GoPunjab plans to develop a comprehensive communication strategy under PESRP II to effectively disseminate information about the reform program and receive feedback from both internal and external stakeholders. The overall objective of the subprogram will be to generate greater transparency and awareness among stakeholders including citizens, communities and service providers, by informing them about their roles, responsibilities, rights, and the standards of service delivery they can expect under PESRP II, and facilitate access to grievance redressal mechanisms to deal with any service failures that may occur at the local level.

30. Under this subprogram, GoPunjab expects to create an enabling environment for improved oversight and engagement at various levels to improve service delivery performance. Activities will include two important components. First is the establishment of a Communications Unit at the provincial level, which will be responsible for the development and implementation of an information and communications strategy that proactively disseminates information about specific aspects of PESRP II (determined by a stakeholder needs assessment), as well as on roles and responsibilities for delivery within the sector ranging from parents to the provincial administration, and builds stakeholder feedback mechanisms into the strategy. The Unit will package data available within the system according to the needs of various stakeholders to assist informed decisionmaking from the policymaker to the parent, and provide a platform for entities of SED to meet on a regular basis for information exchange. Second is the strengthening of the complaints redressal mechanisms already in place to enhance their performance and encourage feedback from stakeholders on service delivery quality and performance.

31. Implementation of the proposed subprogram activities is to be promoted through a legal covenant and supported using TA. Project TA resources will be required for technical and advisory support for the design of the communication strategy, and its implementation and monitoring, and to develop a plan for strengthening the operation of the complaints redressal mechanisms at the provincial and district levels. The Communications Unit will be housed at PMIU. Implementation responsibility for the complaints handling system limited to the education sector currently lies with the Monitoring Cell led by the Deputy Director, CMMF. This arrangement is expected to continue with an effort to increase institutional linkages with SED/PMIU and its subdepartments and district administrations to improve system performance.

32. **Vouchers for private schooling:** Household survey data from 2010/11 indicate that roughly 18 (52)% of children ages 6–10 years in urban areas (from asset-poor households) are out of school. Distances to school are typically short, and government schools tend to run regularly. Yet a sizeable share of parents chooses not to send their children to school likely due to perceived low returns to schooling and high opportunity costs. To promote the school participation of poor, urban children (by influencing the cost-benefit calculus of households), under PESRP, GoPunjab initiated an innovative public-private partnership (PPP) program which offers vouchers to children in order to help them access private schooling opportunities. The vouchers are offered to school-going age children from socioeconomically disadvantaged households in poor urban neighborhoods. Voucher children can access voucher schools (low-cost private schools that qualify and join the program) Voucher schools are expected to offer tuition-free schooling to voucher students and are subject to regular standardized testing of all students

with continued program qualification contingent on a stipulated minimum student achievement level. The program currently has 60,000 voucher students in 17 cities/towns, and is administered by PEF.

33. Under PESRP II, GoPunjab plans to expand the program to cover additional disadvantaged households in current program areas and new urban areas. GoPunjab also plans to take measures to improve the potential efficiency and effectiveness of the program. These measures include (1) strengthening the field-based screening of disadvantaged households for program qualification with more systematic, quantitative means-testing; (2) exploring setting voucher amounts that are more in line with prevailing tuition levels in the low-cost schooling systems in poor neighborhoods but, at the same time, are sufficiently high to support school development needs; (3) allowing schools that are further away and from nonpoor neighborhoods to seek program qualification against transparent, objective, quality-related criteria (thereby further expanding school choice for voucher students); and (4) testing alternative rules for the assignment of vouchers to children within qualifying households in order to attempt to reduce potential biases in the household selection of children for voucher receipt.

34. Program expansion and design and implementation improvements are to be promoted through the use of DLIs and supported using TA. Voucher expenditures are to be part of the EEP related to PEF. The projected budget for the voucher program is expected to cover the envisaged expansion of voucher children and schools, including additional program administrative costs arising from the expansion and design and implementation improvements. PEF will have primary responsibility for administering the program, with oversight and guidance from SED/PMIU. To help PEF manage its load and meet performance standards, selected administrative and monitoring and evaluation activities may be outsourced to contracted third-party organizations, financed using budgeted resources. Project TA resources are expected to be used to finance, inter alia, the strengthening of monitoring and evaluation arrangements, database management (including school, household, and student level information with unique identifiers), and school partnership management by PEF. Coupled with other resources from the development partners, project TA resources are expected to be used to finance an impact evaluation to ascertain the causal effects on key outcomes of interest of (1) the vouchers program and (2) the alternative rules for assigning vouchers to children within households.

35. **Cash stipends to girls for secondary schooling:** Household survey data from 2010/11 indicates that the participation rate for girls ages 11–15 years (in rural areas) is 68 (58)%. Since 2004, under PESRP, in order to promote retention in secondary grades and progression of girls, GoPunjab has administered a program that offers cash stipends to girls in secondary-school grades in government schools in selected districts. In the targeted districts, the participation rate of girls ages 11–15 years (in rural areas) is 54 (45)%. Fixed at the time the program was initiated, the beneficiary receives a flat stipend benefit of Rs. 2,400 per year, in four equal quarterly payments, conditional on her meeting a minimum attendance rate, as validated by the school administrator. The stipends program is administered through district education administrations and the government postal system. The process is virtually fully manual and paper-based, which reportedly introduces in large processing and delivery delays and errors. In addition, there are unknown risks of leakage due to the absence of systems for efficiently monitoring and verifying

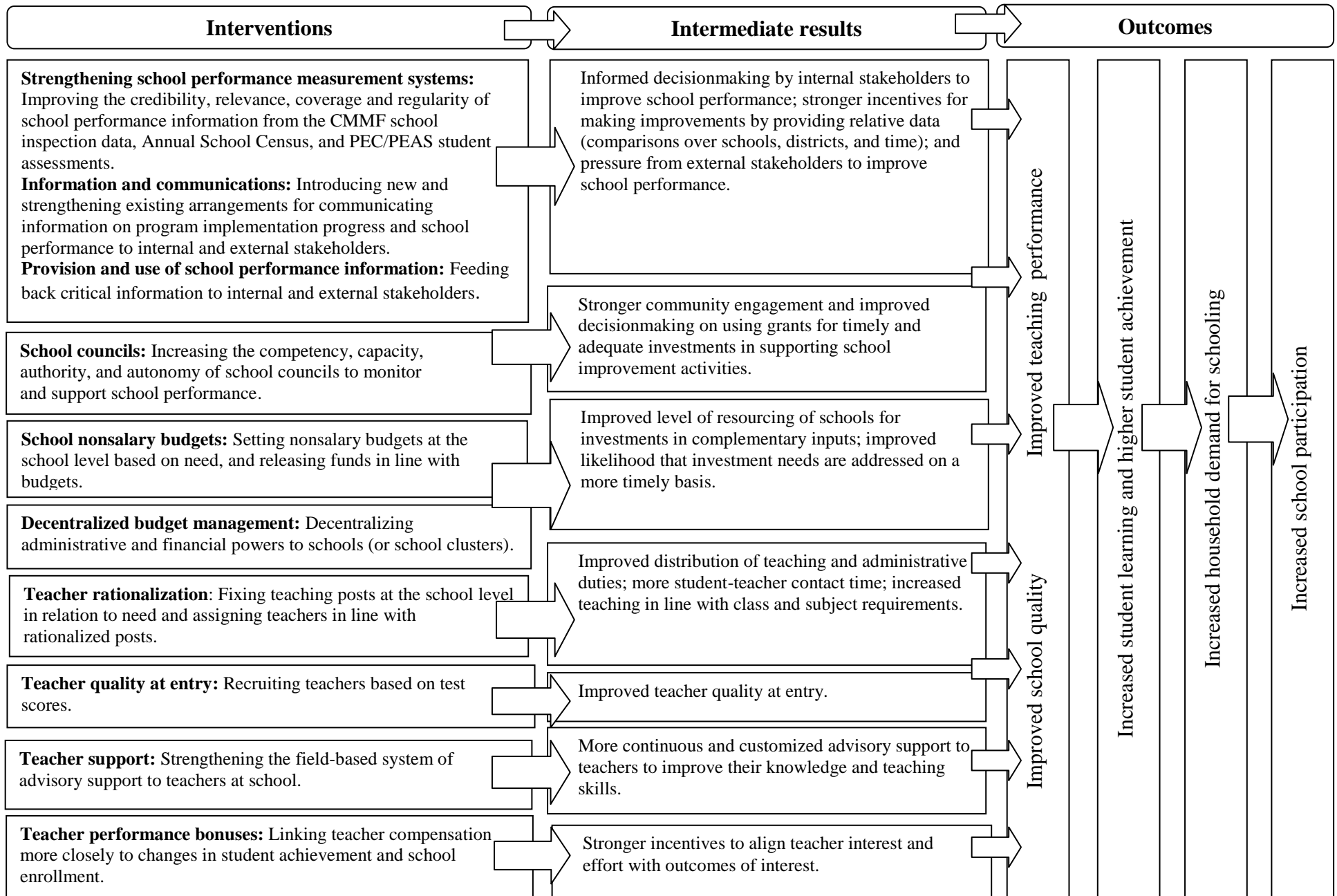


the timely and full delivery of stipends to intended beneficiaries. The stipends program currently covers 385,000 beneficiary girls in 16 districts.

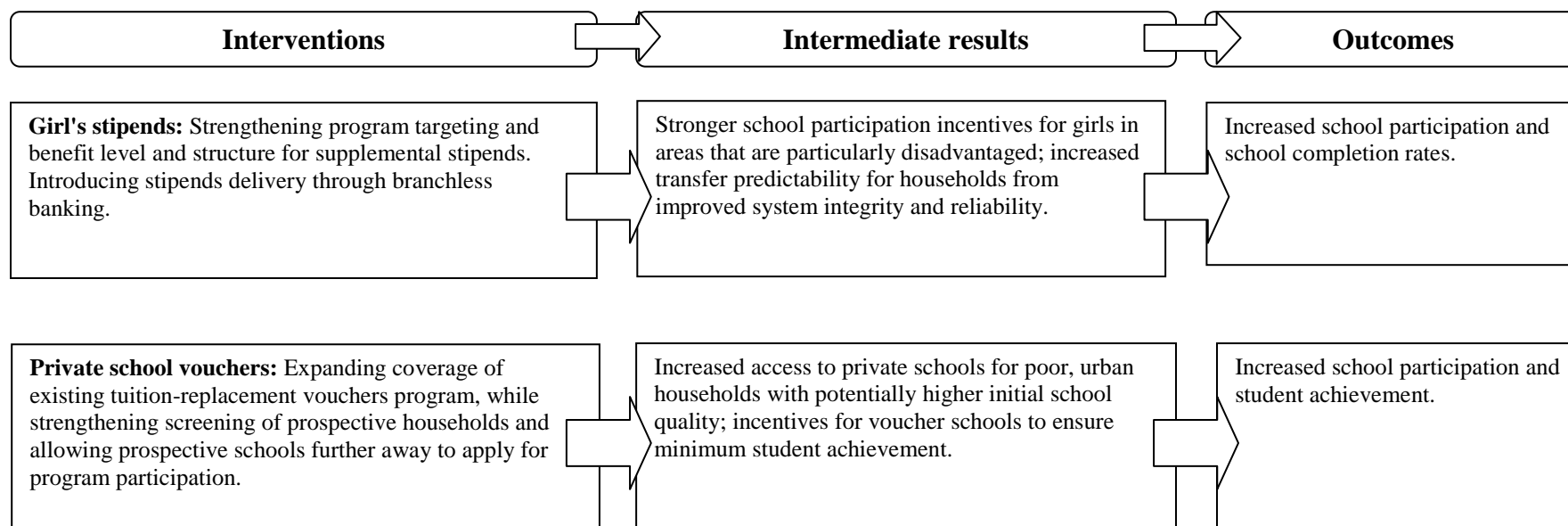
36. Under PESRP II, GoPunjab expects to increase the stipend benefit to restore a large share of the real value lost to price inflation, potentially helping to strengthen the benefit's incentive effect. GoPunjab is however interested in targeting and structuring the increase in such a way that it enhances the potential efficiency and effectiveness of the benefit. An analysis of recent household survey data indicates that (1) the presently targeted districts continue to remain those with the lowest adolescent girls' school participation rates, (2) the present targeting rules of gender (female) and school type (government school) makes particular sense in rural areas, (3) the correlation between government schooling and the adolescent girl's household's poverty status is higher in rural areas, and (4) adolescent girls' school participation rates decline with age in rural areas. Given these findings, GoPunjab proposes to phase in a supplemental stipend benefit for beneficiary girls in rural areas that attend government schools and to set a supplemental benefit schedule that is increasing with age. In addition, GoPunjab proposes to improve program administrative performance by engaging with the private banking sector and phasing in the delivery of stipends to beneficiaries through mobile and branchless banking options, with electronic systems for beneficiary authentication and benefit delivery verification. New delivery options will be field tested under PESRP II but GoPunjab already benefits from the background work and head start in implementation of other cash transfer programs (e.g., the Benazir Bhutto Income Support Program) that use such options.

37. The proposed actions are to be promoted through DLIs and supported by TA, and expenditures under the girls stipends program (base and supplemental stipends) are to be an EEP. Any additional field testing of mobile and branchless banking options is expected to be financed through TA. The existing institutional and implementation arrangements for stipends administration will be phased out and the new arrangements will be phased in, in line with the agreed plan and schedule. A rigorous impact evaluation, financed using the project's TA component and other resources mobilized by the development partners, is expected to be conducted to ascertain the causal effects on key outcomes of interest of the (1) supplemental stipends benefit and (2) new delivery mechanisms.

**Figure 1. Results chain: School quality and performance related interventions**



**Figure 2. Results chain: Participation related interventions**



## **Technical assistance**

38. Technical assistance (TA) resources will finance important technical, advisory, and capacity-building support initiatives to strengthen fiduciary, environmental management, administrative, and monitoring and evaluation activities. The selected activities would aid program implementation towards the achievement of the DLIs as well as the verification of the achievement of the DLIs. Many of the activities entail the design and implementation of reviews, validations, and evaluations conducted by contracted third-party organizations.

39. SED/PMIU will manage the financed TA activities. TA funds will be advanced to GoPunjab against estimated TA expenditures and transferred by GoPunjab into a dedicated Assignment Account under PMIU. Detailed TA expenditures incurred would be recorded and reported by GoPunjab through its financial management information system. The Bank's procurement guidelines will apply to all procurement using TA funds.

40. TA activities that are envisaged are listed below in Table 1. If new needs requiring TA support emerge during program implementation, these activities can be added to the consolidated procurement plan by GoPunjab after the Bank's review and clearance.

**Table 1. Indicative list of activities to be supported under PESP-II TA<sup>1</sup>**

FY2012/13	FY2013/14	FY2014/15
<b>Analytical and advisory support</b>		
<ol style="list-style-type: none"> <li>1. <b>Teacher management:</b> Review of teacher management performance in the province and the development of a design and implementation plan (including institutional framework) for teacher certification and licensing.</li> <li>2. <b>Teacher management:</b> Development of a strengthening plan for the field-based advisory support system to teachers at school.</li> <li>3. <b>Teacher performance bonuses:</b> Collection of teacher registration data, program-related communications; and preparation and distribution of score cards.</li> <li>4. <b>Teacher performance bonuses:</b> School survey for impact evaluation.</li> <li>5. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Technical support for rules and criteria for the formulation of school budgets and teacher rationalization.</li> <li>6. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Implementation review.</li> <li>7. <b>School councils:</b> Implementation review.</li> <li>8. <b>School councils:</b> Impact assessment of ICT-based capacity development program.</li> <li>9. <b>Girl's stipends:</b> Review of field-testing of selected branchless banking options.</li> <li>10. <b>Girl's stipends:</b> household and school survey for impact evaluation.</li> <li>11. <b>Student assessment systems:</b> Development of institutional strengthening plan and improved design and administration procedures and controls.</li> <li>12. <b>PMIU strengthening:</b> Review of PMIU performance and development of a plan for institutional strengthening and alignment with empowered and streamlined mandate.</li> <li>13. <b>District education management:</b> Review of</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Teacher management:</b> School survey for impact evaluation of channeling assessment information through the advisory support system.</li> <li>2. <b>Teacher performance bonuses:</b> Collection of teacher registration data, program-related communications, and preparation and distribution of score cards.</li> <li>3. <b>Teacher performance bonuses:</b> School survey for impact evaluation.</li> <li>4. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Expenditure review.</li> <li>5. <b>School councils:</b> Impact assessment of ICT-based capacity development program.</li> <li>6. <b>ASC/CMMF:</b> Data validation surveys and analysis.</li> <li>7. <b>Private school vouchers:</b> Household and school survey for impact evaluation.</li> <li>8. <b>Girls' stipends:</b> household and school survey for impact evaluation.</li> <li>9. <b>Information and communications:</b> Stakeholder feedback survey and content development.</li> <li>10. <b>Environmental and social management:</b> Review of environmental aspects of schools and recommendations for environmental enhancements.</li> </ol>	<ol style="list-style-type: none"> <li>1. <b>Teacher management:</b> School survey for impact evaluation of channeling assessment information through the advisory support system.</li> <li>2. <b>Teacher performance bonuses:</b> Collection of teacher registration data, program-related communications; and preparation and distribution of score cards.</li> <li>3. <b>Teacher performance bonuses:</b> School survey for impact evaluation.</li> <li>4. <b>School-specific resourcing (teachers and school nonsalary budgets):</b> Expenditure review.</li> <li>5. <b>School councils:</b> Expenditure review.</li> <li>6. <b>ASC/CMMF:</b> Data validation surveys and analysis.</li> <li>7. <b>Private school vouchers:</b> Household and school survey for impact evaluation.</li> <li>8. <b>Girls' stipends:</b> Household and school survey for impact evaluation.</li> <li>9. <b>Information and communications:</b> Stakeholder information needs assessment; stakeholder feedback survey; and content development.</li> </ol>

