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SIMPLIFIED IMPLEMENTATION COMPLETION REPORT

THE ISLAMIC REPUBLIC OF PAKISTAN

EDUCATION SECTOR ADJUSTMENT CREDIT FOR

THE GOVERNMENT OF PUNJAB PROVINCE

Cr No. 38550

MARCH 29, 2005

**Human Development Sector Unit
South Asia Region**

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US\$1 = PKR 57.23

GOVERNMENT FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
EMIS	Education Management Information System
FY	Fiscal Year
ICR	Implementation Completion Report
IDA	International Development Agency
MTBF	Medium-Term Budget Framework
NEAS	National Education Assessment System
NFC	National Finance Commission
NGOs	Non-Governmental Organizations
PEF	Pakistan Education Foundation
PESAC	Punjab Education Sector Adjustment Credit
PESRP	Punjab Education Sector Reform Program
PFC	Provincial Finance Commission
PIHS	Pakistan Integrated Household Survey
PMIU	Program Monitoring and Implementation Unit
PRSP	Poverty Reduction Strategy Paper
SAPP II	Second Social Action Program Project
SBP	State Bank of Pakistan
SCs	School Councils
SECAL	Sectoral Adjustment Loan
TOP	Terms of Partnership
TPV	Third Party Validation

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MAP 32904

Simplified Implementation Completion Report For Programmatic Adjustment Operations

<i>Operation ID:</i> P083228	<i>Operation Name:</i> Punjab Education Sector Adjustment Credit (PESAC)
<i>Team Leader:</i> Tahseen Sayed	<i>TL Unit:</i> SASHD
	<i>Report Date:</i>

1. Program Data

<i>Name:</i>	Punjab Education Sector Adjustment Credit	<i>L/C Number:</i>	
<i>Country/Department:</i>	Human Development Sector	<i>Region:</i>	SAR
<i>Sector/subsector:</i>	Education		
<i>Theme:</i>	Decentralization, Governance, Improved Service Delivery		

KEY DATES

			<i>Original</i>	<i>Revised/Actual</i>
<i>PCD/PR:</i>		<i>Effective:</i>	April, 2004	April, 2004
<i>Appraisal:</i>	November 1, 2003	<i>MTR:</i>		
<i>Approval:</i>	February 10, 2004	<i>Closing:</i>	September 30, 2004	September 30, 2004

<i>Borrower/Implementing Agency:</i>	Islamic Republic of Pakistan
<i>Other Partners:</i>	Government of Punjab

STAFF	Current	At Appraisal
<i>Vice President:</i>	Praful Patel	Praful Patel
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2. Principal Performance Ratings

(HS=Highly Satisfactory, S=Satisfactory, U=Unsatisfactory, HL=Highly Likely, L=Likely, UN=Unlikely, HUN=Highly Unlikely, HU=Highly Unsatisfactory, H=High, SU=Substantial, M=Modest, N=Negligible)

<i>Outcome:</i>	S
<i>Sustainability:</i>	L
<i>Institutional Development Impact:</i>	S
<i>Bank Performance:</i>	S
<i>Borrower Performance:</i>	S

	QAG (if available)	ICR
<i>Quality at Entry:</i>	N/A	S
<i>Operation at Risk at Any Time:</i>	N/A	No

3. Program Description

3.a. Description of Program

Although the province of Punjab has better educational outcomes compared to other provinces of Pakistan, key educational indicators are low compared to other countries with Punjab's level of development. Almost forty percent of the adult population is illiterate and less than half of the province's primary school-age population is enrolled in school. The enrollment rate is particularly low in rural areas, especially for girls. Of those children who attend school, only fifty percent of the students who enroll in grade one actually end up completing four or more years of schooling.

The population's low education level poses significant constraints to the realization of sustained economic growth and poverty reduction in Punjab. The major issues affecting the performance of the education sector and service delivery have been: (i) insufficient resources allocated to education; (ii) systemic weakness in public sector service delivery, including over-centralization and inadequate management; and (iii) the poor performance of the education system (in terms of access, governance, and quality).

To address these fiscal and institutional challenges, the Government of Punjab is implementing a three-year education sector reform program to enhance access and improve quality of education and improve gender parity in Punjab, Pakistan's largest province. Key pillars of the Punjab Education Sector Reform Program (PESRP) are: (A) public finance reforms to increase public spending for education (and other pro-poor services) and to ensure fiscal sustainability; (B) reforms that strengthen devolution and improve the fiduciary environment and governance; and (C) education sector reforms to improve quality, access, sector governance, and public/ private partnerships.

3.b. Description of the Operation

The Bank has supported year one of the reform program through a US \$100 million Punjab Education Sector Adjustment Credit (PESAC). A sector adjustment credit (SECAL) was a suitable instrument to finance a reform program that seeks to bring significant policy and systemic changes. It was also a more appropriate instrument to support cross-sectoral areas linked to the education reform program such as enhanced expenditures, decentralization and governance reforms. Further, lessons from Bank experience with investment projects and with the Social Action Program Project (SAPP) in Pakistan, in the 1990s, had showed that policy reforms require support beyond sector line ministries. After almost a decade of sector investment projects and the SAPP, Pakistan did not accomplish any significant improvements in outcomes. There was a period of stock taking by both the Bank and the Government on what was needed to bring about visible improvements in the education sector. The experience of SAPP suggested that sector reforms require critical support and sustained commitment of the Government as a whole. The Bank re-engaged with Government of Punjab against this backdrop. A sector adjustment credit was considered appropriate as this instrument facilitates policy dialogue, attention, and decisions at the highest levels of government. The objective of the adjustment credit was to provide financing to the Government of Punjab to support all three pillars of the PESRP in bringing about increases in the educational attainment of the population of Punjab, particularly the poor and women, and helping Punjab move towards achieving the Millennium Development Goals of Universal Primary Education and Gender Parity in Primary Education by 2015. The experience of PESAC demonstrates that it has been the right instrument for prioritizing the education sector, and has fostered incentives for improving performance since subsequent Credit disbursements of the three-year program are based upon both implementation progress as well as overall achievement of outputs. The sector adjustment operation is in alignment with key national

strategies and policies such as the Government of Pakistan's Poverty Reduction Strategy Paper (PRSP), the national Education Sector Reforms, and the Devolution program, and is also consistent with the Bank's Country Assistance Strategy (CAS) for Pakistan. In addition, this operation is also aligned with the Punjab Resource Management Program, which is supported by the Asian Development Bank.

4. Achievement of Objectives and Outputs

The achievement of objectives and outputs is rated as satisfactory. The adjustment Credit was provided to support a programmatic approach to reform, in which subsequent adjustment lending would continue to support broader and deeper fiscal, governance and education reforms of the Punjab Government. This ICR focuses on the achievements through the fulfillment of Board conditions, but also includes review of the overall program to the current date.

Steady progress has been made in implementing the reform program. The policy matrix in Annex 1 provides the updated progress. Government of Punjab's performance during the first program year has been impressive and a number of initiatives are already beginning to show impact. Now in the second year, the reforms are being implemented on a faster track than anticipated during the preparation of the first credit.

The following provides an assessment of achievement of objectives and outputs for each of the pillars of the Program.

Pillar 1: Improving Public Sector Financing

Objective: To ensure that public expenditure is appropriately allocated to meet the Province's education needs.

