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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 200.6 MILLION
(US\$ 300 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

FOR A

SINDH EDUCATION SECTOR PROJECT (SEP)

May 6, 2009

Human Development Department
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2009)

Currency Unit = PKR 80.47
= US\$1
US\$ 1 = SDR 0.67

GOVERNMENT FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ASC	Annual Schools Census
ADP	Annual Development Portfolio
ADO	Assistant District Officer
AFS	Annual Financial Statement
AG	Attorney General
BoC	Bureau of Curriculum
CBA	Cost Benefit Analysis
CPD	Continuing Professional Development
CSR	Composite Schedule of Rates
DAC	Departmental Accounts Committee
DCO	District Coordination Officer
DLI	Disbursement Linked Indicator
DO	District Officers
DPs	Development Partners
DSP	Differential Stipends Program
EC	European Commission
ED	Education Department
EDO	Executive District Officer
EEP	Eligible Expenditure Program
EFA-FTI	Education for All-Fast Track Initiative
EMR	Education Management Reforms
ESMF	Environmental and Social Management Framework
EPDF	Education Program Development Fund
ERU	Economic Reform Unit
FD	Finance Department
FM	Financial Management
FMIS	Financial Management Information Systems
GDP	Gross Domestic Product
GoP	Government of Pakistan
GoS	Government of Sindh
IBRD	International Bank for Reconstruction and Development
ICB	International Competition Bidding
IDA	International Development Association
IFMIS	Integrated Financial Management Information System
ITE	Initial Teacher Education
IUFR	Interim Unaudited Financial Report
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation

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MEDAC	Memorandum for Departmental Accounts Committee
MTBF	Medium Term Budget Framework
MTFF	Medium Term Fiscal Framework
NEAS	National Education Assessment System
NGO	Non-Government Organization
NER	Net Enrollment Rates
NWFP	North West Frontier Province
P&D	Planning & Development Department
PDV	Present Discounted Value
PEACE	Provincial Education Assessment Center
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PIFRA	Project for Improvement of Financial Reporting and Auditing
PITE	Provincial Institute for Teacher Education
PIHS	Pakistan Integrated Household Survey
PPP	Public-Private Partnership
PRSP	Poverty Reduction Strategy Paper
PSLM	Pakistan Social and Living Standards Measurement Survey
QCBS	Quality and Cost Based Selection
RSC	Reform Steering Committee
RSU	Reform Support Unit
SBD	Standard Bidding Document
SDR	Special Drawing Rights
SEF	Sindh Education Foundation
SEDPC	Sindh Education Sector Development Policy Credit
SEMIS	Sindh Education Management Information System
SEP	Sindh Education Sector Project
SERP	Government of Sindh's Medium Term Education Sector Reform Program
SIP	School Improvement Plan
SMC	School Management Committee
SPPRA	Sindh Public Procurement Regulatory Agency
SWAp	Sector Wide Approach
UNICEF	United Nations Children Fund
TA	Technical Assistance
TED	Teacher Education and Development
TOP	Terms of Partnership
UN	United Nations

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PAKISTAN
Sindh Education Sector Reform Project

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Map IBRD 36829

PAKISTAN

SINDH EDUCATION SECTOR PROJECT (SEP)

PROJECT APPRAISAL DOCUMENT

SOUTH ASIA
SASHD

Date: May 6, 2009	Team Leader: Reema Nayar Co-TTL: Tahseen Sayed
Country Director: Yusupha B. Crookes Sector Manager/Director: Amit Dar/Michal J. Rutkowski	Sectors: General education sector (75%);Sub-national government administration (25%) Themes: Education for all (P);Gender (S);Decentralization (S);Public expenditure, financial management and procurement (S)
Project ID: P107300	Environmental screening category: Partial Assessment
Lending Instrument: Specific Investment Loan	

Project Financing Data			
[] Loan [X] Credit [] Grant [] Guarantee [] Other:			
For Loans/Credits/Others: Total Bank financing (US\$m.): 300.00 Proposed terms: Standard IDA terms: 35 year maturity including a 10 year grace period			
Financing Plan (US\$m)			
Source	Local	Foreign	Total
BORROWER/RECIPIENT	1,872.00	0.00	1,872.00
International Development Association (IDA)	299.00	1.00	300.00
Total:	2,171.00	1.00	2,172.00
Borrower: Government of Pakistan Economic Affairs Division Pakistan Secretariat, Block C Islamabad Pakistan Tel: 92-51-9212769			
Responsible Agency: Education and Literacy Department, Government of Sindh Reform Support Unit NJV Building, Opposite Radio Pakistan, MA Jinnah Road, Karachi Sindh Pakistan Tel: 92-(0)21 -2779323; 2775608 Fax: 92-(0)21-2775740			

Estimated disbursements (Bank FY/US\$m)									
FY	2009	2010	2011	2012					
Annual	100.00	99.00	100.00	1.00					
Cumulative	100.00	199.00	299.00	300.00					
Project implementation period: Start June 15, 2009 End: June 30, 2012									
Expected effectiveness date: June 15, 2009									
Expected closing date: June 30, 2012									

Does the project depart from the CAS in content or other significant respects? <i>Ref. PAD I.C.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project require any exceptions from Bank policies? <i>Ref. PAD IV.G.</i>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Have these been approved by Bank management?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Is approval for any policy exception sought from the Board?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the project include any critical risks rated "substantial" or "high"? <i>Ref. PAD III.E.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the project meet the Regional criteria for readiness for implementation? <i>Ref. PAD IV.G.</i>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

<p>Project development objective <i>Ref. PAD II.C., Technical Annex 3</i></p> <p>The development objective of the proposed project is to support the Government of Sindh's Medium Term Education Sector Reform Program (SERP). The objectives of SERP are to increase school participation, reduce gender and rural-urban disparities, increase progression and improve the measurement of student learning.</p>
<p>Project description <i>Ref. PAD II.D., Technical Annex 4</i></p> <p>The proposed project uses a Sector Wide Approach (SWAp) to support the implementation of the Government of Sindh's Medium Term Education Sector Reform Program (SERP). Credit disbursements will be made against selected key education budget line items referred to as Eligible Expenditure Programs (EEPs). Disbursements will be based on the achievement of pre-specified results, referred to as disbursement-linked indicators (DLIs). The project also includes a small technical assistance (TA) component which finances essential capacity building activities and strengthens fiduciary, safeguard and monitoring and evaluation systems.</p> <p>The SERP seeks results in four broad areas: (i) improved fiscal sustainability and the effectiveness of public expenditures including in education; (ii) improved education sector management; (iii) improved access to quality schooling with a particular focus on rural areas and girls; and (iv) improved quality of teaching and student learning.</p>
<p>Which safeguard policies are triggered, if any? <i>Ref. PAD IV.F., Technical Annex 10</i></p> <p>Environmental Assessment (OP/BP 4.01).</p>
<p>Significant, non-standard conditions, if any, for: <i>Ref. PAD III.F.</i></p> <p>Board presentation: Nil</p> <p>Loan/credit effectiveness: Nil</p>
<p><u>Covenants applicable to project implementation:</u></p> <ul style="list-style-type: none"> GoS will establish and maintain, throughout the Project implementation period, a Reform Steering Committee, a Reform Support Unit, an Economic Reform Unit and district committees (as needed).

- The Reform Support Unit will be responsible for the overall implementation of the project in accordance with the Operations Manual adopted by GoS.
- On-lending arrangements: GoP shall make the proceeds of the Credit available to GoS in accordance with the provisions of the Financing Agreement and GoP on-lending policies and budgetary procedures, under the same terms and conditions agreed with IDA in the Financing Agreement.
- GoP and GoS shall ensure that the Project will be implemented pursuant to the Environmental and Social Management Framework and that no activities will be carried out that might involve land acquisition or involuntary resettlement of persons and/or businesses. In the event that any land is required for project, GoP and GoS shall, in consultation with the Association, ensure that such land be obtained under the Land Acquisition Act without resorting to the use of clause 17(4) (urgency/emergency clause), or as a donation or bequest.
- GoS shall produce interim-unaudited financial reports (IUFs) twice annually (January and June) to support disbursements for eligible expenditures (EETs and TA) and budget execution reports (BERs) on quarterly basis within 30 days at the end of each quarter for monitoring project implementation performance. GoS will ensure that the Accountant General of Sindh maintains the secondment to the RSU of a financial management information system specialist, satisfactory to the Association.
- GoS shall ensure that audit paragraphs of the Education Department, pursuant to the Memorandum for Departmental Accounts Committee (MfDAC) reports submitted by the Office of the Auditor General (Directors General of Provincial and District Audits in Sindh) are resolved at least to the extent of 60 percent, each year, of the reported residual paragraphs during the second and third years of the project (2009/10 and 2010/11). With respect to the first year of the project (the retroactive financing year), GoS shall ensure the resolution of at least 35 percent of the cumulative baseline of 7679 advance audit paragraphs by April 30, 2009.
- GoS shall ensure that the Sindh Education Foundation (SEF) maintains operational autonomy and appropriately qualified staff in adequate numbers throughout the period of implementation. GoS shall design by no later than December 31, 2010, after consultations with stakeholders, a roadmap to grant the SEF institutional autonomy, in a manner and substance satisfactory to the Association.
- GoS shall ensure that the MTFP (including SERP financing framework) is updated and approved annually satisfactory to IDA and budgets implemented consistent with the MTFP.
- GoS shall ensure that, no later than April 30, 2010, revised procurement rules are notified, and, no later than April 30, 2011, implementing regulations ancillary to the revised procurement rules, are notified by SPPRA.
- GoS shall establish by no later than December 31, 2009 a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the Association.

Disbursement Conditions

- Retroactive financing up to US\$60 million (equivalent to 20 percent of the Credit – i.e. an amount of US\$58.8 million with respect to the EETs proceeds of the Credit (expenditures under Component 1) and an amount of US\$184,500 with respect to TA proceeds of the Credit (expenditures under Component 2), as of July 1, 2008.
- Disbursement of the proceeds of the Credit for Component 1 of the Project (i.e. the non TA component) will be done on January and June each year (including retroactive financing) on the basis of fulfillment of the global DLI for merit based teacher recruitment as defined in Annex 3 to the PAD (Schedule 4 to the Financing Agreement). DLIs are monetized equally and the authorized amounts for each disbursement will be the sum of the achieved DLIs multiplied by the unitary DLI price.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and sector issues

The national context

1. Pakistan, with a population of 165 million and a per capita Gross National Product (GNP) of US\$878 in 2006/07, experienced impressive economic growth in the first half of the decade. From the beginning of 2000 to the first half of 2007, the economy grew at an average rate of about 7.3 percent annually, with inflation continuing to be moderate (5.5 percent per annum). This was in stark contrast to the slow progress made during the 1990s, when economic slowdown led to sharp increases in poverty and stagnation in social indicators. This turnaround in the economy was partly an outcome of wide-ranging reforms that the government initiated, as articulated in its Poverty Reduction Strategy Paper (PRSP-I, Government of Pakistan (GoP) 2003) and was in line with the robust growth trends in the region. However, owing to major recent external and internal shocks, economic growth has slowed down to below 4 percent.

2. Pakistan's progress in improving its human development indicators has been relatively uneven. While there have been efforts in recent years to strengthen education service delivery, Pakistan still is off track in meeting the education Millennium Development Goals (MDGs) for 2015 which are universal primary completion and gender parity in enrollment. Despite recent improvements in enrollment, the pace of increase in primary participation and completion makes it unlikely that Pakistan will achieve the MDGs targets relating to completion. Transition rates to higher levels of education are stagnant with secondary Net Enrollment Rates (NER) at about 26 percent in 2005/06 and 2006/07. However, gender parity in primary and secondary levels is improving, and with continued focus on girls' education, Pakistan is likely to achieve its gender parity targets. Literacy rates remain low: only 55 percent of the population ten years and older are literate, with only 30 percent rural female literacy. Finally, while trends in primary enrollment and gender parity have been positive, the quality of learning remains persistently low across Pakistan, as evidenced by findings of the National Education Assessments System (NEAS).

3. Pakistan's public expenditures on education have increased 3.2 times (at a rate of 18.2 percent annually) over the last eight years. Although it has grown from about 1.3 percent of GDP in 2000/01 to about 1.8 percent in 2007/08, it is extremely low in absolute terms or relative to international comparators.

The provincial context

4. Sindh is Pakistan's second largest province in terms of both population and economic output. It has historically been the industrial and commercial hub, and is the country's most urbanized province (49.5 percent). It also has the highest output per capita among the provinces. The economic turnaround in Sindh, as in Pakistan, was led by the manufacturing and services sector; its economy grew at about 6.3 percent per annum between 2002/03 and 2007/08. This period also saw improvements in provincial finances: revenues grew at 19 percent per annum, expenditure at 18 percent, and the fiscal deficit remained under control. The improvements in provincial finances were to some extent due to fiscal reforms, and allocations to priority sectors have been maintained or increased. They also reflect to a large extent the increased revenue flows from the federal government. This relatively comfortable fiscal position of the province thus conceals some emerging vulnerabilities which include: (1) an increased reliance on transfers from the federal government; and (2) sharp increases in development spending. Sustained efforts to increase provincial own-tax revenue collection, and to exercise discipline in development spending, both reflected in the province's medium term fiscal framework, will reduce the vulnerability of provincial finances, particularly to the impacts of the economic slowdown.

5. Despite its strong relative economic position and growth performance, Sindh performs poorly across a range of socioeconomic indicators. The incidence of household poverty, especially in rural areas remains high (31 percent in 2005/06) and the rural population in Sindh is among the most vulnerable to falling into poverty (Kurosaki 2009). Enrollment rates in primary school improved in Sindh between 1998/99 and 2006/07, although somewhat less than in the rest of Pakistan, and gender parity has also improved. Nevertheless, the NER in primary school is 50 percent compared to 56 percent in all Pakistan and urban-rural and gender gaps in enrollment are much larger in Sindh. Participation in school is particularly low for rural girls: the NER in primary school was only 31 percent in 2006/07. In terms of school completion, conditional on ever having attended formal school, an encouraging 93 percent of individuals aged 15-19 years have completed primary school. About 78 percent of individuals aged 20-24 years have completed secondary school, conditional on ever attending secondary school. Only 64 percent of children transition to secondary school however, with transition rates particularly poor for rural girls at 51 percent.¹ Finally, in terms of student learning, data from recent national achievement tests in public schools suggest that children perform far below official curriculum levels in Sindh, as they do across the country, in core subjects.

6. Public education expenditures in Sindh are low, budgeted at about 1.5 percent of GDP in 2008/09. Nevertheless, several factors, reflecting the absence of or weak governance and accountability systems, hamper efficient and effective public spending on education and public service delivery in Sindh. First, budgeting processes are not linked to strategic, medium-term education sector planning. Second, education service delivery, a responsibility of districts, suffers due to the low monitoring and supervision capacity of district and sub-district education management, overlaps in the roles and responsibilities between the province and the district and among district education administration personnel, and limited accountability for performance.² Third, there is limited parent and community oversight of, and participation in, school level management and decision making. Fourth, provincial demand side programs, such as secondary school stipends for girls and free textbooks provision, have suffered from implementation delays. Fifth, public school teacher hiring has historically been patronage-based, potentially compromising the quality of incoming teachers and their accountability³. Sixth, teacher education and professional development suffer in part from the lack of teacher standards and quality assurance. Finally, the extent and quality of evidence-based decision-making is limited due to remaining issues in the timeliness and quality of data from existing monitoring and evaluation systems.

7. To address these challenges, the Government of Sindh (GoS) launched a comprehensive medium term reform program in 2006/07. The Sindh Education Sector Reform Program (SERP), as it is called, seeks to improve access, equity and quality in education by improving governance and institutionalizing accountability in education service delivery. It combines interventions in the education sector with broader fiscal and public finance management interventions to improve the effectiveness and efficiency of public expenditures. The Bank supported the design and implementation of the first year of SERP with technical assistance⁴ and financial support through the Sindh Education Sector Development Policy Credit (SEDPC) approved by the Bank's Board in June 2007. Box 1 summarizes key policy and institutional results of the SEDPC.

¹ NERs and completion rates are from staff estimates based on 2006-07 Pakistan Social and Livings Standards Measurement (PSLM) Survey. Transition rates reported are based on the 2007/08 Sindh Annual School Census (ASC).

² Thus, for example, public school physical infrastructure is generally of poor condition – 25% of schools lack a building structure, and the majority of schools lack electricity, toilets, and drinking water. About 15% of schools are classified as non-functional due to unavailability of teachers or poor/nonexistent physical facilities.

³ This further undermines the regularity and quality of teaching and, in turn, student attendance and learning.

⁴ Technical inputs, other than those provided by Bank staff, have primarily been funded by the Education for All Fast Track Initiative's (EFA-FTI's) Education Program Development Fund (EPDF).

8. The new government that came to office in February 2008 made education a top priority, unambiguously stated its ownership of and commitment to SERP, and showed determination in accelerating implementation. Evidence of its commitment is seen in the championship of SERP at the highest political and bureaucratic levels, and in the renewed energy to achieving SERP performance targets.⁵ It has requested continued support for SERP from the Bank.

Box 1: Results supported by SEDPC

SEDPC supported the design and implementation of the first year of the Government of Sindh's Medium Term Education Sector Reform Program (SERP) which seeks to improve access, equity and quality in education. SERP combines sector-specific interventions to improve access and quality, interventions to improve governance and accountability in the education sector, and broader fiscal, financial management and governance interventions. Some of the key policy and institutional results supported by the DPC were:

Improving fiscal sustainability and the effectiveness of education expenditures

- Introduction of a medium-term results perspective to budgeting through approval of the first Medium-Term Fiscal Framework.
- Approval of SERP and a medium term financing plan and annual budget in line with the sector strategy.
- Issuance of directive to reduce 'advance' audit observations in the education sector to address the significant issues related to accountability for audit issues in the sector.

Improving education sector management

- Establishment of the Reform Support Unit within the education department, with responsibility for education policy formulation, monitoring and evaluation.
- Completion of the first revamped school census with improvements in the coverage of education indicators and quality control procedures.
- Enhanced partnerships with district governments through funding of infrastructure rehabilitation conditional on entering into performance agreements to improve education service delivery.

Improving access to quality education especially in rural areas and girls

- Revamping of service delivery to achieve on time delivery of free textbooks and secondary school girls' stipends to majority of beneficiaries: about 90 percent of textbooks were delivered within first month of school year and about 80 percent of beneficiaries received full amount of stipend.

Improving quality of teaching and student learning

- Approval of a new policy for transparent merit-based recruitment of teachers on school specific contracts

B. Rationale for Bank involvement

9. Given Sindh's size and the magnitude of its challenges, improving education outcomes in the province is essential for accelerating progress towards Pakistan's MDG goals. The SERP, as designed, provides a sound and promising strategy for improving educational outcomes in the province. The Sindh Education Sector Project (SEP), designed to support the implementation of SERP, brings considerable additional value beyond the education expenditures it finances through the associated technical and global knowledge that underpins the Bank's guidance, and through the political support it leverages domestically for introducing significant institutional changes. The Bank is also seen as a credible partner that can engage across sectors to support education sector improvements within a wider context, to (i) improve fiscal sustainability and institutionalize results-based budget management; (ii) strengthen country systems for financial management and procurement; and (iii) facilitate donor harmonization around a common policy framework.

C. Higher level objectives to which the project contributes

10. The proposed project is aligned with the priorities of the Country Assistance Strategy for Pakistan (World Bank 2006a), approved by the Board in June 2006, and with the national priorities, which include increased academic achievement of primary-school students, reduction of gender gaps, and improvement

⁵ Annex 13 discusses how GoS has continued to build on the results supported by SEDPC.

of post-primary access and quality. It also contributes to Pakistan's priority for investing in human development articulated in PRSP II (Government of Pakistan, 2009) which was finalized in January 2009. One key pillar of PRSP II is *Human Development for the 21st Century* which envisages significant investment in the human resource base of the country to produce a skilled and competent workforce that can respond to the increasing demands of a steadily-growing economy. PRSP II emphasizes the need to address financing for the sector; strengthen planning and implementation capacity; improve resource utilization; enhance governance for greater accountability of education providers to the community; build capacity of district and local institutions; and strengthen the role of school committees, all of which are central in SERP and in the proposed project.

II. PROJECT DESCRIPTION

A. Lending instrument

11. The proposed project is a US\$300 million Sector Investment Credit. It uses a Sector Wide Approach (SWAp) to support the implementation of the government's program for primary and secondary education. Credit disbursements will be made against selected key education budget line items referred to as Eligible Expenditure Programs (EEPs), up to capped absolute amounts. The event and amount of credit disbursements will be based on the achievement of pre-specified results, referred to as disbursement-linked indicators (DLIs), determined in partnership with GoS. The total disbursement amount is evenly divided across the total number of DLIs in a given year.⁶ The project also includes a small technical assistance (TA) component which finances essential capacity building activities and strengthens fiduciary, safeguard and monitoring and evaluation systems.

12. The DLIs reflect the priority elements in the SERP. They include intermediate outcome, implementation performance or institutional change indicators that build incrementally over the life of the project. Some of the DLIs are expected to improve the efficiency and effectiveness in education sector interventions during the life of the credit. Others constitute incremental institutional steps that will have impacts and sustain results beyond the life of the project (see Annex 3 for the DLI table). The results represented in the DLIs are critical to achieving the projects' education development outcomes, namely increasing school participation, reducing gender disparity and improving the measurement of learning outcomes.

13. As mentioned above, the achievement of each DLI ensures an even disbursement amount. However, there is one exception. The DLI relating to implementation of merit-based recruitment of public school teachers is a necessary condition for all disbursements, and, as such, would constitute a "global DLI". In other words there would be no disbursements should this DLI not be met. The rationale for this approach is that the DLI is considered by GoS and the Bank as: (i) central to the achievement of education access and quality targets; (ii) essential to improve sector governance, but entailing high implementation risks; (iii) an indicator whose achievement could benefit considerably from the leverage provided by Bank support. In addition, the selection of this DLI as a global DLI reflects the large reputational risks to the Bank if teacher recruitment is not undertaken in a transparent manner fully consistent with the merit-based recruitment policy instituted by GoS.

14. The EEPs to be supported by the project account for about 90 percent of GoS's program expenditures and Bank financing will support about 15 percent of EEP expenditures over the three year

⁶ For example, if the total expected disbursement amount is US\$100 million, and there are 10 DLIs, achievement of each DLI ensures a disbursement of US\$10 million, provided that the amounts spent on the EEPs are sufficient. Projects using this design have been successfully implemented in Latin America (e.g., loans in Ceara and Minas-Gerias).

period of the credit. Proposed EEPs include both sizeable expenditure programs (relatively large recurrent expenditures) as well as smaller ones. The largest EEPs are salaries of primary and secondary education sector staff. Other relatively large EEPs are funds to school management committees (SMCs), secondary school girls' stipends, and a pilot public-private partnership program which supports the introduction and operation of private schools in underserved rural communities. The smaller EEPs include monitoring and evaluation programs such as the annual school census, as well as the provincial program for monitoring student learning outcomes.

15. The Bank's guidelines on financial management and procurement will be applicable to EEPs. The frameworks for addressing social and environmental safeguards endorsed by GoS will be applicable to all SERP activities.

B. Project development objective and key indicators

16. The development objective of the proposed project is to support the SERP. The objectives of SERP are to increase school participation, reduce gender and rural-urban disparities in school participation, increase progression, and improve the measurement of student learning. Success in meeting the project's objectives will be measured by using the following outcome indicators and targets:

Outcome indicator	Latest available baseline	Target ^c , 2011/12
Primary NER (%) ^a	50.3 (2006/07)	55.6
Female-male ratio NER, primary, rural (%) ^a	61.2 (2006/07)	64.6
Class 5-6 transition rate, rural, girls, public school (%) ^b	51.2 (2007/08)	63.4
Learning levels monitored through diagnostic learning assessments	Baseline measurements for diagnostic mathematics, language, science and social studies established for class 4 students in a district-representative sample of public schools in 2008/09, 2009/10, 2010/11, and 2011/12 respectively.	
	Follow up measurements for diagnostic mathematics established for class 4 students in a district representative sample of public schools in 2010/11.	

C. Project components

17. The following paragraphs provide a summary description of the project. Annex 1 provides details on the key issues in each of the project areas, while Annex 4 provides a detailed description of the project.

Component 1: Financing of SERP [Total: US\$2,166 million, IDA: US\$294 million]

18. This component finances key eligible expenditure programs (EEPs) up to capped absolute amounts, with disbursements based on the achievements of agreed indicators. These disbursement linked indicators (DLIs) reflect intermediate outcome or implementation performance indicators that are critical

^a Baseline established using the 2006/07 Pakistan Social and Living Standards Measurement Survey (PSLM).
^b Baseline established using the 2007/08 Annual School Census for Sindh.
^c Targets were set with the GoS. First, for each indicator, the without-SERP change was predicted by projecting forward the recent historical annualized growth rate in the indicator. Second, the with-SERP change in the indicator was predicted by adding an increment to this annualized growth rate. The value of the increment is determined to be plausible given the design and implementation features of the proposed SERP interventions considered directly relevant for the indicator. Spreadsheets with the calculations are available in the project files.

to the achievement of the project's education development outcomes. SERP activities and sub-programs fall within four broad thrust areas which aim to improve: (I) fiscal sustainability and the effectiveness of public expenditures including in education; (II) education sector management; (III) access to quality schooling with a particular focus on rural children and girls; and (IV) the quality of teaching and student learning. The following paragraphs describe the government's program as well as the EEPS and DLIs supported by the project.

(I) Improving fiscal sustainability and the effectiveness of public education expenditures

19. To ensure adequate and effective use of public education expenditures, SERP seeks to (i) improve budgetary processes to introduce medium term, results based budgeting, reduce vulnerability of provincial finances and ensure adequate allocations to SERP and other priority sectors through the preparation of Medium Term Fiscal and Budget Frameworks (MTFF, MTBF); (ii) enhance internal controls and financial accountability in the education sector through the resolution of audit paragraphs; (iii) improve procurement management in the province through the implementation of a new procurement regulatory framework, revised procurement rules, and standard bidding documents, a monitoring and evaluation system, and implementing regulations; and (iv) improve procurement management and supervision of schools' civil works rehabilitation through third party construction supervision and ex-post procurement reviews.

20. There are no EEPs in this thrust area; it supports adequate and effective expenditure for all SERP subprograms; and contributes to fiscal sustainability. The DLI is execution of education budgets (including SERP expenditures) in alignment with the MTFF which integrates SERP strategy and results.

(II) Improving education sector management

21. To improve education sector management and strengthen the functioning, capacity and accountability of provincial, district and school level management for education service delivery, SERP sub-programs support: (i) strengthened provincial monitoring of education sector inputs, outputs and outcomes and evaluation of priority programs including through the implementation of the annual school census (ASC) with defined improvements in the timeliness, reliability, and use of data (ii) strengthened district education management through the gradual introduction of a new education management structure (with job descriptions, training and a new appraisal system) and a new inspection and advice/support system; (iii) improved performance of districts in school rehabilitation and education service delivery through performance based funding partnerships; including prioritization of schools based on rehabilitation needs and the rehabilitation of schools to meet standards for school design, construction quality, and functionality; and (iv) strengthening School Management Committees (SMCs) capacity and effectiveness including through the implementation of capacity building programs to strengthen school improvement planning and community participation.

22. EEPs financed by the project in this area include: monitoring/Sindh Education Management Information System, district education management staff salaries, and grants to SMCs. DLI are: share of prioritized schools completed to meet design, construction quality and functionality standards; time taken to complete administration of the ASC and share of schools with less than 10 percent discrepancy between ASC data and validation data, steps in the implementation of the new education management structure and advice/support system in at least two districts; and share of schools with active SMCs and number of schools supported by a SMC capacity building pilot program.

(III) Improving access to quality schooling in rural areas and for girls

23. To improve access to quality schooling, SERP seeks to: (i) improve the performance and effectiveness of GoS's existing programs to provide incentives to poor families to send their children to school and to reduce costs associated with attending public schools; and (ii) leverage the provision of schooling by private entrepreneurs in underserved rural communities.

24. In the first case, SERP seeks to improve the implementation performance of the free textbooks program and the secondary school girls' stipend programs for students attending public schools. It also supports the introduction, rollout and impact evaluation of the differential stipends program (DSP). The DSP replaces the province-wide secondary schools girls' stipends program in talukas (district subunits) with the lowest transition rates for girls from class 5 to class 6 and offers a higher annual stipend amount to girls in these talukas, conditional on enrollment. In the second case, SERP supports the introduction, rollout and impact evaluation of an innovative pilot public-private partnership program, to be administered by the Sindh Education Foundation (SEF), that uses public funds to leverage the provision of schooling by private entrepreneurs in targeted underserved rural communities. The program offers a per student subsidy to private entrepreneurs, subject to the entrepreneurs meeting specified quality standards for school infrastructure, and after the first year of operation, a minimum level of student academic achievement. Receipt of public subsidies also requires the entrepreneur to provide free schooling. To facilitate the effective implementation and scaling up of public-private partnerships in the province, SERP envisions the gradual transition of the SEF to an autonomous institution.

25. EEPs financed by the project in this area include secondary school girls' stipends and public-private partnership program. DLI include: share of beneficiary girls receiving stipends within the academic year and the number of talukas covered by the DSP; and the number of private schools supported by the pilot public-private partnership program.

(IV) Improving the quality of teaching and student learning

26. SERP seeks to incrementally improve institutions and practices that will improve teaching and learning in classrooms. These include improved procedures for the recruitment of teachers, for their professional development and merit-based career advancement, improved effectiveness of teacher training programs, and improved and regular measurement of learning. Together with the incremental institutional changes to improve education sector management and the inspection and advice/support system for schools and teachers (see II above), SERP thus seeks to gradually improve the quality and effectiveness of teachers and teaching. These institutional changes are also a pre-requisite for sustained improvements in education quality after the life of the credit.

27. To improve the quality, availability and accountability of teachers, SERP supports (i) the implementation of merit and needs based recruitment of teachers; and (ii) the piloting of a continuous professional development (CPD) program based on competencies and needs, quality assurance of continuous professional development (CPD) programs, and launch of a new teaching diploma for certification of new teachers. To improve the feedback to teachers and education management on student learning, enabling improvements in teaching and learning in the classrooms, SERP supports the implementation of the first cycle of provincial diagnostic learning assessment and improved classroom assessment.

28. EEPs financed by the project in this area include: salaries of teaching staff and the expenditures by the Provincial Education Assessment Center (PEACE). DLI include: implementation of merit-based teacher recruitment, steps in the implementation of standards and competency based teacher education and development (pilot CPD program, CPD providers accredited, colleges with new teaching diploma),

and the subjects and grades for district-representative diagnostic assessment and production of analysis reports.

Component 2: Technical Assistance [Total: US\$ 6 million; IDA: US\$ 6 million]

29. The proposed project has a US\$ 6 million component to finance essential technical assistance activities to assist GoS in the implementation of SERP. This component finances capacity building and strengthens fiduciary, safeguard and monitoring and evaluation systems. These activities are carefully sequenced with the implementation steps in component 1 to address capacity or monitoring constraints to support the targeted changes. Thus key activities to be financed include: (i) financial management and procurement capacity building at provincial, district and sub-district levels and monitoring (e.g. expenditure tracking of secondary school girls' stipends and SMC grants, capacity building); (ii) third party monitoring and construction supervision to support needs based provision of school rehabilitation to meet design and construction quality standards, assistance in phasing in improvements in natural disaster management, school design and energy efficiency, safe drinking water and sanitation, and associated capacity building of key stakeholders; (iii) education management capacity building and monitoring at provincial, district and sub-district levels including mobilization of SMCs, strengthening of community participation in schools, and strengthening social accountability; and (iv) capacity building and monitoring activities to support sub-programs to improve access and quality, including capacity building for the learning assessment program, competency based training of teachers, and the design of the new competency-based teaching diploma. Finally, a small amount of technical assistance will support the development of strategies development in related/complementary areas where very little technical or strategic work has been undertaken to date.

D. Lessons learned and reflected in the project design

30. The design of the SERP and Bank's support has benefited from the lessons of the GoS's own implementation experience, most recently since the launch of SERP in 2006/07, which has reemphasized the importance of addressing sector governance and implementation.⁷ Education sector interventions in SERP, such as the partnership agreements with districts and the public private partnership program also build on experience from Punjab which has been implementing its education sector reform program since 2003, while at the same time adapting them to the Sindh context and implementation realities. The design of specific SERP interventions has also benefited from a range of analytical and advisory work for Sindh as well as Pakistan.⁸ Broader international experience has also informed the selection of interventions to improve access and quality, highlighting for example the importance of addressing teacher quality and the importance of student learning assessments. Finally, the design of the performance-based SWAp builds on the experience now becoming available from similar instruments used in other countries, particularly from the LAC region. Some key cross-cutting lessons are discussed here.

31. *Strong political commitment and ownership is critical for successful steering of a sector-wide program and for addressing governance constraints to effective service delivery.* Many changes require challenging historical expectations and vested interests. One example is the success in implementing a merit-based teacher recruitment policy in Sindh, in a significant break from past practice.

32. *A sector program that combines sector-specific interventions with cross-cutting fiscal and fiduciary interventions is more likely to yield results and to be sustained.* It also contributes to increased

⁷ Similar lessons emerged from the implementation experience with the Education Sector Reform program in Sindh in 2001.