**Table 1. Indicative list of activities to be supported under PESP-II TA<sup>1</sup>**

FY2012/13	FY2013/14	FY2014/15
<p>district education management performance and alternative proposals for management restructuring.</p> <p>14. <b>Information and communications:</b> Stakeholder information needs assessment; development of information and communications strategy and performance scorecards; development of a plan to strengthen complaints redressal systems.</p> <p>15. <b>ASC/CMMF:</b> Data validation field survey and analysis.</p> <p>16. <b>Procurement:</b> Review of civil works procurement performance.</p> <p>17. <b>Financial management:</b> Investigative review of school employees payroll and ASC data.</p> <p>18. <b>Environmental and social management:</b> Review of environmental aspects of schools and recommendations for environmental enhancements.</p>		
<b>Capacity building and support</b>		
<p>1. <b>Security-sensitive supervision arrangements:</b> Videoconferencing facilities for SED/PMIU, FD, and the P&amp;D Board.</p> <p>2. <b>Security-sensitive supervision arrangements:</b> Field-based monitoring by third-party organizations.</p> <p>3. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Advisory and capacity support for preparation of school budgets in line with formula, including capacity building of district finance and education officials.</p> <p>4. <b>ASC/CMMF inspections:</b> ICT (smartphones).</p> <p>5. <b>ASC/CMMF:</b> Software development for web-based platform for information transfer between the province and districts.</p> <p>6. <b>Private school vouchers:</b> Strengthening monitoring and evaluation and data management.</p>	<p>1. <b>Security-sensitive supervision arrangements:</b> Field-based monitoring by third-party organizations.</p> <p>2. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Advisory and capacity support for preparation of school budgets in line with formula, including capacity building of district finance and education officials.</p> <p>3. <b>Private school vouchers:</b> Training of personnel in new household screening survey design and implementation.</p> <p>4. <b>School councils:</b> ICT-based capacity development, including microcomponent in trainings in the districts.</p> <p>5. <b>School councils:</b> Implementation support consultant.</p> <p>6. <b>Student assessment systems:</b> Resourcing of student assessment systems.</p>	<p>1. <b>Security-sensitive supervision arrangements:</b> Field-based monitoring by third-party organizations.</p> <p>2. <b>Teacher management:</b> Possible institutional linkages with teacher certification and licensing systems in other countries for institutional knowledge sharing and learning.</p> <p>3. <b>School-specific resourcing (teachers and nonsalary budgets):</b> Advisory and capacity support for preparation of school budgets in line with formula, including capacity building of district finance and education officials.</p> <p>4. <b>School councils:</b> ICT-based capacity development program, including a microcomponent on trainings in the districts; implementation support.</p> <p>5. <b>Student assessment systems:</b> Resourcing of student assessment systems.</p>

**Table 1. Indicative list of activities to be supported under PESP-II TA<sup>1</sup>**

FY2012/13	FY2013/14	FY2014/15
<p>7. <b>Private school vouchers:</b> Training of personnel in new household screening survey design and implementation.</p> <p>8. <b>Private school vouchers:</b> Development of strategy for improved management of partner schools.</p> <p>9. <b>School councils:</b> ICT-based capacity development, including microcomponent in trainings in the districts.</p> <p>10. <b>School councils:</b> Implementation support consultant.</p> <p>11. <b>Student assessment systems:</b> Resourcing of student assessment systems.</p> <p>12. <b>PMIU strengthening:</b> Resourcing of communications and research and analysis units at PMIU.</p> <p>13. <b>Procurement:</b> Electronic needs recording and planning at subdistrict levels for major works and goods procurement.</p> <p>14. <b>Environmental and social management:</b> Staffing for monitoring and supporting ESMF compliance.</p>	<p>7. <b>PMIU strengthening:</b> Resourcing of communications and research and analysis units at PMIU.</p> <p>8. <b>Information and communications:</b> Consultations and workshops for overall program and specific subprograms as needed (e.g., performance score cards; school councils, district education management).</p> <p>9. <b>Environmental and social management:</b> Staffing for monitoring and supporting ESMF compliance.</p>	<p>6. <b>PMIU strengthening:</b> Resourcing of communications and research and analysis units at PMIU.</p> <p>7. <b>Information and communications:</b> Capacity development for information dissemination and complaints redressal systems in the districts.</p> <p>8. <b>Information and communications:</b> Consultations and workshops for overall program and specific subprograms as needed (e.g., performance score cards; school councils, district education management).</p> <p>9. <b>Environmental and social management:</b> Staffing for monitoring and supporting ESMF compliance.</p>

<sup>1</sup> DfID may cover some of the listed activities under its own self-executed TA component. The list is indicative and not comprehensive. As new needs are determined, GoPunjab may add more TA activities and reflect them in their consolidated procurement plan after review and approval from the Bank.

## **Annex 3: Implementation arrangements**

### **Project institutional and implementation arrangements**

1. Implementation arrangements for the Second Punjab Education Sector Project (PESP II) rely primarily on the arrangements already in place for the Punjab Education Sector Reform Program (PESRP). One significant development is the further decentralization of some administrative and planning functions from the district to the school level. The following outlines arrangements for (1) overall program direction and policy support; (2) implementation arrangements at the provincial, district, and school levels; and (3) technical support and capacity building.

#### **I. Overall program direction and policy support**

2. *At the provincial level*, the Provincial Program Steering Committee (PPSC), GoPunjab, provides policy directives and guidance to the School Education Department (SED). The PPSC, headed by the Chairman of the Planning and Development Board (P&D Board), is composed of representatives of the P&D Board, the Finance Department (FD), SED (and its subdepartments), the Higher Education Department, Program Monitoring and Implementation Unit (PMIU), and Development Partners (as observers). The PPSC is expected to meet at least once per quarter, and to conduct biannual reviews of policy and program implementation progress and performance, including identifying bottlenecks and proposing solutions.

3. *At the district level*, SED is supported by the District Steering Committee, as reconstituted in 2006, chaired by the District Coordination Officer (DCO). The other members of this Committee comprise of the Executive District Officer (Finance and Planning); the Executive District Officer (Education) (EDO), District Education Officer (Works & Services), District Monitoring Officers (DMOs), and any other member deemed appropriate to be coopted by the DCO/Chairperson. The DSC is responsible for the coordination and review of progress related to enrollment, retention, and school quality.

#### **II. Implementation arrangements**

4. *At the provincial level*, Secretary, SED has overall oversight responsibility for implementation and monitoring of the program framework, with support from concerned line agencies, specifically FD and the P&D Board. SED is supported by apex educational institutions for program implementation at the provincial level: the Directorate of Staff Development (DSD), the Punjab Examination Commission (PEC), the Punjab Education Assessment System (PEAS), the Punjab Textbook Board, and the Punjab Education Foundation (PEF).

5. SED has established PMIU to oversee implementation of PESRP. PMIU is headed by a Program Director, assisted by one Additional Program Director and three Deputy Directors (Coordination, Monitoring and Evaluation, and Planning). Over the years, the role played by the PMIU has been pivotal to implementation of the sector reform program. PMIU is assisted by DMOs and Monitoring and Evaluation Assistants (MEAs). It works directly under the guidance of the Secretary, SED, and acts as a policy wing of SED. The key functions of PMIU are to (a) develop, in close coordination with SED and other stakeholders, the reform program of



GoPunjab; (b) coordinate with district governments and other subdepartments on implementation of the reform program; (c) oversee the conduct of the annual school census and monthly monitoring by the districts and act as a repository of all program documentation (including the EMIS); (d) prepare periodic financial statements and accounts, and ensure their reconciliation; and (e) carry out any other tasks as may be assigned to it by the PPSC or Secretary, SED. Under PESP II, PMIU will have overall responsibility for the project's TA component (Component 2). It will be responsible for both procurement and management of contracts that will provide technical assistance to support implementation of PESRP II. Strengthening PMIU's capacity to provide technical guidance and fiduciary oversight of program activities is a critical part of the project design. However, attention and resources allocated to the institution have seen a gradual decline since the early years of the reform program. Successful implementation of PESRP II necessitates a strong PMIU with a strengthened institutional structure and adequate resources to perform its pivotal role effectively. The project will use TA funds to provide this institutional development support to PMIU and promote attention towards this goal through the use of a legal covenant related to development and implementation of an institutional strengthening plan for PMIU. This plan will include setting up of a (1) Data Coordination and Analysis Unit and (2) Communications Unit to further strengthen PMIU.

6. ***In the district***, the Executive District Officer (Education) has overall responsibility for program implementation. The EDO is assisted by District Education Officers (DEOs) and Assistant Education Officers (AEOs) who oversee tehsil and markaz level education activities, respectively. Together, the district education management is responsible for, among other things, (1) preparing district plans and budgets (recurrent and development); (2) granting scholarships; (3) organizing meetings of DRCs; (4) approving selected development schemes; (5) managing school council activities and affairs; (6) conducting grade 5 and 8 examinations; (7) inspecting and monitoring devolved institutions; (8) managing intradistrict personnel transfers and postings; (9) performing monitoring and evaluation activities; (10) acting as focalpoint for providing institutional data/information; and (11) facilitating the disbursements of stipends and other benefits to intended beneficiaries.

7. In addition, monitoring at the district level is assisted by a district monitoring system, staffed by the DMO and a team of MEAs, responsible for collection of data from schools on a regular basis using standardized forms. The district monitoring system is also responsible for implementation arrangements for school-level activities relating to the delivery of textbooks, stipends, and teacher bonuses, and identification of civil works improvements, and for coordinating district activities with PMIU.

8. ***At the community and school levels***, the key role of ensuring community participation in important tasks of education delivery is entrusted with school councils (SCs), which consist of 7–15 members with representation from locally-elected representatives, parents, and the school administration. SCs hold monthly meetings to discuss issues faced by the school administration and parents, and document deliberations in recorded minutes kept by the school administrations. Considerable investment in building the capacity of SCs has been made over the last two to three years through contracts with rural support programs. Going forward, GoPunjab is considering entrusting implementation of small civil works programs to provide missing facilities to schools to SCs.

9. *The Punjab Education Foundation* was established in 1991 by GoPunjab under an enactment and subsequently restructured in 2004 as an autonomous Not For Profit entity under the Punjab Education Foundation Act 2004 to provide technical and financial assistance for the establishment, expansion, improvement and management of low-cost educational institutions, incentives to students and teachers, and promotion of quality education in the province through public-private partnerships. PEF headquarters are located in Lahore; it has two regional offices located in Rawalpindi and Multan. PEF will sign a Memorandum of Understanding with SED for the purposes of setting out the roles and responsibilities of each entity for the financing and administration of the private school subsidy and the vouchers programs.

10. Table 1 below outlines the key roles and responsibilities for implementation and monitoring of PESRP-II activities.

**Table 1. Roles and responsibilities for PESRP-II implementation**

Unit	Key roles and responsibilities
<b>Provincial level</b>	
Provincial Program Steering Committee (PPSC) headed by Chairperson of Planning and Development Department	<ul style="list-style-type: none"> <li>• Provide advice and overall guidance for implementation of PESRP II</li> <li>• Carry out joint biannual reviews on implementation progress</li> <li>• Resolve program implementation bottlenecks (including financing of key supported programs)</li> </ul>
Punjab School Education Department (SED)	<ul style="list-style-type: none"> <li>• Overall responsibility for program implementation, monitoring and reporting to PPSC and DPs</li> <li>• Coordinate sub-departments involved in delivery of reform program, specifically, PMIU, DSD, PEC</li> <li>• Develop Provincial Education Budget (Development &amp; Non-Development)</li> <li>• Prepare Medium Term Sector Framework and Sector Plan</li> <li>• Approve Provincial Education Development Schemes</li> <li>• Issue School Council policy and guidelines</li> <li>• Issue notifications/guidelines to districts management offices for implementation of reform program activities</li> <li>• Notify revised teacher recruitment policy, prepare teacher recruitment plans based on school specific need and undertake teacher recruitment according to approved plans</li> <li>• Responsible for conduct of a pre-entry test of all new teachers</li> <li>• Coordinate and provide guidance to district education management to undertake teacher rationalization based on rationalization plan prepared in accordance with school specific needs</li> <li>• Prepare and submit the draft law for establishment of a teacher certification and licensing body</li> <li>• Provide financial oversight of program project implementation</li> </ul>
Program Monitoring and Implementation Unit (PMIU) (School Education Department)	<ul style="list-style-type: none"> <li>• Coordinate all program monitoring and implementation</li> <li>• Convene Provincial Program Steering Committee meetings and issue Minutes of meetings</li> <li>• Conduct coordination meeting of program stakeholders</li> <li>• Coordinate ESMF implementation and report on progress</li> </ul>

**Table 1. Roles and responsibilities for PESRP-II implementation**

Unit	Key roles and responsibilities
	<ul style="list-style-type: none"> <li>• Issue program project implementation guidelines to district offices</li> <li>• Coordinate technical assistance to districts to facilitate implementation of school budgets, teacher rationalization, decentralization of powers to headteachers and cluster heads and school council reconstitution and capacity development; assist SED in development of policies/notifications related to implementation of these program interventions</li> <li>• Overall responsibility for preparing and disseminating school performance report cards</li> <li>• Overall responsibility for design and delivery of girls' stipend program</li> <li>• Manage implementation of technical assistance activities including procurement</li> <li>• Implement Improvers (teacher performance pay) Program</li> <li>• Liaise with relevant educational institutions/agencies/units on program implementation (with support from Schools Education Department)</li> <li>• Prepare regular reports on implementation progress and plans</li> <li>• Consolidate plans and budget estimates, implement and manage Project activities, and prepare relevant reports</li> <li>• Prepare semi-annual financial reports of Eligible Expenditure Programs (EEPs) and TA for disbursement purposes</li> <li>• Prepare Budget Execution Reports of entire education sector for monitoring PESRP expenditures</li> <li>• House and augment the role of the Internal Auditing Specialist for designing and implementing interventions for systemic improvements and financial accountability in the education sector</li> <li>• Maintain the SAP/R3 terminal for financial reporting</li> <li>• Ensure that accounts are kept and reports on financial progress are prepared in timely manner.</li> <li>• Facilitate the audit process for the program expenditures and improvement of internal controls over the life of the program</li> <li>• Draft the Credit Withdrawal Applications</li> <li>• Plan and carry out procurement activities and oversee/execute contracts for goods, works and services</li> </ul> <p><i>Monitoring and Evaluation</i></p> <ul style="list-style-type: none"> <li>• Coordinate with District Monitoring Offices/Monitoring Evaluation Assistants/School Councils</li> <li>• Ensure quality, consistency of data collected</li> <li>• Maintain SED's EMIS and disseminate for data utilization in decisionmaking</li> <li>• Produce/oversee production of statistical data reports</li> <li>• Produce/oversee production of semi-annual analysis of program progress</li> <li>• Arrange conduct of Third Party Validations</li> <li>• Oversee production of implementation evaluation studies of reform program interventions</li> <li>• Feed data/information into annual monitoring and progress reports</li> </ul>

**Table 1. Roles and responsibilities for PESRP-II implementation**

Unit	Key roles and responsibilities
Directorate of Staff Development (DSD)	<ul style="list-style-type: none"> <li>• Provide direction to policy development on promoting sustainable and systematic teacher development</li> <li>• Develop competency standards and appraisals, certification and licensing processes (including overseeing pilot)</li> <li>• Prepare action plans, programs, and continuous professional development activities for public school teachers</li> <li>• Provide capacity-building of district governments and related institutions for managing and delivering district teacher development plans</li> </ul>
Punjab Examinations Commission (PEC)	<ul style="list-style-type: none"> <li>• Design, develop, implement, maintain, monitor and evaluate a system of examinations for elementary education</li> <li>• Formulate policy for the conduct of such examinations; and build capacity of teachers and education management staff to improve systems of learning assessment</li> <li>• Conduct standardized examinations for Grade 5 and Grade 8 to enable education managers in the province to assess learning outcomes</li> <li>• Conduct analysis on student achievement data collected through the examinations</li> </ul>
Punjab Education Assessments System (PEAS)	<ul style="list-style-type: none"> <li>• Carry out provincial diagnostic assessments</li> <li>• Compile findings of assessments of student learning outcomes</li> </ul>
Punjab Education Foundation (PEF)	<ul style="list-style-type: none"> <li>• Implement private school vouchers program (including monitoring, quality control and reporting)</li> </ul>
<b>District level</b>	
<i>District Steering Committees</i>	<ul style="list-style-type: none"> <li>• Oversee overall program implementation</li> <li>• Carry out district review of program implementation</li> <li>• Resolve program implementation bottlenecks (including financial management issues)</li> </ul>
<i>Executive District Officers – Education, District Education Officers, &amp; Assistant Education Officers</i>	<ul style="list-style-type: none"> <li>• Administer Schools</li> <li>• Manage intra-district transfers and postings</li> <li>• Prepare District budgets (Non-Development) based on school specific needs based formula</li> <li>• Undertake rationalization of teaching posts based on school specific needs based formula</li> <li>• Coordinate decentralization of administrative and financial powers to headteachers (for middle) and AEOs (for primary schools)</li> <li>• Coordinate dissemination of information to schools/SCs (including policies, policy notifications, etc.)</li> <li>• Coordinate capacity support to school councils</li> <li>• Act as focal point for providing institutional data/information, facilitate disbursements of stipend, and teacher performance pay</li> <li>• Convene district steering committee meetings</li> <li>• Conduct Grade V &amp; VIII Examinations</li> </ul>
<i>District Monitoring Officers &amp; Monitoring and Evaluation Assistants</i>	<ul style="list-style-type: none"> <li>• Conduct monthly visits to schools to collect school level information on a standardized form</li> <li>• Conduct Annual School Census</li> <li>• Maintain district EMIS</li> </ul>

**Table 1. Roles and responsibilities for PESRP-II implementation**

Unit	Key roles and responsibilities
	<ul style="list-style-type: none"> <li>• Monitor ESMF compliance</li> <li>• Liaise with PMIU on M&amp;E activities</li> </ul>
<b>Community and school levels</b>	
School Councils	<ul style="list-style-type: none"> <li>• Assist in supervising school activities</li> <li>• Be responsible for school maintenance</li> <li>• Assist schools in decisionmaking, in preparing school plans and budget</li> <li>• Keep financial records of school expenditures and receipts</li> <li>• Assist in fostering greater participation of communities in school management through assemblies, meetings, etc.</li> </ul>

### Financial management and disbursement arrangements

11. **Country issues related to Public Financial Management System.** The Bank has carried out extensive analytical work on public financial management (PFM) systems in the country, both at the national and subnational levels. In June 2009, the Public Financial Management and Accountability Assessment (PFMAA) was finalized for the Federal Government using the PEFA-PFM<sup>26</sup> Performance Measurement Framework.

12. It noted that reforms underway have contributed towards improvements in PFM systems. Most notable are the ones initiated under the Project to Improve Financial Reporting and Auditing (PIFRA), funded by the Bank, and the implementation of a Medium Term Budgetary Framework (MTBF) which is supported by DfID. Donor-funded projects and a number of self-accounting entities remain outside the government FMIS. GoPunjab is yet to develop an effective internal audit function and continuing efforts are needed to improve the effectiveness of tax collection and the management of cash balances impacting the predictability of the availability of funds.

13. PIFRA has supported the New Accounting Model (NAM), which has introduced an IMF GFS-compliant Chart of Accounts (CoA) for the Federal, Provincial and District Governments. The mapping of the NAM CoA to GFSM 2001 is complete, including full coverage of the Public Account and financing data.

14. Timeliness of year-end financial reporting has improved at the federal level and in all provinces and districts owing to the introduction of the automated budget management system. Within 12 to 15 days of the end of each month, civil accounts are prepared and presented to the Ministry of Finance. Year-end financial statements are being prepared on the International Public Sector Accounting Standards (IPSAS) basis by the Federal Government and all provincial governments. District governments have also transitioned to this form of reporting as part of the Government's international financial reporting regime. Draft financial statements of FY2010/11 for the Federal Government and the four provinces have been submitted for audit before August 31, 2011.