Before the adjustment credit was initiated, the Government of Punjab had developed a Medium-Term Budget Framework (MTBF), which gave high-priority to pro-poor expenditure, especially education. The revised MTBF (see Annex 2) suggests that the financial position of the province remains on sound footing and in fact would continue to improve despite the provincial government's commitment to sharply increase the pro-poor expenditure (see Annex 2). A large part of this improvement in provincial finances is brought about by increased revenue transfers from the federal government, as the provincial government expects a higher share for provinces in the divisible pool of federal revenue in the next National Finance Commission (NFC) Award. Restructuring of provincial taxes is expected to bring about a significant improvement in province's own revenue, but its contribution to overall finances of the province would remain small. Provincial expenditure is also projected to increase sharply (at 18% per annum). More important, however, is the improvement in the composition of these expenditures as development expenditures are projected to increase at a much faster rate than recurrent expenditures, and within the latter, the pro-poor expenditure would increase substantially faster than other recurrent expenditure, as the province makes a strong effort to reduce less-priority expenditure by reducing un-targeted provincial subsidies. The province has developed a debt management strategy, which focuses on early retirement of expensive federal government debt by raising concessional donor financing, utilizing its cash balances and through more innovative means of financing. The resulting reduction in debt servicing bill helps the province to increase its high-priority expenditures on sustainable basis.

The MTBF projects that the provincial expenditure on education would more than double over the 2002/03-2005/06 period, owing mainly to tripling to the Punjab Education Sector Reform

Program which was supported under PESAC. While the current expenditure on education would increase by 78 percent, the development expenditure will almost triple due to continued provision for missing facilities, provision of infrastructure to cater for the sharp increase in enrollment and improving access to secondary and higher level education. Nonetheless, the increase in development expenditure is from a very low base as development expenditure of education had declined significantly before the reform program. The MTBF projections have also been maintained.

In the second year of the program, the Government has allocated funds in accordance with the MTBF projections. Specifically, the FY05 budget projects a 21% increase in overall provincial revenue and a 16% increase in provincial expenditure. In accordance with the MTBF projections, the education sector budget has been increased by 15%. Recurrent expenditure on provincially executed activities has been increased by 28%, and the allocation for education from the development budget has been increased by 38%. Information available from the district budgets shows an increase of about 14% in allocation for education sector. More than 50% of districts have already realigned their budgets to increase the level of their non-salary budgets for education.

Pillar 2: Supporting Devolution and Public Sector Management Reform

Objective: To facilitate transfer of resources to the district governments in order to improve timely service delivery

An integral part of the reform program is the clarification of roles and responsibilities of provincial and district governments under the devolution reform, and the introduction of incentives to district governments to improve service delivery. These reforms are embodied in the Terms of Partnership (TOP) agreements (which include annual performance targets) signed between the district and provincial governments. This is the first time in Pakistan that such an explicit service delivery contract has been initiated between the province and district governments.

Under the Local Government Ordinance, a single line transfer is made from the province to the districts to meet all devolved expenditures including education through the Provincial Finance Commission (PFC). Under the TOP mechanism, an equal additional amount was given as a conditional grant to each district earmarked for education. This conditional grant was released to the accounts of each district government upon signature of the TOPs, specifically for providing missing facilities to schools. A district-specific profile of missing facilities was included as an annex to all of the TOPs to serve as a suggested guideline for prioritization of facility upgradation. A good data system on education expenditures is being maintained, which includes regularly updated district level expenditure trends in education.

To recalibrate the allocation of funds towards districts with greater educational needs as well as to give incentives for districts to improve upon the performance of the education sector, subsequent PESRP transfers in FY05 are being made via a needs and performance-based formula. The transfer formula gives 70% weight to district needs (based on literacy and enrollment rates as well as assessment of school infrastructure improvement needs) and the remaining 30% weight to a combination of performance including increases in enrollments, districts budget allocations and ability to utilize earmarked school funds. The needs and performance-based formula is more optimal than the uniform amount provided to all districts in the first year of the Program, which did not take into account the different capacities and needs of the districts.

Recognizing that district governments are likely to be constrained in their capacity to utilize these funds in a timely manner, the Government of Punjab has initiated district-level capacity building

programs to improve program implementation. Besides issues of capacity constraints to properly utilize funds, it still remains to be seen whether this nascent creation of fiscal and administrative space at the district-level actually translates to more independent decision-making at the local level, and whether the district governments are indeed more responsive to the needs of local communities. Further, for the TOP to become a mechanism for strengthening provincial and district government relationships and for bringing about sustained ownership of the program, it will require to be used more effectively as an accountability mechanism.

Objective: To Increase Transparency of Financial Management Processes and Procurement Procedures

Consistent with the legal covenants for the credit, the funds for the program have been transferred by the IDA to the Deposit Account of the Government of Pakistan with the State Bank of Pakistan (SBP). The equivalent amount in Rupees was then transferred to the Consolidated Account (Account No. 1) of the Government of Punjab. The deposit account has been audited by the Auditor General of Pakistan and confirmation of the transfers to Punjab's consolidated account has been certified – all within the timeframe as provided for in the Credit and Project Agreements. The Government of Punjab had already provided the agreed level of budget increases in its FY04 budget.

The financial management arrangements under the first credit have been well implemented. The Program Monitoring and Implementation Unit (PMIU) established in the Department of Education under PESRP has taken the lead in establishing a system for program monitoring and management, including financial management. The PMIU has maintained an adequate financial management system using automated technology whereby financial activities related to program funds releases, expenditures, and outputs are tracked all the way down to the district level. The maintenance of financial records of salary and non-salary expenditures, and according to major and minor heads of account within the framework of the government expenditure classification system, has been adequately complied. While this is a positive development at the provincial level, improvements are needed in district governments' capacity to manage and monitor the vast amount of education expenditures that account for a large proportion of the district budget.

Procurement reforms are also underway for increasing efficiency and transparency. Contracts for civil works above a certain threshold are now based on open competition and the requirement for pre-registration of contractors has been removed and the standard Schedule of Rates (the previous administrative arrangements of fixed unit rates under civil works contracts) is no longer applied. Annual third party ex-post procurement audits have been initiated, which are welcome moves that will help to access the transparency and efficiency of the procurement system. However, it will be essential to build the capacity of district government staff to manage the vast procurement responsibilities, and to regularly monitor the transparency of the procurement processes.

Pillar 3: Improving Quality, Access and Governance in the Education Sector

Objective: To Improve Teacher Management and Recruitment

To improve teacher accountability and performance, there has been a major policy shift towards hiring of new teachers with school-based term contracts, with higher qualifications. More than 30,000 contract teachers with appropriate educational qualifications have been hired so far, starting a process that is expected to bring qualitative improvements in the teaching cadre over time. However, without reliable baseline information on teacher performance and its correlation to type of service (i.e., full time government civil service versus contract) it is difficult to determine whether quality and reliability of teachers will improve with this policy of contract recruitment. An assessment of this

initiative is required to determine whether these contract teachers are indeed making a change in terms of performance and attendance so that the findings can inform the future policy on teacher recruitment.