⁸ These include World Bank (2004a), (2004b), (2005), (2006b) for Pakistan, Andrabi et al (Forthcoming) for Punjab. Sindh specific analytical work include Siaens (2009), several reports including research, third party validations and evaluations carried out by researchers in Pakistan, and non-lending technical assistance design notes and reports financed by Development Partners (see Annex 12). Some details on links between research findings and program design are provided in World Bank 2007.

ownership of the sector program beyond the line department. A strong partnership between key stakeholders – Planning and Development, Finance and Education Departments (P&D, FD and ED respectively) – has facilitated increased implementation momentum.

33. *Complementary non-lending analytical and advisory support and sustained dialogue is essential.* The most recent lesson comes from the SERP experience itself, where Bank engagement at the highest political levels has played a key role in supporting the new government in implementing improvements in sector governance. At the same time, technical inputs from Bank staff through, for example, analytical reports and a variety of just-in-time policy and technical assistance notes, have supported design and implementation.

34. *Given the educational context in Pakistan, it is important to simultaneously address the issues of school access and quality.* International experience shows that the quantity of education (enrolling in school) is only one factor which affects the socio-economic prospects of individuals. The level of learning (quality of education) is also a powerful determinant. The design of SERP recognizes this and has adapted initiatives that have shown positive results in Pakistan and other countries. Interventions to enhance access include improving the provision of inputs such as textbooks and secondary school girls' stipends, and supporting the private sector in establishing schools in underserved rural areas. Interventions to improve quality include merit-based recruitment of teachers, teacher professional development, and improved education management in districts and schools and quality assurance of schools.

35. *A good monitoring and evaluation (M&E) system that provides timely and reliable information is essential.* A well-designed and comprehensive M&E framework needs to be integrated into the design of any sector-wide program. Establishment of baselines, followed by intensive monitoring, and verification/triangulation from different data sources increases the credibility of and accountability for results. The use of data in planning and monitoring itself helps focus attention on the quality of monitoring data and on improving their reliability. A reliable and comprehensive monitoring and evaluation system can contribute to the political sustainability of programs; it also facilitates mid-course program corrections and refinements. The recent experiences of Punjab and Sindh demonstrate the importance of a rigorous M&E system in providing valuable feedback and in the design of interventions.

36. *Systematic communication can play a key role in ensuring wider understanding and ownership.* Strategic communications can increase understanding among the general public, media and civil society, local communities as well as internal stakeholders such as teachers or other employees. This involves two way communications and extensive consultations.

E. Alternatives considered and reasons for rejection

37. The proposed instrument is considered the most suitable to support the implementation of SERP. It is designed to support the increased pace of, and emphasis on, SERP implementation. The DLIs enable a focus on results and performance which is valued by the client. The TA component adds value through building implementation capacity and strengthening monitoring and evaluation systems. The project uses country budget, fiduciary and sector management systems where appropriate, while continuing to strengthen these through DLIs and/or TA. Through the focus on the achievement of measurable results and on the strengthening of provincial budget, fiduciary and sector management, the project leverages the Bank's financial resources to support the government's program and to accelerate achievement towards MDGs. The design also facilitates continued harmonization of support from development partners (particularly the European Commission) to the government's program.

38. The support to the sector-wide program through a sector investment credit is considered superior to the alternative of continued support through development policy credits. First, it better responds to the increased emphasis on implementation performance results following the design and adoption of significant policies and reform programs within the sector (for example for teacher recruitment, education management, teacher education and development) as well as broader fiscal and fiduciary policies (for example, to move to strategic budgeting and improve the provincial procurement environment). Second, it provides continued assistance over a three-year period, disbursing semi-annually.

39. The alternative of a SWAp without disbursement linked indicators, while offering many of the advantages of the proposed project would not necessarily include the desired focus on results, nor provide the needed continuity to donor coordination. An option not seriously considered was a traditional ring-fenced SIL focusing on a few interventions. This alternative would not have been able to effectively support the sector wide program, its results and cross-cutting interventions. Nor would it have strengthened country systems.

III. IMPLEMENTATION

A. Partnership arrangements

40. The European Commission (EC) has pledged a package of financial support and technical assistance over 2007-2011 totaling Euro 39 million (of which Euro 33 million consists of four tranches of budget support and Euro 6 million is technical assistance). The first tranche of EC budget support of Euro 9.5 million was released in October 2008, following the same prior actions as in the Bank's SEDPC. The DLI matrix which has been worked on jointly by both development partners and GoS and will serve as the basis for disbursements by IDA and the EC. The provision of TA is also being coordinated. The DPs will use common monitoring and reporting arrangements to the extent possible, and program review will continue to be carried out jointly through the Joint Review Missions (see below).

B. Institutional and implementation arrangements

41. Institutional and implementation arrangements for the project build on and strengthen existing arrangements (see Annex 6 for a detailed discussion). The Reform Steering Committee (RSC) remains responsible for providing high-level oversight and guidance and for interdepartmental coordination. It is chaired by the Chief Secretary of the province and represented by the ED, FD and P&D. It oversees and supports the Reform Support Unit (RSU), established in the ED.

42. The P&D, FD and ED and the Sindh Public Procurement Regulatory Agency (SPPRA) take the lead in (i) implementing relevant sub-programs and meeting DLIs and targets; (ii) tracking and reporting on all activities for which they have assumed responsibility; (iii) providing sectoral expertise as needed; and (iv) taking the lead in district contacts essential to effective SERP implementation.

43. The RSU is responsible for coordination and monitoring of SERP efforts, and for the implementation of core provincial sub-programs (including the Annual Schools Census, and the incentive programs to public schools). It is headed by the Chief Program Manager who reports to the Education Secretary and to the Reform Steering Committee. In addition, various provincial institutes affiliated with the education sector have responsibilities for other SERP sub-programs. Similarly districts have key implementation responsibilities for specific sub-programs (e.g. rehabilitation works under the TOPs, preparation of merit lists and appointment of teachers), and in M&E.

44. The ED, through the RSU will also serve as the implementing agency for the project. RSU staffing has been increased in order to enable it to perform its functions adequately, in SERP coordination and implementation and to dispatch its fiduciary obligations under the credit. In its capacity as implementing agency, the ED through the RSU will be responsible for (i) coordination of support of all partners for SERP; (ii) reporting on progress against the indicators and DLIs, EEP and TA; (iii) ensuring timely and comprehensive reporting of results for disbursements; and preparation of Credit Withdrawal Applications; (iv) ensuring that Bank fiduciary (financial reporting, procurement) regulations and requirements are followed; (v) ensuring timely communication to all stakeholders on SERP progress; and (vi) managing and coordinating the TA component with beneficiary departments.

45. In addition to the Reform Support Unit, the Economic Reform Unit (ERU), established at the FD plays a critical role within SERP. It is responsible for the design and coordination of fiscal and budget management interventions and will also work closely with the RSU in reporting on education budgets and their execution.

C. Monitoring and evaluation of outcomes/results

46. GoS has taken significant steps to upgrade the Education Management Information System over the past two years, resulting in increasing reliance on the information from these systems in the design and implementation of sub-programs. Continued strengthening of monitoring and evaluation (M&E) is integrated into the SERP design and is supported through DLIs, EEPs and TA. Selected M&E activities are also supported through Bank staff inputs and EPDF grants. M&E in the government's program (see Annex 3) includes the annual census of public schools, monitoring and evaluation of operational performance of SERP interventions by the RSU as well as by third parties, monitoring of student learning outcomes over time, expenditure tracking and benefit incidence analyses, and rigorous impact evaluations using prospective designs of selected programs. In addition, results of large-scale household sample surveys (e.g., PSLM) will be used to monitor and triangulate findings on outcomes. The evidence generated from these M&E activities is expected to be credible and serve as a valuable contribution to the body of knowledge on program operational performance, impacts, and cost-effectiveness from developing countries. Evidence from the process and impact evaluations of selected interventions is expected to be used to inform SERP design and implementation decisions, including on whether and which pilot programs to scale up.

47. *Supervision and reporting:* DPs together with GoS will carry out at least two Joint Review Missions annually, with more frequent missions anticipated during the first year of the project. The missions will monitor (progress towards) the achievement of DLIs, compliance with stipulated FM, procurement, and safeguard requirements, and implementation of the TA component. The missions will include visits to districts and schools. DP staff and technical consultants will also make regular visits on a needs basis to support implementation.

48. Supervision arrangements by the DPs are complemented by monitoring and supervision by provincial and district governments, local third party organizations, and SMCs, and the project supports the strengthening and increased use of all these mechanisms. At the provincial government level, the RSC will hold bi-monthly/quarterly meetings to review SERP progress with FD, P&D and ED. The ED (via the RSU) will have main responsibility for SERP monitoring and implementation, and will regularly gather information and formally report on all project subprograms. At the district government level, district education management officers will provide supervision and reporting support to the provincial government in selected project components and requirements; the districts will have main responsibility for monitoring school operations. At the school level, the capacity of SMCs is gradually being strengthened to monitor and report on, among other things, school affairs (e.g., teacher presence) and the performance of selected service delivery interventions. Finally, independent third parties will be used to

monitor and report on the performance of several sub-programs including merit-based teacher recruitment, textbooks and stipends delivery, receipt and use of SMC funds, and school rehabilitation works.

49. If the security situation limits mission travel or the scope of supervision during missions, the DPs will intensify supervision from DP offices via regular audio and video conferences and electronic communication, as well as increase the use of local independent organizations for monitoring purposes.

D. Sustainability

50. The sustainability of SERP is shaped by the government’s commitment to the program and by the quality of the program. The continued high level commitment to SERP despite the change in political leadership in February 2008, the high priority accorded to the education sector, and the acceleration in implementation bode well.

51. Sustainability considerations are built into the design of the SERP through improvements in budgetary processes to ensure allocation to priority programs including SERP, to achieve fiscal targets and ensure sustainability and to introduce results based management, and through the focus on strengthening financial management and procurement in the education sector and indeed in the province.

52. Finally, SERP supports the establishment and strengthening (through focused capacity building efforts) of institutions that will sustain improvements in outcomes in the sector. These include considerable strengthening of systems for the monitoring and evaluation of access and quality outcomes, changes in district education management to strengthen the quality assurance system, stronger and more active school management committees with improved capacity to define and implement school improvements, improved practices and procedures for recruitment, and strengthening of institutions responsible for teacher education and development.

E. Critical risks and possible controversial aspects

53. The following critical risks matrix identifies key risks to project development outcomes and component results, associated mitigation measures and residual risks. The overall risk rating after mitigation is substantial, reflecting to a large extent the risks associated with implementation of some of the more difficult sector governance improvements, weak institutional (including procurement) capacity at provincial, district and school levels, and macroeconomic risks. Financial management risks are moderate after mitigation.

Critical Risks Matrix

Risk	Risk mitigating measures	Risk rating with mitigation
<i>To project development outcomes</i>		
<i>Macroeconomic</i> The deteriorating macroeconomic situation could adversely affect federal revenue transfers (which account for the majority of provincial revenues) as well as collection of provincial own source revenues. This could reduce	1. At the <i>national</i> level, <ul style="list-style-type: none"> • The International Monetary Fund stabilization program, with intensive monitoring of key macro indicators against targets, forms the basis of the Bank’s dialogue on macroeconomic issues. • Falling short of the program’s macroeconomic targets would trigger a coordinated DP response for taking immediate remedial measures. 2. At the <i>provincial</i> level, <ul style="list-style-type: none"> • The provincial MTFF is based on conservative estimates of federal transfers, and will likely hold even in the event of reasonable shortfalls in federal revenue transfers. 	Substantial

<p>budgetary allocations to education.</p> <p>The economic slowdown could also adversely affect household living standards, reducing investments in schooling and leading to withdrawal of children from school.</p>	<ul style="list-style-type: none"> • The GoS is implementing improvements in budgetary processes through MTFs to support prudent fiscal management (and the achievement of key fiscal targets) and ensure strategic budget planning with adequate allocations to priority sectors and education in particular. • The project supports improvements in the efficiency and effectiveness of existing public education expenditures; if successful some shortfalls in allocations could be tolerated. • The project includes sub-programs (e.g. stipends) which reduce costs of schooling for households and are likely to be particularly beneficial for maintaining child school participation when households experience income losses. • Outcome indicators will be monitored on a regular basis and where possible SERP interventions will be adjusted to manage the risks to children's educational outcomes. 	
<p>Political</p> <p>Political changes at the provincial level could pose a risk for continued political support for key SERP sub-programs and dilute bureaucratic attention on effective SERP implementation.</p>	<ol style="list-style-type: none"> 1. Awareness of and consensus on SERP interventions will be further strengthened through extensive communication and dialogue with, among others, the provincial and district governments, education management staff and teachers, civil society, and parents. 2. DPs will continue to engage with the highest political levels on the centrality of the SERP interventions and their effective implementation. 3. The project supports implementation of difficult but quick-gain changes upfront; which builds public expectations that these will be sustained and built upon. 	Moderate
<p>Sector governance</p> <p>Sector governance is challenging particularly in an environment which has historically been prone to corruption and leakages in service delivery, reducing the efficiency and effectiveness of education expenditures.</p>	<ol style="list-style-type: none"> 1. The project supports significant sector governance-related activities and improvements (e.g., merit based teacher recruitment, new district education management structure and quality assurance of schools, accreditation of teacher training providers, prioritized school rehabilitation with construction supervision and procurement ex-post reviews, and internal and external controls for stipends and textbook delivery). 2. The project supports fiduciary measures such as (i) the use of computerized accounting systems; (ii) auditing systems using risk-based methodologies; (iii) improved internal controls and preventive measures for greater financial accountability in the sector (e.g., by supporting resolution of outstanding audit paragraphs); (iv) independent expenditure tracking; (v) social accountability via SMCs; and (vi) strengthened provincial and education sector procurement and monitoring systems. 	Substantial
<p>To component results</p>		
<p>Implementation capacity</p> <p>Weak implementation capacity (including fiduciary capacity) at the provincial and particularly at the district and school levels could impair implementation progress and project performance.</p>	<ol style="list-style-type: none"> 1. Project activities are sequenced and DLIs are set taking into account capacity limitations and gradual capacity building. 2. At the <i>provincial</i> level, GoS has strengthened human resources at the ED (RSU) (including in FM and procurement). 3. At the <i>district</i> level, DLIs and TA support the reorganization and capacity-building of education management. 4. At the <i>school</i> level, DLIs and TA support SMC capacity-building for school improvement planning. 5. The project supports the provision of FM and procurement guidelines and training to provincial and district education management and SMCs. 	Substantial (moderate for financial management)
<p>Supervision</p> <p>The scope of supervision is large as IDA funds finance a portion of a much larger government program for primary and secondary education development.</p> <p>The ability to supervise could be undermined by security risks.</p>	<ol style="list-style-type: none"> 1. Supervision by the DPs will consist of at least two formal joint review missions annually, complemented by intermediate visits as needed. Supervision missions will include field visits (planned as well as random unannounced). The team will include specialists in the sector as well as in FM, procurement, safeguards, and governance and anticorruption. 2. The supervision design envisions that supervision by DPs will be complemented by (i) monitoring and validation by third parties; (ii) monitoring by provincial and district education management; (iii) monitoring of school-level service delivery by communities (via SMCs). The project supports the use and strengthening of these complementary mechanisms. 3. Intensive virtual reviews by DPs (e.g., via videoconferencing) will be used at times of elevated security risks; in addition complementary supervision arrangements such as the use of third parties to monitor results will be enhanced.. 4. Fiduciary arrangements for the project and, in particular, the use of country financial management systems facilitate adequate due diligence from Islamabad and through day trips. 	Moderate
<p>Overall risk rating</p>		Substantial

F. Credit conditions and covenants

Covenants applicable to project implementation:

- GoS will establish and maintain, throughout the Project implementation period, a Reform Steering Committee, a Reform Support Unit, an Economic Reform Unit and district committees (as needed).
- The Reform Support Unit will be responsible for the overall implementation of the project in accordance with the Operations Manual adopted by GoS.
- On-lending arrangements: GoP shall make the proceeds of the Credit available to GoS in accordance with the provisions of the Financing Agreement and GoP on-lending policies and budgetary procedures, under the same terms and conditions agreed with IDA in the Financing Agreement.
- GoP and GoS shall ensure that the Project will be implemented pursuant to the Environmental and Social Management Framework and that no activities will be carried out that might involve land acquisition or involuntary resettlement of persons and/or businesses. In the event that any land is required for project, GoP and GoS shall, in consultation with the Association, ensure that such land be obtained under the Land Acquisition Act without resorting to the use of clause 17(4) (urgency/emergency clause), or as a donation or bequest.
- GoS shall produce interim-unaudited financial reports (IUFs) twice annually (January and June) to support disbursements for eligible expenditures (EETs and TA) and budget execution reports (BERs) on quarterly basis within 30 days at the end of each quarter for monitoring project implementation performance. GoS will ensure that the Accountant General of Sindh maintains the secondment to the RSU of a financial management information system specialist, satisfactory to the Association.
- GoS shall ensure that audit paragraphs of the Education Department, pursuant to the Memorandum for Departmental Accounts Committee (MfDAC) reports submitted by the Office of the Auditor General (Directors General of Provincial and District Audits in Sindh) are resolved at least to the extent of 60 percent, each year, of the reported residual paragraphs during the second and third years of the project (2009/10 and 2010/11). With respect to the first year of the project (the retroactive financing year), GoS shall ensure the resolution of at least 35 percent of the cumulative baseline of 7679 advance audit paragraphs by April 30, 2009.
- GoS shall ensure that the Sindh Education Foundation (SEF) maintains operational autonomy and appropriately qualified staff in adequate numbers throughout the period of implementation. GoS shall design by no later than December 31, 2010, after consultations with stakeholders, a roadmap to grant the SEF institutional autonomy, in a manner and substance satisfactory to the Association.
- GoS shall ensure that the MTF (including SERP financing framework) is updated and approved annually satisfactory to IDA and budgets implemented consistent with the MTF.
- GoS shall ensure that, no later than April 30, 2010, revised procurement rules are notified, and, no later than April 30, 2011, implementing regulations ancillary to the revised procurement rules, are notified by SPPRA.
- GoS shall establish by no later than December 31, 2009 a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the Association.

Disbursement Conditions

- Retroactive financing up to US\$60 million (equivalent to 20 percent of the Credit – i.e. an amount of US\$58.8 million with respect to the EETs proceeds of the Credit (expenditures under Component 1) and an amount of US\$184,500 with respect to TA proceeds of the Credit (expenditures under Component 2), as of July 1, 2008.
- Disbursement of the proceeds of the Credit for Component 1 of the Project (i.e. the non TA component) will be done on January and June each year (including retroactive financing) on the basis of fulfillment of the global DLI for merit based teacher recruitment as defined in Annex 3 to the PAD (Schedule 4 to the Financing Agreement). DLIs are monetized equally and the authorized amounts for each disbursement will be the sum of the achieved DLIs multiplied by the unitary DLI price.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

54. *Cost-benefit analysis.* A cost-benefit analysis of the SERP is undertaken by using the present discounted value method. The analysis entails estimating the current and future economic benefits and costs incurred by a child age 5 (the official age for entering primary school) given a projected school completion profile when the child reaches age 15 (the official age for completing secondary school), both with and without SERP. In line with the standard practice in cost-benefit analyses of investments in education, the economic benefits are estimated by using adult labor earnings while the economic costs are estimated using schooling expenditures (both by the household and the government), and given the context, forgone child labor earnings.

55. The analysis suggests that the SERP yields positive expected incremental net benefits under the base case as well as under all the selected alternative cases examined as part of a sensitivity analysis. Under the base case, the present discounted value of expected incremental net benefits was roughly PKR 33,400 (in 2000-01 PKR) per representative child age 5. As part of the sensitivity analysis, halving the projected growth rate in real labor earnings and/or halving the projected growth rate in the probability of completing secondary school, for example, yield present discounted value estimates that are 18-47 percent of the base case estimate. Conversely, doubling the projected growth rate in the probability of completing secondary school yields an estimate that is 220 percent of the base case estimate.

56. *Fiscal-sustainability analysis.* The fiscal sustainability analysis is undertaken based on the assumptions used by the GoS in the preparation of the MTF. The analysis shows an additional annual recurrent cost of maintaining the SERP initiatives *beyond the life of the project* of approximately PKR 3 billion (in 2000-01 PKR). This cost, if fully financed via borrowing, would increase the size of the provincial government deficit as a share of provincial GDP from 1.1 to 1.2 percent. Given this, the increase in recurrent cost is expected to be manageable over the longer term from a debt sustainability point of view. In addition, in the short-term, the additional budget allocation for recurrent provincial education expenditures *over the life of project* (2009/10-2011/12) is estimated at approximately PKR 4 billion (2000-01 PKR). This additional cost of SERP initiatives can be absorbed by the increase in budget availability of recurrent education expenditures. As part of a sensitivity analysis, both lower and higher projected growth scenarios (and, correspondingly varying budget revenue scenarios) than under the base case were examined. The sensitivity checks show that the additional annual recurrent cost can be comfortably absorbed. Even if fully financed via borrowing, the addition to the government deficit (as a share of GDP) is expected to range between 0.1-0.2 percentage points. (See Annex 9 for details on the economic and financial analyses)

B. Technical

57. A key technical consideration was to design a project that simultaneously raises school participation and student learning by largely increasing the effectiveness and efficiency of existing expenditure levels, via improved service delivery. Links between the development outcomes and the service delivery improvements (i.e., DLIs) are based on plausible ceteris-paribus predictions that are widely made among academics and practitioners. Where possible, these predictions are supported by systematic empirical evidence, drawn especially from Pakistan given the importance of the local system and setting. A few examples are provided below where some of the more direct channels through which the outcomes are expected to materialize are described.

58. Specific target indicators attempt, for example, to: achieve improvements in the quality of new teacher hires, quality and efficiency of the teacher training system, and the quality of school

infrastructure; introduce private schools in educationally-underserved rural communities; and ensure the reliability and timeliness of the delivery of free textbooks to public school students and cash transfers to girls in secondary schools. Improving teacher quality—via raising the quality of new hires as well as by imparting better training to the teaching force—is likely to raise the attractiveness of public schooling. This, in turn, is likely to raise student attendance, attainment, and learning, translating into higher returns in schooling. Improved school physical infrastructure and the availability (and the *effective use*) of textbooks (the main learning tool in public schools) is also likely to raise the attractiveness of public schooling, encouraging the same behaviors, and again translating into future higher returns to schooling. Stipends are likely to offset some of the costs of schooling (such as forgone child labor earnings or school transportation costs); they can also improve regular attendance and learning if spent on items which raise the health and nutrition levels of beneficiary girls and their siblings. Introducing schools into communities where schooling opportunities are limited or absent is also likely to encourage participation by allaying the pecuniary and psychic costs of covering large distances to get to school.

59. The interventions supported by the project are also expected to have larger positive effects on the schooling outcomes of rural, female, and poor children. First, since deficiencies in service delivery are more acute in rural areas, addressing these deficiencies in general will benefit rural areas more than urban areas and, thus, are likely to have a larger effect on participation and attainment in the former. Second, given that girls' school participation appears to be more sensitive to service delivery elements such as infrastructural amenities, local school availability, and teacher characteristics (e.g. female teachers), improving these service delivery elements in general are likely to have a larger effect on girls' participation relative to boys'. Finally, given that the poor are likely to be more sensitive to the monetary costs of schooling, programs such as the distribution of free textbooks, regular stipends to secondary school girls, and the establishment of new free private schools in educationally-undeserved areas are likely to have a larger impact on the participation of children from poor households relative to those from richer households.

C. Fiduciary

Financial management

60. GoS continues to show strong commitment to improving public finance management in the province. Its efforts in this regard are primarily supported through the Bank-financed Project for Improvement of Financial Reporting and Auditing (PIFRA) project. A comprehensive Public Expenditure and Financial Accountability (PEFA) assessment for the province has been recently completed, conducted jointly by the Bank, EC, Asian Development Bank (ADB), and the Department for International Development (DfID) –United Kingdom, with active participation and coordination by the GoS. The assessment documents satisfactory progress in the overall implementation of the public financial management reforms in the province. Key successes relevant for the proposed project include: (i) complete integrated financial management information system connectivity to all accounting offices with real-time fiscal information readily available; (ii) loading of budgets at provincial as well as district government levels and enabling mandatory system-based budget checks at over 90 percent across the entire province; and (iii) provision of terminals to the ED and RSU for budget execution reporting and monitoring across the province. In addition, SEDPC supported successful financial accountability reforms via a system of resolution of the sector's audit paragraphs. Since education expenditures constitute a significant outlay in the GoS budget, timely, comprehensive and accurate expenditure reporting arrangements for the entire sector remains a key area of attention at both the RSU and the FD.

61. In summary, the existing state of PFM systems and the direction and pace of improvements have fostered confidence and enabled significant reliance on country systems in the areas of budgeting, budget execution, and auditing, including accounting, internal controls, and financial reporting. The proposed

project would finance SERP EEPs and TA. The capturing, accounting, financial reporting and monitoring of the EEPs and TA would remain mainstreamed under the government-wide computerized and integrated financial management system. Real time expenditure reports generated from the system would form the basis for disbursement of Bank funds, twice annually (January and June), using the 'report-based' disbursement method. Notwithstanding, sector-wide consolidated Budget Execution Statements will be supplied to the Bank within 30 days of the end of each quarter for program monitoring purposes.

62. No separate designated account will be established for this project. Instead, the credit proceeds will periodically be disbursed directly to the GoS's Consolidated Fund Account No. 1. The amount of disbursements to the Consolidated Fund will be linked, where appropriate, to the GoS meeting pre-specified DLIs, and the expenditure levels that the Bank will finance are capped for each disbursement period (with respect to EEPs) as defined in the disbursement schedule. The Auditor-General of Pakistan is acceptable to the Bank for providing the requisite audit assurance under the project, and the audited annual financial statements of the project will be submitted to the Bank within six months of the end of each fiscal year of the government. Finally, the project would continue to support improvements in public finance management and accountability, particularly in the education sector. Overall, the financial management arrangements for the project are considered satisfactory to support its quality implementation especially with the incremental qualified FM staff recruited and assigned to the RSU. These staff will assist RSU manage internal control risks for the education sector and implement the financial reporting requirements of the project.

Procurement

63. GoS is cognizant of the importance of a robust procurement regulatory and institutional framework. It is implementing the procurement roadmap prepared by SPPRA in 2006 which delineates (i) improvements in the legal and regulatory framework; (ii) the development and implementation of an effective training strategy for procuring entities; and (iii) the development of a monitoring system by SPPRA. An Organization for Economic Cooperation and Development- Development Assistance Committee Baseline Indicator System (OECD-DAC BIS) was conducted in 2008 which confirmed the milestones of the road map, and was used to plan the follow-up activities.

64. The SERP supports the implementation of an improved procurement regulatory and institutional framework, and procurement management in the education sector. A revised procurement law is now in place, and is expected to be followed by the notification by SPPRA of procurement rules and implementing regulations. Revised standard bidding documents (SBDs) and a functional monitoring and evaluation system are expected to be in use during the life of the project. Regular updates on the Composite Schedule of Rates (CSR) will be carried out to align it with current market prices. These will be accompanied by procurement capacity building. In the education sector, districts are required to comply with SPPRA rules for the procurement of works. The Terms of Partnership (TOP) agreements signed between districts and RSU provide such guidelines. Procurement interventions under the TOPs include guidance on procurement packaging of contracts for school rehabilitation works, and third party ex-post reviews of procurement and construction supervision. The project also supports procurement capacity building at district and sub-district levels.

65. A sectoral procurement assessment, carried out for this project, has identified gaps and risks in procurement practices of civil works, text books, goods, non-consulting services and SMC expenditures. This assessment has been used to define procurement arrangements, prior and post review thresholds, and capacity building needs (see Annex 8). Since EEPs relate to recurrent expenditures such as salary and allowances, secondary school girls' stipends and funds to SMCs, procurement plans are not required for the majority of expenditures under EEPs. However, detailed budget/plans have been reviewed to determine the types of contracts that could be considered eligible.

66. A procurement plan is required, and has been prepared, for the NCBs/shopping contracts expected under the SEMIS and PEACE components and for the TA activities. Procurement under the EEPs and the TA will use procurement procedures agreed with the Bank. Procurement guidelines have been prepared for SMCs, which focus on adequate planning, dissemination, and documentation. The procedures for the public-private partnership intervention of SEF have also been agreed with the Bank.

D. Social

67. *Participatory approach.* The project supports GoS's program which follows a participatory approach in its planning and implementation, through consultations with stakeholders including, among others, parents, students (girls and boys), teachers, community members, SMCs, civil society, government departments and the private sector. The participatory approach followed in SERP design is structured into its detailed programming and implementation arrangements. The program aims to focus on all geographic areas of the province with special focus on the lagging and less-developed districts. The programmatic social assessment built into the M&E framework, will continue to facilitate participation of stakeholders during implementation.

68. *Social assessment.* Social issues are mainstreamed into the design of the project and key social indicators will be monitored. A programmatic social assessment is built into the design of the project and will be integrated into the rigorous M&E framework planned for sub-programs during project implementation. The M&E systems will be expanded both in terms of scope of coverage and methodologies in this regard. The social assessment will further: (i) facilitate stakeholder participation during detailed programming and implementation, (ii) monitor various factors underpinning access to and quality of education, and evaluate effectiveness of project interventions; (iii) examine gender dimensions of sub-programs, particularly interventions targeting girls education, and (iv) monitor potential social safeguard issues during implementation.

69. *Poverty.* The project supports acceleration of progress towards Pakistan's PRSP goals through its focus on increasing access and quality, reducing gender and urban-rural disparities, and improving the efficiency and effectiveness of service delivery. The project can be expected to mainly benefit the poor through two channels. First, it supports improved service delivery performance in public schools; as children from poor households disproportionately enroll in public schools, the benefits of any improvements in public schooling are expected to mainly accrue to them. Second, many interventions are expected to have a larger impact on improving service delivery in rural areas relative to urban areas and there is a high correlation between household poverty status and location (rural households are almost three times more likely to be poor than urban households in Sindh, World Bank 2008).

70. For example, given the lower delivery performance in rural areas relative to urban areas, improvements in the province-wide delivery of free textbooks and stipends to secondary school girls are likely to generate larger performance gains in rural areas. Similarly, given the poorer quality of schools in rural areas relative to urban areas, the province-wide rehabilitation program of public school infrastructure will likely have a larger impact on school infrastructure quality in rural areas. In addition, interventions such as the public subsidy program for private schools and the differential stipends program, which offers a higher stipend amount to secondary school girls, target (by design) the worse-off rural communities in terms of key educational outcomes. To the extent that household poverty status is strongly correlated with household location (rural vs. urban) these activities will benefit poor households.

71. *Gender and local accountability.* There is a keen awareness of the need and challenges to address the gender gaps in access to quality education. The SERP supports and expands programs to improve access to education for girls (e.g., secondary school girls' stipends, gender differentiated subsidy in the

pilot public private partnership program). Moreover, the majority of interventions are likely to disproportionately benefit girls (see paragraph 59). Thus the gender theme is mainstreamed through the SERP design and its M&E system. The SERP program plans to strengthen and empower the SMCs and will contribute to involvement of communities at school level decision-making and local level accountability of schools.

72. *Land needs.* The Project does not require any acquisition of land for public purpose. The TOPs with the Districts and the PPP program may involve new classroom construction or expansion. Given the design of the program and the small size of the facilities, the land needs if necessary will be resolved through using existing campus, leasing or community donations. In case of donations, in order to ensure a transparent process, non-pressuring environment and its voluntary nature, the Environmental and Social Management Framework (ESMF) requires documentation of the following (i) the ownership of the land and evidence indicating the voluntary nature of the donation; (ii) appropriateness of the donation for the intended purpose; (iii) economic status of the donor that s/he is above the poverty line or whose remaining holdings are economically viable; (iv) no encumbrances on the land; (v) no negative livelihood impact on any vulnerable groups; (vi) no compensation will be paid, and (vii) that the owner gives up all claims on the land and the title will be transferred to the recipient through procedure prescribed by the law of the state. Documentations of such will be submitted to the Bank for review.

73. *Indigenous Peoples.* Planning efforts so far from the government side and mission field visits and consultations have not identified any indigenous groups in the project areas, thus OP 4.10 is not triggered. However, should any such group get identified during implementation, an Indigenous Peoples Development Plan will be prepared and necessary programs will be designed to mitigate any adverse possible impacts and to include such groups for culturally appropriate benefits.

74. *Grievance Redress.* The ESMF describes mechanisms to address grievances under the project through established mechanisms at the provincial and district levels. Information on project design and on sub- programs would be disseminated widely to create public awareness to facilitate public participation in and monitoring of the project interventions as well as to better address grievances.

E. Environment

75. The SERP will result in environmental benefits. However, some of its activities, such as rehabilitation and/or upgradation of school buildings, adding missing facilities as well as waste generation during school operation may lead to non-significant and minor negative environmental impacts. Hence, the project has been categorized as 'B', in accordance with the World Bank OP 4.01.

76. A significant number of schools in the province are without safe drinking water and adequate sanitation facilities. Similarly the existing school design guidelines and construction specifications do not provide protection against natural disasters such as earthquakes and floods. The project includes the provision of safe drinking water at schools, in addition to incorporating earthquake and flood protection aspects in the school building designs, improving natural lighting and ventilation, evaluation of cost-effective renewable power system for off-grid schools, and providing adequate toilets for boys and girls with safe sewage disposal.

77. In order to address the above concerns, an Environmental Assessment (EA) has been carried out and an Environmental and Social Management Framework (ESMF) has been developed. The ESMF provides guidelines to be implemented during the design, construction and operation phases of the schools/missing facilities, in addition to a capacity building and awareness raising program for different stakeholders on basic environmental and safety aspects, hygiene and sanitation. The ESMF also defines

the roles and responsibilities of the RSU, district governments and other entities, for the environmental and social management of the project. Furthermore, the ESMF provides an implementation plan for the gradual phasing of the environmental considerations in the project (see Annex 10 for details). The environmental mitigation measures proposed under the ESMF will help reduce if not completely eliminate any minor negative impacts, and indeed will enhance the environmental performance of the project.