<sup>26</sup> Public Expenditure and Financial Accountability–Public Financial Management (PEFA-PFM) Performance Measurement Framework issued by PEFA Secretariat. PEFA includes the World Bank, IMF, European Commission, UK, France, Norway, Switzerland and the Strategic Partnership with Africa (SPA).

15. To enhance the effectiveness of external audit, a risk-based audit methodology compliant with international standards is being applied. In addition, efficiency has improved through the use of Computer Assisted Audit Techniques and the application of a systems-based audit methodology. Finally, legislative oversight across the federal and provincial governments has seen marked improvement over the last few years.

16. The Bank is currently leading a team comprising of GoPunjab, DfID, and the Asian Development Bank (ADB) for updating the PEFA assessment for Punjab completed in May 2007. It is anticipated that this will be delivered by May 2012. The findings of the Punjab PEFA assessment 2007 echoed the federal level ratings. Initial data for the assessment underway suggest that there may be some improvement in the timeliness and quality of financial reporting and external audit, essentially due to the PIFRA-initiated reforms previously mentioned.

17. **Financial management risk assessment and mitigation:** The risks and risk-mitigating measures for the FM aspects of the Project are summarized in the ORAF (Annex 4). The Inherent and Control risks are both rated as ‘Moderate’; therefore the overall financial management risk for the project is considered ‘Moderate’.

18. The Risk Rating Summary is included in the Project files. Among the several elements of Control Risks, Funds Flow and Internal Controls are both rated as ‘Substantial’. The former is being mitigated through DLIs and the use of EEPs on a reimbursement basis to ensure the timely release of funds for PESRP-II activities and report-based disbursement directly into the Consolidated Fund. For the latter, the risk will be mitigated through additional support to PMIU to allow analysis of audit observations and other data for tangible improvements in internal controls in the sector. It is anticipated that with the mitigation measures in place, the residual risk will be 'Moderate'.

### *Strengths*

1. Qualified and experienced staff.
2. Institutional arrangements for FM are already established under PIFRA.
3. PMIU has experience of implementing PESP which has similar design features.

### *Weaknesses and Action Plan*

<b>Weakness</b>	<b>Action</b>	<b>Completion date</b>
Weak internal controls as demonstrated through extensive compliance related audit observations	Agreement with the Bank on Terms of Reference for a Finance Officer	May 15, 2012
	Recruitment of the Finance Officer	August 31, 2012

19. **Implementing entity.** Maximum use of country systems is being made for the project in all aspects of financial management and disbursement. PMIU will coordinate with the Finance

Department (FD), the Accountant General (AG) office, and the concerned Audit offices as detailed in the relevant sections below to ensure that all requirements are met.

20. **Staffing.** Two government accounts officers, the Deputy Director–Finance (DDF) and Assistant Director–Finance are in place. In addition, a Finance Officer with terms of reference and qualifications acceptable to the Bank will be engaged. The DDF will oversee financial reporting of the Project and sector, using the SAP (PIFRA) terminal available within PMIU for expenditure monitoring and for disbursements under the Project, as well as prepare the annual financial statements of the Project and the budget execution reports of the education sector. The Finance Officer will be placed at PMIU and assist in carrying out a continuous and thorough analysis of the data available through the PIFRA terminal to help formulate tangible proposals for improving the effectiveness of sector expenditures. With the placement of a qualified candidate at PMIU, staffing will be considered adequate for the financial management of the Project.

21. At PEF, the Deputy Managing Director (Finance) [DMD (F)], who is a chartered accountant with more than five years of experience, heads the organization’s finance department. The position of Director is currently vacant. In addition there is a Deputy Director, two qualified accounts officers, three accountants, one superintendent, three accounts assistants and one data processor. Job responsibilities are clearly defined. The staffing and skills mix are considered adequate.

22. **Budgeting.** The budgeting of all program expenditures will constitute part of the government budgeting process. The function and object codes to capture expenditures for the EEPs and the TA are clearly identified in the New Accounting Model (NAM) Chart of Accounts. PEF-related expenditures are clearly defined in their chart of accounts present in the working paper files. These will form the basis of financial reporting and monitoring of budget allocations, revisions, releases, and expenditures. These codes will be used during the ongoing budget cycle (for FY2012/13) to facilitate the budget execution and reporting process for the Project.

23. The province follows a detailed budget preparation schedule and budget forms are circulated during the year. This schedule provides deadlines for all the steps involved to ensure that there is sufficient time to receive, review, discuss and compile the inputs from all departments. The consolidated budget is prepared by the Finance Department for submission to the Legislature. In recent years, efforts have been made to introduce a medium-term outlook through preparation of an MTBF. This is yet to be rolled out for the education sector.

24. **Accounting.** Accounting records will be maintained using the government-wide integrated financial management information system (FMIS) implemented under PIFRA and in accordance with the country accounting procedures and policies defined in NAM. These policies and procedures are being progressively and consistently applied at the provincial as well as district government levels. Use of NAM policies and procedures conforms to international standards and is thus acceptable to the Bank.

25. The system-generated accounting records will be the basis for preparation of the Budget Execution Reports (BERs) of the education sector, including program expenditures and technical assistance financed under the Project.

26. At PEF, currently, accounting records are maintained in a Microsoft Access database. Provision for acquiring specialized software has been proposed for FY 2012/13. Accounting transactions are recorded in appropriate heads of accounts, classified as per internally developed chart of accounts, using accrual basis of accounting in accordance with International Accounting Standards.

27. **Internal controls.** The 2007 Punjab PEFA assessment identifies the absence of internal auditing in GoPunjab as one of the major weaknesses in the PFM system. A new PEFA assessment for GoPunjab is underway which is expected to be delivered in FY2011/12. Initial findings suggest that there has been inadequate progress in this area. Internal controls on payroll rated well except for the dimension related to the integration of personnel records and payroll data. There were high scores for timeliness and controls for changes in the two records. Similarly, for controls over nonsalary expenditures, the weakest link is the comprehensiveness and understanding of controls despite a fairly high degree of compliance.

28. During the ongoing PESP, an Internal Auditing Specialist was hired to review and analyze internal control structures and assist the education sector in laying the foundations of internal audit. This however did not prove successful. In addition to time lost due to turnover, there remained a lack of clarity on the role and activities to be carried out and the benefits envisioned could not be achieved. At the same time, PESP included covenants with clearly defined targets for addressing the backlog of substantive audit observations from previous years as well as the new ones arising from current audits through the holding of Departmental Accounts Committee (DAC) meetings. This was done to reinvigorate the institutional process for addressing internal control weaknesses which has been quite successful. Targets have been met. The entire activity has been coordinated by the PMIU where the institutional memory has now been built up.

29. Guidelines and procedures for the auditors have changed in the past year and now the auditors cannot finalize audit findings unless a DAC has either been held or sufficient documented efforts have been made to pursue the department for holding one. Learning from the experience of PESP and considering the current rules in place, PESP II will support increasing awareness among DDOs to enhance compliance and systemic recommendations to simplify and strengthen controls within the education sector. It may be noted that the span of internal controls will include all aspects of the sector's functioning of which financial controls are only a subset.

30. Sectoral PFM reforms will be supported using the project's TA resources which would lead to enhanced efficiency and effectiveness of sector expenditures such as improving budget management in the sector, capacity building of DDOs, timely and informed decisionmaking, enhancing procurement effectiveness, and improving internal controls. The DDF will serve as the focalperson for planning and managing these interventions with assistance from necessary personnel.



31. As with other GoPunjab expenditure transactions, payments under the Project will be subject to the normal pre-audit verification at accounting offices, before payments from the single treasury account are approved. Use of a single treasury account simplifies the vertical funds flow and minimizes cash handling at all levels. As the TA component funds that will be managed by PMIU under Special Drawing Account (SDA) arrangements will be expended under Bank procurement guidelines, the pre-audit activities at the accounting offices of the Lahore Treasury or the Accountant General will be limited largely to budget availability checks, account coding validation, and verification of spending authorizations.

32. For PEF, the procedures are clearly defined in an SOP manual for Finance. Bank accounts are jointly operated by the Managing Director and DMD (F). The FM Manual contains reasonably defined control policies and procedures including program payments verification and processing, proper segregation of duties and responsibilities amongst the staff, and monthly reconciliation of bank accounts within a week after the close of month end among other controls. The fixed assets of PEF have neither been tagged nor physically verified and the fixed assets register is yet to be updated.

33. PEF has outsourced the internal audit function to an accounting firm, which conducts internal audit on a six monthly basis and submits its reports to the Finance Committee of the Board of Directors of the organization. Although the internal audit reports for the six months ended March 31, 2011 submitted on March 5, 2012 indicates 'Satisfactory Rating', the delays in conducting the internal audit and submitting the report impact the effectiveness of this function.

34. **Funds flow and disbursement arrangements.** The Project will make disbursements to GoPunjab for eligible expenditure programs (EEPs) annually and for technical assistance (TA) activities semiannually. The report-based principle will be used. PMIU, on behalf of GoPunjab, shall prepare the Interim Financial Reports (IFRs) based on the Budget Execution Reports (BERs) verified by the Accountant-General of Punjab and information provided by PEF. The IFRs will be due for submission within 30 days of the end of the period ending April 30 and October 31. For Component 1, the period of expenditures to be claimed for the first year of the project will be from signing to April 30, 2013, while the period for the subsequent claims will be May to April. Disbursements for Component 1 will be on a reimbursement basis; however, in order to help GoPunjab to fully and adequately fund the budget needs of its education reform program given its cash-flow constraints, a disbursement of US\$45 million will be made upon project effectiveness as (i) a reimbursement of EEPs to be incurred from signing up to project effectiveness, and/or (ii) as an advance against EEPs to be incurred over the six months immediately following project effectiveness. Actual expenditures against the advance so made will be documented in the first Interim Financial Report to be submitted by GoPunjab by November 30, 2012. The remaining US\$45 million of scheduled disbursements for FY2012/13 will be disbursed on a reimbursement basis to the extent that the FY2012/13 DLIs are satisfactorily met. The US\$45 million reimbursement/advance will be adjusted in the computation of the amount due for disbursement for FY2012/13.

35. For Component 2, the first advance will be for the forecast expenditures during the period between project effectiveness and October 31, 2012. Subsequently, the forecasts will be for

expenditures during the semesters November to April and May to October. The BERs will provide the details of expenditures in each of the agreed EEPs and the heads for TA.

36. Disbursements for Component 1 will be on a reimbursement basis (with the exception of the US\$45 million at project effectiveness which may in part or wholly be an advance) conditional on the achievement of DLIs. For Component 2, disbursements will be on an advance basis in accordance with cash forecasts for the next six months adjusted for any unspent balance. However, for each disbursement for Component 1, only 70% of the amount to be disbursed will be applied against reimbursement of expenditures in the EEP related to employee-related expenses of the primary and secondary education sub-functions of provincial and all district governments. The expenditure in the rest of the EEPs will account for the remaining 30% of the amount to be disbursed for Component 1 to promote use of Bank funding for reform related expenditure (other than salaries).

37. All IDA disbursements, both for EEPs and TA, will be made from the Credit account to the Provincial Consolidated Fund - Account No. 1 (Non-Food), based on a Withdrawal Application (WA) duly signed by a representative of the Finance Department. The WA will be based on the IFRs and BERs for the relevant period. Disbursement from the Credit proceeds, in US Dollars, will be translated to Pakistan Rupees by the State Bank of Pakistan, and the local currency shall form the transaction basis for the operation's accounting and reporting. Funds for TA will be released to PMIU through normal budgetary allocations, in its SDA. Use of SDA should ensure availability of earmarked funds to PMIU for critical TA activities on a timely basis.

38. The format and content of IFRs have been agreed during Negotiations. Advances will be provided for TA based on the budgeted/forecast expenditures for the period up to the next submission of IFRs. Subsequent IFRs will document expenditures against the advance received and provide forecast expenditures for the next period on the basis of which the amount of funds to be disbursed will be determined.

39. Table 2 presents allocated IDA financing, inclusive of taxes, to the two disbursement categories under the Project. The allocated amounts represent the 100 percent capped expenditure limits from IDA.

**Table 2. Allocation of Credit Proceeds**

Category	Amount of Credit (expressed in USD)	Percentage of expenditures to be financed
Eligible Expenditure Programs	340,000,000	100%
Technical Assistance (Goods, Consultants' Services, Training and Workshops and Incremental Operating Costs	10,000,000	100%
<b>TOTAL AMOUNT</b>	<b>350,000,000</b>	

40. Incremental operating costs will cover the reasonable costs of incremental expenditures required by the Project, including consumable material and supplies, office rental costs, utility

payments, insurance, communications, advertising and newspaper subscriptions, printing and stationary costs, vehicle and/or office equipment operation and maintenance, charges for opening and operating bank accounts required for the Project, travel, lodging and per diems allowances for Project staff, salaries of contractual staff (other than consultants), and reasonable Project allowances for project staff working full time on the Project, as may be permitted under applicable civil service statutes, regulations, and policies of GoPunjab. Project allowances for civil servants deputed to the Project will be eligible expenditures from Credit funds for a period of twenty four (24) months after project effectiveness, except as the Bank may otherwise agree.

41. **Designated account.** A segregated designated account will not be established. As mentioned above, receipt of funds from the Bank shall be in the Provincial Consolidated Account No. I (Non-Food). Annually, IDA will disburse funds for Component 1 into this account keeping in view the actual achievement of DLIs and semi-annually for Component 2 based on cash forecasts.

42. **Retroactive financing.** There will be retroactive financing up to US\$500,000 for Component 2 for expenditures incurred between March 15, 2012 and the date of signing of the Credit which are not covered by PESP.

43. **Disbursement Linked Indicators.** The disbursements for Component 1 of the Project are conditional on the achievement of agreed program implementation performance and progress targets that are presented in Table 2 in Annex 1. These are identified as Disbursement Linked Indicators (DLIs). There are ten DLIs for each fiscal year, and each DLI in the fiscal year is priced equally.

44. In order to incentivize increasing effort by GoPunjab over time, the total planned disbursement in Component 1 is structured to increase annually over the project implementation period, from US\$90 million in FY2012/13, to US\$110 million in FY2013/14, to US\$140 million in FY2014/15. Given that the total planned disbursement increases annually over the project implementation period, the price of each DLI also increases annually over the same period (see Table 3).

**Table 3. Pricing of DLIs**

	FY 2012-13 USD	FY 2013-14 USD	FY 2014-15 USD
DLI price	9,000,000 each	11,000,000 each	14,000,000 each
Amount allocated for Component 1	90,000,000	110,000,000	140,000,000

45. For each year, the amount eligible for disbursement will be the product of the total number of DLIs achieved and the unitary DLI price as given in the table above. Where achievement of a DLI cannot be certified, an amount equivalent to the unitary DLI price will be withheld. This amount will be paid at any later date when such achievement can be verified.

46. In order to encourage more holistic implementation performance, a minimum of five FY2012/13 DLIs have to be satisfactorily met for any disbursements tied to FY2013/14 DLIs to

be made. Likewise, all 10 FY2012/13 DLIs and a minimum of 5 FY2013/14 DLIs have to be satisfactorily met for any disbursements tied to FY2014/15 DLIs to be made.

47. Table 4 below presents the disbursement schedule.

**Table 4. Indicative disbursement schedule**

No.	Date of submission of IFRs and WA	Description	Capped amount (USD)	Basis
1	Effectiveness	Reimbursement /Advance against EEPs and forecast of TA for 6 months after effectiveness period up to Oct 31, 2012	45,000,000 for EEPs; and TA advance as per estimate	For Component 1: Reimbursement of expenditures in EEPs incurred between project signing and effectiveness and advance for 6 months after effectiveness.  Advance against potentially meeting DLIs to be verified in May 2013.  For Component 2: Forecast for advance.
2	Nov 30, 2012	Advance against forecast for the period Nov 2012 to Apr 2013 for TA	TA as per estimate	For Component 1: Documentation of actual expenditures in EEPs as per BER for the period July to Oct 2012.  For Component 2: Documentation of actual expenditures against previous advance for TA and forecast.
3	May 30, 2013	Amount due for DLIs met subject to actual EEP expenditures and advance against forecast for the period May 2013 to Oct 2013 for TA	Up to 45,000,000 for EEPs and TA as per estimate	For Component 1: Certification of achievement of DLIs and actual expenditures in EEPs as per BER for the period Jul 2012 to Apr 2013 to be adjusted for advance given on Effectiveness.  For Component 2: Documentation of actual expenditures against previous advance for TA and forecast.
4	Nov 30, 2013	Advance against forecast for the period Nov 2013 to Apr 2014 for TA	TA as per estimate	Documentation of actual expenditures against previous advance for TA and forecast.

5	May 30, 2014	Amount due for DLIs met subject to actual EEP expenditures and advance against forecast for the period May 2014 to Oct 2014 for TA	Upto 110,000,000 for EEPs and TA as per estimate	For Component 1: a) Certification of achievement of DLIs and actual expenditures in EEPs as per BER for the period May 2013 to Apr 2014; and b) Completion of at least 5 DLIs for FY2012-13.  For Component 2: Documentation of actual expenditures against previous advance for TA and forecast.
6	Nov 30, 2014	Advance against forecast for the period Nov 2014 to Apr 2015 for TA	TA as per estimate	Documentation of actual expenditures against previous advance for TA and forecast.
7	May 30, 2015	Amount due for DLIs met subject to actual EEP expenditures and advance against forecast for the period May 2015 to Dec 2015 for TA	Upto 140,000,000 for EEPs and TA as per estimate	For Component 1: a) Certification of achievement of DLIs and actual expenditures in EEPs as per BER for the period May 2014 to Apr 2015; and b) Completion of all DLIs for FY2012-13; and c) Completion of at least 5 DLIs for FY2013-14.  For Component 2: Documentation of actual expenditures against previous advance for TA and forecast.
8	Jan 30, 2016	Documentation of expenditures against the above advance for TA	-	Unused portion of TA may be reallocated to EEPs before project closing.

48. **Eligible Expenditure Programs.** Under Component 1, the Bank will finance, up to a capped amount and subject to any deductions equivalent to the price of unmet DLIs, particular expenditures which are a part of PESRP II's budget of eligible activities. These expenditures are clearly identifiable in GoPunjab FMIS and the PEF internal chart of accounts and are referred to as Eligible Expenditure Programs (EEPs). IDA funds would not be separately tracked and it will accommodate withdrawal applications from the Credit as long as the overall expenditures eligible under the EEPs are more than or equal to the amount to be withdrawn from the Credit. However, in any disbursement, not more than 70% of the amount to be disbursed will be applied against reimbursement of expenditures in the EEP for employee-related expenses and the remaining 30% will be applied against total expenditures in the rest of the EEPs so that the disbursements are not all applied towards salaries.

49. The expenditure mechanism satisfies Bank policy and in particular the three pillars in OP 6.00, namely, (a) the expenditures are productive, (b) they contribute to solutions within a fiscally sustainable framework, and (c) acceptable oversight arrangements are in place.