Objective: To Revitalize School Councils

Even though most schools have school councils, in practice they have been largely ineffective due to lack of proactive members combined with the lack of financial or administrative powers at their disposal. Under PESRP, the Government of Punjab has moved towards revitalizing school councils. A key watershed has been that, for the first time, School Councils (SCs) have been given funds for development expenditures. District Governments were notified to authorize district funds to School Councils for carrying out small works up to Rs. 200,000. In pilot districts NGOs have been hired to revitalize local school councils by increasing their level of involvement in a range of activities such as helping to identify new infrastructure needs and monitoring teacher absenteeism. While these are encouraging moves towards strengthening parental and community involvement in school management, the experience of School Councils has been uneven in the past and will require more support and focus in order to deepen parental and community involvement in decision making about school affairs. The Government also needs to identify ways to assign more responsibility to the School Councils in ensuring accountability of teachers. While the reform efforts in this area have created an enabling policy framework, the second generation of reforms will be required to make School Councils more effective, and to reorient the district and school staff to support SCs expanded functions.

Objective: To Strengthen Program Monitoring and Evaluation

The Punjab Government has established a Program Monitoring and Implementation Unit (PMIU) under the Provincial Education Department. The PMIU is responsible for both: (a) monitoring and evaluating the impact of the overall program on public primary schooling; and (b) overseeing implementation of certain key components of the reform program such as the awareness campaign and delivery of free textbooks.

One of the most significant achievements of the PMIU has been the development of robust monitoring systems that oversee and verify program inputs as part of routine program management. The Education Management Information System (EMIS) has been revamped and mainstreamed under the Program. Because of the Program's efforts to improve the management and monitoring systems, for the first time in Punjab, data is being collected for the purpose of analysis, and for feeding directly into policy decisions. However, it will be critical for these systems to be incrementally integrated into the mainstream functioning of the Education Department to ensure sustainability and continued use.

The ongoing monitoring being undertaken by the PMIU is supported by external monitoring and validation exercises such as Third Party Validation (TPV) and impact evaluations. TPV surveys are an important part of the Program's monitoring and evaluation efforts, as they are seen to confirm (or correct) the information collected and maintained by the PMIU as an independent source of verification. TPVs have been undertaken to assess the teacher training program, to verify progress of the girls' stipend program, textbook delivery and validate enrollment data and trends of increased enrollments. There is also a strong commitment towards conducting rigorous evaluations to assess the impact of programs such as the girls' stipend program, free textbook distribution, and physical infrastructure improvements on enrollments. The evaluations will also play an important role in informing the Government on recalibrating the reform components. An overall evaluation of the program will in turn be required to document the impact of the Program on overall (public and

private) education enrollments and on education outcomes in the province. These evaluations will help to not only assess whether the reform components are producing their desired outcomes, but also help to recalibrate the program, allowing for course correction.

Improve Quality and Access

Objective: To Improve Equitable Access to Education

In order to enhance access to education, free textbooks were distributed to all students in Government primary schools through an efficient delivery system. For the first time in Punjab, textbooks reached over 85% of the students in time for start of the school year. The reform program has in effect not only provided free of cost textbooks, easing the financial burden on parents, but has also resulted in alignment of textbook availability with the start of the school year.

Besides providing free schooling to all children up till matriculation level (10th Grade) and providing free textbooks up till class 5 (which has now been extended to cover middle school in the second year of the Program), the Government of Punjab is implementing a female middle school stipend program in fifteen low-literacy districts to enhance access to education for girls. Under the program, all girls in grades 6-8 in Government schools in the fifteen target districts receive a Rs. 200 monthly payment as long as they maintain an 80% attendance record. While initial results are impressive with about 20% increases in girls' middle school enrollment in the target schools, any expansion of the stipend program, either vertical to or horizontal, will need to be based on an assessment of whether it is optimal to extend the program to cover all public schools or to maintain its focused approach by targeting further based on poverty and illiteracy levels, to perhaps even include targeted stipends for low cost private sector schools.

Access is also being enhanced by improving school infrastructure through provision of missing facilities and opening non-functional schools that were closed due to absence of teachers. Progress has been made on school facility upgradation despite delays in disbursement and utilization of PERSP funds. While delays in start-up and in signing of the TOPs led to low levels of utilization of the actual budgeted amounts, progress in provision of missing facilities has been steady and on track. Prior to the reform program, there were 1,300 non-functional schools, i.e., an empty school building without any students attending the school. This was primarily due to vacant teacher posts. Surveys show that after the recruitment and posting of contract teachers to these schools, 50% of the former non-functional schools have now become functional.

The Government has also launched an extensive awareness campaign to inform the population of Punjab about the reform program through a host of mass media outlets including TV, radio, and newspapers. While this is an effective way to enhance public knowledge about the Program, the credibility of such a campaign is closely linked to the supply of inputs, making it important for the Government to maintain the momentum of the Program.

Interim analysis based on latest school census survey data from October 2004 is indicating an increase in enrollments of 13% in government primary schools in Punjab as compared to the annual 1.5% increase documented during the past decade. These findings have been validated through independent third party surveys. Based on this interim analysis, it appears that enrollments in public schools are increasing and can be expected to lead to greater access to education in the province.

These are encouraging early gains. It will, however, be important to sustain the increase in enrollments. The Punjab Government will need to ensure that plans for improving and providing missing school infrastructure are revisited and revised in the context of rapid changes in enrollment so

that the reform effort is not jeopardized because of supply not keeping up with the demand. This will also need to be accompanied by visible improvements in the quality and reliability of teachers and other quality enhancing inputs. Further, in order to assess changes in overall net enrollment rates, it will be essential for the Government to obtain data on private sector enrollments. In the absence of up to date household level data, it is not yet possible to determine overall provincial enrollment levels.

Objective: To Ensure Provision of Quality Education Through Improved Teaching and Materials

As the focus during the first year of the Program was on putting the essential systems in place and providing the key inputs required to “kick start” reform in the education sector, limited progress was made in improving the quality of education in terms of improved teaching and learning. However, the Punjab Government has recently taken steps to improve the quality of teaching by focusing on restructuring of the institutional framework for delivery and management of the professional development program for teachers and other education staff. The Government has also developed a framework and action plan for professional development of teachers in order to broaden the teacher training activities to a professional development program, which also combines direct classroom support to teachers, incentives, monitoring and accountability, and career path growth and compensation with new training programs including those designed and implemented with the private sector. Although this professional development program is not fully operational, the framework has been developed and steps have been taken to begin its implementation. Despite the best intentions of the Government, it will be a daunting challenge to reform a system that has for decades sustained a cadre of low quality teachers who were rarely held accountable for their performance. It still remains to be seen whether the Government has the political will to take on such a well-organized special interest group – which is key towards improving learning outcomes in Punjab.

To improve quality of education, the Punjab Government is also implementing testing of student learning achievements in grade 4 and 8 as part of the National Education Assessment System (NEAS) program and institutionalizing regular provincial learning assessments. Without assessment of learning, it will be difficult to measure quality changes as a result of the Program. While initiatives to reform teacher professional development and learning assessment is currently underway, it is important to bear in mind that bringing about structural changes in the teaching profession and improvements in quality of education will be a complex process requiring sustained long-term reform.

Further efforts to improve quality of teaching include the new policy to open up textbook development to authors external to the textbook board. As there was previously a lack of transparency in the textbook board regarding awarding of textbook printing and publishing contracts, important first steps have been taken by opening textbook printing and publishing to competition. Again, the success of this reform will depend upon the continued will of the Government to continue to push these fundamental changes in the textbook printing and publishing practice. Alongside this reform, the quality of textbooks also requires improvements as it has a direct impact on learning outcomes.

Objective: To Expand Access to Education Through Innovative Public Private Partnerships

Recognizing the growth of the private sector as an indication of the increasing demand for education, the reforms envisioned an expansion of public-private partnerships. The Punjab Education Foundation (PEF) has been restructured as an autonomous institution to support public-private partnership programs, especially low cost private schools. This part of the reform program has

moved slower than expected as the focus of the first year program was on instituting reforms for improving public sector delivery.