F. Safeguard policies

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

G. Policy Exceptions and Readiness

78. No policy exceptions are being sought.

79. The Environmental and Social Management Framework has been approved and disclosed by the Government of Sindh. The RSU is fully operational and its staffing has been enhanced including through the enhancement of FM staff. Budget allocations for SERP are built into the MTFF. The project's implementation, fiduciary and M&E arrangements are in place (with baseline data available for key performance indicators) and satisfactory to IDA.

* By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas

Annex 1: Country and Sector or Program Background

PAKISTAN: Sindh Education Sector Project

Socioeconomic profile⁹

1. Sindh is presently home to roughly 24% of the country's population. The province is highly urbanized—in 2006/07, its population share in urban areas was 49% relative to 29% in the rest of the country.¹⁰ In addition, over the period 1998/99-2006/07, the urbanization rate in Sindh exceeded that of the rest of the country. Among the four provinces, Sindh has the second highest economic output, amounting to roughly 28% of national output in 2004/05.¹¹ Its strong relative economic position is largely an outcome of the presence of the city of Karachi, which is the country's industrial and commercial center. Given the population structure across the provinces, Sindh in fact has the highest GDP per capita. The province also experienced the largest percent increase in both GDP and GDP per capita over the period 1998/99-2004/05. Accompanying this increase in output, the estimated poverty rate fell in both urban and rural Sindh, and stood at 15% and 31% in 2005/06, respectively (World Bank 2008). However, the declines experienced in rural Sindh over the period 1998/99-2005/06 have been smaller than the declines experienced in the rural areas of the other provinces.

Education profile

2. *School participation is low in Sindh, trails the rest of Pakistan taken together, and is particularly low for female, rural, and poor children.* Household survey data for 2006/07 show that the net enrollment rate (NER) for the 5-9 age group (the official ages for primary schooling) in Sindh is 50.3%, roughly 7 percentage points below the NER for the rest of Pakistan (Figure 1). The NER for the 10-14 age group (the official ages for secondary schooling) is roughly half that at 26.7%, again trailing the NER for the rest of Pakistan, albeit marginally. Looking at NERs for rural and urban areas separately reveals a significant rural disadvantage: the NERs for rural children in Sindh are over 20 percentage points less than the NERs for urban children for both the 5-9 and 10-14 age groups. Looking at NERs by gender reveals a girl disadvantage: the NERs for girls are roughly 12.9 and 7.1 percentage points lower than the NER for boys in the 5-9 and 10-14 age groups respectively. Further decomposition reveals that the female disadvantage in NERs is almost exclusively a rural phenomenon (Figure 2). Finally, looking at NERs by expenditure quintiles reveals a significant disadvantage for the poor: the NERs for the poorest quintile are 43.9 and 48.2 percentage points lower than the NERs for the richest quintile in the 5-9 and 10-14 age groups, respectively. Further decomposition reveals that while children from the richer quintiles have comparable NERs across rural and urban areas, a rural disadvantage emerges among children from the poorer quintiles (Figure 2).

3. *Low school participation in Sindh is principally driven by the extent of children who never go to school—this phenomenon is not shared to the same degree by the other provinces.* In the 5-9 age group, 49% have never attended school, with higher rates among girls (56%) and rural children (58%). This explains virtually all of the non-participation among primary age children. As expected, dropouts play a larger role at higher ages, but the incidence of older children who have never attended school remains disconcertingly high: 32% of children in the 10-14 age group have never attended school. The number

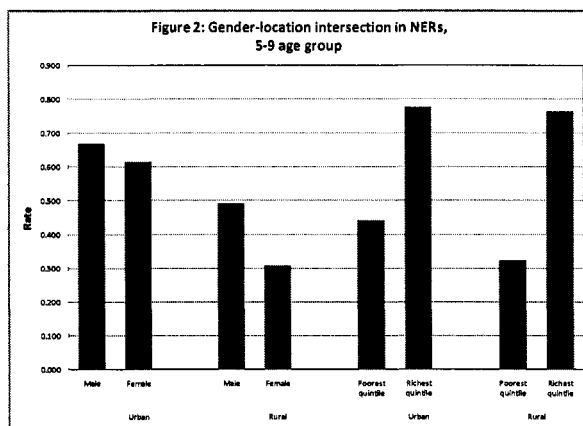
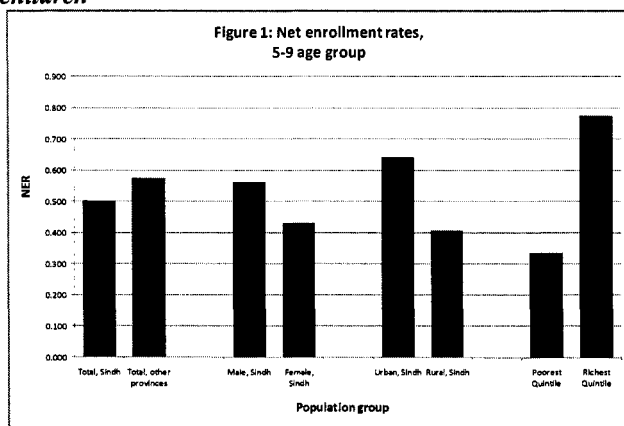
⁹ Own estimates based on household sample survey data are mainly used for the socioeconomic and education profiles sections. The 1998/99 estimates are based on the 1998/99 Pakistan Integrated Household Survey (PIHS) and the 2006/07 estimates are based on the 2006/07 Pakistan Social and Living Standards Measurement Survey (PSLM). Wherever possible, the estimates are corroborated using the official statistical reports prepared by the Government of Pakistan's Federal Bureau of Statistics.

¹⁰ Rest of Pakistan is defined as the other three provinces combined.

¹¹ Provincial level GDP and GDP per capita estimates are World Bank staff estimates.

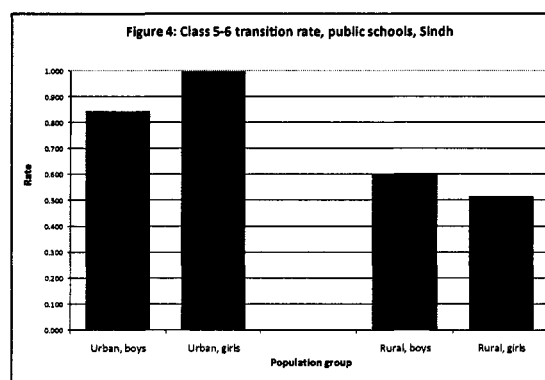
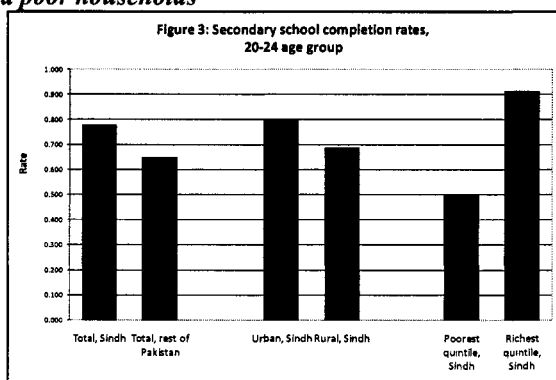
increases to 41% and 48% for girls and rural children, respectively. What is more, all of these estimates for Sindh are markedly higher than the estimates for the rest of Pakistan.

School participation in Sindh trails other provinces and is especially low for girl, rural children and poor children



4. The vast majority of children that join school complete primary school. Further, an appreciable proportion of children that join secondary school complete secondary school. Secondary school completion and transition between primary and secondary levels however appear to be particularly poor among rural and poor children. Data from 2006/07 show that an encouragingly high 93% of individuals in the 15-19 age group who had attended primary school had completed this level. While gender and rural-urban differences in primary school completion rates appear to be minor, primary school completion rates for children from the poorest quintile are 13 percentage-points below completion rates for children from the richest quintiles. The picture deteriorates with secondary school completion rates but not dramatically: 78% of individuals in the 20-24 age group who attended secondary school had completed this level. The story is more adverse, however, for children from rural households and the poorest quintile: completion rates are 11 and 42 percentage points lower than for urban children and children from the richest quintiles, respectively (Figure 3). Finally, the transition rate between primary and secondary levels in public schools, measured in terms of the ratio of children in class 6 to class 5 using consecutive annual public school censuses, appears to be of concern in rural areas: only 57% of rural children transition between these levels. This rate is even lower for girls (Figure 4).¹²

Transition between primary and secondary and secondary school completion is particularly poor among rural and poor households



¹² These patterns in transition rates in public schools are consistent with the patterns for transition rates in general estimated using household sample survey data.

5. *Learning outcomes are low in Sindh as in the rest of the country.* Available evidence from 2005 and 2006 from the testing of grade 4 public students across the country in selected key subjects shows that, in all provinces, students scored less than 50%, suggesting that achievement levels in all subjects are significantly below official curriculum standards.¹³ This evidence is corroborated by independent evidence from standardized tests offered to grade 3 and 5 students in a sample of rural public schools in selected districts in Sindh in 2006 (Siaens 2008). Recent research from Sindh and other provinces also importantly shows that learning differences between children are explained more by the child's school type and school characteristics than by the child's individual and family background characteristics (Siaens 2008; Andrabi et al. forthcoming).¹⁴

Key challenges in the public education system

6. The public education system is the main provider of education in Pakistan. In 2006/07, roughly 77% and 72% of primary and secondary school students attended public school in Sindh. Annual School Census data from 2007/08 for Sindh show that there are roughly 4.3 million children in over 41 thousand functional public primary and secondary schools, taught by 138 thousand teachers. The focus of this section of the annex is to describe some of the main challenges in the public primary and secondary education system. The steps that have or will be taken under the Sindh Education Sector Reform Program to address these issues are touched upon here,¹⁵ but the medium term program is discussed in greater detail in Annex 4.

Public finance management

7. Poor educational outcomes stem from issues with the public education system as well as issues surrounding it, which affect the size, regularity, and effectiveness of provincial expenditures in public education. Some of these surrounding issues are summarized below.

8. *Stagnation in provincial own-source revenue.* Transfers from the federal government, which have constituted over 80 percent of the total revenues received by Sindh in the recent past,¹⁶ are susceptible to changes in federal tax policy and/or revenue collection. Adequate increases in provincial revenue collection would mitigate risks from federal transfer shortfalls in the future, and consequently increase the likelihood of sustained budgetary allocations to priority sectors, including education. Independent of the composition of revenues in terms of source, the overall level of revenues is at risk given the ongoing economic slowdown in the country.

9. *Sharp increase in development spending in general without careful planning nor an increase in implementation capacity.* The number of schemes included in the development program increased from 609 in 2004/05 to 1,521 in 2007/08. These schemes have been added (1) without sufficient effort to ensure their coherency with past and existing schemes in the portfolio and (2) without taking account of the implementation capacity constraints of the government. In addition, the portfolio is characterized by a high throw-forward (i.e., the number of years required to complete all ongoing development schemes given that no new scheme is added) – this contributes to rigidities in budgetary decision-making and increases the need to mobilize greater revenues.

¹³ See National Assessment Reports 2005 and 2006 prepared by the National Education Assessment System, Ministry of Education, Government of Pakistan.

¹⁴ It is important to recognize that these inter-school differences are likely to be partially driven by child sorting across school types (private vs. public) and school characteristics.

¹⁵ These were supported by SEDPC.

¹⁶ Own estimates based on official government budget figures.

10. *Budgetary processes lack a strategic medium-term focus.* A longstanding problem has been that budgetary processes are short-term and input focused. Further, no systematic review is undertaken to assess the budgetary implications of present activities and new initiatives—one example is the lack of forward-thinking of the implications of the current development budget on future recurrent expenditures.

11. To improve budgetary practices, introduce coherence and discipline in development expenditures, ensure achievement of fiscal targets (including for provincial own source revenue growth), and ensure allocations to priority sectors, the government prepared the first Medium Term Fiscal Framework (MTFF) for the period FY2007/08-2009/10. The MTFF provided three-year projections of revenues, expenditures, and broad sectoral expenditure ceilings to guide the annual budget-making process. The process was interrupted the following year, due to the change in government immediately before the new budget cycle.

12. *Deficiencies in financial management and procurement systems.* Weaknesses in the overall fiduciary environment potentially limit the effectiveness of expenditures on public education. Recognizing this, the Sindh government initiated financial accountability reforms by instituting a system for the timely resolution of audit paragraphs and for comprehensive, timely, and accurate expenditure reporting in the education sector. Progress has been made in reducing the backlog of advance audit paragraphs through effective resolution, but large numbers of advance audit paragraphs continue to be generated every year. This situation indicates the need for continued improvements in internal controls and other institutionalized preventive measures for greater financial accountability. The Sindh government has also embarked on province-wide procurement reforms to strengthen procurement rules, the capacity of procuring entities, and procurement monitoring and evaluation, including a complaints redressal system. Efforts are also underway to review procurement procedures and practices in procurement-intensive areas in the education sector such as textbooks and school physical infrastructure rehabilitation.

Education sector management

13. *Deficiencies in service delivery monitoring and evaluation.* Key constraints affecting service delivery performance are (1) the lack of timely, comprehensive, and reliable information; (2) low program monitoring capacity; and (3) limited linkages between policy formulation and statistical information. An important step taken to address these was the establishment of the Reform Support Unit (RSU) as an arm of the education department, with the mandate of evidence-based policy formulation, data collection, analysis, and dissemination, and program monitoring. The RSU administers the annual schools census (ASC) of public schools, the main source of information on the numbers and characteristics of schools, students, and teachers in the public schooling system across the province. Administrative practices for the ASC were also improved. However, issues still remain on (1) whether the frame of schools is complete; (2) the reliability of the data collected; (3) the speed at which district census officers collect and process the data; and (4) the use of the data to identify issues and inform decision making. Monitoring of key service delivery components such as textbooks, secondary school stipends for girls, and school physical rehabilitation has also suffered in large part due to poor performance on the part of the districts in complying with the program reporting requirements. The lack of incentives for improved performance and limited capacity are two important reasons behind this. Planned efforts to address these issues include (1) improvement in ASC administration rules and practices at the district level (including the introduction of improved internal data quality controls); (2) production of statistical reports and the dissemination of key statistics at the province, district, and school and community levels; (3) strengthening program monitoring by districts by piggybacking on the capacity-building initiatives for improving the administration of the census as well as tying monitoring performance to the determination of grants under the districts Terms of Partnership describe later.

14. *Deficiencies in district education management.* There are important shortcomings in education management in the districts, the main administrative level for service delivery in the province, with strong implications for service delivery performance. The shortcomings arise from the lack of incentives for service delivery performance, poor organizational structures and administrative practices, and weak service monitoring and implementation capacity. For example, there is a lack of clarity in the content and division of roles and responsibilities between education managers, contributing to duplication in functions as well as certain key functions such as strategic planning and quality assurance of schools being uncovered. Qualifications of existing education managers are also not in line with their job descriptions, and there are no formal training activities to equip managers with the requisite set of skills. Opportunities for professional development and career advancement are limited, not formalized, and not well-charted out. Entry into education management from teaching or other avenues are also not well-charted out and not completely based on objective and transparent processes. Planned efforts entail the implementation of district education management reform program which, among other things, (1) outlines the qualification rules for entry into district education management from the civil service or the teaching force; (2) introduces a new management structure with well-defined job descriptions, merit based career advancement and training opportunities; and (3) introduces strategic planning by districts and a new school inspection and advice/support system.

15. *Deficiencies in (the quality of) physical infrastructure of existing public schools.* 2007/08 ASC data show that 25% of Sindh's public schools lack a school building, 80% lack electricity, 47% lack toilets; and 55% lack drinking water facilities. These statistics only paint a partial picture. Anecdotal evidence suggests that there are significant shares of schools that have buildings but they are of poor construction quality or need repair and/or have toilets and drinking water facilities but they are not functional or pose health and sanitation problems. These quantity and quality deficiencies in physical infrastructure are likely to discourage student participation in public schools. Further, the lack of a conducive environment for both teachers and students alike are likely to adversely affect teacher performance as well as student attendance and learning (World Bank 2002).

16. To address these infrastructural problems, GoS has begun offering district governments annual performance based grants for school rehabilitation called Terms of Partnership (TOP) agreements. The grants are expected to be used by the district governments to address selected infrastructural deficiencies. District performance is measured using a range of indicators including the use of the grants for and the completion of rehabilitation works; their performance determines the amount of the next year's TOP grant for rehabilitation works. Important issues remain; these include the selection of schools that do not require (or are of lower priority for) rehabilitation works; poor construction quality or partial construction; and poor quality school designs that pose health and safety risks for the children and teaching staff. Planned efforts to address these issues include (1) independent vetting of schools selected for rehabilitation; (2) independent supervision of works to ensure compliance with school design and construction quality standards; and (3) independent certification of the complete rehabilitation of schools where works are carried out; and (4) strengthening the incentives and capacity of districts to ensure practices consistent with guidelines from the provincial government.

17. *Deficiencies in school management.* Service delivery has also suffered due to weak management at the school level and limited community engagement in decision-making regarding school affairs. One potential mechanism for more effective school management and greater community participation is school management committees (SMCs) composed of teachers, students' parents, and community leaders. Sindh began establishing SMCs in the early 2000's and giving them powers and financial resources. However, there has been no sustained effort to ensure the effective involvement of SMCs in school management. Consequently, large numbers of SMCs either did not get off the ground or became dormant over time. Some of the factors that contributed to this state-of-affairs included limited parental participation, lack of understanding of SMC roles and responsibilities, weak capacity, and little or no

financial resources. Planned efforts to address these issues include (1) regular, full, and timely funding to SMCs; (2) community mobilization and SMC activation; and (3) capacity building of SMCs to help them undertake strategic school improvement planning.

Service delivery interventions

18. *Poor performance of provincial incentive programs.* Two service delivery programs that the provincial government has primary responsibility for administering include (1) stipends to girls that attend public secondary schools and (2) free textbooks to all students in public schools. These programs historically suffered from important administrative weaknesses which led them to be delivered with significant delays or in reduced amounts (e.g. stipend amounts) to beneficiaries. GoS took significant steps to revamp the delivery of these programs and also commissioned independent validations. However, issues remain. A first issue has been that, contrary to the design of the program, stipends were still distributed with a lag of one academic year and the timing of stipends delivery has varied within the academic year, the uncertainty weakening incentives for girls to come to school. A second issue has been delays and incompleteness/inaccuracies in vital administrative data that the district governments are responsible for collecting—a key problem here is the lack of incentives for performing these tasks. In addition, there is still a need to ensure effective controls in both delivery systems to yield credible information on whether final beneficiaries have received their benefits in full. There is also a need to strengthen controls to reduce errors of inclusion in beneficiary rolls (e.g., false enrollments). The evidence also points to the need for stronger incentives to encourage rural girls to attend secondary school given the lower secondary school enrollment rates relative to rural boys as well as urban girls (see the Education Profile section in this annex). Planned efforts to address these issues include (1) institutionalizing independent validation checks of beneficiary eligibility status and the timely and full receipts of benefits; (2) systematic information dissemination on program benefits and eligibility criteria to children and parents; (3) introduction of grievance communication and redressal systems; (4) inclusion of timely and complete data collection as a performance indicator for grants under the district TOPs; and (5) the introduction of larger stipends amounts in talukas (subdivisions of districts) with the lowest class 5 to class 6 transition rates.

19. *Limited mobilization of the private sector to address school access and quality.* Available systematic evidence from other parts of Pakistan suggest that (1) there is a large and growing private educational sector that caters to the urban poor and rural communities; (2) schooling outcomes (including learning) are on average better in private schools relative to public schools; and (3) these better outcomes are achieved at lower cost in the private schooling system than in the public schooling system (Andrabi et al. forthcoming). Enrollment rates in private school are, however, lower in Sindh relative to the rest of Pakistan; this is particularly true in rural areas, where the private primary school NER in Sindh is roughly one-tenth the corresponding value in the rest of Pakistan. In addition, the growth in private primary school NER has lagged that of the rest of Pakistan, and particularly so in rural Sindh. While the promise of the private sector in achieving educational outcomes is high, the natural growth of the private sector in rural Sindh appears to be inhibited. Opportunities for using public funds and other assistance for leveraging the penetration and expansion of the private sector in rural Sindh exist—a key potential conduit for such assistance is the Sindh Education Foundation which has traditionally engaged in small-scale partnerships with the NGO sector but has recently begun to prepare a medium-scale, phased pilot program to support the establishment and operation of private primary schools in underserved rural communities in districts with the lowest school participation rates and largest gender disparities in school participation.

Teachers and student learning

20. *Patronage-based recruitment of teachers and inequitable distribution of teachers across schools.* Although this has been a longstanding problem across Pakistan, patronage-based recruitment of teachers has historically been more of an issue in Sindh, potentially compromising the quality of recruited teachers performance, and, in turn, student outcomes such as attendance and learning (Hasnain 2005). In addition,

the academic and professional credentials of prospective teachers in Sindh are considered to be a weaker signal of candidate quality than in other provinces given questions regarding the quality and integrity of certifying institutions. Political interference in recruitment and school postings also reduces teacher accountability and contributes to poorer teacher performance of which absenteeism is a highly visible symptom. A high incidence of inter-school transfers and imbalances in the distribution of teachers across main urban centers and the rest of the province also contributes to large differences in student-teacher ratios and inefficient use of existing resources (e.g., school closures/non-functional schools). Existing evidence from Sindh also shows that there are benefits to be derived by locally placing teachers: teacher absenteeism rates are lower (Siaens 2008). To improve the quality of new hires, reduce discretion and political interference in hiring, and place teachers locally in schools with teacher shortages, a new teacher recruitment policy has been introduced in Sindh—this policy requires the recruitment of teachers using transparent and merit-based criteria (including the use of a written examination) and their local placement under school-specific contracts that do not permit inter-school transfers. One round of recruitment has been completed using this policy.

21. *Deficiencies in teacher education and development.* Existing evidence shows that teacher training as presently provided does not improve student outcomes (see, e.g., Andrabi et al. forthcoming). There are four key design and administration issues with the teacher training system in Sindh. First, in-service training (ITE) relies excessively on centralized government provision, there is no effective induction of new teachers into their posts, and there are no universal standards and competencies at the heart of the process. Second, ITE and in-service training are being provided by government institutions (Bureau of Curriculum-BoC and Provincial Institute for Teacher Education-PITE) whose functions and responsibilities have become blurred. Third, there is no coherent continuous professional development process in public school teaching; in addition, incentives for improving teaching practice (via the acquisition of knowledge and skills) are absent. Fourth, the criteria and process for the selection of teachers for professional development are generally not transparent and are not based on any formal training needs analysis and planning, leading to the wastage of limited resources for training activities. The planned efforts include the implementation of a comprehensive teacher education development plan which includes (1) the adoption of new standard and competencies to be used for appointment, training, and professional development, and certification of all teachers; (2) redefinition of the roles of BoC and PITE; and (3) the introduction of an accreditation and quality assurance system for teacher training providers.

22. *Insufficient measurement of learning shortfalls and use of learning assessments in teaching.* Until the introduction of the National Education Assessment System (NEAS), the only available information on student learning achievement was from the high-stakes grade 9 and 10 exit examinations, which are also used for college admissions, and, hence, are limited in their usefulness as tools for monitoring student learning.¹⁷ Even with the introduction of NEAS however, sufficiently disaggregated and detailed information on student achievement is lacking. Further, teachers do not have the requisite training and tools to use information gathered on student achievement to develop their own classroom assessments and to adapt their teaching practices. Planned efforts include (1) the development and administration of annual diagnostic assessments of selected subjects and grades in public schools and (2) support for the development of summative classroom assessments by teachers using the results of the annual diagnostic assessments.

¹⁷ The issues include the highly selected nature of the students that take the exit examinations, non-comparability between the provinces, low credibility due to widespread cheating and other malpractices, and excessive emphasis on the reproduction of factual knowledge.

Annex 2: Major Related Projects Financed by the Bank and/or other Agencies

PAKISTAN: Sindh Education Sector Project

Sector Issue	Project	Ratings (For Bank Projects Only)
IDA Financed		
Improve education sector financing, access and quality of education in Punjab	Punjab Education Sector Adjustment Credit (PESAC), Report No. 27528-PK	Implementation Progress: S Development Objectives: S
Improve education sector financing, access and quality of education in Punjab	Second Punjab Education Sector Development Policy Credit (PEDPC-II), Report No. 31519-PK	Implementation Progress: S Development Objectives: S
Improve education sector financing, access and quality of education in Punjab	Third Punjab Education Sector Development Policy Credit (PEDPC-III), Report No. 35441-PK	Implementation Progress: S Development Objectives: S
Improve education sector financing, access and quality of education in Punjab	Fourth Punjab Education Sector Development Policy Credit (PEDPC-IV), Report No. 38884-PK	Implementation Progress: S Development Objectives: S
Improve participation, retention and transition, reduce gender and regional disparities, and improve quality in elementary and secondary education (grades 1-10).	First Sindh Education Sector Development Policy Credit (SEDPC); Report No. 38709-PK	Implementation Progress: MS Development Objectives: S
Support for the government's medium-term reform program with a strong emphasis on human development and inclusive growth	First NWFP Human Development Policy Credit; Report No. 35479-PK	Implementation Progress: S Development Objectives: S
Improve human development, promote economic growth and reduce poverty.	NWFP Second Development Policy Credit; Report No. 38517-PK	Implementation Progress: S Development Objectives: S
Design and administer assessment mechanisms; to establish administrative infrastructure and capacity for assessment administration, analysis and report writing; and to increase stakeholder knowledge and acceptance of assessment objectives and procedures	National Education Assessment System	Implementation Progress: S Development Objectives: S
Promote public-private and community partnerships to improve access to quality primary education, in particular for girls.	Balochistan Education Support Project (BESP); Report No. 34999-PK	Implementation Progress: S Development Objectives: S
Build capacity, support GoP's commitment to improve public financial management, accountability, and transparency; and facilitate public oversight of the use of public monies.	Second Improvement to Financial Reporting and Auditing Project (Report No: 33 12 1 –PAK)	Implementation Progress: S Development Objectives: S

<i>Development Partner</i>	<i>Project</i>
European Commission (EC)	Sindh Education Plan Support Program; 2006 - 2011 Improve capacity at school, district, and provincial level to deliver quality elementary education services in an equitable manner.
European Commission (EC)	NWFP Education Sector Reforms Program; 2008 – 2013 Improve capacity at school, district, and provincial level to deliver quality elementary education services in an equitable manner.
Japan	Support for improving literacy in Punjab
Asian Development Bank (ADB)	Punjab Devolved Social Services Programs; 2005-2008
Asian Development Bank (ADB)	Balochistan Devolved Social Services Programs; 2006 - 2009
Asian Development Bank (ADB)	Punjab Resource Management Program; 2003 - 2008
Asian Development Bank (ADB)	Science Education Project; 1999-2007 To provide Science labs to Government Secondary Schools
Japan Bank of International Cooperation (JBIC)	Middle Level Education Project; 1998 – 2006 Upgradation of Government Primary Schools to Middle Level
United States Agency for International Development (USAID)	Education Sector Reforms Assistance Program; 2002 – 2007 EdLinks; 2008 - 2013 Government Primary School Improvement Assistance Literacy Programs
United Nations Children’s Fund (UNICEF)/Australian AID Agency (AusAID)	Girls Primary Education Project; 2000 – 2006 School improvement grants for Government Primary Schools, recruitment of female teachers, establishment of 2 nd shift schools for girls.
United Nations World Food Program (UN-WFP)	World Food Program Project; 2004 - 2008
United Nations Children’s Fund (UNICEF)	Support for Examination and Whole School Approach in Punjab.
UNESCO	Teacher Accreditation at Federal Level

Annex 3: Results Framework and Monitoring

PAKISTAN: Sindh Education Sector Project

Introduction and Institutional Arrangements for Results Monitoring

1. A monitoring and evaluation (M&E) system that generates timely, relevant, and reliable information on the performance of different SERP sub-programs is a key cross-program element of the SERP as currently envisaged. M&E expenditures constitute an EEP to be financed under the project; in addition, improvements in the M&E system will be supported through DLIs and TA. Additional technical assistance and advisory support for selected M&E activities are expected to be supported through grant and non-lending sources, particularly the Education Program Development Fund.
2. The main institutional setup for program monitoring is the SERP Reform Sector Unit (RSU). The RSU is responsible for both SERP implementation and monitoring through dedicated teams organized by SERP sub-program. The performance of the RSU is monitored by the Education Department (ED) and the inter-departmental Reform Steering Committee (RSC). The monitoring and implementation responsibilities for the various SERP sub-programs are also supported by education management officials at the district level—the extent of the partnership between the province and the districts varies by SERP sub-program. In addition, depending on the SERP sub-program, the responsibility for monitoring SERP implementation and performance is shared between the RSU and the Finance Department (FD), Planning and Development Department (P&D), and other units within the provincial government. These M&E arrangements are largely in place and in effect.
3. Finally, the project supports the gradual strengthening of the capacity of SMCs to monitor and report on school affairs (e.g., teacher presence) and the performance of selected service delivery interventions.

Monitoring and Evaluation Tools and Sources

4. A range of M&E tools are expected to be employed to assess (progress towards) the achievement of SERP implementation performance, activities, outputs, and educational outcomes.
5. *RSU monitoring.* As part of their standard monitoring, the RSU will regularly gather information and report on the implementation of SERP sub-programs such as the delivery of textbooks and stipends to secondary school girls, delivery of funds and services to school management committees (SMCs), and the infrastructural rehabilitation of public schools under the district terms of partnership.
6. *Monitoring by third parties.* This monitoring will be supplemented by monitoring of results and performance of several sub-programs by third parties. Planned independent studies include validation studies of merit-based teacher recruitment, textbook delivery, stipends delivery, and SMC funds and school improvement activities. These independent studies will also examine whether program implementation rules and procedures are followed and whether program benefits reach intended beneficiaries and, where specified, whether benefits are used for intended purposes. Where relevant, these validation studies will include detailed expenditure tracking assessments.
7. *Annual School Census.* The RSU also has the important task of administering the Annual School Census (ASC) of public schools in the province. This activity is the main source of information on a range of important school-, teacher-, and class-level indicators. The ASC data are increasingly being used for both the design of SERP sub-programs (such as in setting the performance targets for the district terms of partnership) as well as monitoring SERP implementation performance (such as providing a secondary measurement of the extent of delivery of various benefits to schools and students). These data are also expected to be used to generate statistical profiles of public schools at the district and school level, and for

examining changes over time in key indicators such as in public school enrollments. Given the importance of this tool for effective evidence-based decision-making on program design and implementation, a range of technical and technological assistance is expected to be provided by the Bank and other DPs to the RSU and district education management units to improve the reliability and timeliness of data generated through the ASC.

8. *Additional data sources and triangulation.* Given that the ASC data only provide a partial view of education in the province and certain indicators such as the extent of (private) school participation in the population and student learning cannot be constructed using these data, SERP results monitoring would also make use of (1) education data gathered in representative multi-topic household sample surveys undertaken by the Federal government on a regular basis, as well information on learning outcomes from the National Education Assessment System of the Federal government; (2) focused surveys undertaken as part of the SERP to assess phenomena such as the extent of and environmental and institutional correlates of teacher absenteeism in public and private schools across the province; and (3) annual student diagnostic assessments in a district representative sample of public primary schools carried out by the Sindh Provincial Education Assessment Center to gauge the extent of and correlates of learning shortfalls in key subjects. These additional data will be used to assess the achievement of results targets as well as inform the design and implementation of initiatives to address any identified issues.

9. *Impact evaluations.* A range of rigorous prospective impact evaluations are also planned as part of the technical assistance offered by the Bank. These evaluations are expected to be based on randomized designs and take advantage of the opportunities afforded by program piloting and incremental rollouts. SERP sub-programs expected to be evaluated include the (1) public-private partnership (PPP) program which offers regular subsidies to entrepreneurs to set up private primary schools in underserved rural communities in educationally-poor districts in the province; (2) differential stipends program (DSP) which offers higher cash transfers to public secondary school girls tied to specified behavioral conditions (such as on enrollment or attendance) in low-transition-rate talukas in the province; and (3) a program which couples funds to SMCs with skills training in school improvement planning. Importantly, the proposed evaluations will not test single interventions; they will test the impact and cost-effectiveness of variants of the above interventions which differ on design elements that are expected to have a meaningful impact on outcomes. For example, the PPP program evaluation will test the impact of per-student subsidies to entrepreneurs that are the same for male and female students vs. per-student subsidies that are slightly higher for female students. Likewise, the DSP evaluation will test the effects of information dissemination as a social accountability mechanism for improved program administration and, in turn, outcomes. Key outcome indicators to be examined include participation, retention, transition, and learning. These evaluations are expected to yield short-term impact results that can be used by the government to inform program design and implementation choices starting in FY2010/11.

Supervision Strategy

10. The supervision strategy is based on several mechanisms that will enable enhanced implementation support to the GoS and to enable timely and effective monitoring. The supervision thus comprises: a) Joint Review Missions; b) regular visits by the DPs and technical consultants between formal joint review missions; c) RSC and RSU internal monitoring; d) in-built independent third party monitoring/validation; and, e) internal audit and financial management reporting.