50. A brief description of EEPs under the Project is provided below.

(i) *Employee related expenses of primary and secondary education subfunctions of provincial and all district governments*

Type: Recurrent Budget

Code: Object head A01 for education sub-functions 091 and 092

Description: Pay and allowances for district and provincial employees of the School Education Department.

Oversight: Salaries are subject to overall payroll controls which are considered adequate. Personnel records are maintained at the Department of Public Instruction for BPS 17 and above and, for the rest, the records are kept at the district level at various offices.

(ii) *Grants for School Councils' recurrent budget*

Type: Recurrent Budget

Code: Object Head A03975

Description. Annual grants to School Councils of primary and middle level schools at predefined rates of Rs. 20,000 and Rs. 50,000, respectively.

Oversight. The grants are transferred in the first quarter of the financial year by the Provincial Finance Department, on the advice of PMIU, to District Account IV against dedicated SDAs in each district operated jointly by the EDO (Education) and the DMO. These are then further transferred to the SC bank accounts and the list is forwarded to PMIU. The total transfer from each SDA is visible in the BER. Funds are spent in accordance with simplified SC guidelines for FM and procurement which have been agreed with the Bank.

(iii) *Eligible expenditures incurred by Punjab Education Foundation*

Type: Recurrent Budget

a) *Foundation Assisted Schools – Direct program expenditures*

Code:

Account Title	Code	Sub-Code
Public Private Partnership FAS-I	32001	1 - 58
Public Private Partnership FAS-II	32002	1 - 152
Public Private Partnership FAS-III	32003	1 - 488
Higher Secondary Schools FAS	32004	1 - 4
Public Private Partnership FAS-IV	32005	1 - 426
Public Private Partnership FAS-V	32011	1 - 319
Public Private Partnership FAS-VI	32016	1 - 429
FAS Schools Revival Of Twisely Failure	32210	1 - 21
FAS Schools Shifted From NSP	32220	1 - 3

Description. Students fee @ Rs.400 per student per month for middle level and @ Rs. 700 (Science) and @ Rs. 500 (Arts) for higher secondary level. In addition, there are rewards for best performing schools and teachers on clearly-defined criteria. Payments are made to partner schools through bank transfers on the basis of enrollment verified during monitoring by PEF teams.

b) *Continuous Professional Development Program - Direct program expenditures*  
Code:

<b>Account Title</b>	<b>Code</b>	<b>Sub-Code</b>
Teachers Training (CBT)	32500	32501 – 32567
Teachers Training (SLDP)	32700	32701 – 32746
TICSS	32010	6
Skill Development Program (SDP)	32900	1 – 4

*Description.* For Teacher training (CBT), payment made to NGO for the conduct of trainings through pay order @ Rs.78,500 per training. For Teacher training (SLDP), NGO paid through pay order @ Rs. 42,500 per training. TICSS consists of salaries of subject specialists while SDP represents payments to Technical Institutes for conduct of training through pay order.

c) *Education Voucher Scheme - Direct program expenditures*  
Code:

<b>Account Title</b>	<b>Code</b>	<b>Sub-Code</b>
EVS – Lahore	32401	1 - 118
EVS – Kasur	32402	1 - 12
EVS - Rawalpindi	32403	1 - 14
EVS – Multan	32404	1 - 21
EVS – Khushab	32405	1 - 9
EVS - Mianwali	32406	1 - 3
EVS – Gujarat	32407	1 - 2
EVS - Faisalabad	32408	1 - 10
EVS – Okara	32409	1 - 9
EVS - Danish Schools	32450	1 - 6

*Description:* Students fee @ Rs.350 per student per month. Payments made to partner schools through bank transfers on the basis of vouchers received from partner schools for redemption.

d) *Salaries and other benefits*  
Code:

<b>Account Title</b>	<b>Code</b>	<b>Sub-Code</b>
Salary & Emoluments	32010	1 - 5 & 7 - 10
Pay & Allowances	33010	1 - 4
Regular & Allowances	33015	1 - 18
Other Allowances	33020	1 - 14

*Description:* Salary and other benefits paid to contractual & regular employees of PEF.

*Oversight.* The utilization of funds is subject to PEF's internal controls which are audited by the AGP and also private sector auditors and are considered adequate.

*(iv) Girls' Stipends Program*

*Type.* Recurrent Budget

*Code:* Object Head A03977

*Description.* This includes the amount distributed to girl students enrolled in grades 6–10 of public schools in selected 16 districts meeting predefined eligibility criteria (80% attendance). This will include the cost of supplemental stipends provided to girls in rural areas based on revisions to the program under PESRP II. The expenditures also include the distribution cost at actual and a 1% amount for incidental charges incurred by the districts. Distribution is currently through money orders in the name of the beneficiary.

*Oversight.* The amount is transferred by the Finance Department, on the advice of PMIU to District Account IV from where it is placed into a postal savings account jointly operated by the EDO (Education) and another representative of the district government. From there it is disbursed to beneficiaries through money orders. Appropriate internal controls are in place at each stage to ensure funds are used as intended.

*(v) Performance Based Incentive Program –Improvers*

*Type:* Recurrent Budget

*Code:* Object Head A01295

*Description.* A pilot currently being implemented in low-performing schools in three districts that provides annual performance-based cash bonuses to teachers based on changes in student achievement and enrollment. The program will be expanded to additional districts under PESRP II. The costs related to this expansion will also be covered under this EEP.

*Oversight.* Transferred by Finance Department to District Account IV based on PMIU advice in a dedicated SDA operated jointly by the EDO (Education) and the DMO who then proceed to transfer it into the personal bank accounts of the beneficiaries. The bank details are provided by PMIU. Appropriate internal controls are in place at each stage to ensure funds are used as intended.

*(vi) Monitoring Systems (CM Monitoring Force)*

*Type:* Recurrent Budget

*Code:* DDO code LQ5269

*Description.* Costs of Monitoring and Evaluation Assistants, who conduct monthly school inspections.

*Oversight.* This is a provincial level expenditure paid at the central and district levels (from Account I), subject to routine payment controls which are considered adequate.

51. **Financial reporting.** Project reports and financial statements will identify the uses of funds according to the predefined eligible expenditure elements and technical assistance costs financed by the Bank as well as by GoPunjab. Adequate notes and disclosures consistent with acceptable international practice will be provided in the annual financial statements. Disbursements for Component 2 will be made against semiannual Interim Financial Reports (IFRs) to be submitted by GoPunjab to the Bank within 30 days after end of April/October each



year. Component 1 will be disbursed annually on the basis of the IFRs as well. The format for the IFRs has been agreed during Negotiations.

52. The IFRs will be supported by the BER for the relevant period which will form the basis of documentation of expenditures against advances and disbursements for EEPs up to the extent of the Bank’s financing. In addition, BERs for the entire education sector along with a cover note summarizing the budget allocations and utilization for EEPs and the TA component will be submitted within 30 days after the end of each calendar quarter for continuous monitoring of expenditures and progress of the program. The IFRs are prepared by PMIU. PEF will provide information related to eligible expenditures incurred by it (actual expenditures, budget, reasons for variances +/- 10%) to PMIU within 15 days of the end of the period to allow compilation and submission in time.

53. Annual financial statements will be prepared for the Project in accordance with the Cash Basis International Public Sector Accounting Standard which will provide details of expenditures against EEPs and TA for the whole program and sources of funding for the same (GoPunjab, IDA, DfID, CIDA, and any other development partner). These will be prepared by PMIU. PEF will fully cooperate with PMIU for the timely submission of necessary information for the preparation of the financial statements and also coordination with the concerned AGP formations for audit.

54. **Auditing.** Project financial statements with a comprehensive disclosure of the operations, resources and expenditures for the Project will be prepared, audited and submitted to the Bank within 6 months of the close of each financial year. The Auditor General of Pakistan will conduct an audit of the project financial statements; this arrangement is acceptable to the Bank. The audit report for project financial statements for the financial year ending June 30 each year is due December 31 each year. All audit reports due for the ongoing PESP have been received, with delays, and there are currently no unsettled ineligible expenditures or overdue audit reports.

55. Audit activity will primarily be carried out by the Director General (Civil) Audit for provincial expenditures, Director General (District) Audit for district government expenditures and the Director General (Commercial Audit) for PEF. Therefore, there would be a need for coordination among all formations to ensure the timely submission of audit reports. The audit report will be based on the findings of all formations involved in the audit and the Management Letter will include all material observations.

56. All spending agencies within the education sector will provide the auditors with full access to the related documents and records. The Bank will monitor compliance with the audit requirements as per the table given below:

<i>Audit Report</i>	<i>Due Date</i>
Project Annual Financial Statements for the year ending June 30	December 31 each year

57. Country systems for resolution and settlement of audit observations will be equally applicable to this Project.

58. In addition to the Audit Report for the project, the audit report of the Provincial Government and all 36 District Governments (including the School Education Department) for each financial year will be submitted to the Bank for information within one month of receipt from the Auditor General of Pakistan.

59. **Supervision plan.** The Project will require frequent implementation support, particularly on financial reporting aspects. During Project implementation, the Bank will review (a) the IFRs, Project audited financial statements, audit reports of the provincial and district governments and the budget execution report; and (b) the Project's financial management and disbursement arrangements to ensure compliance with the agreed requirements. Given sound implementation of financial management and monitoring system by the professional staff proposed for PMIU and SED, the Bank's normal implementation review procedures will suffice.

## **Procurement**

60. All procurements falling within the EEPs and TA under the project will be carried out in accordance with World Bank's *Guidelines: Procurement of Goods, Works, and Nonconsulting Services under IBRD Loans and IDA Credits and Grants for World Bank Borrowers* (dated January 2011), and *Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers* (dated January 2011).

61. Currently, no procurements of goods, works, or consultant services are envisaged to be conducted through international competitive bidding (ICB). However, if such procurements are identified, these shall be listed in the project's General Procurement Notice (GPN). A Specific Procurement Notice (SPN) will be published for all ICBs for goods and works, and consultancy assignments estimated to cost more than US\$500,000.

62. The project is designed to support GoPunjab in improving overall procurement performance in the school education sector. With support from the project, GoPunjab plans to review procurement efficiency of key education sector procurements including textbooks, civil works, and a consolidated procurement management system for schools. In the case of textbooks, the demand and supply side will be analyzed carefully to identify a procurement strategy which focuses beyond the province in order to obtain optimum market response. In the case of civil works, the performance of contracts and quality of delivery will be reviewed to determine the best methods for identification, packaging, contracting, and supervising. In addition, a real-time procurement management system of school needs shall be developed to streamline the needs of goods as well as works for alignment of allocation and procurement planning of provincial and district budgets. At the school level, the use of Information Technology (IT) is being proposed to develop inventories of goods currently available in schools, needs of schools and linked procurement plans and cost databases for efficient planning and procurements of school items. TA funds under the project will be used to provide support in the areas outlined above.

63. **Procurement of works.** At this stage no major civil works are expected under the project EEPs. If school rehabilitation works are identified as an eligible expenditure at any stage of the project, these shall be done following the NCB procedures using bidding documents acceptable to the Bank, or shopping. All works expected to cost up to US\$50,000 shall be carried out

through shopping while works costing more than US\$50,000 shall be carried out through NCB. Currently, the EEPs of school council and PEF grants could be used for minor works at the maximum amount of Rs. 600,000 per annum (US\$7,000) per scheme. These works shall be done through shopping procedures as documented under the agreed simple procurement procedures for school councils, ensuring adequate competition and dissemination in the process. Procurement performance will be reviewed by the third party reviewing the overall performance of these entities.

64. **Procurement of goods.** Goods procurement could occur under the EEPs related to school council grants and the PEF grant. As for works, the agreed simple procurement procedures provide for adequate shopping procedures for such procurements. In case of procurement of goods through TA funds, the Bank's procurement guidelines will be applicable. ICB procedures will be used for all contracts estimated to cost more than US\$500,000 equivalent, using the Bank's standard bidding documents. Goods contracts costing more than US\$100,000 but less than US\$500,000 will be procured through NCB, using bidding documents acceptable to the Bank, and contracts costing up to US\$100,000 may be procured through shopping procedures.

65. **Improvement of bidding procedures under National Competitive Bidding (NCB).** The following improvements in bidding procedures will apply to all procurements of Goods and Works under National Competitive Bidding, in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section 1 of the Guidelines:

- (i) Invitation to bid shall be advertised in at least one national newspaper with wide circulation, at least 30 days prior to the deadline for the submission of bids;
- (ii) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (iii) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;
- (iv) bidding shall not be restricted to pre-registered firms;
- (v) qualification criteria shall be stated in the bidding documents;
- (vi) bids shall be opened in public, immediately after the deadline for submission of bids;
- (vii) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (viii) before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained;
- (ix) bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a composite schedule of rates;
- (x) contracts shall not be awarded on the basis of nationally negotiated rates;
- (xi) a single bid shall also be considered for award;
- (xii) contracts shall be awarded to the lowest evaluated and qualified bidder;
- (xiii) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xiv) draft NCB contract would be reviewed by the Bank in accordance with prior review procedures;

- (xv) any firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association; and
- (xvi) each contract financed from the proceeds of the Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, 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 Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

66. **Selection of Consultants.** Contracts already signed under PESP TA will be continued for implementation under PESP-II TA. The following major consulting services contracts signed under PESP will continue to be financed under PESP II. There are provisions in these contracts to include support to the majority of TA activities identified for PESP II. For the remaining TA activities, a procurement plan has been agreed with the Association.

1	2	3	4	5	6	7	8
Ref No.	Description of Assignment	Estimated Cost (US\$)	Number of Contracts	Selection Method	Review by Bank (Prior/ Post)	Expected Proposals Submission Date	Payments Made to Date
1	Support for Implementation of Quality, Access and Governance related interventions (Cambridge Education)	US\$ 4,983,897 (Actual)	1	QCBS (Already hired)	Prior (Done)	Contract signed (May 23, 2011)	US\$140,000
2	Third Party Validations (A.F. Ferguson & Co.)	US\$ 255,000 (Actual Rs equivalent)	1	QCBS	Prior (Done)	Contract signed (March 4, 2011)	US\$38,330
3	ESMF Implementation Support	US\$ 500,000 (approx)	1	QCBS	Prior	April 15, 2012 (expected)	-

67. New contracts with consulting firms will be procured in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultant Guidelines, such as quality based (QBS), fixed budget (FBS), least cost (LCS), consultant qualification (CQS), or single source (SSS). For contracts with consulting firms estimated to cost less than US\$500,000 equivalent per contract, the shortlist of consultants may comprise entirely of national consultants in accordance with the provisions of paragraphs 2.7 of the Consultant Guidelines.

68. **Selection of individual consultants.** Services for assignments that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole source basis

69. **Assessment of agency's capacity to implement procurement.** As indicated in the risk section, project risks are being rated as "Substantial" from a procurement and contract management point of view. This assessment is based on the previous performance and current capacity of PMIU. A procurement focalpoint is required to be identified who will also be responsible for contract management. The procurement focalpoint will report to the PD. In PEF, the procurement function is under DMD HRM who is assisted by two directors (HR/Adm/Proc and CPDP). Director HR/Adm/Proc is assisted by DD Procurement. There is a defined procurement committee, comprising five directors; some private sector members may also be co-opted. The PD (or the Board for larger contracts) approves the awards, Director HR signs the contracts.

70. In order to ensure efficiency and transparency in procurement, the following measures will be taken to strengthen project implementation:

- (i) Details of all procurement activity related to PESRP II will be included in a dedicated section on procurement on the PMIU website. This section will provide updated information on all procurement activities undertaken under PESRP II, including on goods, works, and consultancy procurement. For PEF, the details of the Foundation Assisted Schools (FAS) Program and New Schools Program (NSP) are being posted on the web. The consultancy hiring details shall also be disseminated. Information will include procurement plans, procurement notices, invitation to bid, bid documents and Request for Proposals (RFPs) as issued, latest information on procurement contracts, complaints and actions taken, contract award and performance under the contracts and other relevant information. The website will be made accessible to all bidders and interested persons equally, and free of charge.
- (ii) Procurement training sessions will be held for PEF and PMIU staff in order to ensure that the requirements and timelines of Bank financed procurements are clearly understood at the commencement of the project.
- (iii) Simplified procurement procedures have been prepared for school councils, which document the procurement processing and approval procedures. PMIU has disseminated the procedures to school councils. This dissemination shall continue and PMIU shall facilitate trainings to school council members. PEF will also provide these guidelines (with some modifications) to schools under the FAS program and NSP.
- (iv) SED maintains an eComplaints system housed on its website, run by the Monitoring Cell, led by the Deputy Director, Chief Minister's Monitoring Force, SED. This cell provides a complaints redressal mechanism specifically for education delivery related grievances. The system allows a complainant to track the status of a complaint submitted online via a tracking number. The complaint, first received by the Monitoring Cell, is forwarded to the relevant official, the latter who communicates his/her decision regarding the complaint back to the Monitoring Cell, either by post or e-mail. The decision is communicated back to the complainant by the Monitoring

Cell, visible to the complainant via his/her tracking number. One intervention proposed under PESRP II is the enhancement and expansion of existing complaints handling systems, open to stakeholders at various levels. This strengthening will include maintenance of a database, and standard protocol with appropriate triggers for carrying out investigations, and taking action against involved parties. This website will also include protocols for handling procurement complaints. For ICB/international selection of consultants, the Bank prescribed complaint redressal mechanism will apply. The system shall be fully functional by June 2012. Status reports for complaints handling shall be included in the quarterly progress reports prepared by PMIU.

**Table 5. Procurement actions**

	<b>Action</b>	<b>Responsibility</b>	<b>Date</b>	<b>Status</b>
i.	Procurement link maintained on the website	PMIU	Ongoing	Website functional
ii.	Procurement training	Bank	By May 2012	Staff identified.
iii.	Dissemination of simplified Procurement Guidelines to SCs	PMIU	Ongoing	Guidelines prepared
iv.	Complaint handling system	PMIU	June 2012	Basic mechanism agreed

71. **Procurement Planning.** The Borrower is developing a Procurement Plan for implementation of TA activities which will provide the basis for procurement methods. This plan will be made available on the borrower's website. It will also be available in the Project's database and on the Bank's external website. The Procurement Plan will be updated in agreement with the Project Team annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

72. **Review of procurement by the Bank.** Thresholds for prior review of contracts under eligible expenditures are given below. These thresholds will be reviewed in 18 months and adjustments upwards or downwards will be made based on implementation experience.

- (i). All ICB contracts for works and goods;
- (ii). All single source selections or direct contracts;
- (iii). First NCB contract for Goods, irrespective of value;
- (iv). First NCB contracts for works, irrespective of value; and, thereafter, each contract for Works estimated to cost US\$300,000 equivalent or more;
- (v). First contract procured through shopping, for goods and works;
- (vi). The first Consultants' Services contract with consulting firms, irrespective of value, and, thereafter, all contracts with firms estimated to cost US\$200,000 equivalent or more; and
- (vii). First consulting services contract with individual consultants, irrespective of value, and, thereafter, all contracts with individuals estimated to cost US\$50,000 equivalent or more.