The Government needs to develop a framework for public private partnership in order to increase education access in Punjab. Key elements of such a framework is a vision for public private partnership (which the PEF has started to develop), a strategy for how to work with the private sector, and public financing of low cost private education. Initially, there is a critical need for a private school census that helps to map out the extent and nature of private schools in the province, which are currently not captured by the Government's monitoring system (EMIS). Further, the Punjab Government will also need to consider extending some incentives – such as free textbooks and stipends – to low cost private and NGO schools. Such types of efforts could help the Government to tap into the capacity of the private sector in order to bring about the required improvements in access to education.

5. Major Factors Affecting Implementation and Outcome

The good progress in the first year of the reform program is a result of a combination of factors. First, strong political championship and commitment at the highest level provided the drive needed to launch and implement the reforms. This was further strengthened by a sharp focus on key aspects of reform that did not waver, even when the challenge of introducing new ways of doing things (such as opening up of textbook printing and publishing) was daunting. Intensive management and monitoring by the Government, including new systems that were developed, and regular oversight by a high level steering committee comprised of key senior officials, further ensured that progress remained on track.

The Program Document indicated several risks that could affect program implementation. These included: the evolving roles and responsibilities of the local governments relative to the Provincial Government; Pakistan's history of lack of sustained political support to education; the potential lack of fiscal sustainability of the reform program beyond the three year proposed period of IDA assistance; weak departmental capacity to implement and monitor the program; and the possibility that School Councils would not be given sufficient administrative and fiscal discretion to effectively function, thereby restricting expansion of parental and community participation in school-level decision making.

Given that the actual devolution of finances and responsibilities is in its early stages, it is not surprising that the major factor which has delayed implementation of certain components of the reform program has been in working out the roles and responsibilities between the province and districts, and capacity issues at the district level. In particular, availability and use of reliable and accurate data at the district level needs to be improved, building upon the successes in this area at the Provincial level.

There have been delays in clarifying the role of the private sector and integrating the private sector via innovative public-private partnerships to improve upon overall service delivery in education has yet to be worked out. The Government of Punjab is now working with the Punjab Education Foundation to move forward on developing a framework for public private partnerships. Restructuring of the teacher training program has been delayed. It has taken considerable effort to restructure the teacher professional development program to ensure that teacher training does indeed have a discernable impact in increasing staff motivation and skills, as well as student learning outcomes.

Teacher absenteeism was highlighted as one of the key issues in the education sector in the PRSP, it is imperative that the Government of Punjab establish a credible system for measuring the incidence of teacher absenteeism. The Government will need to take necessary steps to systematize the collection of such information in its regular schools surveys and via third-party surveys. This remains as major data deficiency to appropriately assess the impact of the reform program on basic issues of teacher accountability.

Another factor that could affect long-term outcomes is the increasing levels of enrollment. Although the Government is implementing an extensive physical facility improvement program, the high levels of enrollment increases will need to be matched with adequate supply of schooling inputs, as well as improvements in quality. If the Government of Punjab is unable to provide higher levels of resources – financial, physical and human – in response to the growing demand for education spurred on by the initial success of the reform program, the momentum that the Program has generated might be squandered.

6. Bank and Borrower Performance

Overall Bank performance has been satisfactory. The Bank task team is composed of members from Human Development, PREM, Financial Management and Procurement, and Social Development with in-depth country as well as sector knowledge. A sound and professional relationship with the relevant provincial agencies has been sustained throughout the preparation, appraisal and supervision stages. There has been strong continuity of Bank task team members, PMIU counterparts, as well as key policymakers in the provincial government. This has helped to maintain a consistent dialogue with the provincial government. Given that this was an adjustment credit, the dialogue with key policymakers outside of the education sector, particularly finance and planning, played a critical role in helping to formulate education sector strategies within the broader development strategy of the province. Moreover, this project has been well integrated into major Bank strategy for Pakistan (via the Country Assistance Strategy). This has furthermore helped to sustain a coherent dialogue with the national government. Besides the dialogue with provincial and federal partners, the Bank team also coordinated its work closely with the Asian Development Bank (ADB), which played a major role in assisting the Punjab Government to undertake key public finance reforms.

Borrower performance has been fully satisfactory. The Government of Punjab has backed its political commitment by instituting key crosscutting reforms in public finance, solidifying relationships of accountability between various tiers of government, and has made considerable efforts to improve service delivery. Furthermore, the Government of Punjab continues to foster the reform program by dedicating more financial resources to the education sector, and by continuing oversight by a high level provincial steering committee that is guiding the reform process. The PMIU has also played a key role in managing and monitoring the program very closely, and in providing regular analysis to inform the reform program. An important achievement has been that a previously dysfunctional data monitoring system was turned around in less than a year since the reform began, such that policymakers at all tiers of government can now engage in discussion which is informed by timely and credible analyses and reports. Another commendable achievement has been the timely implementation of several critical inputs such as stipends and textbooks distribution.

7. Findings and Implications for Subsequent Operation(s) in Series

While it is too soon to assess impact, emerging outcomes of the reform program in public schools have been quite promising. The reform program has already fostered broad changes such as increased financial resources devoted to the education sector, a new cadre of contract teachers being recruited, improvements in school infrastructure, and restructuring of the data monitoring system to

inform credible policy dialogue. This unison of positive outcomes so early into the reform program is encouraging.

Given that the macro-economic outlook for Punjab remains on sound footing and that the reform program continues to be supported by political commitment and ownership at the highest levels in the Provincial Government, the reform program should stay on track as long as: (a) there is continuing political support and commitment; (b) there are no major external macro shocks; (c) the capacity bottlenecks at the district level can be addressed in a timely manner; and (d) the Government continues to appoint and retain high performing civil servants at critical implementation agencies to consolidate and sustain the reform program. However, the reforms are still fragile, and continued attention is required to avoid the risk of complacency setting in because of the initial success.

It is critical that the momentum be sustained, and that the programmatic approach remain flexible enough to accommodate lessons learned from ongoing activities and changes in ground realities – while maintaining overall coherence and direction of the reform. As new information becomes available on school enrollments, there might be a need to prioritize between various upgradation schemes as well. It is essential to articulate a clear vision of the role of the private sector in this reform program. Besides potentially expanding and modifying existing interventions, there is a need to strengthen governance and accountability mechanisms of existing interventions. For example, it is widely held that contract teachers will be less likely to be absent from class compared to regular teachers. It is still not clear as to how contract teachers, or any teacher for that matter, will be exactly held accountable to the state or to the community. There is a need to closely monitor and regulate targeted interventions such as stipends and textbooks. Additionally and importantly, it is necessary to focus on bringing improvements in the quality of teaching and materials. More focused programs to strengthen the capacity of district governments are also required, including in the area of monitoring, and of school councils to enhance parental and community participation in school-level decision making. Further, to respond to the growing demands and pressure on the public school system, subsequent operations will have to consider reforms beyond the elementary sector to include the secondary level, as well as address the access gap by including the private sector under the umbrella of reforms.

While initially viewed as a three year operation, it is a long term program and therefore the Bank could consider a longer commitment as long as there continues to be well documented and sustained improvements in educational outcomes in Punjab. Beyond improving school governance, enrollment and completion rates, improving teacher quality and pupil learning will require a more involved commitment. Such fundamental structural changes require a longer time horizon than originally envisaged.