11. *Joint review missions.* DPs, together with GoS, will formally review SERP implementation semi-annually (in April and October), with more frequent missions expected at least in the first year of the project. These joint review missions will be complemented by (i) visits from DP staff and technical consultants as needed and (ii) continuous communication and follow-up between missions. The missions will monitor the progress and performance of SERP implementation and, in particular, progress towards

the achievement of the DLIs and the implementation of the TA component. The scope of the supervision will also include monitoring GoS compliance with stipulated FM, procurement, and environmental and social safeguards guidelines. To enable the envisaged extent and quality of supervision, the DP team will not only comprise of education specialists and economists but also include specialists in FM, procurement, safeguards (e.g., civil engineers), and governance and anticorruption, with the specific team composition for each mission determined based on supervision requirements at that time.

12. *Consultations and field visits.* In addition to the consultations with SERP stakeholders (e.g., district education management officers, teachers) that GoS carries out throughout the year, GoS will also organize key consultative meetings to coincide with missions and visits by DP teams. Both joint review missions plan unannounced and announced field visits to district offices and schools; these visits will be supplemented by field visits on special issues by DP consultants (e.g., civil engineers). Stakeholder consultations in the field will also include SMCs, parents, and other community members.

13. These arrangements will be complemented by:

14. *Monitoring by the provincial and district governments.* The Reform Steering Committee will hold bimonthly/quarterly meetings to review SERP progress with the Finance (FD), Planning and Development (P&D) and Education Departments (ED). The ED, via the RSU, has primary responsibility for SERP monitoring and will regularly gather information and formally report on SERP components such as the delivery of textbooks and girls' stipends, delivery of funds and services to school management committees (SMCs), and school rehabilitation under the district terms of partnership (TOP). The RSU will also coordinate and monitor all procurement activities under the proposed project and will perform the internal audit functions for the project on behalf of the ED.

15. At the district level, education management officers have important complementary responsibilities for various SERP components, including monitoring of stipends and textbooks delivery, ToP school rehabilitation, and SMC activities. Districts also have main responsibility for monitoring school operations.

16. *Monitoring of school-level service delivery and SMCs.* The capacity of School management committees (SMCs) will gradually be strengthened to enable them to monitor, among other things, school affairs (including teacher presence), school rehabilitation civil works, and textbooks and girls' stipends delivery. SMCs include representatives of parents and the local community. The performance of SMCs themselves and SMC accounts are subject to review by students' parents and the wider local community. For example, community members are expected to approve the School Improvement Plans prepared by the SMCs, and monitor their implementation. These plans, as well as the use of SMC funds, will be displayed publically.

17. *Monitoring and validation by third parties.* Third parties contracted under the TA component as well as through trust funds will undertake independent monitoring of various sub-programs and their results (paragraph 6). For example, under the TOP school rehabilitation, the third party will ensure compliance with the agreed eligibility criteria for the selection of schools, with specifications for safe school design and construction (via field supervision), and guidelines for procurement (via ex-post reviews). This will further be complemented by environmental audits. Third parties will also carry out ex-post validation studies to examine, among other things, whether (i) teacher recruitment was carried out in accordance with the official merit-based and transparent criteria, (ii) textbook and stipend benefits were delivered to beneficiaries in full and on time, and (iii) SMCs received the full funds and use them for their intended purposes. Finally, the Auditor-General of Pakistan will perform annual project audits

18. *Supervision during times of elevated security risks.* If the province’s security situation deteriorates to the extent that joint review missions are not possible or the scope of supervision during these missions have to be limited, the following measures are proposed to maintain continuity in the extent and quality of supervision: (i) intensifying supervision via regular audio and video conferences as well as continuous electronic communication; (ii) organizing stakeholder consultations in Karachi with virtual participation of DPs; and (iii) increasing the use of complementary supervision strategies discussed above, including expansion of the scope of monitoring of results by third parties. The first measure has been successfully utilized during project preparation, demonstrating that the strategy is practicable. The strengthening of government program monitoring and reporting supported by the project will enable increased reliance on information from these systems over the course of the project.

Results Framework

PDO	Project Results Indicators	Use of Project Results Information
<p>Improve participation in elementary and secondary education (grades 1-10)</p> <p>Reduce gender and urban/rural disparities in participation and transition</p> <p>Measure student learning and regularly</p>	<p>Net enrollment rates at primary (grades 1-5), middle (grades 6-8) and secondary levels (grades 9-10).</p> <p>Rural girls to boys net enrollment rate in primary and middle schools</p> <p>Transition rate from public primary to middle school for rural girls</p> <p>Annual provincial diagnostic student assessment studies and analysis reports</p>	<p>Indicators will be used to monitor progress over time</p>
Intermediate Outcomes	Intermediate Results Indicators	Use of Intermediate Results Information
Improve fiscal sustainability and the effectiveness of public expenditures		
<p>Improve education budget management</p> <p>Improve transparency and accountability in education expenditures</p> <p>Improve procurement management and supervision of civil works</p>	<p>Implementation of education budgets in line with results based strategy (SERP) and financing plan integrated annually into provincial medium term fiscal/budget frameworks.</p> <p>Number of residual audit paragraphs resolved in the education sector</p> <p>Procurement deviations based on ex-post procurement reviews and third party supervision of school rehabilitation works</p>	<p>Indicators will be used to improve overall and education budgetary processes to become more strategic and result-based.</p> <p>Indicator will be used to measure the commitment of the sector to enforcing enhanced accountability norms and to reducing fraud and corruption potentials.</p> <p>Indicators will be used to take corrective actions to reduce misuse of funds in civil works activities and procurement and financial management malpractices.</p>
Improving education sector management		
<p>Improve the timeliness and quality of Annual School Census</p> <p>Strengthen district education management capacity for service delivery</p>	<p>Number of months to complete census administration and extent of data reliability based on validations.</p> <p>Steps in the implementation of the new education management structure and advice/support system in at least two districts</p>	<p>Indicator will be used to improve evidence-based decision making on SERP design and implementation.</p> <p>The indicators will be used to inform the rollout of the new district education management structure and quality assurance of schools</p>

<p>Improve the efficiency of expenditures for school rehabilitation and school infrastructure quality via performance-based district Terms of Partnership</p> <p>Strengthening SMC capacity and community participation for school improvements</p>	<p>Share of prioritized schools completed to meet stipulated school design, construction quality and functionality standards</p> <p>Share of schools with active SMCs.</p> <p>Number of schools covered under for pilot program for SMC capacity building and school improvement planning.</p>	<p>This indicator will be used to ensure needs-based selection of schools for rehabilitation and that schools are completed to meet school design, construction quality and functionality standards.</p> <p>These indicators, combined with process and impact evaluations, will be used to strengthen SMC involvement in school management and to inform the refinement and rollout of activities to strengthen SMC capacity.</p>
Improving access to quality schooling		
<p>Improve performance/effectiveness of existing incentive programs</p> <p>Introduce incentives for leveraging private provision of schooling in underserved areas</p>	<p>Share of schools receiving free textbooks within the first month of the academic year.</p> <p>Share of secondary school girls receiving stipends within the academic year.</p> <p>Number of talukas covered under the Differential Stipends Program (DSP).</p> <p>Number of private schools supported by the pilot public subsidy program in underserved rural localities.</p>	<p>These indicators, together with process and impact evaluations, will be used to take corrective actions and adjustments to improve the performance and effectiveness of incentive programs, particularly for enhancing their effects on rural and female children.</p> <p>These indicators, together with an impact evaluation, will be used to enhance government efforts to leverage private sector to reach underserved populations, especially rural, poor, and female children.</p>
Improving the quality of teaching and student learning		
<p>Improve teacher quality through merit-based recruitment</p> <p>Improve training effectiveness and teaching quality through institutional improvements in teacher education and professional development (TED)</p> <p>Improve the regular measurement of student learning</p>	<p>Recruitment of teachers using merit- and competency-based criteria and local placement under school-specific contracts</p> <p>Steps in the implementation of standards and competency based TED (e.g., pilot CPD program, accreditation of CPD providers, and colleges with new teaching diploma).</p> <p>Annual diagnostic tests in core subjects and selected grades in a district-representative sample of public schools, and test analysis reports</p> <p>Use of summative assessments by grade-4 teachers in a sample of public schools</p>	<p>Indicator, together with process and institutional evaluations, will be used to assess and improve the quality of entering and serving teachers.</p> <p>These indicators will be used to enable provincial and district education management and teachers to identify learning shortfalls and their correlates and to develop measures to address learning deficiencies.</p>

Arrangements for results monitoring

I. Outcome and Intermediate Outcome indicators

S. No	Outcome Indicator	Category	Baseline	Target Value				Data Collection Instruments	Frequency and Report	Responsibility for Data Collection
				2008/09	2009-10	2010-11	2011-12			
1	Net Enrollment Rate (NER) (%) <i>Share of official school age population attending official grade levels</i>	Primary (5-9 year olds, 1-5 grades)	50.3 (2006/07 PSLM)	52.9	54.2	55.6	Household sample surveys (PSLM)	Annual PSLM report*	Federal Bureau of Statistics (FBS)	
		Secondary (10-14 year olds, 6-10 grades)	26.4 (2006/07 PSLM)	27.2	27.5	27.9				
2	Female-male ratio NER, rural Sindh (%) <i>NER_{rural/females} NER_{rural/males}</i>	Primary (5-9 year olds, 1-5 grades)	61.2 (2006/07 PSLM)	62.8	63.7	64.6	PSLM	Annual PSLM report*	FBS	
		Secondary (10-14 year olds, 6-10 grades)	32.3 (2006/07 PSLM)	36.3	37.7	39.2				
3	Transition Rate from class 5 to class 6, public schools (%) <i>Enrollment in class 6 in year t Enrollment in class 5 in year t-1</i>	All Sindh	63.6 (2007/08 ASC)	68.3	70.8	73.4	ASC	Annual ASC report	RSU	
		Rural Girls Only	51.2 (2007/08 ASC)	57.0	60.1	63.4				
4	Primary School Completion Rate** (%) <i>Share of 12 year olds completing class 5 conditional on ever attending school</i>	All Sindh	53.4 (2006/07 PSLM)	54.1	54.6	55.2	PSLM	Annual PSLM report with supporting data*	FBS	
		Class 4	Baselines and targets established after administration of diagnostic tests in each subject	Language diagnostic	Science diagnostic; Repeat math diagnostic	Social Studies diagnostic Repeat language diagnostic				
5	Learning Outcomes	Class 8	Math diagnostic	Math diagnostic	Math diagnostic	Language diagnostic	Provincial learning assessment	Annual assessment report	PEACE	
		Teacher Absenteeism	Baseline and targets to be established after independent study in 2009/10	Baseline established	Baseline established	Decline in Teacher Absenteeism	Independent panel school survey	Independent survey report completed in 20011/12	Third Party Firm	
6	Student Absenteeism	Class 8	Baseline and targets to be established after independent study in 2009/10	Baseline established	Baseline established	Decline in Student Absenteeism	Independent panel school survey	Independent survey report completed in 20011/12	Third Party Firm	
		Student Absenteeism	Baseline and targets to be established after independent study in 2009/10	Baseline established	Baseline established	Decline in Student Absenteeism	Independent panel school survey	Independent survey report completed in 20011/12	Third Party Firm	

Notes: * Annual PSLM report available one year after collection. PSLM data released an additional year after report.

** Primary school completion is defined as the share of children aged 12 who completed class 5, conditional on ever attending formal school. The selected age for this measure is 2 years above the official years for primary. This age was selected as it is the earliest age at which the majority of children who have attended school have completed primary. Note that the completion rate presented here is lower than that reported in Annex 1 as the completion measure in Annex 1 is calculated for later age groups and in Pakistan a large share of children complete school significantly later than the official ages for primary completion. One advantage of using the lower age in the completion measures to monitor outcomes is that significant shares of these children are likely to be directly exposed to the SERP over the course of the project period.

II. Disbursement Linked Indicators

No.	Sub-program	Indicator	Baseline	Targets for disbursement			Protocol
				FY 2008/09	FY 2009/10	FY 2010/11	
I. IMPROVING FISCAL SUSTAINABILITY AND EFFECTIVENESS OF PUBLIC EXPENDITURES							
1.	Fiscal and Budget Management: Improving medium term education sector budgeting.	Education budget, including SERP expenditures, consistent with MTFE.	Budgetary processes not linked to medium term, strategic education sector planning.	SERP fully financed; strategy and results integrated in MTFE.	FY09/10 education budget (including SERP) executed in alignment with FY09/10-11/12 MTFE.	FY10/11 education budget (including SERP) executed in alignment with FY10/11-12/13 MTFE.	Definition: Execution of education budget in alignment with MTFE/MTBF is defined as budgeting and full financing of education consistent with results based SERP framework reflected in MTFE/MTBF. Source: MTFE/MTBF with results based SERP framework as approved by Chief Minister; published budget documents, civil accounts and execution reports from Accountant General.
II. IMPROVING EDUCATION SECTOR MANAGEMENT							
2.	District Terms of Partnership (TOP): Improving efficiency and quality of school rehabilitation.	Share of prioritized schools completed to meet stipulated design, construction quality and functionality standards.	Inadequate prioritization of schools for rehabilitation. Insufficient monitoring to ensure adequate infrastructure quality.	Contract third party construction supervision firm to validate prioritized schools and supervise school rehabilitation.	At least 40%, as validated by third party construction supervision firm.	At least 60%, as validated by third party construction supervision firm.	Definition: A prioritized school is defined as one that is listed in the approved PC-1 for TOP rehabilitation works after vetting by third party supervision firm. Stipulated design and construction quality standards are those stated in the Technical Sanctions. For the FY09/10 DLI, prioritized schools are those selected for FY08/09 TOP rehabilitation works. For the FY10/11 DLI, prioritized schools are those selected for the FY08/09 and FY09/10 TOP rehabilitation works. Source: Signed district TOP Agreements; FD grants release statements; signed third party construction supervision contract; annual third party construction supervision reports.
3.	Monitoring and Evaluation: Improving the timeliness and quality of Annual School Census (ASC).	(1) Number of months to complete administration of ASC; (2) Share of schools with less than 10% discrepancy in ASC data from validation data, based on sample validation.	2007/08 administration of ASC took 8 months. No systematic sample based verification.	At least 50%, based on government validation.	At most 4 months	At most 4 months	Definition: Complete administration of ASC includes data collection, verification, entry, and dissemination. Administration begins November 1. Sample size for validation by contracted third party is at least 3% of public schools. Discrepancy is the percent deviation in the value in the original ASC data from the validation data for selected variables. Source: Annual Education Department census improvement plans; Validation reports.

No.	Sub-program	Indicator	Baseline	Targets for disbursement			Protocol
				FY 2008/09	FY 2009/10	FY 2010/11	
4.	District and Sub-district Education Management: Strengthening district education management for service delivery.	Implementation of Education Management Reform (EMR) to strengthen capacity and accountability of education managers.	Overlap in roles and responsibilities in education management; lack of career path and professional development and quality assurance of schools.	Survey to assess education management completed in 11 districts; EMR implementation roadmap in place.	Implementation of EMR, including education management structure, posts, job descriptions, training, and district education development plans in at least 2 pilot districts.	Continue implementation of EMR pilot including inspection and advice/support system. Rollout plan in place based on results of evaluation.	Definition: EMR implementation includes introduction of education management structure, posts, job descriptions, training, district education development plans and quality assurance of schools. Source: EMR summary and roadmap as submitted to Chief Minister in April 2009; Supporting documents from the Education Department.
5.	School management committees (SMCs): Strengthening SMC participation and capacity for supporting school management.	(1) Share of public schools with active SMCs; (2) Number of schools in SMC pilot mobilization for capacity building in school improvement planning.	Large numbers of inactive SMCs. Financing and capacity building programs for SMCs discontinued. Limited involvement of SMCs in school improvement.	At least 50% of SMCs ready for activation. Pilot SMC Mobilization Program designed.	At least 60% of SMCs activated. At least 2500 schools supported under pilot following impact evaluation design.	At least 70% of SMCs activated; expenditures validated by third party. At least 2500 additional schools supported under pilot following impact evaluation design.	Definition: SMC readiness defined as (i) complete and verified information; (ii) receipt of SMC guidelines (including fiduciary guidelines). SMC activation additionally includes receipt of funds by SMCs. Source: Third party expenditure tracking report. Approved mobilization program design report. Schools selected for pilot in districts and union councils as per agreed impact evaluation design. SMC mobilization monitoring and implementation report. Random sample of SMC bank account statements.
III. IMPROVING ACCESS TO QUALITY SCHOOLING							
6.	Stipends for girls in public schools: Strengthening the efficiency and effectiveness of incentives.	(1) Share of beneficiary girls that received stipends; (2) Number of low transition-rate talukas (sub-districts) with higher stipends (Differential Stipends Program-DSP).	80% delivery of 2007/08 stipends by 2008/09. No targeted program.	At least 90% of intended beneficiaries. At least 15 talukas	At least 90% of intended beneficiaries in each district. At least 30 talukas, following impact evaluation design.	At least 90% of intended beneficiaries in each district, as validated by third party. At least 45 talukas, following impact evaluation design.	Definition: Share of girls enrolled in classes 6-10 in public schools successfully receiving stipends within same academic year. Geographical targeting to talukas with low class 5-6 transition rates for girls. Source: Student Attendance Proforma (SAP). Signed and returned stipend Money Order receipts. Third party validation report. Impact evaluation design as approved by RSU Steering Committee.
7.	Public Private Partnership in education: Leveraging the private sector to extend service delivery to	Number of private schools supported under fully-funded pilot public subsidy program in qualifying underserved rural localities (Promoting	No pilot program. PPRS under design by government and SEF, the implementing organization.	Funds released, and at least 150 selected, following program and impact evaluation design.	At least 300 operational, following program and impact evaluation design.	At least 450 operational.	Definition: The pilot public subsidy program design is as described in the approved PC-1. Fully funded is defined as the timely receipt of the full amounts as stated in the PC-1. An operational school meets the guidelines for fully operational status as defined in the PPRS PC-1 and the relevant PPRS Guidelines Booklet

No.	Sub-program	Indicator	Baseline	Targets for disbursement			Protocol
				FY 2008/09	FY 2009/10	FY 2010/11	
	underserved areas.	Low-Cost Private Schooling in Rural Sindh - PPRS).					provided to program schools. Source: Approved PC-1 for the PPRS. Any amendments to the PC-1 made by the PPRS Steering Committee. Impact evaluation design document. SEF PPRS funds receipt statements. PPRS Guidelines Booklet.
IV: IMPROVING THE QUALITY OF TEACHING AND STUDENT LEARNING							
8.	Merit based school recruitment of teachers: Improving the quality of new teacher hires.	Implementation of merit and needs based teacher recruitment	Merit-based teacher recruitment initiative approved in April 2007 and revised in June 2008.	5,000 new teachers recruited on merit; implementation validated by third party.	Implementation of teacher recruitment following merit based criteria, as validated by third party.	Implementation of teacher recruitment following merit based criteria, as validated by third party.	Definition: Merit-based teacher recruitment initiative is as approved by Chief Minister in June 2008. Core principles to be assessed include merit criteria (including minimum test score), local placement, and school-specific, fixed-term contracts. For FY09/10 and FY10/11 disbursements, placement of new recruits in schools with high student-teacher ratios and gradual introduction of standards and competencies in the screening test is assessed. Source: Administrative data; Third Party Validation Reports; Implementation plans and schedule.
9.	Teacher education development (TED): Improving teacher training effectiveness and teacher quality.	(1) Standards and competency based continuous professional development (CPD); (2) quality assurance of CPD providers; (3) new diploma for certification of teachers.	No standards and competencies guiding teacher in-service training (CPD); no quality assurance of training programs.	Survey of Bureau of Curriculum, Provincial Institute for Teacher Education & government teacher education institutions completed; implementation roadmap for TED in place.	(1) New standards and competencies for teachers piloted and in place. (2) Financing & establishment of TED coordination / accreditation body; CPD accreditation criteria in place.	(1) New CPD program piloted in at least 2 districts. (2) At least 3 CPD providers accredited. (3) New diploma in use in training of all new teachers in at least 5 colleges.	Definition: TED implementation includes introduction of teacher standards and competencies in CPD, introduction of quality assurance of training providers and programs, and the introduction of a new teaching diploma based on standards and competencies for the certification of future teachers. Source: TED implementation roadmap as approved by Chief Minister in April 2009. Supporting documents provided by Education Department and RSU reports.
10.	Learning assessment of students: Improving the regular measurement of learning.	(1) Subject and grade for fielding of diagnostic assessment in district representative sample of public schools; (2) Subject and grade for analysis report of diagnostic assessment.	No district representative assessment information on learning outcomes available in province.	(1) Class 4 mathematics test implemented (representative at district level). (2) Class 4 mathematics report produced.	(1) Class 4 language test implemented (representative at district level). (2) Class 4 mathematics report produced.	(1) Class 4 mathematics, science and class 8 mathematics tests implemented (representative at district level). (2) Class 4 language report produced.	Source: Sample of test and questionnaire documents, test administration plan, annual test administration schedules, and test analysis reports produced by PEACE.

Annex 4: Detailed Project Description
PAKISTAN: Sindh Education Sector Project

I. The Government of Sindh's Education Sector Reform Program (SERP) and the Bank's support

1. The objectives of the SERP, launched in 2006/07, are to increase school participation, reduce gender and rural-urban disparities, increase progression, gradually improve student learning. SERP combines sector-specific interventions to improve access, equity and quality, interventions to improve governance and accountability in the education sector, and broader fiscal and public finance management changes to improve the effectiveness of public expenditures
2. The Bank and EC supported the design and implementation of the first year of SERP through technical assistance¹⁸ and budget support. The Sindh Education Sector Development Policy Credit (SEDPC) was approved by the Bank's Board in June 2007. Since then, the government designed and adopted a number of significant policies/sub-programs within SERP and has begun to focus on implementation of these (see Annex 13). The proposed new project supports this phase of implementation of SERP, with a focus on implementation performance results.
3. This annex provides a detailed discussion of the new project. The Sindh Education Sector Project (SEP) has two components. The first and larger component (Component 1) provides US\$294 million to finance key expenditure elements of the SERP, using SWAp modalities with disbursements tied to pre-specified results. Component 2 is a smaller technical assistance (TA) component of US\$6 million which finances the TA needs of SERP.
4. Disbursements under Component 1 will be made against a set of proposed Eligible Expenditure Programs (EEPs) and will be linked to the achievement of pre-specified Disbursement Linked Indicators (DLIs). Proposed EEPs include both sizeable EEPs (relatively large recurrent expenditures) as well as smaller EEPs. The largest EEPs are salaries of primary and secondary education sector staff. Other relatively large EEPs are funds to school management committees, secondary school girls' stipends, and a pilot public-private partnership program. The smaller EEPs include monitoring and evaluation programs such as the Annual School Census (ASC), as well as the provincial program for monitoring student learning outcomes. The Bank's guidelines on financial management and procurement will be applicable to the EEPs and the framework for addressing social and environmental safeguards will be applicable to all SERP activities.
5. A matrix of indicators covering the entire scope of the government's program has been developed to annually measure performance and results achieved under the program, reflected in the results framework in Annex 3. A subset of ten indicators of the results framework constitutes the disbursement linked indicator (DLI) matrix for the project (Annex 3 Table II). The DLIs reflect intermediate outcome or implementation performance indicators for critical sub-programs, considered essential to the achievement of the projects' education development outcomes. The capped disbursement amount is evenly divided across the ten DLIs in a given year to determine the price of each DLI. Eligible disbursement amounts will be based on the sum of the achieved

¹⁸ Technical inputs, other than those provided by Bank staff, have primarily been funded by the Education Program Development Fund (EPDF).

DLIs multiplied by the unitary DLI price. The DLI relating to implementation of merit-based recruitment of public school teachers is a necessary condition for all disbursements, and as such constitutes a “global DLI”.

II. Component 1: Financing of SERP [Total: US\$2166 million; IDA: US\$294 million]

6. This component supports the implementation of the GoS’s SERP, using SWAp financing modalities. It provides financial support to six eligible expenditure programs (EEPs) within SERP with disbursements requiring the achievement of disbursement linked indicators (DLIs) embedded in the results monitoring framework of the government’s program.

7. The DLIs were determined in partnership with the GoS and reflect priority elements in the SERP. They represent results that: (i) are largely under the control of the provincial government; (ii) are achievable although representing a challenge to the government; and (iii) have the potential to induce significant development impact in the medium to longer term.

8. There are four broad thrust areas within SERP. All aim to improve quality, equity and efficiency in education service delivery. Importantly, all seek to improve governance and institutionalize accountability in the education sector.

9. The EEPs together account for about 90% of SERP expenditures over FY09-FY12, and Bank financing is expected to support approximately 15% of EEP expenditures over the years of the credit, subject to nominal capped amounts. The actual share of Bank financing may vary as GoS expenditures are updated to take into account implementation experience.

10. The following provides a discussion of the all SERP sub-programs within each of the four thrust areas, the results being sought, and the DLIs in each area. It is followed by a brief description of the EEPs.

SERP thrust areas, sub-programs, and results targets

(I) Improving fiscal sustainability and the effectiveness of public expenditures

11. To ensure adequate and effective use of public education expenditures, SERP supports the (i) implementation of improved fiscal and budget management to introduce medium term, results based budgeting and prudent fiscal management; (ii) strengthening of internal controls and audit accountability to progressively reduce audit observations in the education sector; (iii) implementation of improved procurement regulations and monitoring in the province; and (iv) improved procurement and supervision of civil works in the education sector.

12. *Fiscal and budget management.* GoS is implementing improved budget management to move from input-based annual incremental budgeting to medium term output or outcome-based program budgeting. This is considered essential to (i) enable prudent fiscal management and discipline and reduce vulnerability of provincial finances, consequently ensuring adequate and predictable financing to priority sectors and programs such as SERP and (ii) instill a results focus contributing to greater accountability for public expenditure outcomes and increased efficiency in the use of resources.

13. A Medium Term Fiscal Framework (MTFF) was prepared for FY10-12 in consultation with the education department. This MTFF (Table 1) builds in medium term projections of provincial revenues and expenditures. In view of the economic downturn, it is based on conservative assumptions of provincial revenue growth, including federal revenue transfers.¹⁹ The MTFF uses the updated SERP strategy with its results targets and financing plan as the basis of medium term budgeting in the education sector. Over the medium term, the government will (i) update its MTFF annually, integrating updated sector strategy (SERP) and medium term financing plan, with increasing attention to achievement of results in the budgeting negotiations; (ii) implement annual education (and SERP) budgets consistent with the updated MTFF; (iii) transition to the Medium Term Budget Framework (MTBF, which entails more extensive bottoms up and top down discussion on sector strategies, results, and costs) beginning with MTBF for FY11-FY13 and a gradual expansion in the number of participating departments. Finally, budget management will increasingly integrate recurrent and development budgets and set the stage for similar budget process improvements at the local (district) level.

Table 1: Sindh Medium Term Fiscal Framework and projected Consolidated Education Sector Expenditures				
<i>(percent of provincial GDP)</i>				
	2008/09	2009/10	2010/11	2011/12
	Budget	Proj.	Proj.	Proj.
Total Revenues	5.7	6.0	6.1	6.2
Federal Revenue Transfers	4.9	5.1	5.3	5.4
Provincial Revenues	0.8	0.8	0.8	0.8
Tax Revenues	0.5	0.6	0.6	0.6
Non-Tax Revenues	0.3	0.3	0.3	0.3
Total Expenditures	6.6	7.0	7.1	7.3
Current Expenditures	5.0	5.2	5.3	5.3
o/w Education	1.3	1.4	1.4	1.4
Development Expenditure	1.6	1.8	1.9	1.9
o/w Education	0.2	0.2	0.2	0.2
Fiscal Deficit	-0.9	-1.0	-1.0	-1.0
Education Expenditure as a Percentage of Total Expenditure	22.3	22.5	22.8	22.9
Education Recurrent Expenditure as a Percentage of Provincial Recurrent Expenditure	29.6	29.6	29.9	30.2
Total Expenditure as a Percentage of Provincial GDP	1.5	1.6	1.6	1.7

14. These improvements in budget management will enable the achievement of key fiscal targets reflecting prudent budget management including: (i) increases in provincial tax revenue of at least 10% p.a., reducing reliance on revenue transfers from the federal government; (ii) maintaining provincial consolidated fiscal deficit below 1.25% of Provincial GDP, reflecting continued fiscal consolidation; and (iii) allocation of at least 70-75% of the Annual Development Program (ADP)

¹⁹ For example, while the federal government has projected a growth rate of 22% per annum for its (Federal Bureau of Revenue) revenue for the period 2008/09-2010/11. In comparison, the provincial MTFF assumes a growth rate of only 14% per annum for federal revenue transfers during this period.

to ongoing schemes, reflecting discipline in the development budget to reduce the throw-forward over the medium term. Table 1 presents selected fiscal indicators from the Sindh Government's draft FY10-FY12 MTFF. It should be noted that the fiscal framework in Table 1 will be updated annually, as will the SERP strategy and financing plan. While actual budgetary outcomes will likely deviate from these projections, GoS will seek to achieve the fiscal targets above.

15. *Internal control and financial accountability for education sector expenditures.* SERP complements improvements in overall PFM in the province (supported through the Bank-financed PIFRA project) to improve financial accountability for education sector expenditures. To date, GoS has resolved about 40% of 'advance' audit paragraphs in the education sector (compared to the 2005/06 baseline of 7679 paragraphs), well over its target of 35%. GoS seeks continued resolution of audit paragraphs for the sector, through continued improvements in internal controls and other preventive/systemic actions. A last-in-first-out principle will be followed and 60% of residual audit paragraphs as reported in MfDAC reports submitted by the Directors General Provincial and District Audits to the Principal Accounting Officers of the education sector, will be resolved annually by the respective Departmental Accounts Committees.

16. *Procurement management.* SERP supports the implementation of an improved procurement regulatory and institutional framework, and procurement management in the education sector. A revised procurement law is now in place, and is expected to be followed by the notification by SPPRA of procurement rules and implementing regulations. Revised standard bidding documents (SBDs) in line with international best practice and a functional monitoring and evaluation system are expected to be in use during the life of the project. Regular (quarterly or semi-annual) updates on the Composite Schedule of Rates (CSR) will be carried out to align it with current market prices. These will be accompanied by the establishment of complaints' redressal mechanisms and comprehensive training programs at provincial and district levels.

17. *Procurement management of school rehabilitation works.* The project supports improved procurement practices in the education sector, with a particular focus on improving procurement practices by districts (under the Terms of Partnership agreements which finance school rehabilitation works by the districts – see next section). GoS is introducing a system of third party design review, construction supervision, and ex-post reviews of procurement to ensure compliance with structural safety and environmental requirements, quality control, effective procurement packaging practices, and SPPRA rules. It targets a 20% reduction in procurement deviations by the end of the project, over a baseline which will be established by the procurement ex-post review by March 2010.

Disbursement linked indicator

- Execution of education budgets (including SERP expenditures) in alignment with the MTFF which integrates SERP strategy and results

(II) Improving education sector management

18. To improve education sector management at provincial, district and school levels, SERP supports: (i) strengthened monitoring and evaluation at the provincial level with a particular focus on improving the reliability, timeliness and use of the Annual Schools Census (ASC); (ii) strengthened district and sub-district education management capacity through the gradual introduction of a new education management structure and an inspection/advice support system;

(iii) improved performance of districts in school rehabilitation and education service delivery through performance based funding partnerships; and (iv) improved effectiveness of school management through enhanced participation of local stakeholders and capacity building of school management committees (SMCs) in school improvement planning.

19. *Monitoring and evaluation.* GoS has strengthened the capacity of the Reform Support Unit (RSU) to effectively perform its role in monitoring and evaluation. As discussed in Annex 3, the Annual School Census (ASC) is a key monitoring tool. The project supports GoS efforts to achieve progressive improvements in the reliability and timeliness of the ASC data and consequently its use in evidence-based decision making in the sector. This is being done through: (i) the use of standardized processes (for field data collection, entry, verification and validation); (ii) further improvements in the scope of information collected; (iii) stronger internal and external controls on data quality; (iv) improved dissemination; (v) capacity building of provincial and district staff in data management, analysis and utilization; and (vi) provision of equipment²⁰.

20. *District education management capacity.* GoS recognizes that building the quality of district and sub-district education management and leadership capacity is a critical factor for achieving and sustaining quality education. To address the serious weaknesses in education management identified in Annex 1, the project supports the gradual implementation of a new district Education Management Reform (EMR) roadmap. The roadmap defines a new education management structure, posts, job descriptions, and envisages the introduction of district education development plans and quality assurance of schools. It sets out the framework and principles guiding entry into district education management from the civil service or teaching force, and merit based progression along a career path of education leadership and management. The government will gradually introduce the new management structure with clearly defined job descriptions and responsibilities for each post, beginning with at least two districts. This will be accompanied by training and revised procedures for performance appraisal. A new inspection and advice/support system will also be gradually implemented in these districts. This will entail the use of inspectors who will measure school performance based on agreed criteria and descriptors for external evaluation of schools. In addition, advisors and local Professional Development Centers (PDCs) will work with schools to provide direct support to teachers in classrooms.

21. *District performance incentives for school rehabilitation and education service delivery.* SERP supports the provision by districts of necessary physical infrastructure in schools, while strengthening incentives for districts to improve their performance in its provision, and indeed in dispatching their other implementation and monitoring responsibilities in service delivery. This is done through the implementation of partnership agreements (called Terms of Partnership or TOP agreements) between the provincial and district governments. These agreements will be signed on an annual basis with conditional grants for school rehabilitation works transferred to district governments based on these agreements.