73. All other contracts will be subject to Post Review by the Bank. PMIU will send to the Bank a list of all contracts for post review on a quarterly basis. Post reviews as well as

implementation reviews will be conducted every six months. Such review of contracts below threshold will constitute a sample of about 10–15% of the contracts.

74. **Procurement information and documentation – Filing and database.** Procurement information will be recorded and reported as follows:

(a) Complete procurement documentation for each contract, including bidding documents, advertisements, bids received, bid evaluations, letters of acceptance, contract agreements, securities, related correspondence, etc., will be maintained by the implementing agency in an orderly manner, readily available for audit.

(b) Contract award information will be promptly recorded and contract rosters as agreed will be maintained.

(c) Comprehensive quarterly reports by PMIU indicating: (i) revised cost estimates, where applicable, for each contract; (ii) status of on-going procurement, including a comparison of originally planned and actual dates of the procurement actions, preparation of bidding documents, advertising, bidding, evaluation, contract award and completion time for each contract; and (iii) updated procurement plans, including revised dates, where applicable, for the procurement actions.

75. **Frequency of procurement supervision.** Joint Review Missions would be carried out every six months, with a procurement specialist participating. In addition to prior review cases, Bank supervision missions will undertake post review of procurement actions conducted in the preceding six month period. The Bank's procurement specialist based in the country office in Pakistan will be available to discuss procurement issues with the implementing agencies, with visits as and when needed.

#### **Environmental and social (including safeguards)**

76. The majority of PESRP-II activities to be financed by the Bank are environmentally benign. While GoPunjab has indicated that it plans to make better use of its existing infrastructure and is expecting to limit infrastructural development, there may be some school construction, rehabilitation, and/or upgradation work that are undertaken by GoPunjab during the project implementation period. Depending on their nature and extent, the activities may yield moderate negative environmental impacts. Hence, the project has been classified as Category B, in accordance with provisions of OP/BP 4.01.

77. For PESP, which supported PESRP, an Environmental Assessment (EA) was carried out and an Environmental and Social Management Framework (ESMF) was developed by GoPunjab. The EA covered all activities related to the implementation of the reform program, including design, construction/rehabilitation and operation of the schools; and printing and distribution of textbooks. The EA revealed that most program activities were isolated and small scale in nature and limited to the individual school sites, and, hence, were not expected to produce significant negative impacts. The potential impacts during the construction phase related to water contamination, air pollution, noise and vibrations, consumption of raw materials, and

worksite safety, and inconvenience to public from improper stockpiling of the materials. The key impact pertaining to school operation related to soil/water contamination caused by improper sewage disposal from school latrines.

78. The ESMF includes mitigation measures, implementation and institutional arrangements and plans, monitoring requirements, and supervision roles and responsibilities for mitigating the negative impacts highlighted above. Three separate guidelines were prepared – one each for the design, construction, and operation phases of the program. The ESMF has been implemented satisfactorily during the implementation period of PESP.

79. Under PESRP II, GoPunjab intends to consolidate its infrastructure rather than constructing any new structures. Only limited small or minor civil works related to school rehabilitation and improvement are expected during the project implementation period. As such, the assessment findings of the EA conducted for PESP remain relevant and the ESMF for PESRP with some revisions applies to PESRP II as well. The revised ESMF was publicly disclosed on March 20, 2012. In addition, financed using the project's TA component, GoPunjab plans to continue to avail of analytical and advisory services for (1) the reinforcement of buildings in high-risk areas; (2) provision of low-cost water treatment facilities/technologies; (3) natural disaster preparedness and hygiene training for teachers and students; and (4) preparation of guidelines for school building design/construction, addressing aspects such as natural lighting and ventilation, aesthetics, protection against natural disasters, water supply, sanitation, use of local construction materials, and consideration of local climatic conditions.

80. PESP II is also expected to promote and support activities that can help address concerns with the state of the existing school system infrastructure. There are significant numbers of schools that lack access to safe drinking water and sanitation facilities, and have poor natural lighting and ventilation. Existing school building designs and construction quality do not result in structures that are sufficiently resistant against natural disasters such as earthquakes and floods. In the 2010 floods, close to 2,000 school structures suffered some level of damage or destruction. Maintenance and repair of buildings and facilities can also be poor. The proposed actions under PESRP II to provide adequate nonsalary budgets to schools and empowering schools to use them as well as strengthening and empowering school councils to use their grants will likely aid in addressing the extent and severity of poor repair and maintenance. PESP II will take steps to integrate ESMF implementation and monitoring in the ongoing and planned activities of the sector. These include, training of district and school staff on environmental aspects, inclusion of ESMF monitoring in the instruments used by external monitoring staff in their regular monitoring duties, and inclusion of environment aspects in the guidelines prepared for school councils and PEF-supported low-cost private schools.

81. Institutional arrangements that already exist to implement the safeguard requirements of PESP will be continued for PESP II. These arrangements include (1) designating the Deputy Director (DD) (Monitoring and Evaluation) as the environmental and social focalpoint, with overall responsibility for fulfilling the safeguard requirements of the project; (2) a full-time Environment Officer responsible for implementing various activities required for safeguard compliance and capacity building for implementing the safeguard policies; (3) at the district level, DMOs responsible for monitoring and coordinating ESMF implementation in their



respective districts and MEAs responsible for the collection of field data for this purpose; (4) the Communication and Works Department in each district responsible for implementing the design stage mitigation measures, and construction contractors responsible for implementing the construction stage mitigation measures; and (5) headteachers and school councils responsible for implementing the guidelines during school operations.

82. *Key responsibilities of PMIU for ESMF implementation under PESP II:* PMIU, through the DD (M&E) and the Environment Officer, will be responsible for (1) conducting environmental trainings for teachers, school councils, Education Department officers, and other stakeholders at the district level; (2) coordinating with DMOs and supporting MEAs for regular environmental monitoring at the district level; (3) compiling ESMF compliance data collected by MEAs; (4) preparing ESMF QPRs that include summary and analysis of data collected by MEAs, and other activities such as capacity building carried out by PMIU for ESMF implementation; (5) preparing and implementing quarterly and annual plans for ESMF compliance; and (6) supervising consultants carrying out activities under the TA component. PMIU will ensure that sufficient resources are provided to DD (M&E) and the Environment Officer for these activities.

83. PMIU has commissioned a third party validation to evaluate the compliance level of the existing ESMF. The outcome and recommendations of the third party validation will be utilized to further refine and strengthen ESMF implementation under PESP II.

### **Monitoring and evaluation**

84. *Results monitoring at the PDO level:* Child school participation aims of PESP II will be measured by the Net Enrollment Rate (NER) at three levels of schooling (primary: grades 1–5; middle: grades 6–8; and matriculate: grades 9–10) using published official statistics from Pakistan's Social and Living Standards Measurement (PSLM) survey, a large-scale, representative household sample survey conducted by the Pakistan Bureau of Statistics (PBS), Pakistan's official statistical organization, which serves as the main data source of the government to measure progress towards the 2015 Millennium Development Goals. According to official documentation (PC-1), PBS plans to conduct PSLM surveys annually for at least the next three years (ending 2014/15), which overlaps with the project implementation period. The PSLM survey has been a longstanding data collection activity of the PBS, and no major issues in survey design and implementation have been reported.

85. The PDO-level result indicator on student achievement will be measured using annual student assessments designed and administered independently and supported under the proposed project's TA component.<sup>27</sup> The assessments will be administered to grade-4 and grade-5 students in a reasonably-sized, representative sample of government schools and publicly-supported low-cost private schools in the province. The baseline assessment is expected to be conducted in the

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<sup>27</sup> Student achievement data are available but suffer from important shortcomings. For example, achievement data are being generated from universal testing exercises administered by the provincial government but further strengthening of the systems is required in order to improve the validity and reliability of the data. Efforts to do this are an important part of PESP II. Credible achievement information is available from the LEAPS project discussed in Section I but the sample is not representative of the province.

upcoming academic year, 2012–13. Follow-up assessments will be conducted annually through the life of the project. Other indicators (including selected relevant Core Indicators) and sample breakdowns of the PDO-level results indicators are also derived from PSLM surveys.<sup>28</sup>

86. *Monitoring program implementation progress and performance:* For monitoring implementation progress of subcomponents against agreed targets, GoPunjab's established systems for monitoring of sector activities will form a key source of information. The monitoring system in Punjab has three interlinked pillars: (1) internal departmental monitoring system led by district education department officials; (2) institutionalized school monitoring system (the Chief Minister's Monitoring Force [CMMF]); and (3) third-party validations. This established monitoring framework has provided strong oversight over implementation of PESP by generating reliable data through (1) an annual school census with data fed into the School Management Information System (SMIS), managed by PMIU; (2) school data collected by Monitoring and Evaluation Assistants (MEAs) under District Monitoring Officers (DMOs), who are responsible for monitoring school performance under CMMF; and (3) district ranking reports generated through internal monitoring of schools by district education department officials.

87. PESRP II aims to build upon and further strengthen the existing first generation edifice of the monitoring and evaluation system in the province described above. Proposed activities to strengthen these systems have been described in detail in Annex 2. A key feature of the approach being adopted going forward is a shift from an emphasis on data collection to data integration, analysis, use, and dissemination. To facilitate this shift, two units (a Data Coordination and Analysis Unit; a Communications Unit) will be set up at PMIU under PESRP II.

88. Information derived from GoPunjab's monitoring systems will be complemented by third party validations (TPV) of subprograms, arranged and managed by PMIU. The DPs will provide technical support to help ensure that these TPVs are well designed and properly administered. Subprograms for which TPVs will be conducted include (1) school councils, (2) school nonsalary budgets, (3) teacher rationalization, and (4) information dissemination on school performance. Other areas may be selected during project implementation. In addition, several impact evaluations are planned to measure the impacts of program interventions on outcomes of interest, mainly school participation and student achievement. Subprograms for which impact evaluations are planned for include the (1) girls' stipends program; (2) vouchers program under PEF; and (3) the teacher performance bonus program. Details are provided in Annex 8.

### **Role of partners**

89. PESRP II will be jointly supported by the Canadian International Development Agency (CIDA), UK's Department for International Development (DfID), and the International Development Association (IDA). All three Development Partners (DPs) have held joint dialogue with GoPunjab on PESRP II and have jointly designed their support to the reform program.

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<sup>28</sup> The PSLM surveys in 2012/13 and 2014/15 are expected to be representative at the district level, allowing the construction of statistics at that level.

90. CIDA will provide financing for PESRP II through a cofinancing arrangement with IDA. CIDA's financing will be dedicated entirely to Component 1 (the results-based financing component) of the project.

91. DfID is likely to significantly increase their contribution to the education sector in Punjab over the medium term. They have a commitment to using the same results framework and disbursement arrangements in addition to relying on a joint assessment of the achievement of DLIs and dialogue with GoPunjab on supported reform activities. The modality to be used for financing PESRP II (parallel vs. cofinancing) has not been determined yet. DfID has indicated that it will dedicate some portion of its expected financing for providing technical assistance to GoPunjab. DfID will manage this TA itself. Arrangements will be made with GoPunjab and the other DPs to ensure that this TA is closely coordinated with the TA activities financed by IDA. Additionally, DfID may allocate funds for selected school civil works activities which it will also manage itself.

**Annex 4: Operational Risk Assessment Framework (ORAF)**  
**PAKISTAN: Second Punjab Education Sector Project (P125958)**

**Stage: Board**

Project Stakeholder Risks				
Stakeholder Risk	Rating	Substantial		
<p><i>Description:</i>                      The program and project are being designed leading up to the elections, which will likely occur in the first year of program/project implementation. Post elections, there could be a change in overall priorities, reform programs taken forward, and budget allocations.</p> <p>Reforms such as test-based teacher recruitment, rationalization of teaching posts and teachers across schools based on school need, and decentralization of administrative and financial powers to schools and/or school clusters may face resistance from different internal stakeholder groups. Potential consequences include poorer implementation quality and slowdown, negative media reports, personal complaints, public agitation, and court cases.</p> <p>There may be grievances communicated to the Bank and negative media reports on the reform program, much of them stemming from the absence of, incomplete, or biased information (including misinformation) on program activities, procedures and practices, and benefit eligibility rules.</p> <p>Views on the program design, process, and targets may not be fully aligned among development partners.</p>	<p><i>Risk Management:</i></p> <ul style="list-style-type: none"> <li>• Introduction of an information, communications, and media/civil society relations program with a dedicated unit at PMIU to regularly deliver information to stakeholders and collect feedback, through multiple channels.</li> <li>• Regular consultations with stakeholders during the design phase; planned regular consultations with stakeholders during the implementation period to gather feedback for refining/adapting design/implementation.</li> <li>• Phased implementation (e.g., starting with some schools and/or districts and then scaling up over time); carrying out reviews during the phased implementation to inform any needed refinements/adaptations.</li> <li>• A joint program design process between the development partners (Bank, DfID, CIDA) and GoPunjab.</li> <li>• Regular, joint dialogue on strategic program matters with GoPunjab leadership and continued technical and advisory support for building the evidence for particular program options and directions.</li> </ul>			
	<b>Res:</b> Bank and Client	<b>Stage:</b> Impl	<b>DueDate:</b> 12/31/2015	<b>Status:</b> Not Yet Due
Implementing Agency (IA) Risks (including Fiduciary Risks)				
Capacity	Rating	Substantial		
<p><i>Description</i>                      Hiring of competent staff on transparent, objective, merit-based criteria and their retention is key to helping ensure program implementation progress and performance. There have been issues of positions remaining vacant for long periods and the intake of staff with limited capacity and competency. The issue has been compounded by the recent rationalization of allowances in government, which has largely meant a reduction in allowances, making it more difficult to attract and retain</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>• Coordination with the Bank country team for Pakistan to help address the allowances issue for project staff.</li> <li>• Competitive recruitment from the open market to fill key positions in various institutions such as PMIU and PEC.</li> <li>• Development and execution of institutional strengthening plans for, for example, PEC, PEAS, PMIU,</li> </ul>			

<p>quality staff, leading to higher turnover and poorer morale.</p> <p>The capacity of key organizations in the education sector such as PEC, PEAS, DSD, and PMIU, among others, is less than desirable, affecting their ability to perform their mandated functions effectively; this has implications for program implementation progress and performance. The capacity issues relate to human and other resources.</p> <p>The capacity of education department at the district and subdistrict levels, schools, and school councils is also less than desirable. These levels and institutions are key for service delivery performance.</p> <p>Procurement and FM capacity require strengthening.</p> <p>There has also been limited attention paid in the past to addressing these capacity weaknesses.</p>	<p>CMMF, and DSD (DTE/TE). The strengthening plans include clearer and more empowered mandates and staffing in line with the mandates.</p> <ul style="list-style-type: none"> <li>• Decentralization of administrative and financial powers to schools and school clusters, coupled with necessary capacity development.</li> <li>• Reconstitution of school councils to allow members with stronger capacity, interest, and influence to participate.</li> <li>• Continuous support to school councils through an ICT-based capacity development program.</li> <li>• Strengthening of school operational capacity through adequate resourcing through school budgets, and teacher capacity through regular advisory support to teachers at the school.</li> <li>• <i>Procurement</i>: Placement of a procurement focalpoint at PMIU, accompanied by necessary training. Provision of fiduciary guidelines to school councils and low-cost private schools under PEF, accompanied by necessary training. Introduction of an electronic procurement planning tool at the subdistrict level to capture school needs for major works and goods.</li> <li>• <i>FM</i>: Recruitment/engagement of a Finance Officer for SED/PMIU to analyze data available through the PIFRA terminal to help formulate proposals for improving sector expenditure performance. Awareness-raising and capacity-building programs for DDOs to enhance compliance and strengthen controls in the sector.</li> </ul> <p><b>Resp:</b> Bank and Client   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015  <b>Status:</b> Not Yet Due</p>	
<p><b>Governance</b></p>	<p><b>Rating</b></p>	<p><b>Substantial</b></p>
<p>Description:</p> <p>Underperformance of education service delivery agents (district education managers and teachers), manifested in the form of absence to lack of punctuality to shirking on the job. This issue is due to poor accountability and incentives for performance in the system.</p> <p>There are weaknesses in system and school performance measurement. The issues relate to weak collection of relevant and credible data on performance to the lack of use of data collected for decisionmaking on improving performance.</p> <p>Performance standards and the roles and responsibilities of various actors/agents in ensuring service delivery at prescribed standards are unclear.</p> <p>There is limited engagement from communities and parents in</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>• Empowerment and enablement of school councils to support and monitor schools and teachers.</li> <li>• Linking of teacher compensation to teacher performance in terms of changes in student achievement.</li> <li>• Decentralization of administrative powers to schools and school clusters for managing school staffing.</li> <li>• Diagnostic study of performance shortcomings in district education management and assessment of alternative models for improving district education management performance.</li> <li>• Strengthening of CMMF and inspections of all schools at least once every quarter to gather information on, among other things, teacher presence, teacher on-task, and student presence.</li> <li>• Strengthening of PEC/PEAS and improvements in test design and administration to yield credible student assessment data.</li> <li>• Preparation and provision of district and school performance report cards on a regular basis to internal and external stakeholders.</li> <li>• Measurement of program implementation progress and performance on a regular basis through third-party reviews, validations, and evaluations, embedded into the DLIs.</li> <li>• Strengthening school council performance through an ICT-based capacity development program.</li> </ul>	

demanding improvements in service delivery performance.

Information on program implementation status, progress, and performance and school performance indicators are not made available to internal and external stakeholders.