**PUNJAB EDUCATION SECTOR REFORM PROGRAM (PESRP)
UPDATED MATRIX OF POLICY REFORMS**

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
I. Reform Pillar: Improving Public Sector Financing			
1. Realignment of provincial and district public expenditure priorities.			
OBJECTIVE: To ensure that public expenditure is appropriately allocated to meet the Province's education needs.			
<ul style="list-style-type: none"> • Letter of Sector Development Policy issued by Punjab Government. • Overall education budget increased in FY04 by 20%. • Medium term provincial budget framework (MTBF) developed which gives priority to increasing provincial expenditures on education by more than 50% over a 3-year period. • Approved budget for 2003-2004 is within MTBF and already includes a 38% increase in real per student expenditures in elementary education. 	<ul style="list-style-type: none"> • Updated Letter of Sector Development Policy issued by Punjab Government. • Education budget approved for 2004-05 showing at least a 15% increase. • MTBF updated. • Ensure fiscal sustainability of the program by creating fiscal space through improved debt management, enhancing own revenue and better prioritization and management of expenditure. • Provincial real education expenditures include an increased level of non-salary expenditures. 	<ul style="list-style-type: none"> • Updated Letter of Sector Development Policy issued by Punjab Government. • Approve education budget for 2005-06 showing at least a 12% increase. • Update MTBF. • Sustain fiscal sustainability of the program by creating fiscal space through improved debt management, enhancing own revenue and better prioritization and management of expenditure. • Provincial real education expenditures include an increased level for non-salary expenditures. • Increase the level of real middle school expenditures, from base year 2004. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Satisfactory Implementation of MTBF. <p>Monitorable Indicators:</p> <ul style="list-style-type: none"> • Sector progress in line with the Sector Development Policy Letter. • At least 50% increase in provincial education sector allocation by the end of the three-year period. • Provincial education expenditures include an increased level of non-salary expenditures. <p>Monitoring Instrument:</p> <ul style="list-style-type: none"> • Annual provincial and district budgets. • MTBF

*Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

Prior Actions Taken by First Credit	Prior Actions by Second Credit*	Triggers for Third Credit*	GoPunjab's Outcomes and Monitorable Indicators
II. Reform Pillar: Support Devolution and Public Sector Management Reforms			
1. Support Fiscal Decentralization			
<i>Objective: To facilitate the transfer of resources to the district governments in order to improve timely service delivery.</i>			
<ul style="list-style-type: none"> • Annual performance targets agreed to in the TOPs. • Conditional grants under the Punjab Education Sector Reform Program fully transferred to the districts Account 4 on signature of the TOPs. At least 30 TOPs signed. 	<ul style="list-style-type: none"> • Annual performance targets agreed to in the TOPs. • At least 20 TOPs signed with district governments for FY05, with agreed annual performance targets, and PESRP funds for these districts transferred to Account 4. • Provide PESRP conditional grants to districts using a formula that reflects both need and performance. • Performance and need based window included in new PFC formula. • Design and initiate implementation of district capacity building programs. • 50% of districts increased the level of district non salary recurrent budget for education. 	<ul style="list-style-type: none"> • Annual performance targets agreed to in the TOPs. • At least 25 TOPs signed for FY06, with agreed annual performance targets. • Provide PESRP conditional grants to districts using a formula, which reflects both need and performance. • District capacity building programs fully implemented in at least half the districts. • Districts increase the level of non-salary recurrent expenditures in their education budget. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improved Service Delivery and district accountability. <p>Monitorable Indicators:</p> <ul style="list-style-type: none"> • Three-quarters of districts increase their own contribution levels to education. • Three-quarters of the districts increase the share of non-salary recurrent expenditures. • FY2004 and 2005 - Annual TOPs show gradual improvements in the output and outcome indicators. • Increased utilization rate of conditional grants by district governments. • District education departments' financial management and monitoring capacities improved. <p>Monitoring Instrument:</p> <ul style="list-style-type: none"> • District budgets • Quarterly expenditure reports.

*Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Second Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
2. Improve Financial Management and Procurement			
<i>Objective: To increase transparency of financial management processes and strengthening the provincial and district capacity for monitoring financial flows.</i>			
<ul style="list-style-type: none"> • Program Monitoring Unit (PMIU) established in the Department of Education (DOE) with responsibility for expenditure reporting. • Accounting procedures developed to track program expenditures. • Recruitment of 250 qualified finance and accounting personnel authorized in the district and provincial departments. • District capacity building programs financed in the PESRP program budget. 	<ul style="list-style-type: none"> • Institute regular reporting (quarterly with a lag of 2 months) of financial flows by the PMIU on expenditures, outputs and outcomes. • Fortnightly DAC meetings to review and settle all arising audit observations (paras) in the Provincial Account No. 1, as well as progressively clear backlogs. • Adopt new chart of accounts under the PIFRA project. • Computerize financial management processes for the program. • Initiate the recruitment process and design the training and deployment of the 50 qualified finance and accounting personnel • District capacity building programs financed and implemented. • Provincial Financial Accountability Assessment initiated 	<ul style="list-style-type: none"> • Regular reporting of financial flows (quarterly with a lag of 6 weeks) by the PMIU on expenditures, outputs and outcomes. • Fortnightly DAC meetings to review and settle all arising audit observations (paras) in the Provincial Account No. 1, as well as progressively clear backlogs for at least FYs 2002 and 2003. • Continue to computerize financial management processes. • At least 150 additional qualified finance and accounting staff recruited, trained and assigned. • District capacity building programs financed and implemented. • Provincial Financial Accountability Assessment conducted. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improved expenditure tracking and reporting and financial management in the education sector. <p>Monitorable indicators:</p> <ul style="list-style-type: none"> • Timeliness of expenditure tracking improved. • Delays in DAC reviews and settlement of audit paras. progressively reduced. • Number of finance and accounting staff deployed in education offices. <p>Monitoring Instruments:</p> <ul style="list-style-type: none"> • Quarterly reports of financial flows based on agreed specimen reporting formats. • Minutes of fortnightly DAC meetings. • Personnel register of recruited finance and accounting staff.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab’s Outcomes and Monitorable Indicators</i>
Objective: To improve transparency in procurement procedures and practices.			
<ul style="list-style-type: none"> • Removal of requirements for pre-registration of contractors commenced, and development of streamlined standard procurement guidelines for goods purchases. • Threshold for community contracting increased to Rs. 200,000 and provision of greater authority to school councils to manage and implement these contracts. • Notify and adopt standard specifications for furniture procurement. 	<ul style="list-style-type: none"> • CSR replaced with realistic cost estimates based on prevailing market rates, and updated regularly through independent surveys of market rates. • Threshold for community contracting further increased to Rs. 400,000 with provision of greater authority to school councils to manage and implement these contracts. • Streamlined standard procurement guidelines adapted for goods purchases consistent with international best practices. • Independent ex-post procurement review on a sample basis commissioned. 	<ul style="list-style-type: none"> • Evaluation initiated of School Councils use of development funds • Carry out annual independent ex-post procurement reviews on a sample basis. • Establish effective mechanisms for quality assurances and end-use verification of contracts for goods, works and consultants’ services. • Maintain public database of bids received, contracts awarded, and complaints received. 	<p>Outcomes:</p> <ul style="list-style-type: none"> • Ex post procurement reviews show greater compliance with government procedures. <p>Monitorable indicators:</p> <ul style="list-style-type: none"> • Increase in participation of bidders, reduction in number of deviations observed in ex-post procurement reviews, and reduction in the number of complaints. <p>Monitoring Instrument:</p> <ul style="list-style-type: none"> • Ex-post procurement reviews. • Field verification reports.