22. The agreements successively increase the weight to performance in the funds that are transferred to the districts. Thus while under the first agreements (TOP I, signed in 2006/07) all districts received equal funds for school rehabilitation, under the second round of agreements (signed in 2008/09), 30% of the funds transferred to districts were allocated on the basis of

²⁰ This is being provided for 11 districts through the USAID EDLINKS (Links to Learning – Education Support to Pakistan) program and for the remaining through GoS SERP financing.

performance of districts against their commitments in TOP I.²¹ This share of funds tied to performance will be further increased in subsequent TOP agreements. The underlying performance indicators are negotiated/agreed annually taking into account SERP implementation experience. Thus for example, TOP II (FY2008/09 TOP) agreements are based on a richer set of indicators than in TOP I and include indicators of school improvement, as reflected in an indicator for schools meeting Minimum Service Standards (MSS)²² as well as indicators of compliance with monitoring and reporting requirements of districts for various programs. Identification of priority schools for rehabilitation by districts, districts' compliance with procurement requirements and with the guidelines for school siting, construction quality, school design, and water quality will be verified by the third party that will supervise construction activities (paragraph 17).

23. *School management capacity and community mobilization.* SERP seeks to improve the effectiveness of school level management through enhanced participation of stakeholders (parents, teachers, and local community members). It emphasizes the strengthening of the role of school management committees (SMCs) in school level management, and seeks to build their capacity in school improvement planning. GoS recognizes that strengthening capacity of these bodies will take time and sustained efforts, but that like strong district education management, strong school management with active involvement of stakeholders is important to improve and sustain education outcomes.

24. To revitalize SMCs, the project supports the activation of SMCs through: (i) verification of key information on SMCs; (ii) issuance of updated guidelines on the composition, roles and responsibilities, guidance on effective functioning, and financial management and fiduciary requirements associated with the use of funds (including social accountability requirements); (iii) awareness raising workshops to communicate these guidelines to local levels of education management; (iv) provision of funds to SMCs for school improvement needs; and (v) the gradual roll out of a program for community mobilization and capacity building of SMCs in the preparation of school improvement plans (SIPs). This program which envisages hands-on support and training by Non-Government Organizations will initially be piloted in at least 2500 schools in about 6 districts before its gradual rollout to additional schools and districts. Evaluations of the program will include impact and process evaluations, including a sample based expenditure tracking exercise which will also be used to provide feedback on the use of "social accountability" practices in schools.

Disbursement Linked Indicators

- Time taken to complete administration of the ASC and share of schools with ASC data within 10% deviation from validation data;
- Share of prioritized schools completed to meet stipulated design, construction quality and functionality standards;

²¹ TOP I included targets for key educational outcome indicators, district budgetary allocations for education, and the utilization of the conditional grants.

²² Minimum Service Standards are defined to include minimum social environmental safety and infrastructure standards, as well as minimum operation standards. The latter include criteria such as adequate enrollment, adequate teaching staff, etc.

- Steps in the implementation of the new education management structure and advice/support system in at least two districts;
- Share of schools with active SMCs and the number of schools supported by the SMC capacity building pilot.

(III) Improving access to quality schooling in rural areas and for girls

25. To improve access to quality schooling, SERP seeks to (i) improve the performance and effectiveness of existing incentive programs for children attending public schools; (ii) encourage innovation by using public funds to leverage the provision of schooling by private entrepreneurs in targeted underserved areas. It thus seeks to improve accountability for the delivery of government programs and promotes results-based funding with the private sector.

26. *Incentive programs for public school students.* Following the revamping of delivery mechanisms for the free textbooks and secondary girls' stipends programs, GoS now seeks sustained delivery performance of both programs. For textbooks, it seeks delivery of textbooks to at least 90% of schools within the first month of the academic year. This will be accompanied by further improvements in the tracking of delivery. Monitoring will be strengthened through electronic tracking (upto taluka level) and building in sample based verification of receipt of textbooks by students through a third party. In addition, the GoS intends to complete a review of the textbook authorship and printing/publishing procurement practices. By the end of the credit period it begin implementation of a time-bound action plan to introduce competitive and transparent practices in textbook development and printing/publishing, and thus to improve the quality of textbooks. The improved use of textbooks is likely to be supported through the continuous professional development (CPD) pilot (see area (IV) below). While textbooks are at present the primary learning materials in schools, the gradual implementation of school improvement planning and of the pilot Continuous Professional Development (CPD) program are expected to enhance and support local demands for supplementary teaching and learning materials in schools.

27. With regards to the performance of the secondary school girls' stipends program, GoS seeks to deliver stipends to at least 90% of secondary school girls within the academic year for which the stipends are due (lags with respect to delivery within the appropriate academic year have been eliminated for the first time, beginning with 2008/09 academic year stipends). Improved delivery performance will facilitate building in alternative administrative designs to strengthen the program (next paragraph). Third party sample based surveys of stipends recipients will complement verification by administrative monitoring systems. Over the medium term alternative delivery approaches will also be examined to maintain and improve delivery results. For both textbook and stipends delivery, delays and inaccuracies in the provision of vital administrative data by districts is being addressed through, for example, the TOPs (paragraph 22).

28. The project also supports the introduction, roll-out, and impact evaluation of the GoS's new differential stipends program (DSP). The DSP, introduced in 2008 to improve the effectiveness of the stipends program, offers a higher conditional cash transfer per girl per academic year and will replace the girls' stipends program in selected talukas with the lowest transition rates for girls from primary to secondary schools. The roll-out of the DSP over time into low transition rate talukas (45 talukas by the end of the project period) will facilitate an evaluation of the effects of specific program design modifications (such as the effects of the higher transition amount, and/or

improved accountability systems). A prospective randomized evaluation design will enable an evaluation of impacts on *inter alia* transition, retention, and learning.

Box 1: Increasing accountability and controlling fraud:

The case of secondary school stipends for girls

Annual stipends of Rs. 1,000 (Rs. 2,400 in DSP talukas) are offered to girls conditional on enrollment in classes 6-10 in public schools across the province. Information on girls enrolled in secondary school is gathered in standardized forms by the districts and returned to the RSU. The RSU prints individual money orders (with identifying information on the girl) which are then delivered through the postal system to the beneficiary girl at the school in cash. Presently, there are only two mechanisms to obtain information on whether girls received their stipends: (1) standardized stipends delivery forms with girl level information filled out by teachers and returned to the RSU via the district governments and (2) money order receipts delivered up the postal system and back to the RSU. The project aims to strengthen the administration of both mechanisms and ensure the credibility of the gathered information. Proposed efforts to enhance accountability and limit fraud include (1) systematic dissemination of information on stipends program benefits and eligibility criteria to girls and parents (i.e., strengthening social accountability); (2) introduction of an independent grievance communication and redressal system; (3) independent validation of the eligibility status (errors of inclusion and exclusion) and the timeliness and amount of stipends received by girls on a sample basis; and (4) ratcheting up monitoring of the program by the RSU and the district governments during the period of stipends delivery.

29. *Public private partnership initiative in underserved areas:* As part of its strategy to partner with the private sector to meet its objectives to provide quality education for all, the GoS has developed and has begun to implement an innovative public-private partnership pilot program. The program is administered by the Sindh Education Foundation (SEF). It is designed to reach rural and poor children and aims to increase school participation (particularly of girls) and to improve student achievement and learning. Entitled the *Promoting Low-cost Private Schooling in Rural Sindh (PPRS)* program, it offers a per student subsidy to private entrepreneurs in targeted underserved rural localities. Two variants of the program are being piloted; the first offers a gender-uniform subsidy while the second offers a gender-differentiated per-student subsidy with a higher amount for each girl enrolled. Both models are expected to tie the receipt of the subsidy to free schooling, requirements to ensure satisfactory infrastructural and environmental conditions, and, later, student performance as measured by independent academic tests. Both models will also offer, among other things, institutional capacity building and teacher development assistance.

30. Beginning with up to 200 schools in the 2008/09, over a period of two years, the program is expected to support a minimum of 450 private primary schools in underserved areas. It could, however, potentially support private entrepreneurs to set up and operate up to 1,000 primary schools in rural communities where alternative schooling options are unavailable. If successful, this can have considerable impact on the SERP objectives of equal access to quality education, and can reach up to 5% of the out of school children in the province during this period. The project supports the roll-out of this program and its impact evaluation; the latter will inform decisions related to the continuation of the program beyond the pilot phase, including its rollout to other parts of the province.

31. To facilitate effective implementation and scaling up of public-private partnership programs in the province. SERP also envisions the gradual transition of SEF to an autonomous institution.

Disbursement Linked Indicators

- Share of beneficiary girls receiving stipends and number of talukas (sub-districts) covered under the Differential Stipends Program (DSP)
- Number of private schools supported by the pilot public private partnership program.

(IV) Improving the quality of teaching and student learning

32. SERP seeks to incrementally improve institutions and practices that will improve teaching and learning in classrooms. These include improved procedures for the recruitment of teachers, and for their professional development and merit-based career advancement, improved effectiveness of teacher training programs, and improved and regular measurement of student learning. Together with the incremental institutional changes to improve education sector management and the inspection and advice/support system for schools and teachers (see II above), SERP thus seeks to gradually improve the quality and effectiveness of teachers and teaching. These institutional changes are also a pre-requisite for sustained improvements in education quality after the life of the credit.

33. To improve the quality, availability and accountability of teachers, SERP supports (i) the implementation of merit and needs based recruitment of teachers; and (ii) the piloting of a continuous professional development (CPD) program based on competencies and needs, quality assurance of continuous professional development (CPD) programs, and launch of a new teaching diploma for certification of new teachers. To improve the feedback to teachers and education management on student learning, thus enabling improvements in teaching and learning in the classrooms, SERP supports the implementation of the first cycle of provincial diagnostic learning assessment and improved classroom assessment.

34. *Merit-based, school specific recruitment of teachers.* The credit supports implementation of merit based recruitment of teachers on school specific contracts in accordance with the new policy initially approved under SEDPC. Core principles of the policy are application of merit (including minimum test score in an independently administered test); formula based selection and allocation to support priority placement of local and female candidates, and candidates with high test scores and academic/professional credentials; elimination of interviews in selection to remove potential for undue influence; and school-specific contracts.

35. The first round of merit-based recruitment has been implemented and over 5,000 teachers have been recruited and placed on school-specific contracts without significant deviations from the policy. Successive rounds of recruitment will build on previous rounds by gradually integrating the use of teacher standards and competencies into recruitment testing. Posting of new teachers will be based on a careful assessment of needs and give priority to schools with high student teacher ratios. Implementation of merit-based recruitment will be assessed through third party validations; independent process evaluations are also expected to inform annual refinements in implementation.

36. Should the government succeed in implementing merit-based recruitment in adherence to the new policy in the three years of the credit, this would represent a significant break from historical practices. If successfully implemented, this intervention has considerable potential to gradually improve the quality and presence of teachers in classrooms in the medium term. It is therefore

central to improving student attendance and learning. Importantly, it is essential to improve sector governance; the impact of other interventions to improve access and quality is dependent on successful implementation of this intervention. Implementation of merit-based recruitment, however, has high risks in view of the historical politicization of recruitment in the province. For this reason, it was agreed that the DLI on implementation of merit-based recruitment would be a “global” DLI.

**Box 2: Increasing accountability and controlling fraud:
Understanding and addressing teacher absence**

The public school system has been characterized by: (i) patronage-based hiring of teachers; (ii) weak incentives for and weak monitoring of teaching performance; and (iii) efforts across the teaching force to obtain or maintain posting in attractive schools (e.g., schools in urban centers). These elements contribute to teacher absenteeism. Planned efforts to *measure* absenteeism (and determine its institutional and environmental correlates) include two rounds of surveys of a sample of public and private schools in Sindh. Planned efforts to *address* absenteeism include (a) the introduction of a new school inspection and support system as part of the new district education management structure; (b) teacher presence monitoring by school management committees; and (c) merit-based recruitment of new teachers and their local placement in schools under non-transferrable school-specific contracts.

37. *Teacher Education Development.* To address the serious deficiencies in teacher education and professional development and improve teacher training effectiveness and teacher quality, the project supports the gradual implementation of a comprehensive Teacher Education Development (TED) road-map. The program envisions an integrated and coherent system for pre-service (now termed Initial Teacher Education or ITE) and systematic in-service (referred to as Continuous Professional Development or CPD) in the medium to longer term. Implementation over the next three years prioritizes CPD in order to raise the standards of existing teachers; mid to long term capacity would, however, be achieved by means of raising the quality of new teachers within ITE.

38. Over the project period, GoS plans to: (i) pilot and introduce new universal standards and competencies which will be used for the appointment, training, professional development and certification of all teachers; (ii) implement of a new CPD pilot program at least two districts based on the new standards and competencies; (iii) finance and establish an institutional focal point for strategic oversight of all TEDs, while redefining the roles of the Bureau of Curriculum (BoC) and the Provincial Institute for Teacher Education (PITE); (iv) accredit and quality assurance at least three CPD providers; and (v) introduce the new “teaching diploma” based on new standards and competencies to certify future teachers in at least five colleges.²³ The institutional focal point for TEDs will have overall responsibility for supervising ITE and CPD and will accredit and certify providers (initially of CPD). In the longer term, it will quality assure all TED activities, serve as an engine for change for future research and development and provide advise/policy feedback to the department, and manage the transition from the present disjointed in-service training to a motivational CPD paradigm of teacher professional development linked to career paths and merit based advancement.²⁴

²³ The new teaching diploma will initially replace the Primary Teacher Certificate (PTC) and the Certified Teacher (CT) courses which are being phased out and eventually the Junior School Teacher and High School Teacher (JST and HST) certificates. It is part of the transition plan towards relying ultimately only on B.Ed and M.Ed degrees.

²⁴ This links up with the EMR changes to introduce promoted posts, a clear career path and improved appraisal system.

39. The BoC and the PITE will be strengthened and rationalized in their redefined roles: PITE will serve as the single operational body responsible for all ITE and CPD provision,²⁵ while the BoC will be responsible for curriculum and assessment.

40. *Learning Assessment of students.* The project supports the implementation and analysis of the first cycle of a new program for learning assessments. District representative sample-based student learning assessments will be implemented across the province, beginning with the grade 4 mathematics assessments in 2009 and extending the assessment to other subjects and grades. A repeat grade 4 mathematics assessment planned for 2011 enables monitoring of learning outcomes during the project period.²⁶ The cycle envisions the completion and dissemination of the analysis of each test within a year of the administration of the test, as well as the introduction of summative assessments in a sample of public schools. This would enable teachers to begin to implement improved diagnostic tests in classrooms.²⁷

41. The assessment program builds on national efforts in assessment (under the National Education Assessment Program, or NEAS) and uses NEAS findings to develop diagnostic assessment in curricular areas where students from Sindh perform poorly. The assessment framework is based on competencies in the 2006 National Curriculum, and will be implemented by the Provincial Education Assessment Center (PEACE), which is housed in the BoC. The implementation and analysis of the proposed cycles for testing and the analysis of findings will provide information on specific difficulties within subject areas, the variation of achievements in different districts, and on the overall needs for improvements in Sindh province as well as differences in needs across districts.

42. The program will provide, for the first time, comprehensive, objective statistical information for policy makers, district management, teachers, textbook writers, and to institutions such as the BoC, PITE, and the Sindh Textbook Board. By providing regular information on learning outcomes successful implementation of the program is expected to gradually contribute to improved teaching and student learning over the medium to longer term. District representative information increases the focus on accountability of service providers as well as policy makers for enhancing learning outcomes.

Disbursement Linked Indicators

- Implementation of merit based teacher recruitment;
- Steps in the implementation of standards and competency based teacher education and development (number of districts with pilot CPD program, number of CPD providers accredited, number of colleges with new teaching diploma);
- Subjects and grades for annual district representative diagnostic assessments and annual production of analysis reports.

²⁵ The 25 GECE colleges, 3 Colleges of Education and 12 "outreach" CPD Centers will be transferred under the management of PITE

²⁶ International evidence suggests that improvements in learning outcomes could take at least three years to be observed. The simultaneous focus on access and quality and the likely disproportionate entry of first generation learners could further slow down improvements as observed in the assessments.

²⁷ In the medium to longer term improved classroom assessment practices will be introduced in the teacher education and CPD institutions as part of the TED program.

SERP Eligible Expenditure Programs

43. The following six SERP budget lines will constitute EEPs and will be financed using SWAp modalities (see Annex 7).²⁸

- i. *Monitoring/Sindh Education Management Information System (SEMIS)* which includes the costs of administering the monitoring and evaluation activities carried out by the RSU, including the ASC, as well as the costs of improvement to the ASC consistent with the ASC improvement plan.²⁹
- ii. *SMC Grants* are transferred directly to SMCs in all qualifying primary and secondary schools to support school improvement. At present, annual funding per eligible school is Rs. 25,000, Rs. 50,000, and Rs. 100,000 per year respectively for primary, middle and secondary schools (approximately US\$ 312, US\$ 625, and US\$ 1250 respectively).
- iii. *Girls' stipends* funds primarily the financial transfers to girls through the General Post Office and administrative costs (e.g., field monitoring and data entry) of the province wide and differential stipends (DSP) programs. Stipends amounts are at present Rs. 1,000 per girl per academic year (US\$ 13) for all girls enrolled in classes 6-10 in public schools under the province-wide program, and Rs. 2,400 per girl per academic year (US\$ 30) under the DSP.
- iv. *Public Private Partnership grants* covers the costs of administering the PPRS program as well as the benefits expected to be offered to school operators under the program. These benefits include subsidies provided to school operators for each child enrolled. The amount of the monthly subsidy is Rs. 350 (US\$ 4) for each child and Rs. 450 (US\$ 6) for each girl in the gender differentiated program.
- v. *Employee related expenses for primary and secondary education* includes employee related expenses of the district education management staff, responsible for delivery of primary and secondary education, and teaching staff at all primary and secondary education establishments.
- vi. *Learning Assessment/PEACE* covers the administrative, human resource and equipment costs associated with the development, implementation and analysis of the new provincial assessment program by the PEACE.

Component 2: Technical Assistance [Total: US\$6 million; IDA: US\$6 million]

44. A total of US\$ 6 million component is available to finance essential technical assistance activities to assist GoS in the implementation of SERP. This component finances capacity building and strengthens fiduciary, safeguard and monitoring and evaluation systems. These activities are carefully sequenced with the implementation steps in component 1 to address capacity or monitoring constraints to support the targeted changes. Finally, a small amount of technical assistance will support the development of strategies in related/complementary areas

²⁸ As implementation progresses additional EEPs could be considered.

²⁹ This is expected to cover census improvements particularly in the 12 districts not covered by the Links to Learning-Education Support to Pakistan (EDLINKs) program funded by USAID.

where very little technical or strategic work has been undertaken to date (e.g. early childhood development and inclusive education). The cost of the proposed technical assistance has been estimated taking into account the availability of grant funds (e.g. from the EC or from the EPDF); this will be further adjusted during implementation as necessary should additional grant funding become available to support these activities. Any unused funds under this component will be reallocated to the final SWAp disbursement.

(I) Improving fiscal sustainability and the effectiveness of public expenditures

45. *Preparation of MTBF*: To support the FD, P&D and up to six departments in the preparation of the overall macroeconomic framework, program budgets, and their integration.

46. *Financial management capacity building and expenditure*: To (i) track expenditures in key SERP focus sub-programs; (ii) provide financial management training/capacity building to key SERP entities (provincial, district and sub-district, SMCs); (iii) finance incremental financial management staffing needs/gaps to support appropriate FM arrangements.

47. *Procurement capacity building, ex-post reviews and supervision of rehabilitation works by districts*: To (i) assist in the implementation of an improved overall procurement regulatory and institutional framework (ii) develop procurement capacity at district level and SMCs (iii) develop SBDs, regulations and the SPPRA M&E system; and (iv) support third party monitoring and supervision to ensure that the contracts for school rehabilitation are procured adequately and implemented in a timely manner and in accordance with stipulated guidelines for school design, construction quality and functionality.

(II) Improving education sector management

48. *Strengthening RSU capacity*: To support incremental staffing needs at RSU particularly relating to SERP and project coordination, reporting and implementation, and communications strategy.

49. *Monitoring and Evaluation*: To support the monitoring and evaluation framework (Annex 3) particularly the piloting and development of new monitoring tools (e.g. survey based monitoring of out-of-school children), as well as cost of selected independent studies (student and teacher absenteeism studies) and validation exercises for SERP interventions (SMC mobilization).

50. *Strategy development in linked priority areas*: To assist the government in the formulation of integrated strategies for inclusive education, early childhood education, college education, drawing on successful international, regional and home grown practices.

51. *Enhancing environmental opportunities*: To support the phasing in of improvements in (i) natural disaster management; (ii) school design and energy efficiency; (iii) safe drinking water and sanitation; and (iv) associated capacity building needs for key stakeholders.

52. *Strengthening district education management and SMCs*: To support the implementation of the new education management structure and advice/support system, and SMC mobilization plan, particularly training and capacity building, and to build district and sub-district education management capacity.

(III) Improving access to quality schooling

53. *Enhancing the performance of incentive programs for public school:* To develop (i) an action plan to improve transparency and gradually introduce competition in textbook authorship and printing/publishing; and (ii) a strategy for further improvements in the stipends delivery and monitoring, based on a comparison of the timeliness, simplicity, and reliability of feasible alternative systems.

54. *Innovative programs to include out of school children:* To develop and/or pilot innovative programs to eventually mainstream out of school children (e.g. alternate education, bridging programs), especially older school age children who did not enter or dropped out

55. *PPP management information system:* To design and install a management information system at SEF HQ and field offices for monitoring the administration of the PPP program and entrepreneur and school performance.

(IV) Improving quality of teaching and student learning

56. *Teacher Recruitment and Teacher Education and Development (TED):* To support: (i) the capacity building and development of specialized skills needed for competency based testing of teachers; (ii) the implementation of the new TED policy and transition plan including training needs and the introduction of the new diploma; and (iii) the development of strategy to introduce active learning pedagogy in multi-grade settings.

57. *Student Learning Assessments:* To (i) build capacity to deliver the provincial assessment program; (ii) develop a medium term program for improving assessments and examinations.

Annex 5: Project Costs
PAKISTAN: Sindh Education Sector Project

Table 1: SERP expenditures, 2008/09-2011/12

	Percentage of Total Costs	Total US\$
Monitoring/SEMIS	0.24	5,194,000
Terms of Partnership Grants to district governments*	6.82	147,657,333
School Management Committee Grants	3.14	68,068,000
Manager Training*	0.21	4,600,000
Secondary school girls' stipends program	1.29	27,846,000
Public-Private Partnership Grants	1.94	41,988,915
Textbooks*	2.47	53,466,667
Employee related expenses of district governments – primary and secondary education (includes teachers and district education management)	83.79	1,814,478,382
Learning Assessment/PEACE	0.10	2,266,667
Total SERP Expenditures	100	2,165,565,964
Total IDA financing of SERP		294,000,000
IDA funding for TA component		6,000,000

Note: * Item is not at present an EEP for Bank financing

Annex 6: Implementation Arrangements
PAKISTAN: Sindh Education Sector Project

Provincial level

1. The Reform Steering Committee (RSC) is responsible for providing high-level oversight and guidance and for interdepartmental coordination. It is chaired by the Chief Secretary of the province and represented by the education, finance and planning and development departments (ED, FD and P&D). It oversees and supports the Reform Support Unit (RSU), established in the ED.
2. The P&D, FD, ED (and affiliated institutions) and the Sindh Public Procurement Regulatory Agency (SPPRA) take the lead in (i) implementing relevant sub-programs and meeting performance indicators; (ii) tracking and reporting on all activities for which they have assumed responsibility; (iii) providing sectoral expertise as needed; and (iv) taking the lead in district contacts essential to effective implementation of SERP. Table 1 shows the entities that have primary responsibility for each SERP sub-program in each of the four focus areas. Table 2 presents detailed roles and responsibilities of various entities in the implementation of SERP.
3. The RSU is responsible for policy formulation, coordination and monitoring of sector reform efforts, and for the implementation of core provincial programs (including the annual schools census (ASC), and the incentive programs to public schools). It is headed by the Chief Program Manager who reports to the Education Secretary and to the RSC. While the RSU coordinates and monitors SERP and implements selected sub programs, various provincial institutions affiliated with the education sector have responsibilities for different SERP sub-programs (Tables 1 and 2).
4. The ED, through the RSU, will also serve as the implementing agency for the project. RSU staffing has been increased in order to enable it to perform its functions adequately in SERP coordination and to dispatch its fiduciary obligations under the credit (see Figure 1 which depicts the proposed organizational structure for the RSU after all staffing needs are addressed).
5. In its capacity as implementing agency, the RSU/ED will be responsible for (i) coordination of support of all partners for SERP; (ii) reporting on progress against the indicators and DLIs, EEP and TA; (iii) ensuring timely and comprehensive reporting of results for disbursements, including the preparation of Credit Withdrawal Applications; (iv) ensuring that Bank fiduciary (financial reporting, procurement) regulations and requirements are followed; (v) ensuring timely communication to all stakeholders on SERP progress; and (vi) managing and coordinating the TA component with beneficiary departments.
6. In addition to the RSU, the Economic Reform Unit (ERU), established at the FD plays a critical role within SERP. It is responsible for the design and coordination of fiscal and budget management improvements (MTFF/MTBF) and will also work closely with the RSU in reporting on budgets and execution. ERU staffing capacity is also being strengthened to enable it to perform its functions.
7. To facilitate the day to day coordination of the ED and RSU with all SERP partners, the following serve as focal persons from partner departments: (i) from FD, the Special Secretary and Head of the Economic Reform Unit (ERU); (ii) from P&D, the Chief Economist (who would also be the focal point for SPPRA related issues); (iii) a representative from the Accountant General

(AG) Sindh. In addition, RSU's work on coordinating implementation and reporting on this component will be facilitated by a TA implementation committee which includes the membership of major beneficiaries of the TA.

District level

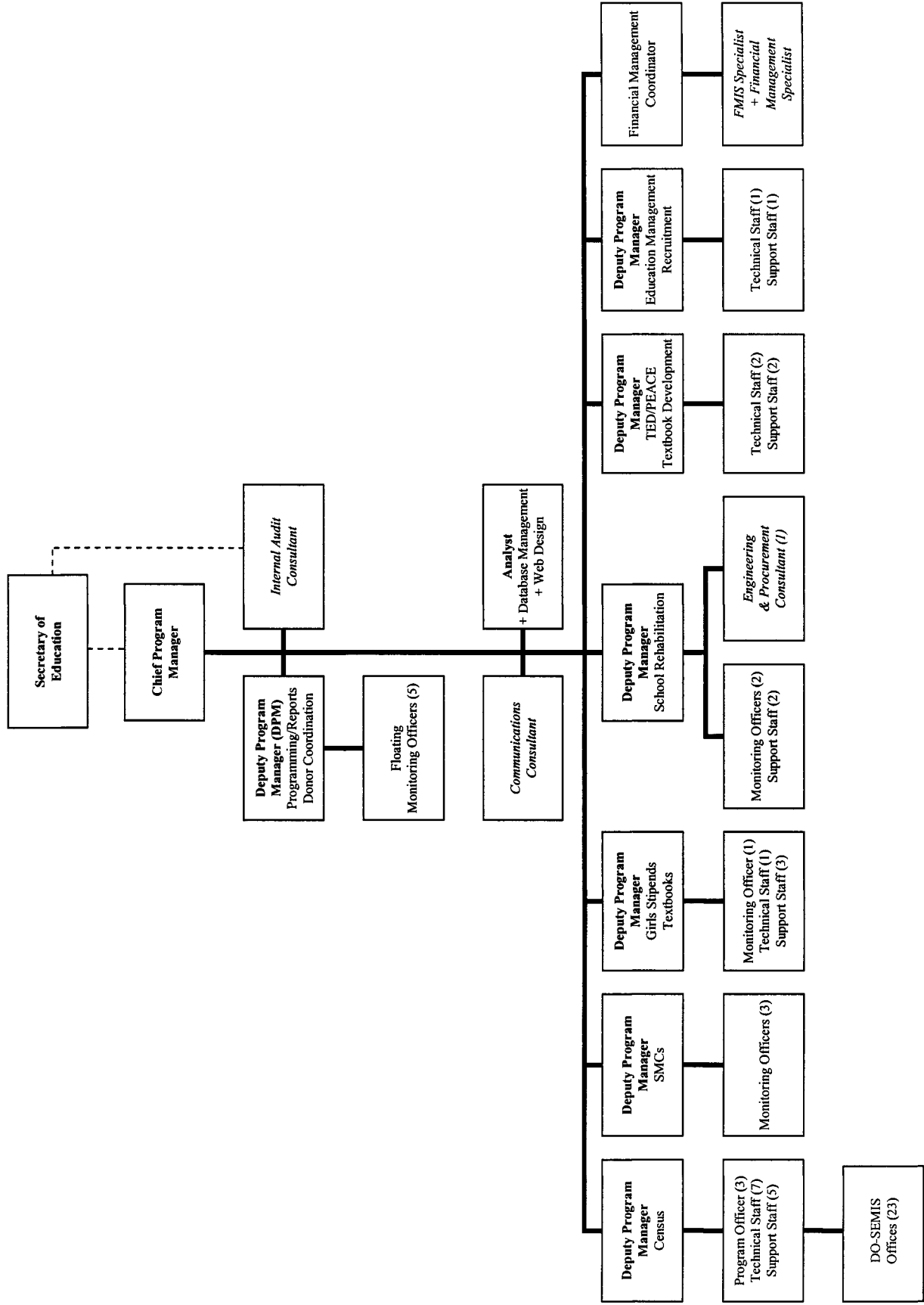
8. Some SERP sub-programs require coordination and management by inter-departmental committees at the district level. For example, a district committee headed by the Executive District Officer (EDO) Education will ensure that the school infrastructural rehabilitation activity under the district Terms of Partnership (TOP) is carried out in accordance with the guidelines provided by the Education Department/RSU. Similarly a district committee headed by the District Coordination Officer (DCO) prepares candidate merit lists for the teacher recruitment activity, assigns candidates to schools, and manage their contracting in accordance with the guidelines provided by the ED/RSU.

9. The EDO Education, with the assistance of District Officers (DOs), Deputy District Officers, and Assistant District Officers (ADOs) assigned to education, have key responsibilities for administering various SERP sub-programs, including SERP monitoring and evaluation. These responsibilities include (i) administering the ASC with the assistance of district EMIS officers; (ii) facilitating the distribution of textbooks including reporting on textbook beneficiaries and delivery; (iii) reporting on beneficiaries and delivery for the secondary school girls' stipends program; (iv) assisting with the activation of SMCs and their capacity building; (v) facilitating student assessments conducted by PEACE; (vi) managing the application and final selection stages for teacher recruitment and maintaining the application, merit list, and appointment databases in accordance with guidelines provided by the ED/RSU; (vii) managing teacher postings and teacher vacancies; (viii) coordinating with PITE in determining teacher training needs and teacher training activities; (ix) disseminating information on SERP initiatives and performance to district governments, schools, students, and communities; and (x) monitoring and supporting school operations. Under the district education management reforms (EMR) to be rolled out, roles and responsibilities within the new education management structure will be clearly specified.

Community and school level

10. At the school level, school management committees, composed of members from the local community, are expected to have an important role managing school affairs and addressing school needs and to gradually assist in raising and sustaining the quality of learning for students. These responsibilities include (i) motivating and monitoring teacher presence and teaching; (ii) spearheading enrollment drives and motivating and monitoring student attendance and retention; (iii) developing, implementing and monitoring school improvement plans to address key deficiencies which adversely affect student outcomes; (iv) monitoring service delivery such as TOP school rehabilitation works, stipends to secondary school girls, and textbooks; and (v) dissemination information on SERP initiatives, fund use and performance to the communities.

Figure 1: RSU Organization Structure



Roles and Responsibilities of Provincial and District entities

11. The entities that are primarily responsible for SERP implementation by sub-program are presented in Table 1 and detailed roles and responsibilities of provincial and district entities are presented in Table 2.