- Regular delivery of information through different channels on program implementation status, progress, and performance, consultations in the field to gather feedback on issues, and strengthened institutional arrangements for grievance redressal.
- Open display at school of key information such as school council grants and expenditures, school nonsalary budgets and expenditures, and school performance cards.
- Recording school needs for major works and goods for schools in an electronic procurement planning tool at the subdistrict level.
- Disclosure of ASC, PEC, and CMMF data and all procurement activities under EEPs and TA on publicly-accessible webpages.
- Monitoring of school staff performance by communities through school councils.
- Regular collection of credible information on teacher absence and teacher on-task, stipends delivery, and school nonsalary budgets and school-council grants receipt and use through CMMF school inspections.
- Linking of teacher compensation to teacher performance (accompanied by an impact evaluation).
- Collection of data on teacher presence and teacher on-task as part of school sample surveys conducted by third-party organizations for capturing information on implementation performance and progress in selected subprograms.
- Strengthening of CMMF in accordance with a system strengthening and implementation plan and timetable agreed with the Bank.
- Ensuring that all government schools are inspected at least once every quarter.
- Revision of the school inspection form to additionally capture information on what the teacher, if present, was doing at the time of the visit by the inspector.
- Piloting and phasing in the use of smartphones for data capture and real-time confirmation that inspectors have visited the schools and teachers are present.
- Assessment of CMMF school inspection data quality by having third-party organizations collect similar data in short succession after a given round of inspections is conducted.
- Disclosure of the information collected by CMMF on the SED website shortly after the end of each quarter.
- Preparation and execution of school budgets by using a third-party organization to provide capacity development as well as monitor/verify the receipt, use of funds, and the outputs of used funds.
- Recording of school needs for major civil works and goods in a computerized system at the subdistrict level.
- Open display of school nonsalary budgets and school council grants and expenditures at the school.
- Implementation and expenditure reviews by contracted third-party organizations.
- Integration of advanced security features into vouchers to protect against counterfeiting.
- Strengthening of the Punjab Education Foundation's monitoring and evaluation system for the vouchers subprogram by improving their electronic data and database management and improving the screening of households for program qualification to reduce errors of inclusion and exclusion.
- Collection of survey and test data by a third-party organization as part of impact evaluations, which can

	<p>aid in identifying behaviors that suggest gaming by households or schools in relation to the teacher performance pay, stipends, and vouchers subprograms.</p> <ul style="list-style-type: none"> <li>Field-testing and phasing in of the delivery of stipends to beneficiaries through mobile and branchless banking services via the private banking system, with electronic systems for beneficiary authentication and benefit delivery verification of time and amount of receipt.</li> </ul> <p><b>Resp:</b> Client &amp; Bank   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015   <b>Status:</b> Not Yet Due</p>	
<b>Project Risks</b>		
<b>Design</b>	<b>Rating</b>	<b>Substantial</b>
<p><b>Description:</b> The program is designed to support actions at the school level to improve school quality and performance. Actions are new, technically-complex, and/or politically-difficult.</p> <p>There are important complementarities across program actions in a given year and actions build over time over the project period. To fully realize gains in outcomes requires ensuring synchronized and sustained implementation. The actions also need to be underpinned by sufficient technical, advisory, and capacity support.</p> <p>Turning program design into satisfactory implementation requires intensive implementation supervision and support, in a variable security environment.</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>Phasing in difficult actions over the project implementation period; feeding learning from early phases (and pilots) to inform refinements/adaptations before further scaling.</li> <li>Regular consultations with stakeholders through the project implementation period, with feedback used to inform refinements/adaptations.</li> <li>Use of TA to provide technical and advisory support to all subprograms.</li> <li>Capacity building and institutional strengthening support for, e.g., PEC, PEAS, PMIU, CMMF, DSD, and district administrators, district education management, and teachers.</li> <li>Regular, third-party reviews, validations, and evaluations at the school level, embedded into the DLIs (supervision at the ground level).</li> <li>Use of covenants and DLIs to support program actions in every year.</li> <li>Increase in planned disbursement over the project implementation period to incentivize sustained implementation.</li> <li>The majority of PESP-II disbursements under the results-based component (Component 1) are to be on a reimbursement basis in order to promote expenditures.</li> <li>Apart from standard supervision approaches, the use of short missions by small local teams, consultants based in Lahore, audio/videoconferencing, email/phone communications, and increased third-party monitoring during times when security conditions deteriorate.</li> <li>Use of ICT to support monitoring and evaluation and capacity-building services for service delivery agents and local communities.</li> </ul> <p><b>Resp:</b> Bank, DPs &amp; Client   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015   <b>Status:</b> Not yet Due</p>	
<b>Social and Environmental</b>	<b>Rating</b>	<b>Substantial</b>
<p><b>Description:</b> Compliance monitoring with ESMF requirements requires</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>Increased frequency and efficiency of data collection on ESMF compliance by integrating the checklist</li> </ul>	

<p>improvement.</p> <p>The review and recommendations for environmental enhancements for schools requires acceleration.</p>	<p>into the CMMF school inspections form. All schools will be covered at least once a quarter and the compliance reports will be constructed using these data. Uploading of selected data to a publicly-accessible website.</p> <ul style="list-style-type: none"> <li>• In order to expand coverage, incorporation of the ESMF compliance checklist into the fiduciary guidelines to be offered to school councils and low-cost private schools under PEF, with required training.</li> <li>• Regular training on ESMF compliance in districts. Empowerment and enablement of ESMF-related staffing at PMIU.</li> <li>• While infrastructural development is not part of PESRP II, analytical and advisory work to support improved environmental management in the sector, supported by TA.</li> </ul> <p><b>Resp:</b> Client and DPs   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015   <b>Status:</b> Not yet Due</p>
<p><b>Program and Donor</b></p>	<p><b>Rating</b>   <b>Moderate</b></p>
<p><b>Description:</b> Risks remain on the extent of alignment of development partner support to primary and secondary education in the province. They relate to program content, instrument design, and monitoring and evaluation indicators and progress/performance targets.</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>• Development of a reform program by GoPunjab that reflects the lessons learned from the previous reform program and attempts to accelerate progress on participation and achievement by undertaking actions at the service delivery level. Actions relate to (1) institutional arrangements and functions, (2) resources and support, (3) governance and accountability, and (4) monitoring and evaluation.</li> <li>• Joint design of PESP II to promote and support these actions, and a strong emphasis on monitoring and evaluation and the measurement of progress and performance via a range of indicators. Joint advice to GoPunjab on program content and structure. Given this, the DPs expect to fully align all or a portion of their support to the same content and instrument design.</li> </ul> <p><b>Resp:</b> Bank and DPs   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015   <b>Status:</b> Not yet Due</p>
<p><b>Delivery Monitoring and Sustainability</b></p>	<p><b>Rating</b>   <b>Substantial</b></p>
<p><b>Description:</b> Program monitoring quality has suffered from low prioritization; data-integrity controls and checks are limited.</p> <p>The extent of independent validations of program progress and performance has been limited.</p> <p>In the past, there has been weak engagement of external stakeholders to build wide consensus, buy-in, and demand for sustained reforms.</p>	<p><b>Risk Management:</b></p> <ul style="list-style-type: none"> <li>• Strengthening CMMF (including open, objective, competitive recruitment) and helping ensure that 100% of schools are inspected every quarter.</li> <li>• Use of smartphones for data capture and GIS/digital photos for confirming school visits.</li> <li>• Revisions of survey questionnaires to improve data relevance and collection.</li> <li>• Improved design and administration procedures for tests.</li> <li>• Use of third parties for reviews, validations, and evaluations for assessing program progress and performance, embedded in the DLIs.</li> <li>• Use of third-party data validations to assess data discrepancies.</li> <li>• Discrepancy analyses by integrating databases from different sources.</li> <li>• Improved database management at, e.g., PMIU, PEC, PEF, and at the district level.</li> </ul>



	<ul style="list-style-type: none"> <li>• A subprogram on information, communications, and relations with stakeholders.</li> <li>• Regular consultations with stakeholders.</li> <li>• Strengthened community engagement in public school education through school councils.</li> </ul> <p><b>Resp:</b> Client and DPs   <b>Stage:</b> Impl   <b>Due Date :</b> 12/31/2015   <b>Status:</b> Not yet Due</p>
7. Overall Risk Following Review	
<b>Implementation Risk Rating:</b> Substantial	
<p><b>Comments:</b> Main anticipated risks during the implementation stage related to the achievement of the PDO remain the same as during the preparation stage. Economic conditions remain poor, likely dampening the demand for schooling and GoPunjab's ability to finance major increases given its unfavorable fiscal position. Proposed program actions in many areas are new, technically-complex, and/or politically-difficult, and thus require careful implementation, with a range of efforts to build strong and wide ownership and demand for sustained efforts. The reliability of data due to weaknesses in capacity/knowhow can be addressed; but the stress to measurement systems by making data high stakes is more difficult to handle. Any political changes may have implications for program design and implementation; the program as it stands has been developed by GoPunjab and has strong commitment.</p>	

## Annex 5: Implementation support plan

### I. Program implementation supervision strategy

1. The proposed program implementation supervision and support strategy is informed, to a large extent, by lessons learned from supervising and supporting PESP and SEP. The extent and nature of supervision and support are however expected to change somewhat from the past in order to match with GoPunjab's plan to focus on actions at lower levels to promote and support service delivery performance. Apart from this expanded scope, the intensity of planned supervision and support is also expected to increase given the need (1) for oversight and proactive actions to address past weaknesses (e.g., lags in staffing in relevant entities and implementation of the PESP TA component); (2) to ensure the timely formulation and implementation of needed risk mitigation measures; and (3) for timely and high-quality advisory and technical support for the design and implementation of reviews, validations, and evaluations to be carried out by contracted third-party organizations.

2. Program implementation supervision and support by the Bank, DfID, and CIDA will comprise of at least two formal joint implementation review missions every year, throughout the project implementation period, with discussions and other activities recorded in Aide Memoires. In the intervening periods, shorter missions with more specific objectives of high priority may be carried out by country-based staff. Islamabad- and Washington-based Bank staff, contracted local and international consultants, and other development partners will maintain continuous program implementation supervision and technical and advisory support through audio and videoconference meetings, and email and phone communications. Implementation supervision and support will also rely on the review and analysis of data and documentation submitted by GoPunjab following agreed formats, timetables, and expected contents. Key data and documentation include those related to compliance with legal covenants, achievement of DLIs, progress on monitoring indicators, financial reports, and procurement documents and contracts.

3. The semiannual joint program implementation review missions are expected to be held in October/November and April/May every year, and will cover, among other things, (1) strategic policy dialogue on major sector matters, including on governance and accountability, financing and expenditures, and institutional strengthening (including necessary staff and other resources) and performance; (2) review of program implementation status and progress and performance to date with respect to the PDO-level results indicators, legal covenants, DLIs, monitoring indicators, EEPs, and TA use; and (3) advising on any actions and measures (including risk-mitigating measures) required to keep program implementation on track, progress on pace, and performance at expected levels. In addition, given weaknesses experienced in the past, particular attention will be paid to ensuring that the TA component is implemented smoothly and in synchronization with the results-based component.

4. **Coordinated supervision and support:** In order to help ensure continuous and high-quality supervision and support, the Bank expects to coordinate closely with other development partners providing financial and technical and advisory support to PESRP II. CIDA will primarily focus on providing supervision and support to the teacher management subprogram, and expects to participate in (1) all main full implementation review missions; (2) any relevant

missions required in the intervening period; and (3) internal, development-partner discussions on relevant program implementation progress and performance matters. DfID will jointly provide implementation supervision and support for PESRP II. It also plans to have a wider engagement with the province and will lead the dialogue with GoPunjab's political leadership on critical overarching matters and help ensure satisfactory program implementation. Similarly to CIDA, DfID expects to participate in (1) all main full implementation review missions; (2) any relevant missions required in the intervening period; and (3) internal, development-partner discussions on relevant program implementation progress and performance matters. DfID will also carry out additional missions to meet its other, complementary objectives.

**5. Stakeholder consultations and field visits:** In order to gather firsthand, qualitative information on program implementation status, progress, and performance, participation in GoPunjab consultations with stakeholders and field visits to districts and schools are expected to be integral elements of the overall supervision and support strategy. These elements are particularly essential given GoPunjab's focus on improving service delivery at the school level. The development partners (staff and consultants) plan to join selected consultations and meetings with stakeholders in Lahore and in the districts. The main semiannual missions will include field visits. In the intervening periods, the development partners plan to organize and carry out dedicated missions to visit government schools and government-supported low-cost private schools and hold discussions with local administrators, teachers, parents, children, and local communities at large. All visits to the field will be carried out if the security situation permits and in full compliance with the security rules in effect at the time.

**6. Program implementation supervision and support under a variable security environment:** The prevailing variable security conditions are a key source of difficulty to continuous and effective program implementation supervision and support. Subject to sufficient funds and feasible, operational arrangements, if there is a deterioration in the security conditions that adversely affects mission frequency and timing, mission team size, and scope of mission objectives, the Bank team will increase its use of the following options to supervise and support GoPunjab:

- (a) Virtual reviews by development partners (e.g., via video and audioconferences) to discuss program implementation progress and performance with the implementing agencies. If needed, resources under the TA component can be used to finance videoconferencing equipment in key entities, including the Planning and Development Board and the Finance Department.
- (b) Use of contracted consultancy firms, financed either through the Bank's own resources or the project's TA component to aid in assessing program performance and progress at various levels, including in the field. To help ensure credibility and quality, consultancy firms are already expected to be used heavily under PESRP II to carry out independent, systematic supervision, monitoring, reviews, and validations, using mixed methods (quantitative and qualitative).
- (c) Use of contracted individual consultants based in Lahore, financed through the Bank's own resources, to ensure local, continuous advisory and technical backstopping support.

(d) When deemed critical, and in full compliance with security protocols in effect at the time, short visits by small teams (one to three team members) from Islamabad or short visits by teams from GoPunjab to Islamabad to meet with the Bank and other development partners.

7. Some of the above measures have been used in the past during periods of poor security conditions, and have demonstrated that they are practical.

## II. Implementation support plan

8. **Human resources:** The implementation supervision and support actions delineated above are expected to require the following focuses and personnel (staff/consultants) types as part of the Bank’s core supervision team. The listed personnel do not include experts brought in as needed to advise and support GoPunjab on specific program actions.

**Table 1. Proposed required personnel and skills**

Duration	Focus	Type	Estimated staff weeks per year
Throughout project implementation period	Overall policy dialogue, project implementation supervision and support management, team management and coordination, and internal reporting.	Education specialist/operations officer (TTL)	18 SWs
	Assessment of education systems and performance and technical and advisory support for any needed design and implementation improvements.	Education specialist	12 SWs
		Education specialist	12 SWs
	Assessment of governance and accountability arrangements and technical and advisory support for any needed design and implementation improvements.	Governance specialist	8 SWs
	Assessment of institutional arrangements and performance and technical and advisory support for any needed institutional development and strengthening.	Institutional development specialist	10 SWs
	Assessment of monitoring and evaluation arrangements and performance and technical and advisory support for any needed design and implementation improvements.	Monitoring and evaluation specialist	12 SWs
	Assessment of financial management and procurement arrangements and performance and technical and advisory support for any needed design and implementation improvements.	Financial management specialist	10 SWs
		Procurement specialist	10 SWs
	Assessment of social and environment management arrangements and performance and technical and advisory support for any needed design and implementation improvements.	Environmental management specialist	10 SWs
		Social development specialist	8 SWs

	Assessment of fiscal, budget, and expenditure management and performance and technical and advisory support for any needed improvements.	PFM specialist/Economist	8 SWs
	Assessment of communications arrangements and performance and technical and advisory support for any needed design and implementation improvements.	ICT/communications specialist	8 SWs
	Research and evaluation.	Economist	10 SWs
		Economist	10 SWs

## Annex 6: Governance and Accountability Action Plan (GAAP)

1. Under PESRP II, GoPunjab plans to improve education outcomes primarily by strengthening governance and accountability in the sector and improving service delivery performance at the school level in order to realize meaningful and sustained gains in outcomes. The Bank, in turn, will promote and support program implementation progress and performance in critical governance and accountability reform areas through the use of covenants, DLIs, and TA resources. The following paragraphs discuss key governance and accountability actions/measures under PESRP II, specifically with a focus on the detection and management of potential integrity risks in selected areas.

2. Note that auditing (including monitoring of the resolution of audit cases) and overall financial management integrity controls and the review and strengthening of these controls are discussed in Annex 3 under the subsection *Financial Management and Disbursement Arrangements*. In addition, SED/PMIU will be monitoring and regularly reporting on any disciplinary actions taken by the district education departments on any issues of fraud and corruption that have arisen (this reporting requirement is included as a legal covenant).

3. **Enhanced accountability of service delivery agents:** The underperformance of service delivery agents is a major concern. Given that teacher salaries are the single biggest expenditure in the sector, teacher underperformance constitutes an important source of inefficiency in sector expenditures. The most overt manifestation of underperformance is absence from work, and data from CMMF school inspections indicate that absence levels have declined under PESRP. Notwithstanding, underperformance of education sector staff (both administrative and teaching), when present, remains a concern. Education managers at various levels may not carry out their administrative, monitoring, and support responsibilities and roles as expected. Teachers may come to school but arrive late and/or depart early, and/or do not teach while at school or perform their other complementary duties as expected. Promoted by DLIs and supported by TA, GoPunjab plans to detect and address these risks through (1) monitoring of school staff performance by communities through school councils; (2) the regular collection of credible information on teacher absence and teacher on-task through CMMF school inspections and feeding the information back to internal and external stakeholders and decisionmakers at multiple levels; (3) the linking of teacher compensation to teacher performance; (4) the piloting of the use of ICT, specifically the use of smartphones with GPS tracking capability and digital cameras for the real-time verification of the presence of teachers at school; and (5) the collection of data on teacher presence and teacher on-task as part of school sample surveys conducted by third-party organizations for capturing information on implementation performance and progress in selected subprograms.

4. **CMMF school inspections:** Under PESRP, GoPunjab introduced regular school inspections through the Chief Minister's Monitoring Force (CMMF). School inspectors comprise of ex-military personnel, and use standardized forms (and prescribed procedures) for the collection of data. Among other things, the form presently captures information on teacher and student absence on the day of the visit. To protect against potential collusion between inspectors and school staff, the set of schools that a given inspector visits is changed quarterly. Under PESRP II, promoted by the use of a project covenant and supported by TA, GoPunjab plans to

(1) strengthen CMMF in accordance with a system strengthening and implementation plan and timetable agreed with the Bank; (2) ensure that all government schools are inspected at least once every quarter; (3) revise the form to additionally capture information on what the teacher, if present, was doing at the time of the visit by the inspector; (4) pilot and phase in the use of smartphones for data capture and real-time confirmation that inspectors have visited the schools using GPS tracking and digital photos; (5) assess CMMF inspection data quality by having third-party organizations collect similar data in short succession after a given round of inspections is conducted; (6) disclose the information collected by CMMF on the SED website shortly after the end of each quarter; and (7) have district administrations prepare semiannual district reports on disciplinary actions in the sector and submit these reports to SED/PMIU.

5. **School nonsalary budgets and school council grants:** Under the school nonsalary budgeting subprogram, GoPunjab plans to design and fund school-specific nonsalary budgets and transfer powers to execute these funds to drawing and disbursing officers at schools or, where not feasible, for school clusters. Under the school councils subprogram, GoPunjab plans to strengthen the capacity, authority, and autonomy of community-elected school councils to manage and use their grants for school improvement activities. Grants are transferred from the provincial government to the district government and then transferred directly into the school council bank account, jointly operated by the headteacher and a parent (see Annex 3 for details). Nonsalary budgets are subject to a formal government audit; school council grants are subject to a social audit. Customized, reader-friendly procurement guidelines and training are to be provided to school councils and schools for the use of school council grants and school nonsalary budgets, respectively. To detect the mismanagement/misuse of nonsalary budgets and grants, promoted by DLIs and/or supported by TA, GoPunjab additionally plans to (1) capture information on budget and grant receipt and use via school inspections carried out by CMMF; (2) support the proper preparation and execution of school budgets by using a third-party organization to provide capacity development as well as monitor/verify the receipt, use of funds, and the outputs of used funds; (3) record school needs for major civil works and goods in a computerized system at subdistrict levels; (4) require the open display of school nonsalary budgets and school council grants and expenditures at the school; and (5) carry out implementation and expenditure reviews by contracted third-party organizations.