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<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
<ul style="list-style-type: none"> Develop regular programs and schedule for capacity building and training of procurement staff at the province and district level. 	<ul style="list-style-type: none"> Implement regular programs for capacity building and training of procurement staff at province and district level. 	<ul style="list-style-type: none"> Implement regular programs for capacity building and training of procurement staff at province and district level. 	
III. Reform Pillar: Improving Quality, Access and Governance in the Education Sector			
1. Improve Education Sector Governance			
<i>Objective: To improve education sector management (new reform objective).</i>			
	<ul style="list-style-type: none"> Restructuring of the provincial education department initiated, starting with the Planning Wing. Process initiated for reorganization and reconfiguration of functions of district education management cadre. Specially selected district education managers and monitoring officers appointed in all districts to improve quality of education management. 	<ul style="list-style-type: none"> Restructuring of remaining sections of the provincial education department. EMIS and PMIU monitoring systems fully integrated into the Planning Wing. Assess feasibility of establishing an education administrative cadre. 	<p>Outcome:</p> <ul style="list-style-type: none"> More efficient sector management at provincial and district levels. <p>Monitorable indicators:</p> <ul style="list-style-type: none"> Provincial Education district departments planning and monitoring capacities improved. District Education department's planning and monitoring capacities strengthened. <p>Monitorable Instruments:</p> <ul style="list-style-type: none"> Provincial and District Annual Sector Plans and monitoring reports.
<i>Objective: To improve teacher management, including better recruitment practices.</i>			
<ul style="list-style-type: none"> Transparent criteria to recruit new school-specific teachers established, favoring recruitment of women and local candidates. 	<ul style="list-style-type: none"> An increasing percentage of all elementary teaching staff under school specific fixed term contracts rather than under the standard civil service recruitment rules (13,000 new teachers recruited in FY04 under new school-specific contracts). 	<ul style="list-style-type: none"> Assess the impact of site-specific contract based teacher recruitment policy, including improvement in teacher attendance, and corrective action taken if necessary. 	<p>Outcome:</p> <ul style="list-style-type: none"> More efficient teacher management, merit based teacher recruitment, and reduction in teacher absenteeism.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
<ul style="list-style-type: none"> Temporary freeze of transfers of education management staff to allow continuity. 	<ul style="list-style-type: none"> 13,000 additional teachers recruited under school specific contracts. Ban lifted for recruitment of remaining 22,000 approved teacher vacancies. Female teachers eligible for appointment in boys' middle schools. Process initiated for comprehensive review of school based teacher needs, including through rationalization and creation of new posts where needed. Develop performance criteria to determine teacher performance. Assess teacher management systems. External assessment of the quality of newly recruited contract teachers to determine the effectiveness of the new teacher recruitment policy. 	<ul style="list-style-type: none"> Recruit additional 19,000 contract teachers, and complete the recruitment of all vacant teaching positions. Redeployment of teachers based on the rationalization exercise and creation of new posts where needed. Implementation of new performance criteria. Establish incentives to reward good performance of elementary teachers. Develop and implement an action plan for improved teacher management systems. 	<p>Monitorable indicators:</p> <ul style="list-style-type: none"> 2004- 20% of staff under site specific fixed term contracts. 2005 – 30% of staff under contracts as above. 2006- CWIQ results in 2006 shows that teacher absenteeism reduced by at least 20% from CWIQ results in 2005. Annual third party surveys show improvement in teacher attendance. Increase in number of female teachers. <p>Monitoring Instruments:</p> <ul style="list-style-type: none"> CWIQ survey; Independent third party surveys; Teacher Management Study; EMIS data.

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<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab’s Outcomes and Monitorable Indicators</i>
<i>Objective: To revitalize school councils in order to monitor school performance and ensure school maintenance.</i>			
<ul style="list-style-type: none"> • Guidelines issued by the provincial government clarifying the role of school councils, including their authority to undertake small procurement of works, spend funds allocated to them, and to monitor teacher absenteeism. • Role of School Councils included in TOPS. 	<ul style="list-style-type: none"> • NGOs selected to build capacity of School Councils (6 districts selected to implement the program). • Policy guidelines issued by provincial government for establishment of school based budgets. • School based budget allocated in 50% of districts • Allocate and implement school budget to School Councils. • District performance indicator in TOPS includes role of School Councils in school monitoring and provision of inputs including learning materials, and developmental work. 	<ul style="list-style-type: none"> • Implement phased program to spread School Council capacity building across additional districts. • All districts provide school based budgets. • Implement school based budget in all districts • District performance indicator in TOPS includes role of School Councils in school monitoring and provision of inputs including learning materials, and development work. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improved school monitoring, and reduction in teacher absenteeism. <p>Monitorable indicators:</p> <ul style="list-style-type: none"> • 2004-School councils functional in 20% of schools. • 2006 – School councils functional in 50% of schools. • 2006 – all functional School Councils provided budget for school level development and recurring expenditures • School Councils utilize allocated school budgets. <p>Monitoring instrument:</p> <ul style="list-style-type: none"> • Annual Third party surveys; and EMIS data on school councils.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
Objective: To strengthen monitoring & evaluation in order to gauge education performance outcomes and to use these to improve and re-adjust the education policies.			
<ul style="list-style-type: none"> • Baseline indicators of education performance established for the reform program, based on field survey. • Monitoring targets agreed with the districts and included in the signed TOPs. • A PMIU established in the provincial education department. • Approve development of an education awareness campaign for disseminating information about the reform program. 	<ul style="list-style-type: none"> • Report progress on baseline indicators to assess performance of the reform program. • Monitoring targets agreed with the districts and included in the signed TOPs. • A credible education sector monitoring and evaluation system fully established in PMIU, with regular data analysis to gauge outcomes and readjust the program. • Education awareness campaign launched. • EMIS integrated with Planning Wing of Education Department, and district EMIS cells strengthened. • Independent third party surveys commissioned to assess availability of textbooks and stipends at the school level. • Performance indicators from the M&E system made publicly available by mid-FY05. 	<ul style="list-style-type: none"> • Commission repeat survey of baseline indicators to assess performance of the reform program. • Monitoring targets agreed with the districts and included in the signed TOPs. • Implement independent third party surveys to assess availability of textbooks and stipends in FY05. • Performance indicators from the M&E system made publicly available by mid-FY06. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improved monitoring & evaluation, with timely corrective actions. <p>Monitorable Indicators:</p> <ul style="list-style-type: none"> • FY2005 - Second Annual Third party survey shows improvements in: textbook delivery and availability; distribution of girls' scholarships; school infrastructure; and teacher presence. • 2005 – Monitoring of baseline indicators shows improvements in both output and outcome indicators. • 2005 – EMIS data shows improvements in enrolment and retention at primary level. • EMIS data shows increased girls' enrolment and retention in middle grades. <p>Monitoring Instrument:</p> <ul style="list-style-type: none"> • Annual third party surveys; repeat survey of baseline indicators; EMIS census data.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