Table 1: Entities responsible for SERP implementation by sub-programs

Sub-program/Results Area	Implementing Agency
1 Improving fiscal sustainability and effectiveness of public expenditures	
Fiscal and Budget Management	FD (ERU), with P&D Department
Financial Management	ED (RSU) and FD
Procurement Management	SPPRA, P&D
Procurement Management for School Rehabilitation	ED (RSU), Districts
2 Improving education sector management	
Monitoring and Evaluation	ED (RSU)
District Education Management	ED (RSU), Districts
District Terms of Partnership	ED (RSU), Districts
School management committee strengthening	ED (RSU), Districts, SMCs
3 Improving access to quality schooling	
Incentive programs for public school children	
Textbooks	ED (RSU), STBB
Stipends and Differential Stipends	ED (RSU), General Post Office
Public Private Partnership Program in education	SEF
4 Improving the quality of teaching and learning	
Merit Based Teacher Recruitment	ED (RSU), Districts
Teacher Education and Development	ED (RSU), TED Institutional focal point, PITE
Provincial Learning Assessments	ED (RSU), PEACE (BoC), Districts

Table 2: Key Roles and Responsibilities

Unit	Key roles and responsibilities
Provincial level	
Reform Steering Committee (RSC)	<ul style="list-style-type: none"> • Provide oversight and guidance for SERP and the work of the RSU • Resolve program implementation bottlenecks. • Coordinate across key departments (Education, Planning and Development, and Finance). • Communicate with political leadership. • Communicate with federal government • Communicate with district contacts • ED, FD, P&D (with PPRA) take the lead design and implementation of respective sub-programs.
Education Department	<ul style="list-style-type: none"> • Participate as a key member of the SC. • Provide overarching sector policy and operational guidance for the SERP. • Oversee constituent institutions responsible for curriculum development, textbook development and teacher education and development. • Provide active guidance and support in the design and implementation of district education management reforms, SMC policy, and TED policy. • Oversee teacher recruitment and postings • Prepare the provincial education budget. • Coordinate, implement and monitor DP projects in the education sector. • Disseminate information on SERP performance and maintain open

	communication with key stakeholders.
Reform Support Unit	<ul style="list-style-type: none"> • Prepare SERP strategy updates and program budgets for MTBF • Coordinate all program monitoring and implementation • Design evidence based policies, programs, implementation roadmaps and support the implementation of all key subprograms (including TOPs, SMCs, EMR, TED, merit and needs based recruitment, provincial incentive programs) • Administer and monitor the province-wide girls' secondary school stipends program, the differential stipends program; and textbook distribution program. • Administer the annual school census, prepare and disseminate statistical reports and profiles. • Develop and implement time bound M&E improvement plans for provincial and district levels including ACS and monitoring of key programs, building in human resource, technology and capacity building needs. • Prepare the terms of reference and commission and manage third party monitoring activities including independent surveys, and impact and process evaluation studies. • Maintain the database and documents for all M&E activities. • Support the monitoring and resolution of audit issues and carry out ad hoc reviews of expenditure management processes in the education sector including commissioning of expenditure tracking surveys.. • Oversee financial reporting for the project and sector, prepare IUFRS for monitoring and disbursements (withdrawal applications) as well as prepare project Annual Financial Statements and render for independent audit. • Update fiduciary and social accountability guidelines for SMCs and coordinate basic capacity building initiatives for them. • Coordinate procurement functions for all EEPs and TA, facilitate education sector procurement capacity building for districts, prepare procurement and financial management guidelines for SMCs and PPP schools, manage a procurement complaints handling system • Ensure donor coordination on program design and implementation • Facilitate all coordination/monitoring meetings on behalf of the RSC, prepare RSC meeting agendas and issue Minutes of meetings • Manage the technical assistance component of the project and coordinate all DP TA activities. • Communicate key findings from M&E activities at the provincial, district, and school levels. • Prepare semi-annual report of SERP progress.
Economic Reform Unit within the Finance Department	<ul style="list-style-type: none"> • Provide technical and logistical support for the SERP areas of fiscal and budget management. • Prepare the Medium Term Fiscal Framework (MTFF) of GoS. • Execute the credit technical assistance for the preparation of the MTFFs/MTBFs. • Manage and maintain provincial budget and expenditure databases. • Provide regular information on provincial fiscal performance to the Education Department/RSU. • Support/work closely with the RSU in reporting on budgets and execution.
Planning and Development Department and Sindh Public Procurement Regulatory Agency	<p>P&D department</p> <ul style="list-style-type: none"> • Integrate development budget into the MTFF and oversee implementation of development budget <p>SPPRA</p> <ul style="list-style-type: none"> • Steer implementation of procurement roadmap, report and disseminate on

	<ul style="list-style-type: none"> its progress • Coordinate the revision of rules and SBDs • Support districts to develop and implement rules as required. • Execute the credit technical assistance for procurement reform
Pakistan Post Office, Sindh province	<ul style="list-style-type: none"> • Deliver stipend money orders to girls in secondary schools in line with agreed delivery schedule. • Deliver stipends money order acknowledgement receipts to the RSU. • Provide regular feedback on delivery progress to RSU.
Sindh Textbook Board	<ul style="list-style-type: none"> • Ensure textbook development in accordance with government guidelines and the National Curriculum. • Facilitate textbook production.
Provincial Education Assessment Center (PEACE)	<ul style="list-style-type: none"> • Implement provincial learning assessments in core subjects and grades • Process and analyze data, produce provincial assessment reports and disseminate findings at the provincial and district levels. • Assist schools/teachers in the development of summative classroom assessments. • Coordinate with and assist NEAS on assessment activities.
Bureau of Curriculum <i>(Roles/responsibilities with implementation of TED roadmap)</i>	<ul style="list-style-type: none"> • Manage school curriculum and student assessment and provide feedback to federal ministry. • Integrate assessment in to school curriculum and textbook development. • Adapt National Curriculum to local context.
Provincial Institute of Teacher Education (PITE) <i>(Roles/responsibilities with implementation of TED roadmap)</i>	<ul style="list-style-type: none"> • Manage all teacher education and development (both ITE and CPD). • Oversee the overhaul of ITE and CPD.
Teacher Education and Development Institutional Focal Point/Body <i>(yet to be established)</i>	<ul style="list-style-type: none"> • Serve as an institutional focal point for coordinating all teacher education and development in Sindh. • Set standards and competencies for teacher professional development. • Accredite and certify ITE and CPD providers (both private and public) based on agreed standards and criteria. • Review the accreditation of providers. • Apply sanctions in cases of non-compliance. • Serve as an engine of change for future research and development and policy advice/feedback to the Education Department. • Manage the transition from current training regime to a CPD system which links teacher development to career paths. • Maintain a database of training teachers.
Sindh Education Foundation	<ul style="list-style-type: none"> • Design programs that encourage private sector and civil society participation in the provision of education. • Design and administer public-private partnership programs in education that reach disadvantaged sections of the population (rural children, girls). • Test innovative projects which involve public financing of education and private provision of education. • Maintain and manage M&E systems for all initiatives. • Report on expenditures and program implementation to the Education and Planning and Development Departments.
District level	
District education management officers, special district committees, and district	<ul style="list-style-type: none"> • Prepare and report district education sector plans and budgets • Implement SERP procedural guidelines (including fiduciary guidelines) provided by the Education Department. • Implement district education management reforms (EMR).

monitoring officers	<ul style="list-style-type: none"> • Manage the identification of schools for TOP rehabilitation, manage the preparation of PC-1s and the contracting of construction contractors for school rehabilitation works under TOP, monitor TOP rehabilitation works. • Carry out all M&E data and documentation reporting requirements as per schedule • Administer the Annual School Census in line with the census administration procedures, manage district EMIS and use for decision making • Manage the teacher recruitment application stage, preparation of teacher recruitment merit lists, appointment of new teachers to schools, and coordinate with the ED in redeploying teachers • Facilitate the storage and distribution of textbooks to schools and students. • Assist in the activation and capacity-building of SMCs. • Coordinate in administering the TED reform implementation roadmap. • Coordinate with the ED in disseminating information on SERP activities and M&E findings to schools and communities. • Assist with PEACE diagnostic testing logistical arrangements. • Facilitate access to and cooperation by schools for independent surveys and M&E studies.
School level	
School Management Committees	<ul style="list-style-type: none"> • Manage and monitor school affairs (including teacher presence). • Develop, manage execution and monitor school improvement plans and manage minor works being undertaken. • Follow fiduciary guidelines. • Comply with data and document reporting requirements. • Assist with school participation drives. • Assist with data collection initiatives such as out-of-school child censuses. • Assist with information dissemination to schools and households. • Monitor implementation of TOP, girls' stipends, and textbooks.
NGO training-providers	<ul style="list-style-type: none"> • Conduct orientation and community mobilization. • Strengthen SMC capacity to follow fiduciary guidelines, follow reporting guidelines, and prepare school improvement plans. • Train district officers to offer support to SMCs.

Annex 7: Financial Management and Disbursement Arrangements

PAKISTAN: Sindh Education Sector Project

1. The financial management arrangements of the project are acceptable to the Bank as they draw on the use of country systems for budget execution, accounting, internal controls, financial reporting, and auditing which, in themselves, provide reasonable assurance that the funds from the Bank will be used for intended purposes and with economy and efficiency. This conclusion is premised on the state of improvement in the government financial management systems as a result of the introduction of full computerization, with in-built internal controls, under the PIFRA³⁰. The government of Sindh (GoS), through Reform Support Unit (RSU) and the Accountant General (AG), will be responsible for monitoring these arrangements during project implementation, and the Auditor General of Pakistan, through the Directors-General of Audit (provincial and districts) will be responsible for providing the requisite financial assurance for the project. With these arrangements in place, the GoS will be capable of implementing the project in accordance with the requirements of OP/BP 10.02.

2. The financial management capacity assessment for the Project draws upon the findings of the recently completed Sindh Public Expenditure and Financial Accountability (PEFA) assessment, which concludes that the reforms already underway are developing a strong trajectory for PFM improvement. Key conclusions of this assessment include the following successes: (a) the full adoption and implementation of the PIFRA budget and accounting modules throughout the Province of Sindh, consistent with good practice, and complete connectivity of all accounting offices under an integrated financial information system platform, (b) systems loading of budgets at provincial as well as district government levels and enabling of mandatory budget checks at all levels, and (c) provision of computer terminals to the Department of Education and RSU to support online budget management activities. The GoS's strong commitment to PFM improvements is also exemplified by its progressive implementation of financial accountability reforms via a system of convening productive departmental accounts committee meetings, and timely, comprehensive, and reliable expenditure reporting arrangements for the entire education sector, started during FY 2008/09. Nonetheless, sustainability requires a parallel strategy to develop an even stronger PFM institutional capacity at sectoral agencies including education that is duly augmented by the recruitment and retention of high quality financial management personnel. The project therefore provides for incremental PFM staffing, including the assignment of a dedicated financial management information system specialist from the office of the Accountant General, to support the RSU during the life of this operation and to provide the necessary knowledge transfer for sustainability. This complements the training of accounting and auditing staff being supported across the province by PIFRA.

3. Government Integrated Financial Management information System terminals have been provided to both the Department of Education and the RSU for real time monitoring of budgeted and actual expenditures of the sector. Although some training on report generation has been imparted to the relevant staff, maintaining adequate capacity for appropriate use of the FMIS terminals for aggregation and consolidation of education sector expenditures at the RSU is critical since the RSU would need to certify the periodic financial reports generated from the system through visual verification before these are endorsed by the Accountant General and approved by the Finance Department. The financial reports generated from the system will identify all the eligible expenditures of the project, including those related to technical assistance, and these will form the basis for Bank disbursements under a 'report-based' disbursement arrangement.

4. Funds representing the project's EEPs (Disbursement Category One) would be disbursed by the Bank to the Consolidated Fund Account of the GoS provided in general, that the pre-defined performance levels against disbursement linked indicators (DLIs) are met. The following expenditure heads would

³⁰ Project for Improvement of Financial Reporting and Auditing – a Bank-financed PFM project.

constitute the EEPs that the Bank will finance. These expenditures can be easily captured against identified budget codes in the government financial management information system on real time basis across the entire province as follows:

Table 1: Budget Codes for EEPs

<i>Object Code Classification</i>	<i>Expenditure Element Description of Object Classification</i>
A03977	Girls' Stipends
A01	Employee related expenses of primary and secondary education sub functions at district level
A03975	School Management Committee Grants
A065	Public/Private Partnership Grants
A03973	Monitoring/SEMIS
A03981	Learning Assessment/PEACE

5. Expenditures in respect of Technical Assistance (Disbursement Category Two) will also be captured in the government financial information system and will finance the following generic activities of the Project through a system of Special Drawing Account to be held with the RSU: (i) procurement of goods to support project implementation; and (ii) procurement of consultancy services in the areas of expenditure tracking, third party evaluations and monitoring activities, incremental staffing, training and other capacity building activities, third party construction supervisions, designing, formulating and supporting the implementation of education sector strategies, and budget planning and management activities. For this purpose three specific expenditure codes have been established by the CGA to capture the related budget and actual TA expenditures as follows:

Table 2: Expenditure Codes to Capture TA

<i>Object Code Classification</i>	<i>Expenditure Element Description of Object Classification</i>
A03980	Incremental TA Staffing
A03982	Capacity Building
A03983	Expenditure Tracking / Monitoring

6. The project provides for in-built flexibility to vary the elements and construct of the pre-determined set of DLIs as well as the EEPs in order to steer SERP implementation, based on the best judgment of the Bank and the GoS, at mid-term review of the project.

7. **Retroactive financing** in respect of the EEPs up to the tune of 20 per cent (US\$58.8m) of the EEP attributable Credit allocation of US\$294 million has been requested for by the GoS and agreed with the Bank and retroactive financing shall apply against only two selected EEPs: (i) Girls' Stipends, and (ii) Employee-Related Expenses of the Primary and Secondary Education Sub-function of District Governments. In addition, up to US\$184,500 will be available to finance, retroactively, the expended

portion of the TA component. The starting point for determination of eligible expenditures for the purpose of ascertaining the 'retroactive financing' amount would be the actual eligible expenditures of the project that have been pre-financed by the GoS during the 11 months to May 31, 2009 of FY 2008/09. Since the computerization and connectivity of all 23 District Accounts Office sites are now complete, the actual expenditures against the budget for the FY 2008/09 (which are already being made available within 10 days of each month) will continue to be generated on real time basis from the government's integrated financial management system.

8. The periodicity of disbursements will then follow the **six-monthly and five-monthly forecasts** (in respect of EEPs), and **seven monthly and five-monthly forecasts** (in respect of TA), using '**Interim Unaudited Financial Reports**' (IUFs)³¹ on the Project. These forecasts will be generated from the government accounting system by the RSU, validated by the Sindh Accountant General, and approved by the Special Secretary (Budget & Resources), Department of Finance, Sindh. The Bank shall disburse all funds (including the TA component) on *pooled* basis to the Provincial Consolidated Fund, Account No. 1 of the Government of Sindh. Out of these, earmarked amounts for the TA component would be made available to RSU through a Special Drawing Account (SDA)³² – the successor to the erstwhile Personal Ledger Accounts - to be specifically approved by FD.

9. In respect of the first forecast advance under the IUF principle, the Provincial and District budgets for FY 2009/10 would serve as the basis for amounts to be advanced to the Government of Sindh. However, in the event of delay in the timely compilation of the budget for 2009/10, the actual expenditures in respect of the EEPs for the preceding FY (2008/09) will form the basis for advances to the GoS's consolidated fund.

10. The RSU would prepare annual financial statements (AFS) of the project. The AFS will include a statement of Sources of Funds for the project, Uses of Funds for the eligible expenditures of the project (EEPs and Technical Assistance), and the surplus of funds based on the amount of disbursement advances against a future fiscal year under the IUF principle. The AFS shall also include adequate notes and disclosures consistent with the cash basis of financial reporting under the International Public Sector Accounting Standards. A basic specimen of the AFS has been discussed and agreed with the financial management team at the RSU.

11. As part of its in-year reporting for monitoring purposes, the RSU will prepare for its own internal management as well as for submission to the Bank, Quarterly Consolidated Budget Execution Report (BER) of the Education Sector for the entire province. The quarterly consolidated BERs will be prepared by the RSU, with values on budgets, actual and balances and the Office of the Accountant General, Sindh shall ensure the data input into the FMIS is accurate, comprehensive, and timely. The BERs will be at the following classification levels:

Major Function: (Education Affairs and Services);

Minor Function: (Five in Number);

³¹ The rationale for adoption of 6 months and 5 months disbursement cycles for EEPs is to ensure that prior expenditures of the GoS are validated during the course of a particular FY and disbursements made during that year match with predictability of resource flows of government. Adoption of fixed period of 6 month periods in a FY will create a spill-over of disbursements to the following FY as the 12th month actual expenditures can be validated only in the 13th month that falls in the following FY.

³² SDA for the purpose of this operation refers to a government expenditure processing arrangement whereby a budget release from the government consolidated fund is made to a spending entity that has a cherub book to process payments against an authorized budget release on the Treasury Single Account, but requiring such cherubs to be endorsed by the treasury officer (the government accountant or accountant general) who will ensure the expenditures are posted in the government integrated financial management information system against the defined budget codes before the cherubs can be released to the RSU and presented for payment at the government bank.

Major Object: (Economic Classification);
Major Object (Detailed Object Roll-up);
Detailed Object: (Individual Cost Elements).

12. The Bank requires that the AFSs be audited annually and provided to it no later than 6 months after the end of the reporting period (the government fiscal year). The AFSs would be audited by the Auditor General of Pakistan, using a risk-based methodology introduced under the PIFRA and for which specific terms of reference and schedule of audit have been discussed and agreed with the Directors General of provincial and district audits in Sindh. The use of country systems warrants little duplication of audit effort by audit offices; nonetheless, there would be need for effective coordination among two provincial Directors General of Audit concerned.

13. The issues identified in the financial management capacity assessment would primarily impact on the project's SWAP component. The main issues identified include, (i) the financial management processes governing the Grants to the SMCs which require the application of social accountability principles, supported by random expenditure tracking surveys to be performed under the TA disbursement category/component of the project, (ii) delivery mechanism for girls' stipends through post offices and related transparency controls, including random tracking verifications, and (iii) large number of advance audit paragraphs prepared by the AGP each year, reflecting the need for improving internal controls and other preventive/systemic actions. The adverse impact of these issues will be mitigated by the implementation of the agreed actions presented later in this assessment as well as in the other risk mitigation measures.

14. The overall conclusion of the financial management assessment is that the financial management arrangements for the project are considered satisfactory to providing adequate assurance in the use of the Bank and the GoS resources, consistent with the Bank's minimum requirements under OP/BP10.02, if consistently implemented with the support of incremental PFM staffing during the entire life of the project as well as with the judicious implementation of internal control and monitoring actions defined under the project.

15. The main areas considered for improvement and in which significant progress has already been realized include:

- a. Building adequate FM capacity in RSU by engaging a financial reporting specialist and an internal auditing specialist as well as the Accountant General having also assigned a financial management information system (FMIS) specialist to the RSU to facilitate the management of the government FMIS terminal at RSU and thus facilitate the use of government systems in implementing the PFM requirements under the project.
- b. Preparing and issuing guidelines for districts and SMCs which address the basic FM requirements, including social accountability processes, among other things.
- c. Strengthening of internal controls and reduction in the number of recurring audit observations through taking actions recommended via internal audit and improved audit resolution processes via Departmental Accounts Committees.

A. Summary of Project Description

16. The project is potentially fast-disbursing. It will disburse pre-selected EEP capped amounts, generally conditioned on achievement of intermediate outcomes or implementation performance indicators defined through Disbursement Linked Indicators (DLIs), and include an essential Technical Assistance component. The EEP-based SWAp component of the project finances the implementation of

SERP. The Technical Assistance (TA) component is aimed at providing the enabling implementation capacity for smooth and unimpeded achievement of the interventions in support of the GoS' medium term SERP.

B. Implementation Arrangements

17. **Project Implementation:** The project will be implemented using the province's public financial management systems as a basis for budgeting, budget execution (including accounting and internal control), financial reporting, and auditing. While the coordination of the project is managed under the auspices of the RSU of the Education Department (ED), the financial management of the project will be carried out under the responsibility of the various PFM institutions in the province – Finance Department (FD) and the various District Finance Offices, AG and the various District Accounts Offices, and Directors General (DG) of Provincial and District Audit. The RSU will maintain its approving authority for the SDA funds earmarked under the Technical Assistance component of the project. The ED would take a lead role in formulating the budget proposals and executing/monitoring of the budget implementation process. For the purpose of implementation of the TA component of the project, Bank procurement procedures/guidelines will apply, particularly in respect of purchase of any goods and consultancy services.

18. **Disbursement Linked Indicators:** Meeting the DLIs (as identified in Annex 3) will constitute the primary basis for triggering Credit disbursements under the Project's EEP (Component One). The DLI's will be monetized, on equal weight basis during each *final* verification and disbursement cycle (May/June) in each fiscal year, and eligible disbursement amounts will be the sum of the achieved DLIs multiplied by the unitary DLI price. For the purpose of this project, there is one 'global DLI' which must be met to trigger any disbursements at all. Since there are 9 other DLIs established for the first year of the project, including for the first forecast 6-month disbursement cycle, as well as for the remainder of the project life, an average DLI price, is set for each annual disbursement cycle as follows, and further elucidated as per the Disbursement Schedule:

Table 3: FY Allocation of EEP Disbursements and DLI Pricing

Fiscal Year 2008/09

	<i>Disbursement</i>	<i># of DLIs</i>	<i>Avg. Price Per DLI</i>
Retroactive	58,800,000	10	5,880,000
First 6 mths. Forecast Advance (EEP Expenditures)	41,200,000	10	4,120,000
Total Disbursement in FY 2008/09	100,000,000	10	10,000,000

Disbursement for Retroactive and first 6month Estimated Expenditures conditioned on achievement of 10 DLIs priced at \$10 million each.

Any under-spends against the forecast EEP expenditures for the 6 months to be recovered against next scheduled disbursement

Fiscal Year 2009/10

2nd 5 mth. Forecast Advance (EEP Expenditures)	17,000,000		
3rd 6 mth. Estimated EEP Expenditures	80,000,000		
Total Disbursement in FY 2009/10	97,000,000	10	9,700,000

Final disbursement is computed on the actual EEP expenditures for 11 months in FY 2009/10.

FY 2009/10 disbursement (at time of 3rd disbursement) reduced by the average price of DLIs not met

Fiscal Year 2010/11

4th 5 mth. Forecast Advance (EEP Expenditures)	17,000,000		
5th 6 mth. Estimated EEP Expenditures	80,000,000		
Total Disbursement in FY 2010/11	97,000,000	10	9,700,000

Final disbursement is computed on the actual EEP expenditures for 11 months in FY 2010/11.

FY 2010/11 disbursement (at time of 5th disbursement) reduced by the average price of DLIs not met

19. For any DLIs not met by the annual verification date, the equivalent advance made in the prior disbursement, based on the forecast EEPs, will be deducted from the final equivalent amount of EEPs to be disbursed at the next following disbursement date. Equally, any balance of the IDA allocated EEP

disbursements not qualifying for disbursement at any disbursement cycle against the capped allocation may be carried forward to be paid during a subsequent disbursement cycle should the task team consider expedient and as long as the GoS has met the related DLIs not earlier met.

20. **Component 1: EEP Financing of SERP:** This component would be financed from about 98% (US\$294 million) of the overall Project costs. Defined periodic disbursements for the EEPs will be capped at maximum ceilings, and effective eligibility will be conditioned on the GoS meeting its DLI performance levels. The EEP expenditures are part of the province's SERP expenditures, and the SERP expenditures also constitute part of the province's overall recurrent and development budget. The expenditure mechanism satisfies World Bank policy and, in particular, OP 6.0's three pillars viz: (a) expenditures are productive, (b) they contribute to solutions within a fiscally sustainable framework, and (c) acceptable oversight arrangements are in-place. Specifically, through its intention to finance a considerable proportion of the SERP expenditures under the SWAp arrangement, the Province has demonstrated ownership of and commitment to the program.

21. **Component 2: Technical Assistance:** The RSU would manage the activities financed under the TA component using dedicated funds to be allocated for this through a Special Drawing Account managed under the auspices of the RSU. Unlike typical 'ring-fenced' investment operations, the detailed accounts of the expenditures will also be maintained in the government's financial management system. Therefore, the TA expenditures would be part and parcel of sector-wide financial reporting for the project.

C. Country/Provincial Issues

22. The Country Financial Accountability Assessment (CFAA, Dec 2003) identified several weaknesses in data reliability and presentation in the public financial management systems in the country. However, a number of initiatives and actions are currently being implemented to remedy a significant number of lapses. Among these initiatives is the "Project to Improve Financial Reporting and Auditing" (PIFRA) at the federal, provincial, and district levels. Significant progress has been achieved so far to increase the effectiveness, transparency, and accountability in public expenditure management and, as a result, the state of public financial management is gradually improving. The recently concluded Sindh Public Financial Management and Accountability³³ assessment confirms the significant progress in implementing improvements in public financial management in the province. Since the SERP is a province-wide initiative to be implemented by a large number of entities/institutions at provincial and sub-provincial levels, the FM issues identified by these PFMA assessments are generally relevant. Therefore, the FM arrangements for the project are so designed to avoid or mitigate the impact of these issues.

23. While several provincial and sub-provincial institutions will take part in implementation of the SERP activities according to their respective mandates, the need for central coordination by the RSU is absolutely critical for coordinated reporting and monitoring.

24. The timely availability and use of the financial information generated from the RSU-based PIFRA computer terminal would serve as a basis of financial decision-making in the pursuit of the SERP objectives. It would also provide the basis for fostering the monitoring process for decentralized financial accountability at both the provincial and district government levels. In effect, the Education Department, through the RSU, would maintain a system of 'regular reporting of financial flows on expenditure and outputs' by way of producing quarterly financial reports (Budget Execution Reports) within 30 days after

³³ The Sindh PFMA was completed in December 2008, using a more refined and globally accepted PEFA indicator-led performance measurement framework.

the close of each calendar quarter. These in-year financial reports have been parameterized for the project and directly generated from the computerized financial management system.

25. The project would continue to support reforms in the area of strengthening the system of instituting Departmental Accounts Committee (DAC) meetings with a view to facilitating the progressive resolution of audit issues and the application of sanctions, including cash recoveries in the education sector. This activity will foster the accountability regime within the sector.

26. Finally, the project would facilitate a continuous dialogue for identifying key sectoral actions that would further improve public financial management and thus ensure that country-wide PFM improvements supported by PIFRA are better translated to sectoral outcomes. These outcomes of strengthened internal control, financial reporting, and accountability will be measured progressively by the extent of reduction in the number of annually reported advance audit observations and the timeliness and reliability of sectoral financial reports.

D. Risk Assessment and Mitigation Measures

27. The financial management risk of the project, *prior to mitigation*, is assessed, overall, as ‘substantial’, given (a) the decentralized nature of project implementation and the wide-ranging nature of activities to be covered across 23 district governments, (b) the state of financial management capacity in the Education Sector, and (c) the stability of the PIFRA supported systems, impacting the integrated nature of the financial management information system, particularly, in the first project year.

28. Even though the individual dimensions of pre-mitigation risks have been rated as ‘either Substantial or Moderate’ and the overall risk as ‘Substantial’, the overall residual (post-mitigation) FM risk associated with the project is rated ‘moderate’ due to (a) the state of preparedness of the GoS and the designed mitigation actions, including the implementation of social accountability arrangements with the SMCs, (b) the expected outcomes as a result of instituting a dedicated FM staffing arrangement in support of the project’s implementation, (c) the focused attention of the PIFRA implementation team to entrenching the stability of the government FMIS, and (d) the measures already adopted to reinforce accountability through systemic internal controls in the sector as well as through the system of resolution of arising audit issues.

29. The constituent elements of the overall risk, together with their respective mitigating measures, are highlighted in the table below:

Table 4: Risk Assessment Matrix

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Condition of Negotiations, Board or Effectiveness (Y/N)	Residual Risk Rating
Inherent Risk	S			M
- Country / Provincial Level	S	- Integrated use of country FM systems - Use of results-based disbursement based on DLIs with strong M&E systems in place	N	M
- Entity Level	S	- Provision of SAP terminals to RSU and Education Department for real time monitoring of budget execution.	N	M
- Project Level	M	-Recruitment of a financial management specialist and an internal auditing	N	M

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Project Design	Condition of Negotiations, Board or Effectiveness (Y/N)	Residual Risk Rating
		specialist in RSU, and assigning an FMIS Specialist to RSU by the Office of the Accountant General.		
Control Risk	S			L
- Budgeting	M	- Establishment of new budget and account codes for EEPs and TA expenditures and re-appropriation of budgeted amounts to the new heads.	N	L
- Accounting	M	- Discontinue use of interim solution for consolidation at the Accountant General's Office. - Consistent use of computerized work-flow processes by accounting offices retroactively, and from July 1, 2008, adjust all actual expenditures against the project to their new established codes.	N	L
- Internal Control	S	- Gradual PFM improvements in the Sector with the support of a qualified internal auditor in RSU	N	M
		- Preparation and issuance of guidelines for SMCs on basic FM requirements, including social accountability processes	N	
- Funds Flow	M	- Use of report-based disbursement and direct disbursements into the GoS' consolidated fund	N	L
- Financial Reporting	M	- Agreement on the format of annual financial statements of the project, Budget Execution Report of the Education Sector, and quarterly financial reports of the project with the Bank.	N	L
- Auditing and follow-up on issues	S	- Agreement on scope of audit of the project annual financial statements, combining the certification and regularity aspects of auditing. - Streamlined and systematic DACs for resolution of audit issues.	N	M
Overall Risk	S			M

E. Roles, Responsibilities, and Staffing

30. The GoS has recruited and assigned to the RSU, a financial management specialist (FMS) and an internal audit specialist with terms of reference and qualifications acceptable to the Bank. The financial management specialist, supported by the FMIS specialist assigned through the office of the Accountant General and already on board, will oversee the financial reporting of the project and sector, using the integrated financial management information system (IFMIS) terminal installed within RSU for expenditure monitoring and for disbursements under the project. The FMS will also prepare the annual financial statements of the project, consistent with international standards, for independent audit. The internal audit specialist will help improve the internal controls in the overall Education Sector, support the monitoring of resolution of audit issues, including those included in MfDAC reports, and carry out ad hoc

reviews of expenditure management processes in the sector. The IFMIS specialist assigned by the Accountant General to the RSU shall remain with the project at least for a period of up to December 2010. This officer will also serve as a support link between the office of the Accountant General and the RSU as well as support the coordination of the IFMIS report generation capability of the district accounts officers in the 23 districts.

F. Funds Flow and Disbursement Arrangements

31. The project is so designed to match the disbursements with the expenditure patterns of the government in eligible expenditure programs (EEPs) as well as for technical assistance (TA) activities; therefore, periodic scheduled disbursements have been capped to ensure consistent flow of funds throughout the life of the project under the 'report-based' principle.

32. All Bank disbursements (either for EEPs or TA) will be made from the Credit account to the Provincial Government Consolidated Fund - Account No. 1 (Non-Food), based on Withdrawal Applications duly prepared by the RSU and finally approved by the Special Secretary (Budget & Resources), Finance. The disbursements from the Credit to the project, in US Dollars, will be translated to Pak Rupees (PKR) by the State Bank of Pakistan, and the local currency shall form the transaction basis for the operation's accounting and reporting. TA component funds received into the consolidated fund will be *released* into a Special Drawing Account - SDA (akin to erstwhile Personal Ledger Account) to be held with RSU although the funds will be maintained and transacted upon as part of the government's Treasury Single Account. Use of SDA will ensure availability of earmarked funds to RSU for critical TA activities on timely basis as well as allow for use of Bank procurement procedures in committing related expenditures.

33. The 'Report-based' disbursement method (using Interim Unaudited Financial Reports' prepared from the government accounting system through RSU IFMIS terminal, cleared by the Chief Program Manager of the RSU, and validated by the Accountant General before being approved by the Department of Finance) will be used for withdrawal of Credit proceeds. The reports will be prepared from the sector's financial reports generated from the province's financial management system. The in-year sector financial reports, in the form of Budget Execution Reports, representing entire sector's budgeted and actual expenditures at the defined classification levels, will distinctly identify actual project expenditures incurred against the EEPs and TAs supported by the Bank. This will facilitate the computation of the eligible portion for Bank financing in the IUFs.

34. Disbursements in respect of *retroactive financing* of EEPs shall be limited to 20% (US\$58.8 million) of the total EEP allocated credit proceeds of US\$294 million. As regards the TA, a sum of US\$184,500 has been agreed to represent expenditures for 11 months from July 1, 2008 to May 31, 2009.

Table 5: Disbursement Categories

Expenditure Category	Amount (US\$ Million)
1. Eligible Expenditure Program (EEPs)	294
2. Technical Assistance (including goods, consultancy services, training, and incremental staff costs)	6
Total IDA Financing of Project	300 ³⁴

³⁴ With Country Financing Parameters already agreed for Pakistan, the Bank will finance attributable taxes and duties under the project.

35. Table 5 above presents the allocated IDA financing of the two disbursement categories under the SWAp project, and the allocated amounts represent the 100% capped expenditure limits from IDA.

36. The following table provides the project's indicative disbursement schedule:

Table 6: Disbursement Schedule

Number	Estimated Date	Type of Disbursement	Capped Amount (US\$M)	Price Per DLI ³⁵	Disbursement Basis
1.	June, 2009	EEPs Retroactive	58.8	Based on meeting 10 DLIs at evaluation in April/May 2009: Average DLI equivalent price computed for FY 2008/09 of US\$10,000,000.	<ul style="list-style-type: none"> ➤ 20% of Credit total for EEPs vs. previous 11 months actual EEPs to May 31, 2009 ➤ Conditioned on DLIs including overriding global DLI
2.	June, 2009	EEPs First 6 months' estimated EEP expenditures against budget for FY 2009/10 (Jul – Dec. 2009)	41.2	Total estimated disbursement in FY 2008/09 upon effectiveness = US\$100m based on meeting all 10 DLIs.	<ul style="list-style-type: none"> ➤ Conditioned on prior met DLIs (2008/09) including overriding global DLI
3.	Jan. 2010	EEPs Second 5 months' estimated expenditures against budget for FY 2009/10 (Jan. – May 2010)	17	Advance payment in Jan. 2010 against potentially meeting 10 DLI's to be evaluated by April/May 2010 and any DLI's missed to be deducted from the	<ul style="list-style-type: none"> ➤ Amount netted with any under-spends in June 2009 advance. ➤ Not DLI based at disbursement date
4.	June, 2010	EEPs First 6 months' estimated expenditures against budget for FY 2010/11 (Jul – Dec. 2010)	80	June 2010 final disbursement amount at the average DLI price of US\$9,700,000. Total estimated disbursement in FY 2009/10 = US\$97m based on meeting all DLIs.	<ul style="list-style-type: none"> ➤ Conditioned on 10 DLIs including overriding global DLI ➤ Amount netted with any under-spends in Jan. 2010 advance
5.	Jan. 2011	EEPs Second 5 months' estimated expenditures against budget for FY 2010/11 (Jan – May 2011)	17	Advance payment in Jan. 2011 against potentially meeting 10 DLI's to be evaluated by May/June 2011 and any DLI's missed to be deducted from the	<ul style="list-style-type: none"> ➤ Amount netted with any under-spends in June 2010 advance ➤ Not DLI based at disbursement date
6.	June 2011	EEPs First 6 months' estimated expenditures against budget for FY 2011/12 (Jul – Dec. 2010)	80	June 2011 final disbursement amount at the average DLI price of US\$9,700,000	<ul style="list-style-type: none"> ➤ Conditioned on 10 DLIs including overriding global DLI ➤ Amount netted with any under-spends in Jan. 2010 advance
7.	As programmed	TA Component	6	Retroactive financing for 11 months to May 31, 2009 (capped at US\$184,500) Subsequent advances in June for 7 months to Dec. 31, and 5 months to May 31 each year, respectively, based on net forecast expenditures	<ul style="list-style-type: none"> ➤ Unused portion may be reallocated to the 6th due EEPs of the SWAp and priced and disbursed as such in June 2011.