6. **Tuition-replacement private school vouchers for poor, urban children:** Under the vouchers subprogram, GoPunjab offers tuition-replacement vouchers to children from poor, urban households to attend low-cost private schools under a test-based accountability program. The voucher is provided by the child to the school, and the school redeems it from the Punjab Education Foundation (PEF), the organization that administers the program. In order to counteract the risk of redemption of false vouchers, PEF has integrated advanced security features into the vouchers to protect against counterfeiting. As part of its technical and advisory support, the Bank plans to support the strengthening of PEF's monitoring and evaluation system for the vouchers subprogram by improving their electronic data and database management at the school, household, and child levels (with unique identifiers) and improving the screening of households for program qualification to reduce errors of inclusion and exclusion. In addition, supported by TA and other resources, a rigorous impact evaluation is planned to examine the average causal impacts of the subprogram on participation and achievement (see Annex 8 for details). Survey and test data collection for the impact evaluation will be conducted by a

contracted third-party organization. The information collected for the impact evaluation, combined with a credible strategy to identify impacts, can aid in identifying behaviors that suggest gaming by households or schools.

7. **Cash stipends for girls that attend secondary grades in government schools:** Under PESRP, GoPunjab offers quarterly stipends to girls in grades 6–10 in government schools conditional on a minimum level of attendance, as validated by the school administrator. The cash stipend benefits are delivered to beneficiary girls, usually at the school, through the government postal system; the process is virtually fully manual and paper-based, which reportedly introduces large processing and delivery delays and errors. In addition, there are unknown risks of leakage due to the absence of systems for efficiently monitoring and verifying the timely and full delivery of stipends to intended beneficiaries. Under PESRP II, promoted by DLIs, GoPunjab plans to increase the stipend benefit to restore a large share of the real value lost to price inflation but at the same time target and structure the increase in such a way that it enhances the potential efficiency and effectiveness of the benefit. GoPunjab also plans to improve program administrative performance by contracting the private banking system to field-test and phase in the delivery of stipends to beneficiaries through mobile and branchless banking services, with electronic systems for beneficiary authentication and benefit delivery verification of time and amount of receipt. The exploration of branchless banking options benefits from the background work and the head start in implementation of, for example, the Benazir Bhutto Income Support Program that use such options. Additional sources of information to detect potential integrity risks include (1) CMMF inspections of schools, which would capture information on stipends beneficiaries and benefit receipt and (2) the collection of household and school survey data by a third-party organization for a rigorous impact evaluation of the effects of the supplemental stipends program and delivery of stipends through branchless banking services (see Annex 8 for details). The data collected for the evaluation can aid in identifying behaviors that suggest gaming by households and schools.

8. **Textbook and civil works procurement:** While not covered under the program or the project, in order to support GoPunjab's efforts to improve procurement performance in the sector more broadly, supported by TA, GoPunjab plans to (1) carry out a systematic performance review of civil works procurement in the sector and (2) introduce an electronic procurement planning tool at subdistrict levels to capture school needs for major goods and works. Using its own resources, the Bank will also support a systematic review of the textbook production market in Pakistan and procurement of content development and publishing services. In addition, tools developed by the Bank for assessing irregularities in bid practices are expected to be applied. The findings and recommendations from the reviews are to form part of the information base for government decisionmaking on improving procurement procedures and practices in the sector with respect to timeliness, cost, and quality.

9. **Grievance redressal:** Key established mechanisms for the redressal of grievances include the Chief Minister's Complaints Cell and the Chief Secretary's Petition Cell, with subcells in the District Coordination Officer (DCO) offices in all districts, and the e-complaints system under SED. The systems allow multiple avenues for registering complaints and tracking progress in complaint handling such as through visits to local offices, bulletin boards, postal mail, telephone calls, emails, and through the web. Experience from supporting PESRP indicates



that grievances often stem from the absence of information (or misinformation) on program activities, procedures and practices, and benefit eligibility rules. To lessen the problem, GoPunjab expects to proactively and widely communicate relevant information on PESRP II through a Communications Unit to be established at PMIU (see Annex 2 for details).

10. *The e-complaints system under SED:* Under PESRP II, promoted by a covenant and supported by TA, GoPunjab's plans to strengthen and extend further down the e-complaints system under the Monitoring Cell, SED. This system has been set up specifically for education-related grievances. Under the system, a complainant can register a complaint and receives a tracking number. A hardcopy of the complaint is then sent to the relevant EDO-Education to investigate. The EDO-Education must then communicate his/her review and decision regarding the complaint back to the Monitoring Cell, either by post or email, and the latter then communicates the decision back to the complainant. A list of complaints for which decisions are pending and corresponding tracking numbers is posted on the 10th of each month on the Monitoring Cell webpage which can be accessed by provincial and district education administration officials. Complaints received by postal mail or telephone are transferred to the e-complaints system by the Monitoring Cell. The Monitoring Cell is also responsible for addressing education-related complaints forwarded to it by the Chief Minister's Complaints Cell and the Chief Secretary's Petition Cell, both of which are wider grievance redressal systems. The Deputy Director can view education-related complaints on the Chief Secretary's Petition Cell website by logging in, while he receives a hardcopy of complaints from the Chief Minister's Complaints Cells. The Monitoring Cell usually enters complaints from both these sources into the e-complaints system to maintain a record of the complaints, but the communication of complaints redressal actions is routed through the recipient of the complaint.

11. **Demand-side accountability and transparency:** PESRP II promotes local demand-side accountability by communities and parents through multiple, mutually-enhancing actions including (1) strengthened school councils with greater autonomy and authority to support and monitor schools and (2) regular interactions via, for example, formal organized gatherings and dedicated talk/text message lines to encourage engagement, gather feedback on satisfaction and concerns, and advise on rights, roles, responsibilities, and options for recourse. GoPunjab plans to promote transparency through, for example, the regular delivery of credible information via multiple channels on program implementation progress and performance including on individual school performance (covering, among other things, teacher absence and teaching activity), as well as the open display of critical pieces of information at the school. Many of the actions related to relaying relevant information to internal and external stakeholders and collecting feedback are expected to be undertaken by GoPunjab as part of a formal information and communications subprogram. This subprogram signals GoPunjab's recognition of its importance and represents a new element under PESRP II.

12. **Third-party assessments:** In order to ease the administrative burden on GoPunjab, take advantage of the knowhow and capacity in the private sector, and, importantly, for greater credibility, GoPunjab plans to carry out third-party assessments of program implementation progress and performance by contracting individuals/organizations from the private sector. This emphasis on third-party assessments is reflected in the DLIs and covenants: virtually all subprograms with actions promoted by DLIs and covenants have reviews, validations, and

evaluations that are to be conducted by third-party organizations at relevant points over the project implementation period.

**Table 1. Governance and Accountability Action Plan summary**

Issues/Risk	Mitigating actions	GAAP monitoring mechanism	Agency responsible	Timeline
<i>Underperformance of service delivery agents, specifically teachers</i>	Promoted by DLIs and supported by TA: <ul style="list-style-type: none"> <li>• Monitoring of school staff performance by communities through school councils.</li> <li>• Regular collection of credible information on teacher absence and teacher on-task through CMMF school inspections and feeding the information back to internal and external stakeholders and decisionmakers at multiple levels.</li> <li>• Linking of teacher compensation to teacher performance (accompanied by an impact evaluation).</li> <li>• Piloting the use of ICT, specifically the use of smartphones with GPS tracking capability and digital cameras for the real-time verification of the presence of teachers at school.</li> <li>• Collection of data on teacher presence and teacher on-task as part of school sample surveys conducted by third-party organizations for capturing information on implementation performance and progress in selected subprograms.</li> </ul>	<ul style="list-style-type: none"> <li>• CMMF school inspection data and reports.</li> <li>• Impact evaluation data and documentation produced by contracted third parties and DPs.</li> <li>• Data and documentation from ICT-based recording of teacher presence.</li> <li>• Third-party school sample surveys that capture information on teacher presence and on-task.</li> <li>• Program implementation progress reports produced by GoPunjab.</li> <li>• Development-partner project implementation support and supervision reports.</li> </ul>	SED/PMIU; CMMF; contracted third-party organizations; DPs.	<ul style="list-style-type: none"> <li>• Per DLI, covenant, and TA timetables.</li> <li>• Additional activities per agreed timetables.</li> </ul>
<i>Data concerns related to the Chief Minister's Monitoring Force school inspections</i>	Promoted by covenants and supported by TA: <ul style="list-style-type: none"> <li>• Strengthening of CMMF in accordance with a system strengthening and implementation plan and timetable agreed with the Bank.</li> <li>• Ensuring that all government schools are inspected at least once every quarter.</li> <li>• Revision of the school inspection form to additionally capture information on what the teacher, if present, was doing at the time of the visit by the inspector.</li> <li>• Piloting and phasing in the use of smartphones for data capture and real-time confirmation that inspectors have visited the schools using GPS tracking and digital photos.</li> <li>• Assessment of CMMF school inspection data quality by having third-party organizations collect similar data in short succession after a given round of inspections is conducted.</li> <li>• Disclosure of the information collected by CMMF on the SED website shortly after the end of each quarter.</li> </ul>	<ul style="list-style-type: none"> <li>• CMMF school inspection data and reports.</li> <li>• Data and documentation from ICT-based recording of inspector visits.</li> <li>• Data and documentation from validation surveys by contracted third parties.</li> <li>• Program implementation progress reports produced by GoPunjab.</li> <li>• Development partner project implementation support and supervision reports.</li> </ul>	SED/PMIU; CMMF; contracted third-party organizations; DPs.	<ul style="list-style-type: none"> <li>• Per DLI, covenant, and TA timetables.</li> <li>• Additional activities per agreed timetables.</li> </ul>
<i>Potential integrity risks associated with school nonsalary budgets and school-council grants</i>	Promoted by DLIs and/or supported by TA: <ul style="list-style-type: none"> <li>• Information on budget and grant receipt and use captured via school inspections carried out by CMMF.</li> <li>• Preparation and execution of school budgets by using a</li> </ul>	<ul style="list-style-type: none"> <li>• CMMF school inspection data and reports.</li> <li>• Data and documentation from assessments and surveys</li> </ul>	SED/PMIU; CMMF; third-party organizations;	<ul style="list-style-type: none"> <li>• Per DLI, covenant, and TA timetables.</li> <li>• Additional activities per agreed timetables.</li> </ul>

	<p>third-party organization to provide capacity development as well as monitor/verify the receipt, use of funds, and the outputs of used funds.</p> <ul style="list-style-type: none"> <li>Recording of school needs for major civil works and goods in a computerized system at subdistrict levels.</li> <li>Open display of school nonsalary budgets and school-council grants and expenditures at the school.</li> <li>Implementation and expenditure reviews by contracted third-party organizations.</li> </ul>	<p>conducted by contracted third parties.</p> <ul style="list-style-type: none"> <li>Program implementation progress reports produced by GoPunjab.</li> <li>Development partner project implementation support and supervision reports.</li> </ul>	DPs.	
<p><i>Potential integrity risks associated with tuition-replacement vouchers administered by the Punjab Education Foundation (PEF)</i></p>	<p>Promoted by DLIs and supported by TA:</p> <ul style="list-style-type: none"> <li>Integration of advanced security features into the vouchers to protect against counterfeiting.</li> <li>Strengthening of PEF's monitoring and evaluation system for the vouchers subprogram by improving their electronic data and database management and improving the screening of households for program qualification to reduce errors of inclusion and exclusion.</li> <li>Collection of survey and test data by a third-party organization as part of an impact evaluation, which can aid in identifying behaviors that suggest gaming by households or schools.</li> </ul>	<ul style="list-style-type: none"> <li>Impact evaluation data and documentation produced by contracted third parties and DPs.</li> <li>Program implementation progress reports produced by GoPunjab.</li> <li>Development partner project implementation support and supervision reports.</li> <li>Data and documentation from PEF's monitoring and evaluation system.</li> </ul>	SED/PMIU; PEF; contracted third-party organizations; DPs.	<ul style="list-style-type: none"> <li>Per DLI, covenant, and TA timetables.</li> <li>Additional activities per agreed timetables.</li> </ul>
<p><i>Potential integrity risks associated with cash stipends to girls that attend secondary grades in government schools</i></p>	<p>Promoted by DLIs and supported by TA:</p> <ul style="list-style-type: none"> <li>Field-testing and phasing in of the delivery of stipends to beneficiaries through mobile and branchless banking services via the private banking system, with electronic systems for beneficiary authentication and benefit delivery verification of time and amount of receipt.</li> <li>CMMF inspections of schools to capture information on stipends beneficiaries and benefit receipt.</li> <li>Collection of school and household sample survey data by a third-party organization as part of an impact evaluation, which can aid in identifying behaviors that suggest gaming by households or schools.</li> </ul>	<ul style="list-style-type: none"> <li>Impact evaluation data and documentation produced by contracted third parties and DPs.</li> <li>Program implementation progress reports produced by GoPunjab and contracted private banks.</li> <li>Development partner project implementation support and supervision reports.</li> <li>CMMF school inspection data and reports.</li> </ul>	SED/PMIU; contracted third-party organizations; contracted private banks; DPs.	<ul style="list-style-type: none"> <li>Per DLI, covenant, and TA timetables.</li> <li>Additional activities per agreed timetables.</li> </ul>

## Annex 7: Lessons learned and reflected in program design

### I. Lessons learned and reflected in design

1. The design of PESRP II and the proposed project are informed by lessons derived from the longstanding engagement of the Bank and other development partners with the province in primary and secondary education, including Bank experience from the implementation of results-based investment operations in the sector in general and in Pakistan in specific (e.g., PESP and the Sindh Education Sector Project [SEP] currently under supervision). Selected general and specific lessons learned and reflected in program and project design are discussed below.

2. **Instrument design:** The results-based design of PESP and SEP, specifically the use of covenants and DLIs, has likely aided the respective provincial governments in focusing on and satisfactorily achieving the majority of agreed implementation progress and performance targets.<sup>29</sup> At the same time, the results-based instrument offers sufficient flexibility for mid-course correction, via remedial actions for unmet/partially-met DLIs. The timely achievement of implementation-related targets aided the production of knowledge through integrated reviews, validations, and evaluations which require data collection at specific milestones. In addition, the TA component in both projects was critical for supporting the achievement of DLIs as well as the validation of DLI achievement. Given these advantages, the results-based design is retained for PESP II.

3. The new design has been refined to account for some issues in the first projects. To help promote sustained program implementation (which would be instrumental for fully realizing gains in school participation and student achievement from the program actions), planned disbursements are fixed to increase over the project implementation period. To promote expenditures in the EEPs (releases and expenditures were a concern under PESP),—with the exception of the first disbursement of US\$45 million at project effectiveness (which may in part or wholly be an advance)—PESP-II disbursements are to be on a reimbursement basis (rather than on an advance basis as under PESP). To promote expenditures in nonsalary EEPs, total disbursements against expenditures incurred in employee-related expenses is capped at 70% (there was no cap under PESP).

4. **Program content:** PESP promoted and supported GoPunjab actions under PESRP to introduce, strengthen, and ensure the running of institutions and systems, including, for example, PEC and its testing activity, PEF and its accountability-linked subsidy programs to low-cost private schools, the delivery of textbooks to schools and stipends to beneficiary girls, and the Annual School Census. While these actions serve as prerequisites, supplementary actions are needed to have these early actions produce gains in outcomes of interest. In addition, over the implementation period of PESP, economic conditions deteriorated, adversely affecting GoPunjab's fiscal health and its ability to increase investments in education as well as household

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<sup>29</sup> Examples include (1) improvements in the timeliness and extent of delivery of free textbooks to government schools and cash stipends to girls in secondary grades in government schools, (2) the expansion of capacity-building support and regular transfer of cash grants to school councils, (3) annual student examinations and assessments, and (4) increases in the number of low-cost private schools supported by government under accountability-based per-student subsidies.

demand for schooling, as indicated by ongoing research on economic shocks and school participation in Pakistan. Thus, while GoPunjab satisfactorily met the majority of DLIs under PESRP, progress in child school participation at the primary level (a PDO-level results indicator) was less than satisfactory.

5. PESRP II builds on the foundations laid by PESRP to introduce actions that have a closer and/or tighter link with service delivery performance at the school level, and, thus, with outcomes of interest. In addition, in light of its tight fiscal situation and concerns over the quality of sector expenditures, GoPunjab plans to cut back expenditures (or constrain expenditure growth) in initiatives it views as having limited returns and provide adequate allocations for promising/proven initiatives. This emphasis on quality of expenditures in relation to outcomes is reflected, for example, in the decision to (1) limit infrastructure development and make better use of the existing stock of infrastructure, (2) rationalize its teaching force based on enrollment needs at the school level and then determine hiring needs, and (3) eliminate a costly but low-return teacher cash bonus program (the high-achievers program).

6. **Interdepartmental coordination and partnership:** In order to help ensure broad internal support for sound design and successful implementation, formal arrangements were put in place under PESRP and PESRP to foster coordination and partnership between SED/PMIU (and its subdepartments) and multiple departments, including, importantly, the Planning and Development Board, the Finance Department, the Accountant-General, and the Auditor-General. The design and use of these arrangements have likely aided program implementation progress and performance, particularly via troubleshooting. These arrangements are expected to be retained under PESRP II and used more intensively for supporting critical sector reforms, improved public finance management and performance as it relates to the sector, improved education sector management and performance, and risk-mitigation efforts.

7. **Partnering with the private sector:** Under PESRP, GoPunjab provided public subsidies (with test-based accountability measures) to partnering low-cost private schools in order to promote higher child school participation and student achievement, among children from disadvantaged households. Evaluative evidence shows that these initiatives have generated large and quick gains in both enrollment and achievement, and have indicated to GoPunjab the value of partnering with the private sector in order to efficiently address shortfalls in outcomes. Thus, under PESRP II, GoPunjab plans to improve and scale up a program that offers vouchers to poor, urban children to attend qualifying low-cost private schools. In addition, tapping the potential in the wider private sector, GoPunjab plans to expand private participation in the administration and monitoring and evaluation of public education service delivery, including, for example, (1) hiring technical staff from the private market for PMIU and PEC; (2) partnering with private banks to offer branchless banking options for stipends delivery to beneficiary girls; and (3) contracting with private sector organizations/firms to carry out screening/diagnostic tests for new and existing teachers, monitoring of administration of PEC student tests, and a range of analytical and advisory work, including field surveys.

8. **Information and communications:** Communications with and information dissemination to internal and external stakeholders were important gaps under PESRP. This likely resulted in a poor information base for decisionmaking and poor engagement with and low

confidence in the system, which, in turn, possibly limited (government) school participation. Thus, under PESRP II, GoPunjab plans to introduce a formal subprogram on communications and information, supported by a project covenant, with the needed institutional and implementation arrangements to regularly (1) communicate information on program progress and performance as well as system and school performance to stakeholders through multiple channels and (2) collect feedback from stakeholders, including parents and local communities at large, through consultations and discussions organized in the districts.