Prior Actions Taken by First Credit	Prior Actions by Second Credit*	Triggers for Third Credit*	GoPunjab's Outcomes and Monitorable Indicators
2. Improve Quality and Access			
<i>Objective: To improve equitable access to education.</i>			
<ul style="list-style-type: none"> • Free schooling announced up to matriculation level (10th Grade). • Policy of free textbooks announced for primary school students. • Introduced a special scholarship program for all girls in grades 6-8, targeted initially to 15 disadvantaged districts with low literacy levels. • District education profiles developed by District Governments, including list of missing facilities finalized by the District Government. • Selection criteria for sites for the first year finalized. 	<ul style="list-style-type: none"> • Free textbooks reach 75% of primary students in time. • Policy of free textbooks extended for elementary school students. • Implement procedures for making non-functional schools functional, including rationalization of non-viable schools. • School census conducted in October 2004 to document changes in girls' enrolment in grades 6-8 for initiating an impact evaluation of the girls' stipend program. • Improve existing school infrastructure through provision of basic facilities such as boundary walls for girls' schools, additional classrooms, and overall infrastructure rehabilitation. • During 2004, all schools provided missing facilities are fully functional with the provision of teachers, in accordance with the prescribed norms. 	<ul style="list-style-type: none"> • Free textbooks reach 80% of primary and elementary students in time. • Recruit female teachers for schools where the catchment area does not justify two separate schools for boys and girls. • Expand the girls' scholarship program, based on evaluation results. • Continued progress in improving existing school infrastructure through provision of basic facilities, and overall infrastructure rehabilitation. • During 2005, all schools provided missing facilities are fully functional with the provision of teachers, in accordance with the prescribed norms. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improved access to education, especially for girls and the poor. <p>Monitorable Indicators:</p> <ul style="list-style-type: none"> • NER for primary Government enrollments improved from 39% (in 2003) to 44% (in 2005). • Increased primary completion rates in government schools from 45% in 2003 to 55% in 2005. • 2005 - Girls drop out rate between grades 5 and 6 reduced by 20% in 2 years. • 2005 – Gender Gap reduced in government primary and middle schools. • 2006 – Girls drop out rate reduced by 20% in middle schools in targeted districts. • 2006 – Gross Middle enrolment rate for girls increased from 43% to 53% in 2 years in targeted districts. • 2005 - at least 25% missing facilities provided to schools. • 2006– at least 60% missing facilities provided to schools. • 2006- All viable non-functional schools made functional. <p>Monitoring Instruments:</p> <ul style="list-style-type: none"> • EMIS data; PIHS survey; repeat survey of baseline indicators.

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<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
Objective: To ensure the provision of quality education through improved teaching and materials.			
<ul style="list-style-type: none"> • A system of on-going training established to train every teacher every three years. • Independent evaluation completed to improve the content of the teacher training program to make it more relevant. • Establishment of a system of on-going student assessment through Grade 4, coupled with promotion exams. 	<ul style="list-style-type: none"> • Reorganized Education Department's Directorate of Staff Development for delivery of teacher professional development programs. • Framework developed for ongoing professional development of teachers and education management staff. • Action plan for one year prepared for professional development of teachers including training and ongoing support. • Pilot testing of student learning achievements conducted in Grade 4 as part of the NEAS program. • Develop a more extensive student learning assessment system. 	<ul style="list-style-type: none"> • Restructured teacher training program under implementation. • Two year action plan prepared for professional development of teachers including training and ongoing support. • Independent review of new teacher development program initiated. • Make teacher guides available to all the teachers. • Develop distance learning teacher education program. • Use NEAS testing instrument to test student learning achievement in Grade 8. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Improve quality of education and improve student learning. <p>Monitorable indicators:</p> <ul style="list-style-type: none"> • 2005- 50% of primary school teachers are provided teaching guides for textbooks that are not being replaced. • 2006 – 25% teachers trained under new program • 2005 – All textbooks coming up for renewal to be developed by authors external to the textbook board • 2005 – Textbook printing and publishing opened to competition. • 2006 – Textbooks by external authors published • 2005 – Student performance (marks in student assessment) improved from the baseline – as assessed through NEAS.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
<ul style="list-style-type: none"> • Announced policy to open up textbook development to authors external to the textbook board. 	<ul style="list-style-type: none"> • Textbook printing and publishing opened to competition, beginning with the Primer. • Opened up new textbook development to authors external to the textbook board. • Quality of print, paper and layout of textbooks for Grades 6 – 8 improved through notification of quality standards guidelines. 	<ul style="list-style-type: none"> • Open up textbook printing and publishing of other textbooks. • Quality of print, paper and layout improved for primary school textbooks. 	<p>Monitoring instrument:</p> <ul style="list-style-type: none"> • NEAS; evaluation of restructured teacher professional development program; textbooks developed, published and printed through competition.
<p><i>Objective: To expand access to education through innovative public private partnerships.</i></p>			
<ul style="list-style-type: none"> • Cabinet approval of draft law for restructuring the Punjab Education Foundation (PEF). 	<ul style="list-style-type: none"> • PEF restructured. • Notification issued for the establishment of the PEF Board. • Initiate recruitment process of the Managing Director of PEF. 	<ul style="list-style-type: none"> • PEF fully functional. • Continued budget support to PEF. 	<p>Outcome:</p> <ul style="list-style-type: none"> • Access to low cost education expanded through public private partnerships.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

<i>Prior Actions Taken by First Credit</i>	<i>Prior Actions by Second Credit*</i>	<i>Triggers for Third Credit*</i>	<i>GoPunjab's Outcomes and Monitorable Indicators</i>
<ul style="list-style-type: none"> Continued implementation of a public private partnership program under which 7000 government school buildings have been leased to the private sector for running afternoon schools. 	<ul style="list-style-type: none"> Provision of budget support to the Foundation for FY05. Develop framework for expanding existing public/private partnerships to increase coverage of the education system. 	<ul style="list-style-type: none"> PEF Board evaluates impact of its programs on the disadvantaged groups. Implement policies to facilitate development of low cost private schooling. Complete private school census. Develop a vision and strategy for the private sector. 	<p>Monitorable indicators:</p> <ul style="list-style-type: none"> 2005- At least 75% of PEF resources to schools in disadvantaged urban and rural areas. Private school census conducted. Enrollment in low cost private schools increased. <p>Monitoring Instrument:</p> <ul style="list-style-type: none"> PEF annual reports; and PIHS survey.

* Actions in **bold** are Prior Actions for the first and second credits, and triggers for the third credit.

Table 1: Punjab -- Medium-Term Fiscal Framework, 2002/03-2005/06*(percent of provincial GDP)*

	2002/03	2003/04	Projections	
	P.Actual	Revised	2004/05	2005/06
Revenue Receipts	6.36	6.98	6.97	7.56
Federal Tax Transfers	4.62	4.49	4.93	5.70
Provincial Revenue	1.23	1.51	1.46	1.47
Tax Revenue	0.56	0.77	0.75	0.76
Non-Tax revenue	0.66	0.74	0.71	0.71
Grants	0.51	0.81	0.35	0.00
Punjab Development Fund	0.00	0.00	0.04	0.05
Local Government Revenue	0.00	0.17	0.19	0.34
Total Expenditure	6.23	7.23	7.65	7.95
Current Expenditure	5.13	5.55	5.23	5.20
Development Expenditure	1.10	1.68	2.42	2.75
Fiscal Balance	0.12	-0.26	-0.69	-0.39
Financing	-0.12	0.26	0.32	0.13
Net Domestic Borrowing	-0.06	0.92	-0.49	-0.46
Net Foreign Borrowing	0.29	-0.66	0.58	0.45
Cash Balance Utilization	-0.36	0.00	0.23	0.13
<i>Memo items</i>				
Financing GAP before IDA	0.01	0.00	-0.37	-0.27
Education Expenditure	0.02	0.02	0.02	0.02
Pro-Poor Expenditure	0.03	0.04	0.06	0.07