³⁵ Based on a total equal-weighted DLIs

G. Budgeting

37. As a form of SWAp operation, the budgeting of all project expenditures (EEPs and TA) will constitute part of the government budgeting process. The GoS has therefore established additional detailed budget and account codes, consistent with the specific expenditures to be financed under the project. This will facilitate the budget execution and reporting process and thus improve the overall budget management of the government.

H. Accounting and Financial Reporting

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

39. The system-generated accounting records will be the basis for preparation of the Budget Execution Reports of the Education Sector, including the project expenditures financed under the Credit. As an output of the system, the Project Financial Statements (interim and annual) will also be produced, showing the sources of project funds and their uses. The templates for these reports have been agreed between the Bank and the GoS, and the RSU will have primary responsibility for their preparation.

40. The project reports and financial statements will identify the uses of funds according to the pre-defined eligible expenditure elements and technical assistance costs financed by the Bank as well as by GoS. Adequate notes and disclosures consistent with acceptable international practice will be provided, at least as part of the annual financial statements. Although disbursements will be made against six-monthly or five-monthly Interim Unaudited Financial Reports (IUFs), which will also serve as an instrument for continuous monitoring of the financing status of the project, the GoS will submit to the Bank, within 30 days after the end of each fiscal quarter, quarterly Budget Execution Reports (BERs) for continuous monitoring of the overall sector budget execution. IUFs for the purpose of disbursement, however, will be submitted within 15 days after end of May and December respectively – June and January being the planned disbursement months.

I. Internal Controls and Internal Audit

41. The Sindh PEFA assessment identifies the absence of internal auditing in government as one of the major weaknesses in the PFM system. While recognizing that establishment of a sector-wide internal audit function would be beyond the scope of this project, a suitably qualified internal auditing specialist has been recruited by the RSU to jump-start the effective dialogue towards this direction. The internal auditor so engaged will, among other things, support the enhancement of the accountability process through reinforcing internal controls under the project as well as through systematic follow-up with executive departments on managing the resolution process of external audit observations in the entire sector.

42. As with other government expenditure transactions, payments under the project will be subject to the normal pre-audit verification at accounting offices before payments are approved. As the TA component funds that will be managed by the RSU under Special Drawing Account arrangements will be expended under Bank procurement guidelines as pertaining to procurement of goods and services (including consultancy and training), the pre-audit activities at the accounting offices of the Karachi

Treasury or the Accountant General will be limited largely to budget availability checks, account coding validation, and verification of spending authorizations.

J. External Audit

43. The annual financial statements of the project will be audited by the Auditor-General of Pakistan,³⁶ and will cover the EEP and the Technical Assistance components' expenditures, including those financed by the Bank. These audited statements would be submitted to the Bank within six months after the close of the fiscal year. The Office of the Auditor-General of Pakistan is acceptable to the Bank as independent auditor for all the activities undertaken by provincial and district governments in Sindh.

44. The normal government procedures for resolution and settlement of audit observations will be equally applicable to this project. As a matter of procedure, more serious observations that remained unresolved at DAC levels are escalated to 'Draft Audit Paragraphs' and presented before the Public Accounts Committee in the form of 'Final Audit Paragraphs'. Those audit paragraphs not resolved or presented to Public Accounts Committee, (being residual in nature), remain a subject of the Departmental Accounts Committees in the form of 'Memorandum for Departmental Accounts Committee' (MfDAC)³⁷. To ensure that accountability of the executive remains comprehensive and includes coverage of those residual audit paragraphs (depicted in MfDAC reports), the project supports, through an implementation covenant, the redirection of the executive attention towards resolution of these remaining paragraphs with a view to countering 'impunity' in lapses in public expenditure management.

45. As entity audited financial statements for individual sectors, apart from the appropriation accounts, are not the norm in Pakistan (except for self-accounting entities), the government has agreed with the Bank to an annual financial statement of the project expenditures (EEPs and TA) as part of the annual assurances under the project. The annual audit reports will consist of an *overall opinion on the Project Financial Statement* and a management letter.

46. In order to improve the timeliness of audit, using the risk-based methodology, there is a need to implement the AGP's new policy of transitioning to concurrent auditing based on in-year financial reports, including the Budget Execution Reports. The RSU will provide quarterly BERs to the Directors General, provincial and district audits within 30 days after the end of each quarter, identifying clearly those expenditure elements under the EEP and TA. In addition, the RSU will submit for audit the draft annual project financial statement for audit within 60 days of the end of the fiscal year.

47. 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:

Table 7: Audit Requirements

<i>Audit Report</i>	<i>Due Date</i>
Project Financial Statements (EEPs and TA) for the year ending June 30	December 31 Each Year

³⁶ The role of the Auditor-General to carry out the annual audit of the financial statements of the 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 International Federation of Accountants.

³⁷ The MfDAC (Memorandum for Departmental Accounts Committee) report, provided to the executive by the auditors, documents the residue of audit paras, after prior DAC resolution efforts and after isolating those unresolved paras escalated to the Public Accounts Committee, for further review and resolution by the executive. Resolution implies cancellation of the audit query as a result of auditor error or adequate response of the auditee, or application of sanctions (including financial) on the defaulting auditee.

K. Supervision Plan

48. The Project will require intensive supervision support, especially in its initial year of implementation, given its challenges and the capacity of the sector's financial management staffing. FM specialists will be part of the Joint Review Missions and provide any additional technical support as needed. During project implementation, the Bank will review: (a) the project Infers and audited financial statements, including the budget execution report, together with the management letters; and (b) the project's financial management and disbursement arrangements to ensure compliance with the agreed requirements. With the implementation of the sound financial management and monitoring system by the professional staff at the RSU, Bank's normal implementation review procedures are expected to be appropriate.

Annex 8: Procurement Arrangements
PAKISTAN: Sindh Education Sector Project

1. Procurement under the project would be carried out in accordance with the World Bank's Guidelines: Procurement under IBRD Loans and IDA Credits of May 2004 revised October 2006, and Guidelines for Selection and Employment of Consultants by World Bank Borrowers of May 2004 revised October 2006. The Bank's standard bidding documents for procurement under International Competitive Bidding (ICB), and sample bidding documents for procurement under National Competitive Bidding (NCB) which are already being used on other Bank financed projects in Pakistan, will be used for procurement of Goods and Works under the project. The Bank's Standard Request for Proposal document will be used in the selection of Consulting firms. The GoS shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

2. All expected procurement of goods, works and consultants' services under international competitive bidding will be listed in the project's General Procurement Notice (GPN). Specific Procurement Notice (SPN) shall be published for all ICBs for goods and works, and Consultancy assignments estimated to cost more than US\$ 200,000. Overall procurement arrangements with tentative amounts are given in Table 2.

3. This project supports the implementation of an improved provincial procurement and regulatory framework and institutional strengthening. Within the education sector, the project goes beyond the eligible expenditure programs (EEPs) and strengthens procurement arrangements for civil works as well as textbooks, both of which are major expenditure categories of the education sector. For EEPs, the procurement procedures agreed with the Bank shall be used.

Agreements on Procurement Regulatory Framework & Institutional Strengthening

4. SERP supports the implementation of an improved procurement regulatory and institutional framework. A revised procurement law is now in place, and is expected to be followed by the notification by SPPRA of procurement rules and implementing regulations. Revised standard bidding documents (SBDs) in line with international best practice and a functional monitoring and evaluation system (with performance indicators and benchmarks) are expected to be in use during the life of the project. Realistic procurement estimation will be ensured by regular quarterly updates of the Composite Schedule of Rates (CSR) to align it with the market. These will be accompanied by the establishment of complaints' redressal mechanisms and comprehensive training programs for procurement capacity building at various administrative levels.

Procurement of Works

5. All works which would be considered as an eligible expenditure at any stage of the project shall be done following the procedures agreed with the Bank.

6. Procurements upto US\$ 30,000 may be done through shopping. Minor works which may be done by School Management Committees (SMCs) fall under this category. Procurement guidelines have been prepared for SMCs which focus on adequate planning, competition and dissemination in shopping procedures.

7. Rehabilitation of schools, missing facilities and shelter-less schools would be taken up by the districts, under Terms of Partnership (TOP) agreements between RSU and individual districts. These expenditures are not covered under EEPs, but agreements have been made for adequate planning,

packaging, procurement, and execution. All school construction works shall be packaged at the taluka level whereas some large talukas may have two or three contracts. These contracts will not exceed Rs 200 m (US\$ 2.5 m) and shall be procured through the NCB procedures given in the SPPRA rules, using the SBDs agreed with the Bank /adopted by SPPRA. The Terms of Partnership (TOP) agreements signed between districts and RSU provide such guidelines. RSU will coordinate with districts to ensure good practices through a third party firm which will review the design, assist in preparation of bidding documents, supervise the construction, and conduct procurement ex-post reviews. Hiring of the third party is a DLI.

Procurement of Goods

8. Procurement of computers, paper and office equipment under the EEPs of SEMIS and PEACE would be subject to review by the Bank. SMCs are also being authorized to make some minor goods procurements of supplies (stationery etc.) and replacement of school furniture/equipment. The annual budget of SMCs is Rs. 25,000. Rs. 50,000 and Rs. 100,000 respectively for primary, middle and high schools.

9. International Competitive Bidding (ICB) procedure would be used for all contracts estimated to cost more than US\$ 200,000 equivalent, using Bank's standard bidding documents. Goods contracts costing more than US\$ 30,000 would be procured through NCB, using the bidding documents acceptable to the Bank /adopted by SPPRA and contracts costing upto US\$ 30,000 may be procured through shopping procedures. Expenditures by SMCs shall follow the agreed guidelines for procurement of goods through shopping.

10. Outside the EEPs, goods procured under this project are textbooks, school furniture, related supplies (laboratory equipment etc.), and computers. The largest outlay is that of textbooks. Some 5.011 million sets of books at a cost of Rs. 709 m were procured in 2008-09. Textbook publication is done through separate procurements of paper, printing services, and distribution. The process has transparency issues as well as market capacity constraints. While textbook procurement is not an EEP, GoS has agreed under the project to review the procurement procedures for textbooks and develop specific SBD for textbooks. SERP supports improved performance in textbook delivery, and improvements in procurement arrangements for textbooks. Supplies and furniture for schools are generally procured by districts, whereas some major interventions (computers etc.) could be made by the department at provincial level. Improvements in procurements of these goods would be facilitated through the adoption of SBDs for goods which is an agreed action in the reform agenda.

Improvement of Bidding Procedures under National Competitive Bidding

11. 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 a 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. 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 the prior review procedures;
- xv. A 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.
- xvi. Each contract financed from the proceeds of a 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.

Selection of Consultants

12. Major consulting services under the Project would be required for third party construction supervision of the civil works and ex-post reviews. Other services would include selection of firms for assisting the Finance Department (FD) in various studies, firms for developing implementing regulations, and M&E mechanism and training strategy for SPPRA. Consulting services will also be required for training requirements of PEACE, and third party evaluations for various SERP interventions. SPPRA, SEF and FD shall be responsible for selection of their respective consultancies in consultation with RSU, whereas, RSU will be responsible for selection of firms for third party supervision and all education sector related services i.e. PEACE and SEMIS. Consulting firms shall be selected in accordance with Quality and Cost Based Selection procedures or other methods given in Section III of the Consultants' Guidelines. Consulting services selection would be carried out through Quality and Cost Based Selection (QCBS) for contracts with consulting firms costing more than US\$ 200,000 equivalent, and through Consultants Qualification (CQ) for contracts costing up to US\$ 200,000. Short lists of consultants for services estimated to cost less than US\$ 200,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Selection of Particular Types of Consultants

13. UN agencies and other institutions may be hired as consultants, where they are qualified to provide technical assistance and advice in their area of expertise. Subject to prior no objection from the Bank, single-source selection may be used if the criteria outlined in paragraph 3.10 of these Guidelines are fulfilled.

14. The SEF initiative of supporting entrepreneurs running schools in private sector is an eligible expenditure. In the first phase up to 200 individuals/entities who qualify on a prescribed and disseminated criteria shall be provided with funds (amount per child) to run their schools. This initiative could be expanded to up to 1000 schools over the life of the project. The Bank will review this selection process of screening, and random picking of the fixed number of applicants (through software) from a larger pool of screened/qualified applicants. The agreement signed between the selected entrepreneur and SEF shall be

agreed with the Bank. SEF will monitor the performance of the supported schools against the agreed outcome indicators.

Selection of non Consulting Services

15. Certain activities may be done as non-consulting services. Printing of test papers at PEACE would be done using the bidding document based on the Bank's sample bidding document for non-consulting services or the agreed NCB document for works. Training of teachers, managers, and SMC staff could be conducted through service providers. Such selections shall be made as non consultancy services following criteria and procedures acceptable to the Bank. Based on similar experience in other regions, it is determined that QCBS is not the best method to follow for selecting such service providers. A simple RFP shall be used for such contracts, with a sample contract for small lump sum consultancy, which has been proven to be implementation friendly for these unique non-consultancy services. The procurement process shall basically be a quality based selection comprising the following steps:

- i. Advertisement to invite interested parties for submitting technical and financial proposals on the formats agreed with the Bank and annexed with the procurement section of the operational manual.
- ii. Evaluation of technical proposals and selection of qualified firms for each categories of services. There could be a number of firms qualified in one sub-category.
- iii. Opening of financial proposals and negotiating a contract with them on a unit rate basis.
- iv. Bank's NOL shall be required before entering into a contract with any of these entities.
- v. All advertisements shall be placed in nationally circulated newspapers, as well as RSU web-site and a minimum of 15 days response time shall be mandatory.

Selection of Individual Consultants

16. 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

Assessment of Agency's Capacity to Implement Procurement

17. The project is rated "Substantial risk" operation from procurement and contract management point of view. This assessment is based on the previous performance of implementing agencies as well as the devolved status of implementation. The districts are adequately staffed but the capacity and qualification(s) of procurement staff is erratic due to quick turnaround and non uniform capacities. RSU is responsible to coordinate the procurement functions within the districts. RSU is staffed by the Chief Program Coordinator assisted by deputy Program coordinators, one of which is responsible for procurements. One additional engineer has being appointed to assist the deputy program coordinator in procurements, and technical matters. Relevant DPM of RSU assisted by the procurement staff shall be responsible for the procurements of PEACE and SEMIS. SEF, Finance and SPPRA will be responsible for their own consultancy services selection in consultation with RSU; these entities are adequately staffed. SMCs are expected to have limited capacity and, as explained below, measures are being put in place to expand their capacity.

18. In order to ensure efficiency and transparency in procurement, the following measures have or will be taken for implementation of the project:

(i) A **procurement link** has been added on the RSU website to provide the overall procurement plans and updates. As far as possible the districts would also maintain procurement information on their own web-sites, which is also a SPPRA requirement. The dissemination shall include project specific procurement plan, procurement notices, invitation to bid, bid documents and Request for Proposal (RFPs) as issued, latest information on procurement contracts, status of evaluation, complaints and actions taken, contract award and performance under the contracts and other relevant information related to procurement. The website is accessible to all bidders and interested persons equally and free of charge. SEF has also add a procurement link to their web-site, which would display the expenditure plans, notices to express interest in participation in the PPP intervention, status of selection process, and final list of selected entrepreneurs. Any complaints would also be posted along with the resolution. The links to RSU and SEF web-sites are fully functional.

(ii) **Procurement training** sessions will be held for all implementing agencies to ensure that the requirements and timelines of the Bank financed procurements are clearly understood at the very commencement of the project. The Bank will hold a training session for the district staff to provide them an overview of the TOP arrangements. Separate training sessions shall be held for the SEF and RSU staff to clarify the procurement procedures if required.

(iii) **Procurement Plans** have been prepared by RSU (for SEMIS and PEACE goods and services), SEF (consultancy services) and Finance (ERU consultancy services) to ensure adequate timelines and packaging. ICBs shall be processed if the local markets are found deficient/limited for certain specialized areas of expertise. Packaging is done in a cost effective manner optimizing on economies of scale. No procurements shall be processed unless included in the procurement plan and approved by the Bank. Procurement plan updates shall be included in the quarterly progress reports. SEF will also ensure updated activity schedule/annual expenditure plan for their PPP interventions. Initial procurement plans have been prepared.

(iv) Adequate **dissemination** for all procurements shall be done to ensure market awareness and effective implementation. If required, RSU/districts will also hold workshops for contractors to ensure that the benefits of no post bid negotiation, item rate contracts, and timely completion are understood. Likewise, dissemination for text book and goods procurements shall also be done as required.

(v) **Procurement guidelines** have been prepared and disseminated for SMCs as well as districts which will document all the procurement processing and approval procedures to be followed by various implementing agencies, giving the responsibilities and timelines for approvals/reviews. Translated versions shall be provided by May 31, 2009

(vi) **Procurement Section** of the operational manual documents the operating procedures agreed for the project, including the internal arrangements of the borrowers for approvals of goods and services procurements, as well as the arrangements for rehabilitation works to ensure that the DLIs are adequately met. Procedures for textbooks shall be included as soon as agreed. This document shall be updated as required.

(vii) A **credible system of handling complaints** would be put in place. RSU would manage the complaint handling system with overall oversight by the Secretary Education. This system would include maintenance of a database, a standard protocol with appropriate triggers for carrying out investigations, and taking action against involved parties. RSU would develop the system as soon as possible and it would be reviewed by the Bank. For ICB/international selection of consultants the Bank prescribed complaint redressal mechanism will apply. The second tier of appeals has been created in the office of the Additional Chief Secretary. The system shall be fully functional by December 31, 2009. Status report for complaints handling mechanism shall be included in the quarterly progress reports.

Table 1: Procurement Actions

	Action	Responsibility	Date	Status
i.	Procurement link added to the website	RSU/SEF	Completed	RSU website posts procurement information.
ii.	Procurement training for districts (TOPs) and project (RSU, SEF) staff	Bank	May 15, 2009	
iii.	Procurement plans	RSU (in coordination with SEF, Finance, SPPRA)	Completed.	Shall be updated as required (at least semiannually)
iv.	Dissemination for TOPs	RSU through districts	Within one week of the first IFB publication (June 2009)	Repeated as required.
v.	Guidelines for SMCs	RSU	Completed	
vi.	Operating procedures in Procurement Section of Operations Manual	RSU	Completed	Shall be updated in agreement with the Bank as required.
vii.	Complaint handling system	RSU	December 31, 2009	Basic mechanism agreed in manual

19. With these above arrangements, the procurement under the project is likely to be effective and transparent resulting in smooth implementation of the project leading to achievement of the project development objectives. At this stage procurement risk rating of the project is kept “substantial”.

Procurement Planning

20. The Borrower is has developed a procurement plan for project implementation which provides the basis for the procurement methods. This plan has been agreed between the Borrower and the project team is available at the borrower’s website. It will also be available in the project’s database and in 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.

Review of Procurement by the Bank

21. Thresholds for prior review of contracts under eligible expenditures are given below. These thresholds would be reviewed in 18 months and adjustments upwards or downwards would 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, awarded by each implementing agency; and thereafter each contract for goods estimated to cost US\$ 200,000 equivalent or more;
- (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 by each implementing agency;

- (vi) The first consultants' services contract with consulting firms, irrespective of value, awarded by each implementing agency, and thereafter all contracts with firms estimated to cost US\$100,000 equivalent or more;
- (vii) First consulting services contract with individual consultants, irrespective of value, awarded by each implementing agency, and thereafter all contracts with individuals estimated to cost US\$ 50,000 equivalent or more.
- (viii) First non-consulting services contract awarded by RSU, irrespective of its value, and thereafter each contract for non-consulting services estimated to cost US\$ 100,000 equivalent or more;
- (ix) First PPP contract(s) awarded by SEF.

22. All other contracts will be subject to Post-Review by the Bank. Each implementing agency will send to the Bank a list of all contracts for post-review on a quarterly basis. Post reviews as well as the implementation reviews would be done six monthly. Such review of contracts below threshold will constitute a sample of about 10-15 percent of the contracts.

Procurement Information and documentation – Filing and database

23. 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 agencies in an orderly manner, readily available for audit.

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

(c) Comprehensive quarterly reports by RSU and SEF 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.

(d) A Procurement Database would be developed supporting the procurement website that would register relevant information in a database format that would be suitable for analysis. The database would include the above information and in addition other relevant information such as official estimates (global unit prices based on market rates), all bidders (individual, companies, joint ventures, owners information, bank guarantee information, etc.), all bids, and relevant staff offered (technical experts, work supervisors, etc.). The database would be designed and supervised by the RSU in accordance with the format agreed with the Bank. This database could be used as a resource by the implementing agencies to plan for future projects.

Frequency of Procurement Supervision

24. Bank Joint Review Missions would be carried out every six months, however, more frequently in the early stages of the project, with a procurement specialist participating. In addition to the prior review, Bank supervision missions would carry out for post review of procurement actions. The Bank's procurement specialist based in the Country office in Pakistan will be available to discuss procurement issues with the implementing guidance as and when needed.

Details of the Procurement Arrangements

Table 2: Consulting Services

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost (US\$)	No. of Contracts	Selection Method	Review by Bank (Prior/Post)	Expected Proposal Submission Date
1.	Consultancy on MTBF	550,000	2-3	QCBS/SBCQ	First contract	Oct. 2009
2.	Third party supervision of TOPs	1.6 m	1	QCBS	Prior Review	March 2009
3.	Review of CSR system for regular updates	250,000	1	QCBS	Prior Review	Dec. 2009
4.	SMC training mobilization	1.1 m	Several	QCBS/SBCQ	First service delivery shall be prior reviewed	Over the project period

Annex 9: Economic and Financial Analysis
PAKISTAN: Sindh Education Sector Project

I. Economic analysis

1. This annex presents the results of a cost-benefit analysis (CBA) of the Sindh Education Sector Reform Program (SERP). The present discounted value (PDV) approach is used to appraise the SERP. The approach entails estimating the PDV of the stream of expected benefits and costs of schooling with and without the SERP, and calculating the difference in expected net benefits to arrive at the expected economic gain “induced” by the SERP. An investment is justified on economic grounds if the PDV is positive, meaning that the present value of the incremental expected stream of benefits is greater than the present value of incremental expected costs.

2. Data for this analysis are largely obtained from representative household sample surveys. The present levels of key variables used in the CBA are estimated based on 2005/06 Social and Living Standards Measurement Survey data which covered 3,773 households in Sindh.³⁸ However, where we run into estimation problems due to small sample sizes, we instead use 2004/05 Core Welfare Indicators Questionnaire data which covered 18,628 households in Sindh. For estimating changes in key variables over the recent past, we compare our estimates from the above survey data to estimates based on 1998/99 Integrated Household Survey (PIHS) data which covered 3,712 households in Sindh. Time-series data on expenditures on and students in the Sindh public education system are obtained from government sources.

3. The CBA finds that the SERP can be expected to yield a PDV of expected incremental net benefits of 33,429 PKR (in 2000-01 PKR) for a representative child aged 5, or a total economic gain of 37.88 billion PKR (2000-01 PKR)³⁹. The estimated expected economic gain is subjected to a sensitivity analysis which consists of investigating if the estimate remains positive when selected key parameters expected to have a (larger) effect on the stream of benefits are changed unfavorably. The various cases examined reduce the base case PDV estimates by 53-92 % but the estimates continue to remain positive.

Estimation of expected economic benefits

4. The stream of economic benefits is estimated using labor earnings over the course of the standard working life of an individual, following standard practice in CBAs of education investments. These benefits are calculated for a representative individual to arrive at the estimated economic benefit per child. Labor earnings reflect the direct private return to schooling. Education, however, generates a range of both private and social benefits (see, for example, Behrman 1999, Glewwe 2002, and Huffman 2001 for reviews of the evidence on the impact of schooling on various socioeconomic outcomes in developing countries, such as lower fertility rates and better health seeking behavior). To the extent that these social benefits cannot be quantified easily, the total economic benefit, both private and social returns to schooling, is therefore likely to be significantly underestimated.

5. The PDV of expected economic benefits that a representative child aged 5 derives from schooling over ages 15-64 (the international standard for working ages), is determined by constructing age-earnings profiles for salient school completion levels.⁴⁰ These are: (i) less than primary school completion (0-4 years of schooling); (ii) at most primary school completion (5-9 years of schooling); and (iii) at least

³⁸ This is the most recent survey for which unit data have been released publicly.

³⁹ Based on an estimated population of 1.13 million children aged 5 in Sindh in 2008/09 using survey data.

⁴⁰ For additional details, see the technical paper, available in the project files.

secondary school completion (10+ years of schooling).⁴¹ These age-completion level-earnings profiles are constructed separately for four population groups which differ significantly in their education and labor market experiences, namely (i) males in urban areas; (ii) males in rural areas; (iii) females in urban areas; and (iv) females in rural areas⁴². Earnings are discounted to the present period using a discount rate of 5%. This value is conservatively high given the general level of State Bank of Pakistan deposit interest rate adjusted for inflation over the last several years.

6. The following are the assumptions used in estimating the benefits stream:
 - i. Employment type is classified into three categories: (1) wage employment; (2) self employment; and (3) unpaid employment. Unpaid workers constitute an important share of total employment (19%), particularly important for rural females (64%). Earnings for these workers are estimated by reducing the corresponding profiles for self-employed workers by 75%. Note that non-employment is also a category, and is particularly salient for females.
 - ii. An annualized growth rate in real earnings, reflecting rising productivity, is applied for each employment type, estimated using survey data for individuals aged 15-65 at 0.2% for wage-earners and 4.7% for the self-employed. The forecasted growth rate for self employment earnings is applied to estimated earnings of unpaid employment as well.
 - iii. Survival rates are own calculations based on NIPS and Macro International Inc. (2008) estimates of age group-specific adult mortality rates for women and men aged 15-49 in Sindh using 2006-07 DHS data. The probability of a child aged 5 surviving until age 15 is assumed to be one. In addition, the probability of surviving until ages 50-64 is determined by linear extrapolation—these estimates, however, are likely to be an overestimate of the true probability of surviving until these ages.
 - iv. The forecasted annualized population urbanization rate is assumed to be equal to the annualized population urbanization rate from 1998/99-2005/06, which stood at 1.8%.

Estimation of expected economic costs

7. The PDV of economic costs of a representative child currently aged 5 incurs over ages 5-14 (the official ages for primary and secondary school) are estimated as the expected direct and indirect costs of completing each level of schooling. These are: (i) schooling related expenditures made by the households, (ii) the costs incurred by the government in educating the child in either government schools or government-financed private schools, and (3) the opportunity costs of forgone child labor earnings. Household expenditures on schooling and the opportunity costs of schooling are estimated separately by population group; however data for public spending on education cannot be disaggregated for population group so it is assumed to be identical across all populations groups. The base case discount rate of 5% is applied to the stream of economic costs to discount to present value.

⁴¹ The use of age-earnings profile for CBAs of educational investments has recently been advocated by Jimenez and Patrinos (2008).

⁴² The construction of age-earnings profiles separately by population group improves upon previous World Bank CBAs, which typically estimate a single standard Mincerian wage equation. In addition, the analysis is further enriched by incorporating factors that affect the profiles over time, namely (i) the probabilities of employment in different types; (ii) annualized growth rates for real earnings; (iii) the probability of living declining over the individual's working life, and (4) the increasing urbanization of the population over time.

8. To estimate the economic costs, we assume that:
 - i. School duration for each completion level is equal to the modal number of grades completed which are 0, 5, and 10 for those that have completed, less than primary school, at most primary school and at least secondary school, respectively. Therefore, the modal years of schooling for those with less than primary school completion is zero, so expected costs for this level are also zero.
 - ii. Annual real per child private expenditures for schooling are obtained from constructing age-expenditure profiles for the four population groups.
 - iii. Annual real per child public expenditures, both household (private) and the government (public) are assumed to be fixed and identical for all population groups. Per-student public expenditures are estimated at 6,000 PKR (2000-01 PKR) using official sources. This estimate is an upper bound of annual per-student expenditures and thus conservative estimate of actual costs.⁴³
 - iv. The opportunity costs of schooling is estimated as the forgone child earnings, separated by age, population group and employment type for children aged 10+, and is assumed to be 0 for younger children. Since earnings for unpaid child workers are unavailable, we estimate earnings as 50% of the earnings of self-employed child workers.⁴⁴
 - v. An annualized growth rate in real earnings is applied for each employment type, estimated using survey data for children aged 10-17 at 0.9% for wage earners and 3.6% for the self-employed. The forecasted growth rate for self employment earnings is applied to estimated earnings of unpaid employment as well.
 - vi. Migration from urban to rural areas does not occur while the child is in school, so an individual's population group distinction does not change during schooling.

The expected impact of the Sindh Education Sector Reform Program

9. The SERP is a medium-term program which essentially represents the government's investment in public primary and secondary education (grades 1-10) in the province of Sindh (details on the design and implementation of the SERP are presented in Annex 4). The main objectives of the SERP are to increase school enrollment, retention, transition between levels, and student learning. It also aims to reduce any relative female and rural disadvantages. By having an impact on enrollment and retention, the program is also likely to have an impact on the probability of completing different schooling levels.

Without SERP

10. What completion profile can we expect to if the SERP is not implemented? We first examine the change in the completion probabilities for children aged 15 between 1998/99 and 2005/06. As Table 1 shows, apart from girls in urban areas where the completion probability has shifted toward primary and secondary school completion, the completion probabilities for the other population groups have changed unfavorably either in part or in whole. In the case of boys in rural areas, the completion probability has

⁴³ Real per-student expenditures (in 2000-01 PKR) vary from a low of 4,545 PKR to a high of 5,734 PKR during the period 2003/04 to 2008/09.

⁴⁴ We assume a lower reduction factor on self-employment earnings for constructing earnings for unpaid child workers than for unpaid adult workers – this choice raises the cost of schooling (via higher forgone child earnings) and reduces the benefits of schooling (via lower adult earnings), thus, working against finding a positive PDV result.

shifted towards less than primary schooling, whereas the distributions of the other population groups have changed shape with the probabilities of less than primary school completion and at least secondary school completion increasing at the expense of the probability of at most primary school completion.

11. For the purpose of forecasting, we focus on the change in the probability of at least secondary school completion which was positive for three out of the four population groups. For each population group, we set the forecasted annualized change in the probability of at least secondary school completion equal to half the magnitude of the annualized change in this same probability over the period 1998/99-2005/06 (see Column 3 in Table 1). This decision was made as the magnitudes of the annualized changes over the recent past are likely too large to be sustained.⁴⁵ The completion probabilities are constructed by changing the probability of completing at least secondary school and adjusting the other levels proportionately to ensure the three completion levels capture the entire population (see Columns 7 and 8 in Table 1).

Table 1: Forecasted school completion probability profiles for children aged 15 years, with and without SERP

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	<i>X</i>	Annualized % Δ , 1998/99-2005/06	Forecasted annualized % Δ , without SERP	Forecasted annualized % Δ , with SERP	SERP Effect	Probability of completing <i>x</i> , 2005-06	Forecasted probability of completing <i>x</i> , without SERP	Forecasted probability of completing <i>x</i> , with SERP
Male, urban	Less than primary	0.041				0.233	0.22	0.208
	At most primary	-0.033				0.350	0.33	0.312
	At least secondary	0.012	0.006	0.011	+0.005	0.418	0.451	0.481
Male, rural	Less than primary	0.042				0.415	0.446	0.435
	At most primary	-0.007				0.383	0.411	0.402
	At least secondary	-0.052	-0.026	-0.016	+0.01	0.201	0.143	0.163
Female, urban	Less than primary	-0.054				0.203	0.157	0.128
	At most primary	-0.005				0.352	0.271	0.222
	At least secondary	0.039	0.02	0.03	+0.01	0.445	0.572	0.649
Female, rural	Less than primary	0.006				0.720	0.686	0.651
	At most primary	-0.046				0.170	0.162	0.154
	At least secondary	0.051	0.025	0.045	+0.02	0.110	0.152	0.195

With SERP

12. What completion profile can we expect to see if the SERP as currently envisaged is undertaken? We predict that the forecasted annualized change in the probabilities of at least secondary school completion without the SERP will increase by 0.5%, 1%, 1%, and 2% points respectively for the male-urban, male-rural, female-urban, and female-rural population groups (Column 5). The full distributions of completion at age 15 are then constructed as described earlier.

⁴⁵ In addition, reducing the magnitude of the annualized changes by one half proves to be a conservative assumption, as projecting forward using actual annualized change yields a higher PDV than that presented under the base-case scenario.