9. **Project implementation supervision and support:** Under PESP, program implementation supervision and support have been a time- and cost-intensive activity, as well as challenging given the variable security environment. The supervision and support requirements included (1) strategic policy dialogue on critical reforms with the political and bureaucratic leadership; (2) monitoring and review/analysis of data and documentation for validating covenant compliance, DLI achievement, and EEP expenditures; and (3) technical assistance and advisory support, including supporting the organization and management of surveys and subsequent analysis for reviews and evaluations. These requirements are expected to remain under PESP II, and become more demanding given the greater need for supervision and support at lower levels in line with GoPunjab's focus on improving service delivery performance at the school level. The lessons learned from responding to (changes in) circumstances and needs through different strategies under PESP and SEP have helped inform the design of arrangements and required resources for timely and high-quality supervision and support, and the preparation of emergency/back-up arrangements for maintaining supervision and support if/when security conditions deteriorate (discussed earlier in Annex 5).

10. **Project technical assistance:** Under PESRP, there were delays by SED/PMIU in executing the TA component of PESP. The delays were principally due to SED/PMIU's inexperience with Bank procurement guidelines and the early lack of appreciation for the need to synchronize activities supported by the TA with the activities supported by the DLIs and covenants. SED/PMIU is now more familiar with Bank procurement guidelines and procedures and the effective use of TA (albeit contracted with delay) to strengthen the human resource and technical capacity of PMIU and other SED subdepartments and carry out assessments in the field has demonstrated to GoPunjab the critical role that TA performs. Given the past delay, the scope of work of the contracted TA firm under PESP is to be changed in order to cover part of the new TA requirements under PESRP II. Additional TA services will be contracted in the first year of the PESP-II implementation period to cover any remaining TA requirements. GoPunjab has also put in place a procurement focalpoint at PMIU in order to strengthen procurement and contract management. These steps, combined with stronger TA implementation supervision and support by the Bank, improve the starting position and will likely improve implementation performance in the TA component of PESP II.

## **II. Selected achievements under the PESRP**

11. PESP promoted and supported GoPunjab actions under PESRP to introduce, strengthen, and ensure the running of education institutions and systems. Table 1 presents selected PESP PDO-level results indicators. The statistics for the indicators are obtained from the PSLM surveys and comprise of those that are for the year (1) after the onset of PESRP (2004/05), (2)

that served as the baseline for PESP (2006/07), and (3) with the latest available data (2010/11). The statistics show that the majority of PESP targets fixed for 2011/12 were met (see statistics shaded in light gray). Progress has however fallen short in school participation at the primary level (see statistic shaded in dark gray), an indicator that reflects the extent of new children joining schooling.

**Table 1. Progress under PESRP on PESP PDO-level results indicators**

PDO-level results indicator	2004/05	PESP baseline 2006/07	2010/11	Original PESP target 2011/12
NER, primary	58%	62%	61%	66%
NER, middle	20%	20%	23%	22%
Female-male NER ratio, primary, rural	88%	89%	92%	92%
Female-male NER ratio, middle, rural	78%	74%	81%	78%

Notes: NER denotes Net Enrollment Rate. Primary NERs are for children ages 5–9 years, and excludes katchi (preschool) participation; middle NERs are for children ages 10–12 years. Statistics for 2004/05, 2006/07, and 2010/11 obtained from official PSLM survey reports.

Some selected achievements related to specific actions carried out by GoPunjab under PESRP are presented below in no particular order.

12. **School councils:** As part of its efforts to revitalize parental/local community engagement in relation to government school operations, activities, and performance, under PESRP, GoPunjab introduced school councils in all government schools. In addition, school councils were offered annual grants to support school improvements; these grants are vital resources given scant resources from other sources for basic school operations, teaching and learning resources, and school maintenance and repair. Under PESRP, 95% of school councils are receiving grants annually. GoPunjab has also rolled out capacity-building support to school councils via contracted NGOs to make school council members aware of their rights, roles and responsibilities, resources, and options for recourse, as well as support for the preparation of plans for the use of grants. The capacity-building support has so far covered roughly 57,000 school councils, with 19,000 school councils currently receiving this support. This has been a major reform initiative and sets the foundation for the actions under PESRP II to strengthen the autonomy, authority, competency, and capacity of school councils to support and monitor school performance.

13. **Secondary school stipends for girls:** As part of its strategy to encourage girls' secondary school participation, under PESRP, GoPunjab administers a program which offers cash transfers on a quarterly basis conditional on minimum attendance to girls in grades 6–10 in government schools. The program presently covers over 382,000 girls in 16 low-literacy districts. Available evaluative evidence shows that (1) the program has yielded enrollment gains for girls, (2) these gains have grown markedly over time, and (3) the enrollment gains additionally produce school completion gains (Chaudhury and Parajuli 2010; Hasan 2010; Alam et al. 2011). Under PESRP II, GoPunjab plans to strengthen the gains from the girls' stipends program by improving its targeting and setting a benefit schedule that provides stronger incentives for girls to transition into secondary school, progress through, and complete the level.



GoPunjab also plans to phase in the delivery of stipends to beneficiary girls through branchless banking services by partnering with private banks.

14. **Public-private partnerships in education:** Under PESRP, GoPunjab supports the restructuring and strengthening of PEF, and the development and expansion of innovative programs to support the low-cost private sector to provide quality schooling opportunities to children from disadvantaged households. In the Foundation-Assisted Schools (FAS) program, GoPunjab offers per-student subsidies to existing low-cost private schools under a test-based accountability system. The program has been rapidly expanded from its introduction in 2005, and now covers approximately 1,800 low-cost schools and 800,000 students in 29 districts, making it arguably the largest public-private partnership program in the developing world. Rigorous evaluative evidence shows that the program has generated large gains (in the subsample of program schools examined) in enrollment and school inputs (roughly a gain of 40%) and student achievement (a gain of 0.3–0.5 standard deviations) within two years (Barrera-Osorio and Raju 2010; Barrera-Osorio and Raju 2011; Barrera-Osorio and Raju *forthcoming*). Evidence from examining the potential channels behind the detected achievement gains suggests the importance of the test-based accountability system which requires a minimum student achievement level for schools to remain in the program. In the New Schools Program (NSP), GoPunjab provides per-student subsidies to schools set up in underserved areas. The program currently covers over 20,000 students in 230 schools in 16 districts. Rigorous evaluative evidence from the province of Sindh suggests that a program of this sort produces substantial gains in participation, gender equality in participation, and achievement (Barrera-Osorio et al. 2011). The evaluations indicate that the FAS program in Punjab and the sister program of the NSP in Sindh are two of the most cost-effective programs for generating enrollment gains among a wide set of rigorously-evaluated education interventions in the developing world.

15. **Student assessment systems:** Given the importance of regularly and credibly measuring student achievement and using this information for decisionmaking at various levels, testing institutions and student assessment systems were introduced by GoPunjab under PESRP. The Punjab Examination Commission (PEC) was set up as an autonomous body, resourced, and supported through technical and advisory services, and today designs and administers (with the partnership of the district education departments) annual competency-based tests of students in grades 5 and 8 in all government schools (as well as private schools that opt to take the test). In 2011, around 1.5 and 1.0 million students registered for the grade-5 and grade-8 tests, respectively. In addition, the Punjab Education Assessment System (PEAS) was strengthened and today supports annual competency-based diagnostic tests of students in grades 4 and 8 in selected government schools. Under PESRP II, GoPunjab plans to strengthen PEC and PEAS, improve test design and administration procedures and controls, and feedback findings from analyzing the assessment data to internal and external stakeholders for influencing and informing decisions to improve system and school performance.

## Annex 8: Selected education research under PESRP II

1. Research on education in Pakistan has arguably been some of the best in the developing world, much of this generated by the Learning and Educational Achievement in Punjab Schools (LEAPS) research program. Bank education projects in Pakistan have also served as platforms for generating high-quality research. PESRP II is designed similarly. A large share of the proposed education research agenda under PESRP II is rigorous impact evaluations which aim to generate causal evidence on which interventions work; if they do, how cost-effectively; and, where possible, via what channels. Evaluations are attached to interventions—usually those that are promising and innovative—that GoPunjab has requested the Bank to examine as part of its technical and advisory support. Some of the research is identified to additionally serve a greater public good by seeking to answer questions for which the findings in the existing literature are inconclusive or where the literature is thin or absent, thereby, potentially informing the international education development agenda.

2. In addition, to aid in assessing and benchmarking the state and performance of Pakistan and Punjab's education systems in absolute and relative terms, multiple tools developed under the System for Assessment and Benchmarking for Education Results (SABER) initiative are currently being (or are planned to be) applied, financed under the Bank's Pakistan Education Sector Review activity. Given the timing, the information generated from the application of the tools serves as a baseline for the project; the possible reapplication of the tools near the end of the project implementation period would allow the assessment of development progress.

3. The proposed research agenda is expected to be supported by PESRP-II TA resources as well as supplemental resources mobilized by the Bank and other development partners. In addition, much of the research will be conducted and disseminated under a proposed joint DfID-Bank Pakistan education research program, supported, where needed, by fieldwork conducted by contracted local research organizations. DfID also plans to set up and finance a *Pakistan education research observatory*, which is expected to produce additional research on education in the country.

Selected proposed research is briefly described below.<sup>30</sup>

4. **Student assessments, early reading ability, and international benchmarking:** As mentioned earlier, the PDO-level indicator on student achievement is to be measured by independently administering multiple rounds of competency-based assessments to grade-4 and grade-5 students in a representative sample of government and publicly-supported low-cost private schools in the province. Given the critical importance of detecting any shortfalls early on and taking remedial action, an early reading readiness and skills assessment to be administered to students in lower grades in school (and possibly similarly-aged and younger children at home) is expected to be integrated into the exercise. In addition, the grade-4 and grade-5 assessments are expected to include literacy and numeracy test items from the Trends in International Mathematics and Science Study (TIMSS) and the Progress in International Reading Literacy

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<sup>30</sup> The list of analytical work is indicative and will be taken forward after a more thorough assessment of feasibility and the credibility of the identification strategies, and given sufficient technical and financial resources.

Study (PIRLS and prePIRLS), thus, allowing the results of tested students in the province to be benchmarked against those of tested students from elsewhere.

5. **Cash stipends to girls for secondary education in government schools:** While multiple evaluations have been conducted of the girls' cash stipends program (a conditional cash transfer program), the studies suffer from some important shortcomings that undermine the credibility and limit the richness of the evidence. Under PESRP II, an experimental evaluation is proposed which would examine the independent average causal effects and cost-effectiveness with respect to participation, progression, and achievement of (1) targeted supplemental stipends and (2) an altered stipends delivery mechanism (branchless banking instead of the current mechanism of money orders delivered to beneficiaries via the postal system). The impact evaluations will use multiple rounds of data on households (children), schools, teachers, and students obtained from primary (independently-administered surveys and tests) and secondary (program administration) sources. These data are expected to allow the examination of, *inter alia*, (1) how end outcomes are mediated through intermediate outcomes (potential channels), (2) intrahousehold spillovers, (3) the relationship between impacts and school characteristics, and (4) the responses of schools and teachers to the interventions.<sup>31</sup>

6. **Tuition-replacement vouchers to access private schools:**<sup>32</sup> GoPunjab currently supports innovative public-private partnership programs in education, including tuition-replacement vouchers targeted at children in poor households in disadvantaged urban neighborhoods to enable their participation in low-cost private schools. Under PESRP II, an evaluation is proposed that would examine the independent average causal effects on and cost-effectiveness with respect to participation and achievement of (1) the voucher program and (2) alternative rules for distributing vouchers to children within qualifying households. The impacts of the vouchers program is expected to be examined under a nonexperimental evaluation that takes advantage of household means-testing and the application of a cutoff for program qualification. The impacts of alternative rules for the distribution of vouchers to children within households are expected to be examined under an experimental evaluation with the selected rules randomly assigned at the household level. The evaluation of alternative rules can potentially shed light on their relative efficacy in yielding gains in a setting where the available evidence shows that most of the variation in school participation across children is due to variation in participation across children *within* households. The impact evaluations will use multiple rounds of data on households (children), schools, teachers, and students obtained from primary (independently-administered surveys and tests) and secondary (program administration) sources.

7. **Performance bonuses for government school teachers:** Under PESRP, an experimental evaluation was initiated to examine the average causal effects on and cost-effectiveness with

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<sup>31</sup> The international evidence on the effects of CCT programs are summarized in Fiszbein and Schady (2009). The current research agenda on CCT programs includes focused examinations of mechanisms, other education (e.g., achievement) and noneducation outcomes, and administrative arrangements (see, e.g., Aker et al 2011, Baird et al 2011). The proposed research fits with this agenda.

<sup>32</sup> Voucher programs in developing countries and in Latin America (e.g., in Chile and Colombia) have been subject to rigorous evaluations (see, e.g., Patrinos et al 2009 for a summary). The evidence in general shows gains in outcomes of interest but also how the effects relate to the extent of school choice and the nature of market competition, and potential concerns related to equity, peer dynamics and effects, and strategic behavior by voucher schools.

respect to enrollment and achievement of an innovative pilot program that offers group-based cash bonuses to teachers in achievement-poor government schools on the basis of changes in enrollment and achievement. This evaluation is expected to continue under PESRP II. In addition, under PESRP II, a second experimental evaluation is proposed to examine the average causal effects on and cost-effectiveness with respect to enrollment and achievement of a modified group-based cash bonus program for government school teachers. This modified program is based on an improved value-added design that attempts to ascertain achievement gains of a school relative to those of an average school. Such value-added designs reflect the latest wisdom on the design of teacher-incentive programs. The new design is expected to be randomly assigned at the school level and the impact evaluation will use multiple rounds of data on schools, teachers, and students obtained from primary (independently-administered surveys and tests) and secondary (program administration) sources.

8. **ICT-based capacity development program for school councils:** Under PESRP II, an evaluation is proposed to examine the effects and cost-effectiveness of the ICT-based capacity development program for school councils. The capacity development program will use SMS, robocalls, and call agents to regular exchange information with school council members and community members at large about their roles, responsibilities, rights, and avenues for recourse in relation to the government school system. Outcomes of interest include school council operations and performance (e.g., member knowledge, extent of engagement, use of grants, expenditure choices), school operations and resourcing, teacher performance (e.g., presence, on-task), and student enrollment and achievement. The evaluation is expected to take advantage of a controlled rollout of the program across schools (school councils) and districts.

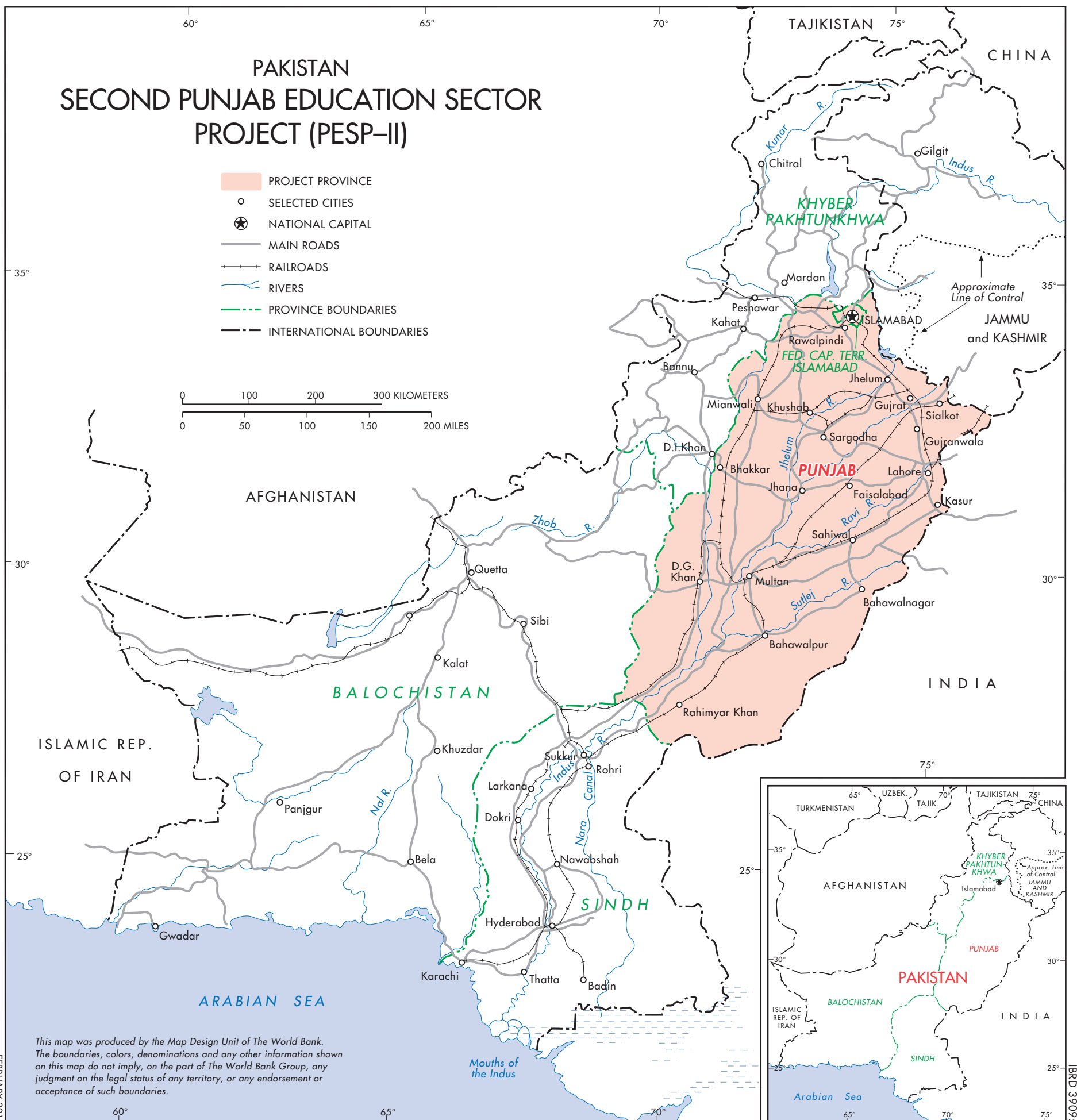
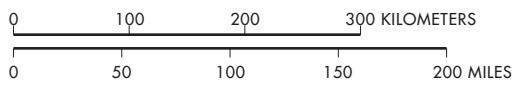
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# PAKISTAN SECOND PUNJAB EDUCATION SECTOR PROJECT (PESP-II)

- PROJECT PROVINCE
- SELECTED CITIES
- NATIONAL CAPITAL
- MAIN ROADS
- RAILROADS
- RIVERS
- PROVINCE BOUNDARIES
- INTERNATIONAL BOUNDARIES



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