Table 1: Punjab – Medium-Term Fiscal Framework, 2002/03-2005/06

(Amounts in Rs billion)				
	2002/03 P. Actual	2003/04 Revised	Projections	
			2004/05	2005/06
Revenue Receipts	135.011	164.416	186.021	224.784
Federal Tax Transfers	98.076	105.751	131.648	169.572
Provincial Revenue	26.063	35.569	39.073	43.711
Tax Revenue	11.954	18.188	20.125	22.660
Non-Tax Revenue	14.109	17.381	18.949	21.052
Grants	10.872	19.096	9.300	0.000
Punjab Development Fund	0.000	0.000	1.000	1.500
Local Government Revenue	0.000	4.000	5.000	10.000
Total Expenditure	132.370	170.498	204.366	236.508
Current Expenditure	108.913	130.918	139.772	154.570
Development Expenditure \1	23.457	39.580	64.594	81.938
Fiscal Balance	2.641	-6.082	-18.345	-11.725
<i>(Percent of Provincial GDP)</i>	0.1%	-0.3%	-0.7%	-0.4%
Financing	-2.641	6.082	8.593	3.765
Net Domestic Borrowing	-1.245	21.593	-13.106	-13.600
Net Foreign Borrowing	6.235	-15.564	15.600	13.365
Cash Balance Utilization	-7.631	0.053	6.099	4.000
Memo items: (as a % of Provincial GDP)				
Education Expenditure	1.6%	1.8%	2.0%	2.3%
Health Expenditure	0.5%	0.6%	0.8%	0.9%
Pro-Poor Expenditure	3.5%	4.2%	5.7%	6.5%

Annex 3: Borrower comments

NO.SO (P-I) 11-1/2005(2)
GOVERNMENT OF THE PUNJAB
EDUCATION DEPARTMENT
Dated Lahore, the 22nd March, 2005

To: The Chairman
Planning & Development Board,
Government of the Punjab
Lahore.

Subject: **IMPLEMENTATION COMPLETION REPORT OF THE WORLD BANK**

This is with reference to Implementation completion Report of World Bank on Education Sector Adjustment Credit for the Government of Punjab date 9th March, 2005.

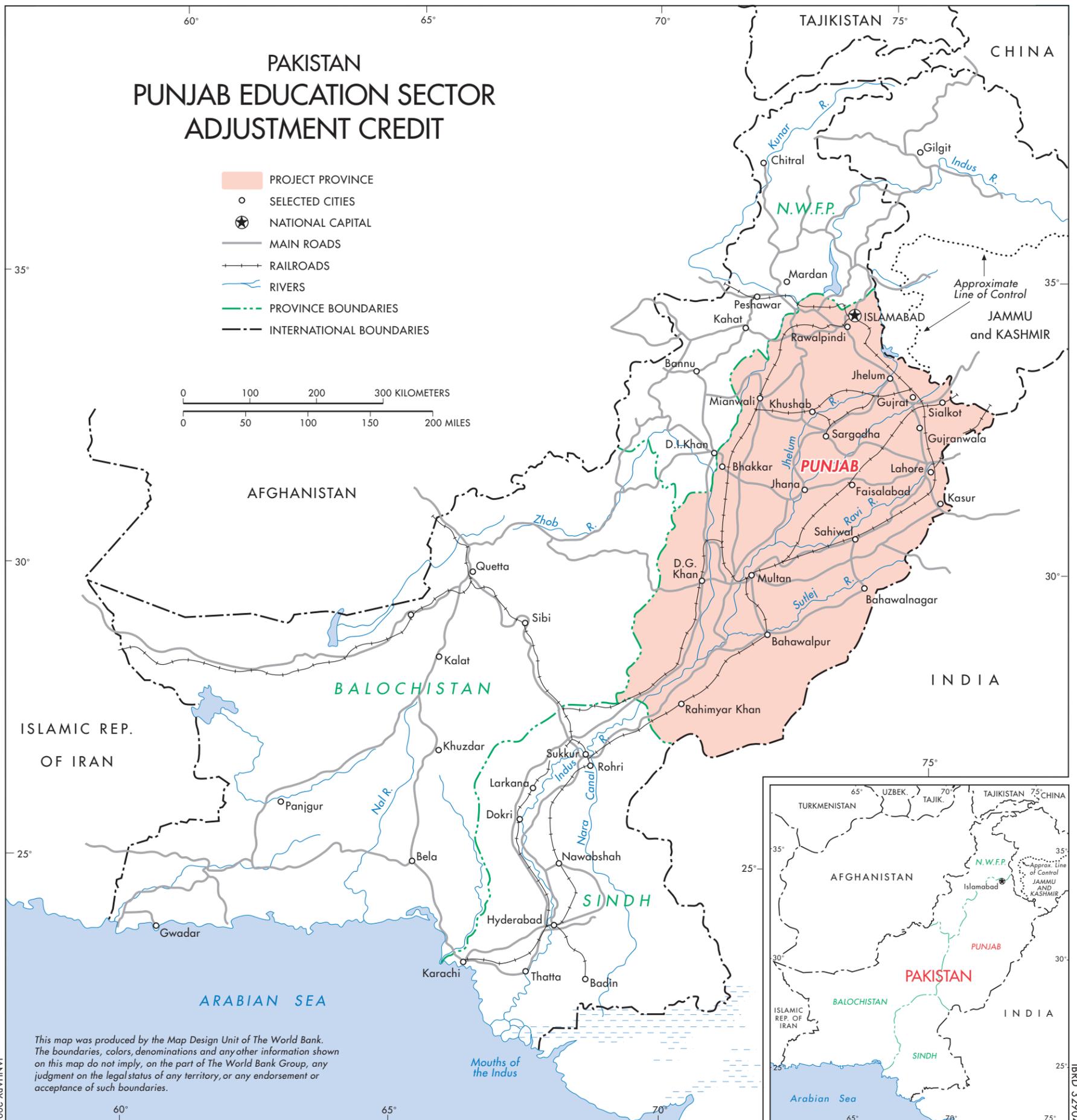
1. Education Department's comments are as follows:
 - i. **Institutional and reform aspects.** The performance of PESRP has been very satisfactory. The performance rating mentioned in ICR does not reflect and should be appropriately adjusted.
 - ii. **TPV** carried out by Agha Khan University for teacher training should be incorporated.
 - iii. **School Councils.** Every collective forum ultimately withers away unless it has 3 basic ingredients: (a) leadership; (b) institutional support and patronage; and (c) resource based decision-making authority. Previous school Councils had all 3 mission. The present ones are an improvement.
 - iv. **Programme monitoring and evaluation.** PESRP has a fairly good monitoring and evaluation system. But effective follow up for the corrective actions need to be further strengthened.
 - v. **Improved teaching and materials.** Improved teaching through better training will only have an impact if it is combined with improved management. A proper management cadre within Education System is the need of hour. DSD management will also need considerable improvement if it has to deliver these ambitious targets.

(JAVAID ASLAM)
SECRETARY EDUCATION

PAKISTAN PUNJAB EDUCATION SECTOR ADJUSTMENT CREDIT

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

0 100 200 300 KILOMETERS
0 50 100 150 200 MILES



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