13. The profile of forecasted annualized changes under the SERP reflects that rural areas and especially girls in rural areas are expected to observe the greatest gains from the SERP. SERP components that are likely to impact rural areas more than urban areas include (i) the on-time and regular delivery of textbooks to public schools (incentives may have greater impact for the rural and poor); (ii) the rehabilitation of public schools with deficient/poor quality physical infrastructure (again, such schools are disproportionately located in rural areas); (iii) the establishment of free private primary schools in underserved rural communities; and (iv) the recruitment of new teachers under merit-based and needs-based affirmative action criteria and their local assignment under school-specific contracts (thus obviating the behavior of seeking out and vying for teaching posts in more desirable urban areas). Components of the SERP that are likely to impact girls more than boys also include the above, given that factors such as the presence of female teachers, distance, and the lack of infrastructure such as toilets, boundary walls, and partitioned classrooms are expected to have a larger negative effect on girls' participation than boys'. In addition, SERP components such as regular conditional cash transfers offered to girls attending public secondary schools as well as the subcomponent of higher conditional cash transfers to girls attending public secondary schools in low transition rate areas (which are predominantly rural areas) are also likely to improve the schooling outcomes of girls in general and rural girls in particular.

14. The PDV of expected economic costs with the SERP are also estimated using the predicted population group-specific completion probability profiles under the SERP. The change in completion probabilities induced by the SERP is a result of both expected higher expenditures in public education as well as expected increased effectiveness and efficiency of all expenditures in public education. The expected higher expenditures are largely related to the introduction of new initiatives and the financing of preexisting un/underfunded initiatives. These include (i) hiring new teachers under the merit-based recruitment program; (ii) offering cash transfers to secondary school girls; (iii) offering grants to school management committees (SMCs); (iv) rehabilitating existing schools with missing/poor infrastructure; and (v) offering public subsidies to new private primary schools set up in underserved rural areas.⁴⁶ In total, these activities are expected to add 1,000 PKR⁴⁷ to the real per-student expenditures made by the government towards primary and secondary education – this increase is expected to be an upper bound estimate.

15. It is important to note that the SERP also likely reduces the costs incurred by households in sending their children to school such as via cash transfers to secondary school girls (which can be used to offset schooling-related expenditures) and by introducing and supporting private schools in underserved localities (thus, reducing transportation costs). We however make the conservative assumption that the SERP does nothing to reduce the schooling-related expenditures made by the household.

16. The economic gains induced by the SERP are obtained by estimating the PDV of expected incremental benefits and costs and taking the difference. These estimates are presented in Table 2. Under the base case (which uses the statistics in tables and figures referred to thus far), the SERP can be expected to yield a PDV of expected incremental net benefits of 33,429 PKR for a representative child aged 5 in Sindh (in 2000-2001 PKR).

⁴⁶ Key SERP components that attempt to increase the efficiency and effectiveness of public education expenditures include strengthening and institutionalizing results-based budgeting, reforming the system of supervision and support provided by district education administrations, reforming the existing institutional system for the provision of teacher education and development services, and expanding and strengthening the SERP monitoring and evaluation system to provide more regular, reliable, and relevant information for evidence-based decision-making on design and implementation issues. The benefits of these activities are likely to largely materialize after the period of the loan.

⁴⁷ This amount, more than a 16% increase in spending, is a conservative upper bound estimate of expenditures on new SERP initiatives as a percentage of total education spending given budget projections through 2011/12.

Sensitivity Analysis

17. Table 2 presents the results of our sensitivity analysis, where we adjust selected assumptions to yield more conservative estimates of the expected economic gains produced by the SERP. The analysis assumes (i) a higher discount rate – 10%; (ii) half the impact on completion of the SERP; (iii) lower productivity growth rate (50% of previous projections); or (iv) twice the impact on completion of the SERP. As expected, these adjustments reduce the estimates of the expected economic gains from the SERP except doubling the effect of the SERP. Doubling the discount rate has the largest negative effect on expected economic gains – the estimated benefit falls to 2,560 PKR per representative child, over a 90% drop from the base case value. This higher discount rate however appears to be unrealistic given the general level of real interest rates in Pakistan in the recent past. Halving the SERP effect or halving the forecasted growth rate in annual earnings has roughly the same effect on expected economic gains – the estimated benefits fall to roughly half the size of the base case value. Additionally, the combined effect of reducing the effect of the SERP and reducing the projected growth rate of earnings still yields a positive net economic benefit of the program of 6,114 PKR per representative child. Finally, we examine doubling the effect of the SERP which yields a net economic benefit of the program of over 73,353 PKR per representative child.

Table 2: PDV estimates of the expected economic gains from SERP

Case	(1) PDV of expected incremental economic benefits (in 2000-2001 PKR)	(2) PDV of expected incremental economic costs (in 2000-2001 PKR)	(3) PDV of expected incremental net economic benefits (in 2000-2001 PKR)
(1) Base	39,465.50	6,036.49	33,429.01
(2) 10% discount rate	7,609.00	5,049.36	2,559.64
(3) reduced (by one half) SERP effect	20,004.00	4,926.83	15,077.17
(4) reduced forecasted earnings growth rates	21,800.06	6,036.49	15,763.57
(5) reduced SERP effect + reduced forecasted earnings growth rates	11,041.13	4,926.83	6,114.30
(6) increased (doubled) SERP effect	81,866.25	8,512.99	73,353.26

II. Fiscal sustainability analysis

Financing of the Sindh Education Sector Reform Program

18. This analysis examines the current and projected budget for the Sindh Education Sector Reform Program (SERP). Over the period 2008-09 to 20011-12, budget data are obtained from the Sindh Medium Term Fiscal Framework (MTFF), prepared by the GoS. Forecasts for 2012-13 to 2014-15 project forward provincial GDP (PGDP) and associated budget allocations using the following assumptions, which are consistent with the MTFF:

- Real provincial GDP growth equal to the International Monetary Fund projections for Pakistan over the period.
- Total provincial expenditures are estimated at 7% of provincial GDP.
- Provincial education expenditures are estimated at 23% of total provincial expenditures.
- SERP expenditures are estimated at 61% of total provincial education expenditures.
- Employee related expenditures are estimated at 84% of total SERP expenditures.
- Inflation is estimated at 20% in 2008/09 and 10% per year for subsequent years.

19. The analysis results in an increase in the total provincial education budget by 36% in real terms over the period, from 28 billion PKR to 38 billion PKR, and an increase of SERP expenditures of 37% percent over the period from 17 billion PKR to 23 billion PKR.

Table 3: Forecasts for SERP Budget 2008-09 to 2014-15 (Real 2000-01 PK RP billions)

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Real GDP Growth (%)	2.5	4.0	5.0	6.0	6.5	7.0	7.0
Provincial GDP (2000-01 PK rupee billions)	1,762	1,806	1,878	1,972	2,091	2,227	2,382
Share of GDP to Expenditures (%)	7	7	7	7	7	7	7
Total Provincial Expenditures (2000-01 PK rupee billions)	126	131	135	139	146	156	167
Share of Total to Education (%)	22.3	22.5	22.8	22.9	23.0	23.0	23.0
Total Provincial Education Expenditure (2000-01 PK rupee billions)	28	30	31	32	34	36	38
.... of which is recurrent (2000-01 PK rupee billions)	25	26	27	28	29	31	33
.... of which is development (2000-01 PK rupee billions)	4	4	4	4	5	5	5
Share of total recurrent provincial education expenditures to SERP (%)	60	61	61	61	61	61	61
SERP Expenditures (2000-01 PK rupee billions)	17.0	18.0	18.8	19.4	20.5	21.9	23.4
.... of which is employee related expenditures of district government (e.g. teachers and management) (2000-01 PK rupee billions)	14.3	15.2	15.8	16.3	17.2	18.4	19.7
.... of which is non-employee related initiatives (e.g. PPP grants, textbooks, stipends, learning assessment, etc) (2000-01 PK rupee billions)	2.7	2.9	3.0	3.1	3.3	3.5	3.7

20. The fiscal sustainability of the SERP will be dependent on the budget availability to meet the additional recurrent costs that will arise as a result of the reform programs. Using the fiscal analysis above, the additional budgetary implication of maintaining the program has been estimated and analyzed. The results show an additional annual recurrent cost of maintaining the non-salary SERP initiatives of approximately PKR3 billion. This cost, if debt financed, would lead to a rise in the provincial deficit from 1.1 to 1.2% of provincial GDP. These increases in expenditures on school initiatives are financially manageable from the perspective of debt sustainability. Furthermore, we see in Table 3 that the increase in recurrent cost from the beginning of the project to the first fiscal year subsequent to the end of the credit (2012-13) is approximately PKR4 billion. The government, therefore, will be able to absorb the additional PKR3 billion increase in cost of SERP initiatives, making the investment sustainable.

21. In addition, we undertook a sensitivity analysis examining both low and high growth scenarios, with real provincial GDP growth projected to be constant at 3% and 6% per year respectively. The result of this analysis shows the PKR3 billion increase in cost of SERP initiatives can be absorbed by the increase in the recurrent provincial education expenditures of PKR4 billion in the low growth case and PKR7 billion in the high growth cases. Therefore, the investment is sustainable under all three scenarios.

Annex 10: Safeguard Policy Issues
PAKISTAN: Sindh Education Sector Project

I. Environmental Assessment

1. **Environmental Safeguards:** The activities to be financed under the Sindh Education Reform Program (SERP) will result in environmental benefits. However, some of the activities, such as construction and rehabilitation of school buildings, adding missing facilities and waste disposal during school operation, may lead to minor negative environmental impacts. Hence the project has been categorized as 'B', in accordance with the World Bank OP 4.01.

2. In order to address the above concerns and in compliance with OP 4.01, an Environmental Assessment (EA) has been carried out and the Environmental and Social Management Framework (ESMF) has been developed. The EA evaluates the potential adverse impacts that may be caused by the project activities, and to address these adverse impacts, provides environmental guidelines to be implemented during the design, construction and operation phases of the schools/missing facilities. With the implementation of these guidelines, the potential negative environmental impacts will be greatly reduced, if not completely eliminated.

3. The ESMF defines the institutional arrangements and roles and responsibilities for the implementation of the ESMF and other environmental activities during project execution. These will be an Environmental Coordinator (EC) designated within the Reform Support Unit (RSU), who will be responsible to oversee the implementation of the ESMF, and other environmental priorities (as discussed below). Similarly, each District will also have an Environmental Focal Point (EFP), who, under the guidance of the EC, will ensure effective implementation of the ESMF. The monitoring and reporting regime has also been provided in the ESMF, through which, checklists and reports will be generated to document various aspects of the ESMF implementation, and then share these reports with various stakeholders. The ESMF also outlines the capacity building and awareness raising program for different stakeholders on the basic environmental, personal hygiene, and sanitation aspects. Implementation of ESMF will be a binding on the implementation agency during the project execution.

4. **Environmental Enhancement Components of Project.** A significant number of schools in Sindh are without safe drinking water and adequate sanitation facilities. Similarly, a large number of schools in the province are without electricity. Furthermore, currently the school building designs do not provide protection against natural disasters such as earthquakes and severe flooding in risk prone areas. Below is a description of the environmental enhancement measures to address these issues.

A. Architectural and construction aspects

5. Most public schools in Sindh have two rooms (39 percent), one room (22 percent) or are shelterless (23 percent). The program comprises building new classrooms, rehabilitation of existing schools, including missing sanitation facilities, as well as reinforcing existing structures in areas prone to natural disasters such as earthquakes and floods. The following aspects will be addressed in the program:

6. Optimization of architectural design. The program includes improving schools' architectural design to enhance the energy efficiency of the buildings by allowing greater sunlight illumination, adequate conditions for ventilation, and other adjustments to create a building that is appealing for children of different ages, and uses less energy. These improvements in the school's architectural design will also include solutions to accommodate the schools future expansion needs.

7. Ensuring structural safety and reducing vulnerability to climate change. Thousands of children were killed when schools collapsed under the earthquakes that affected Pakistan in 2005. Another earthquake left a similarly devastating toll in China in May 2008. Analysis of recent data of seismic activity in Pakistan and discussions with SERP officials pointed out that some schools in Sindh face risks from natural disasters such as earthquakes and severe flooding. Considering that the likelihood and intensity of events such as floods and landslides may increase in the future as a result of climate change, it is imperative to reduce the vulnerability of schools to them. The program includes, among others, the following activities related to the safety of schools: (i) developing maps of adequate scale to identify areas in which schools may be at risk from natural disasters, both now and in the future, as a result of climate change; (ii) carrying out technical inspections in those areas to identify the most vulnerable schools; (iii) developing guidelines and technical specifications that schools in these areas would have to meet, and which would need to be validated by a third party; (iv) preparation of model designs for schools that provides protection to natural disasters; (v) designing and implementing a pilot program to reinforce the foundations and structures of vulnerable schools in high risk areas; (vi) implementing a third party independent technical supervision system, to ensure full compliance with the quality and safety construction specifications; and (vii) providing natural disaster preparedness trainings to teachers and students.

8. Guidelines to new school siting. Currently communities are often requested to donate the land for the construction of classrooms in shelterless schools. Problems are encountered as the donated land is in general that of little value and no productive use, which tends to be associated with problems such as being far away from the community, having soil of poor supporting capacity, difficult topography, or other types of issues. In addition, there is no consideration of aspects such as the proximity to seismic fault lines, flood plains, etc. Since the costs to build a safe school in these problematic areas can be quite high, it is important to identify these problems before any construction takes place. The program includes the development of guidelines and procedures to properly address those issues.

B. Drinking Water, Sanitation and Hygiene

9. Safe drinking water supply and monitoring. This activity will focus on identifying existing problems and supporting cost-effective interventions to remove dangerous contaminants such as arsenic and fluoride, and to disinfect drinking water in schools. A water quality monitoring program will be implemented to ensure the effectiveness and sustainability of the interventions, as well as compliance with the proposed national standards for drinking water quality (2008).

10. Design of sanitation facilities that meet school needs. Because of the scale of school needs in the province and resource constraints, standard facilities (in number and size of classrooms) are built in new and rehabilitated schools. This is also the case of sanitation facilities, which typically consist of two latrines, regardless of the school size. In some cases the ratio students/toilet is 200, which is clearly inadequate. A disposal facility, in most cases a septic tank is generally built behind the toilets. It is important that the design and construction of new toilet blocks take into account the school's enrollment and other requirements. The existence of adequate and operating sanitation facilities that take into account the girls' needs would also contribute to increase the enrollment of girls.

11. Hygiene promotion. An additional component that will be implemented under SERP would focus on the development of sustained activities to foster the adoption of personal hygiene practices such as hand washing, which coupled with the availability of facilities, are crucial to improve children's health and learning conditions.

C. Power from renewable sources

12. Approximately 80 percent of Sindh's public schools do not have electricity and even those that are connected to the grid experience blackouts regularly. Although there is generally abundant sunlight during school hours, children sometimes taken lessons in hallways or rooms that need additional lighting. In addition, due to inadequate natural ventilation, high temperatures can become a learning impediment in the absence of functioning fans. Under such conditions, lessons tend to be imparted outdoors, under the shade of a tree. Besides the improvement in the energy efficiency of the schools buildings, a reliable energy supply in school will offer additional benefits such as increasing the range of technologies for water treatment and disinfection.

13. Provision of energy from low-cost renewable sources will be assessed to address shortages of grid electricity supply, and high costs of expanding connections to rural schools. This assessment will take into account the schools' relatively low electricity needs, the fact that no storage of energy is required for night time use, the existence of abundant supply of sunlight and in some areas adequate wind intensity, and the existence of reliable, environmentally sound and cost-effective technologies.

D. Operation and Maintenance

14. Adequate operation and maintenance (O&M) practices are crucial to ensure the sustainability of the investments made to improve schools' physical and environmental conditions, as well as the safety and health of teachers and students. The program includes the provision of resources to strengthen O&M to ensure that: (i) schools are adequately maintained and cleaned; (ii) drinking water treatment and sanitation facilities are properly operated and maintained; and (iii) renewable energy systems are fully operational.

E. Monitoring and Evaluation (M&E)

15. A system for monitoring and inspection has already been put in place by the RSU. Continued strengthening of the M&E system is a key objective of SERP, given its importance in improving the sector's governance and gauging school performance. The system will be enhanced with the implementation of an information management system to integrate various databases and the inclusion of a drinking water quality monitoring program. This system will also use a third party construction supervision firm to ensure compliance. A disbursement linked indicator (DLI) will help to ensure the adequate and timely implementation of the safety and environmental interventions. These arrangements will be complemented by environmental audits.

II. Social Assessment

A. Background

16. Despite being the province with the highest per capita income in Pakistan, urban rural and gender inequalities in social indicators (particularly in rural areas) are among the highest in Sindh. Improving education outcomes in Sindh is essential for poverty reduction and human development outcomes. The Pakistan National Education Policy prioritizes achievement Education for All (EFA) goals of universal primary enrollment. The Program assists the provincial and federal governments in their efforts to accelerate progress towards the achievement of its MDG for universal primary education, including removing urban-rural and gender imbalances, as well as enhancing the quality of education and student learning at all levels. The Program seeks to improve access, equity and quality in education by improving governance and institutionalizing accountability in education service delivery. It combines interventions in the education sector with broader fiscal, financial management and governance reform. The focus is on

improving educational outcomes especially among the most vulnerable and disadvantaged segments of the population (rural residents and girls) to ensure that growth is inclusive and contributes to poverty reduction.

B. Focus of Social Assessment

17. SERP design has been developed on a good understanding of the education sector status in Sindh, the challenges, various barriers and factors impacting access to quality education. This understanding comes from years of planning and operational experiences as well as academic studies, professional researches and broad feedback from the public. Several major public consultation workshops were held as part of the program and project preparation to design the way forward to the above issues. Social issues are mainstreamed into the design of the project and key social indicators will be monitored. The project will also benefit from a programmatic social assessment which is built into the annual programming and implementation of various project sub-programs. It would focus on the following:

- Facilitating continuous stakeholder consultations through component programming and implementation, particularly with local communities, students and teachers over their respective difficulties and needs in access to better education, and their prioritization in terms of education facilities and services. These would feed back into the design and implementation of SERP sub-programs.
- Assessing how various constraining factors relating to education (social, political, cultural, and economic, etc.) are evolving under the program interventions in all components and whether the designed interventions are effective in addressing these factors and improving access to quality education. A better gauging of these would help improve the design of future interventions.
- Particular attention to be given to gender dimensions to all sub-programs. These will cover measures to improve access to and quality education for girls, such as the stipends programs and component programs targeting female teachers. The social assessment will also reflect gender perspectives in all SERP sub-programs.
- Monitoring of social safeguard issues during implementation including regular review of possible land needs for interventions under the PPP and TOP program and ensuring that the ESMF is followed in situations of such needs.

C. Approach of the social assessment.

18. The programmatic social assessment is designed to continue throughout project implementation. This process will be built into the elaborate monitoring and evaluation systems that have been planned along various SERP initiatives (see Annex 3). The TORs and designs are at various stages of development for the component M&E initiatives. The social analysis will be integrated into these, reflecting largely in the scope of work and methodologies. The coverage, depth of analysis and methodology for social analysis may vary for the various sub-programs depending on the program focus and design. The following is the generic approach across all sub-programs.

19. The social assessment will facilitate continuation of stakeholder analysis and their participation in project implementation. The program design is anchored on the identification of key stakeholders and a good understanding of their respective roles in the reform agenda. Main stakeholders include government institutions, non-governmental organizations, research institutions and other social groups/beneficiaries at all levels of intervention. Their participation is structured into the design of the project programs. The social assessment will monitor and evaluate their participation and roles they play in all project

components. It would also facilitate their participation through the M&E exercise and provide recommendations for improvement. Special attention will be given vulnerable and disadvantaged groups.

20. The social analysis will monitor and explore various factors underpinning educational outcomes. It will maintain a focus on factors that continue to impact on access to education, with special attention to the most vulnerable, disadvantaged groups and the most lagging areas. Since the M&E will be tailored on a sub-program basis, each M&E exercise may have different sets of social factors to be analyzed. These factors will be assessed under the program interventions for their evolving impacts on education and the effectiveness of project interventions to harness their impacts.

21. The gender analysis will be an important dimension of M&E in all sub-programs. First, it will assess the performance of the stipend and public private-partnership programs for girls, including before and after project comparisons as well as project and non-project school performance comparisons with respect to enrolment and completion rates of female students. Secondly, all analytical data to be collected will be disaggregated by gender to enable a gender dimension of the analysis and bring out the view points of social groups, particularly women.

22. The social assessment will include a continuous social safeguard analysis. Although the potential social adverse impacts, such as land acquisition are not unanticipated under the program as designed and no indigenous groups have been identified in project areas, the assessment will include regular monitoring/screening of project interventions, particularly under the PPP and TOP programs. If needed, the programmatic assessment will recommend follow up actions in line with relevant local laws and World Bank policies.

D. Social monitoring and evaluation (M&E) system.

23. The project has designed an elaborate and rigorous social M&E system for timely and reliable information on the performance of the SERP components. It will employ both qualitative and quantitative process evaluations, which will be used to both inform and assess modifications in SERP design and implementation. This system consists of many initiatives aligned with sub-programs and is supported by disbursement linked indicators (DLI), eligible expenditure programs (EEP) and technical assistance (TA). The M&E will be conducted by the RSU and independent research organizations. The main components of the social M&E system are:

- The Annual Census of Public Schools in the province is the main source of information on a range of relevant monitoring indicators. The census data are used for both the design of SERP components as well as monitoring SERP implementation performance. The RSU will be administering the census and maintaining the database.
- Supplementary independent studies will examine whether program implementation rules and procedures are followed and whether program benefits actually reach intended beneficiaries. Planned independent studies include validation studies of merit-based teacher recruitment, textbook delivery, stipends delivery, and School Management Committees (SMC) funds and school improvement activities.
- The SERP results monitoring would also make use of (a) education data gathered in representative household sample surveys undertaken by the federal government on a regular basis; (b) focused surveys undertaken as part of the SERP to assess phenomena such as the extent of and environmental and institutional correlates of teacher absenteeism in public and private schools; and (c) annual student diagnostic assessments in a sample of public primary schools to gauge the extent of and correlates of learning shortfalls in key subjects.

- Impact evaluations are also planned as part of the World Bank technical assistance. SERP components expected to be evaluated include the (a) public-private partnership (PPP) program; (b) differential stipends program (DSP); and (c) a program which couples funds to SMC with skills training in school improvement planning. Key outcome indicators to be examined include participation, retention, transition, and learning.

24. Organization and methodology. The RSU assumes the responsibility for M&E under the SERP. It will develop the TORs, design the M&E for sub- programs, and recruit and establish the M&E teams. Teams could be established within the government or outsourced. There would be also independent researchers joining the M&E programs.

25. The social assessment will use a range of tools for data collection and analysis. The program will establish a series of surveys as process monitoring, to monitor and evaluate its implementation progress. A range of M&E tools are expected to be employed to assess (progress towards) the achievement of SERP reform actions, activities, outputs, and educational outcomes. The social assessment tools will be blended into the M&E design as appropriate. The RSU will regularly gather information and report on the implementation of SERP components. The information will be regularly collected and maintained in a database. Additionally the social assessment will also use questionnaire surveys, focus group discussions and interviews of key informants. Where possible, participatory rural appraisal tools should be designed into the M&E initiatives such as social group mapping in conjunction with access to education, ranking of problems regarding access and quality of education. These should enable a combination of both qualitative and quantitative analysis.

26. Reporting. The project is expected to generate a massive amount of information during implementation. These will be summarized and submitted to the relevant parties mostly in the form of progress monitoring reports for both project output and outcome.

Annex 11: Project Preparation and Supervision

PAKISTAN: Sindh Education Sector Project

	Planned	Actual
PCN review	12/23/2008	12/23/2008
Initial PID to PIC		12/24/2008
Initial ISDS to PIC		02/04/2009
Appraisal	04/14/2009	04/16/2009
Negotiations	04/27/2009	04/27/2009
Board/RVP approval	06/04/2009	
Planned date of effectiveness	06/15/2009	
Planned date of mid-term review	09/15/2010	
Planned closing date	06/30/2012	

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Annex 12: Documents in the Project File
PAKISTAN: Sindh Education Sector Project

Project Preparation Documents

Background Note: Economic Analysis of Sindh Education Sector Reform Program
Environment Assessment
Financial Management Assessment
Procurement Capacity Assessment
Project development objectives and key indicators worksheets
QER report on Sindh and Punjab Education Projects
Aide Memories and Management letters for May and November 2008 and February 2009 SERP
Joint Review Missions
Sindh Education Profile: Detailed Tables

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Annex 13: Sindh Education Sector Project: Building on SEDPC

PAKISTAN: Sindh Education Sector Project

1. This annex discusses how GoS has built on the results supported by SEDPC in selected areas. SEDPC, which was approved by the Bank's Board in June 2007 supported the design and the first year of implementation of SERP. Since then, and particularly since the first half of 2008, GoS has accelerated the development and approval of key SERP policies (e.g. district education management) and the specific design of key sub-programs (e.g. public-private partnership program). The design of other sub-programs has been further refined or improved based on experience (e.g. District Terms of Partnership). The new Sindh Education Sector Project (SEP) now supports the implementation of these sub-programs and policies over a three year period.

2. *District Education Management:* A new district education management reform (EMR) policy was prepared and approved by GoS in FY2008/09. The district EMR policy sets out the framework and principles guiding (1) entry into education management from the civil service or teaching force and (2) progressive development along a career path of education leadership and management. It defines a new education management structure with strengthened strategic education planning by districts, and an improved quality assurance system. The SEP now supports the implementation of this policy.

3. *Performance-based district Terms of Partnership (TOP) for public school rehabilitation:* The first terms of partnership (TOP I), initiated in FY2006/07, offered fixed grants to each district for the rehabilitation of shelter-less schools as well as schools with missing facilities and inadequate classrooms. TOP II for school rehabilitation was initiated in FY2008/09, with grant amounts tied to, in part, to district performance in TOP I in relation to, among other things, meeting schooling-related (e.g., enrollment) and grant utilization targets. TOP II established a broader set of targets that will be used to determine the performance based grant allocations for TOP III, including targets for the completion of rehabilitation of schools to meet minimum infrastructural and school functionality standards. In addition, procedures for the selection of schools for rehabilitation under TOP II have been strengthened. Finally, an enhanced focus has also been introduced on improving school design and construction quality, and on improving procurement practices by districts in rehabilitation works.

4. *Merit-based and school specific recruitment of teachers:* A new policy for recruitment of teachers composed of (1) merit-based criteria which, among other things, required candidate teachers to pass an independently-administered test and (2) the placement of teachers locally under school-specific, fixed-term contracts was approved in FY2006/07. The first round of recruitment initiated under the policy was completed in FY2008/09, with over 5,000 new teachers placed across the province. GoS and Bank due diligence, along with a third party validation on a sample basis, indicate that the first round of recruitment was carried out without significant deviation from the policy. A second round of recruitment following the policy was initiated in FY2008/09 and is expected to be completed in FY2009/10. This round is being supported by greater and more systematic oversight by and guidance from GoS.

5. *Teacher education and development:* A comprehensive teacher education and development (TED) policy was prepared and approved by GoS in FY2008/09. It articulates (1) an accreditation system for the certification and registration of training providers; (2) the application of standards and competencies for incoming teachers; (3) a program for the phased professional development for serving teachers based on the newly developed standards and competencies; (4) the establishment (structure/responsibilities) of a coordination/accreditation body and the redefinition of the roles of Bureau and Curriculum (BoC) and Provincial Institute for Teacher Education (PITE); (5) the reorganization of government teacher education

institutions; and (6) the introduction of the New "Teaching Diploma" in ITE establishments. The SEP now supports the implementation of this policy.

6. *Public Private Partnership in education:* A new small-scale pilot program to leverage the private sector to extend service delivery to underserved areas was developed. The Sindh Education Foundation is to have the primary responsibility for program administration. This program essentially offers a per-student public subsidy to school operators that set up and operate private schools in underserved rural communities in educationally-disadvantaged districts, with the subsidy benefit conditioned on free schooling, input standards, and, eventually, student learning. A pilot phased program to support up to 1,000 private schools over a three year period was approved by GoS in FY2008/09.

7. *Learning assessment of students:* A provincial learning assessment system was designed by the Provincial Education Assessment Center (PEACE). This system (1) entails diagnostic testing of public school students to determine learning shortfalls in core areas/concepts in selected subjects; (2) allows inter-district comparisons in learning shortfalls in the public school system; and (3) facilitates the use of the learning findings for the development of summative assessments by teachers. A program comprising of a three-year cycle of diagnostic student testing was approved by GoS in FY2008/09.

Annex 14: Statement of Loans and Credits
PAKISTAN: Sindh Education Sector Project

Project ID	FY	Purpose	Original Amount in US\$ Millions					Cancel.	Undisb.	Difference between expected and actual disbursements	
			IBRD	IDA	SF	GEF	Orig.			Frm. Rev'd	
P084302	2008	Sindh Water Sector Improvement Project	0.00	150.20	0.00	0.00	0.00	144.09	-3.98	0.00	
P089378	2008	Balochistan SSIP	0.00	25.00	0.00	0.00	0.00	24.14	0.00	0.00	
P095982	2008	Electricity Distribution and Transmissio	173.60	83.10	0.00	0.00	0.00	257.04	0.00	0.00	
P110099	2008	Water Sector Capacity Buidling Project	0.00	38.00	0.00	0.00	0.00	34.94	-1.50	0.00	
P090501	2007	Land Records Mgmt & Information Systems	0.00	45.65	0.00	0.00	0.00	43.70	4.61	0.00	
P094086	2006	Balochistan Education Support Project	0.00	22.00	0.00	0.00	0.00	17.85	0.08	0.00	
P083929	2006	Punjab Municipal Services Improvement	50.00	0.00	0.00	0.00	0.00	41.38	27.38	9.38	
P099110	2006	Pakistan Earthquake ERC	0.00	400.00	0.00	0.00	0.00	24.32	1.99	0.00	
P076872	2006	PIFRA II	0.00	84.00	0.00	0.00	0.00	50.11	23.10	0.00	
P077306	2005	Tax Administration Reform Project	24.40	78.50	0.00	0.00	0.00	85.35	65.18	0.00	
P088994	2005	Taunsa Barrage Emergency Rehab. & Modern	123.00	0.00	0.00	0.00	0.00	23.33	31.71	0.00	
P083370	2004	PK Public Sect Capacity Building Project	0.00	55.00	0.00	0.00	0.00	18.44	17.15	0.00	
P082977	2004	Second Poverty Alleviation Fund Project	0.00	551.00	0.00	0.00	0.00	76.57	-258.72	-21.04	
P082621	2004	NWFP Community Infrastructure II (CIP2)	0.00	47.10	0.00	0.00	0.00	5.16	-11.38	0.00	
P078997	2004	Sindh On-Farm Water Management Project	0.00	61.14	0.00	0.00	0.00	6.14	5.82	0.00	
P010556	2004	HIGHWAYS REHAB	215.00	150.00	0.00	0.00	0.00	134.06	-40.68	65.61	
P071454	2003	AJK Community Infrastructure & Services	0.00	50.00	0.00	0.00	0.00	24.02	-12.24	17.76	
P074797	2003	PK Banking Sector Technical Assistance	0.00	26.50	0.00	0.00	0.00	5.74	0.48	0.00	
P074856	2003	HIV/AIDS Prevention Project	0.00	37.11	0.00	0.00	0.00	7.60	4.03	-3.05	
P077288	2003	National Education Assessment System	0.00	3.63	0.00	0.00	0.00	1.81	1.37	0.00	
Total:			586.00	1,907.93	0.00	0.00	0.00	1,025.79	-	68.66	
									145.60		

PAKISTAN
STATEMENT OF IFC's
Held and Disbursed Portfolio
In Millions of US Dollars

FY Approval	Company	Committed				Disbursed			
		IFC				IFC			
		Loan	Equity	Quasi	Partic.	Loan	Equity	Quasi	Partic.
2005	ABAMCO FUND	0.00	3.46	0.00	0.00	0.00	3.46	0.00	0.00
1995	AES Lal Pir	12.42	9.50	0.00	0.00	12.42	9.50	0.00	0.00
1996	AES Pak Gen	9.20	9.50	0.00	5.37	9.20	9.50	0.00	5.37
1995	Abamco Mgmt	0.00	0.29	0.00	0.00	0.00	0.29	0.00	0.00
1991	BRRIM	0.00	0.23	0.00	0.00	0.00	0.23	0.00	0.00

1993	Crescent Bahuman	0.00	0.31	0.00	0.00	0.00	0.31	0.00	0.00
1997	Crescent Bahuman	0.00	0.20	0.00	0.00	0.00	0.20	0.00	0.00
2001	Crescent Bahuman	2.72	0.00	2.50	1.50	2.72	0.00	2.40	1.50
2006	Dewan Petroleum	15.00	12.00	0.00	0.00	0.00	0.00	0.00	0.00
2004	Dewan SME	0.00	0.98	0.00	0.00	0.00	0.00	0.00	0.00
2003	Dewan Salman	25.00	0.00	5.00	0.00	25.00	0.00	4.00	0.00
1991	Engro Chemical	0.00	1.95	0.00	0.00	0.00	1.95	0.00	0.00
2006	Engro Chemical	0.00	0.64	0.00	0.00	0.00	0.64	0.00	0.00
2001	Eni Pakistan	12.00	0.00	0.00	0.00	12.00	0.00	0.00	0.00
1990	FIIB	0.00	0.27	0.00	0.00	0.00	0.27	0.00	0.00
1992	FIIB	0.00	0.40	0.00	0.00	0.00	0.40	0.00	0.00
2004	First UDL	7.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	GTFP Metropolita	2.54	0.00	0.00	0.00	2.08	0.00	0.00	0.00
1996	Gul Ahmed	8.10	4.10	0.00	5.22	8.10	4.10	0.00	5.22
2006	Habib Bank Li...	0.00	0.00	50.00	0.00	0.00	0.00	0.00	0.00
2003	KCT	6.46	0.00	1.50	0.00	6.46	0.00	1.50	0.00
1995	Kohinoor	6.25	6.30	0.00	2.03	6.25	6.30	0.00	2.03
2002	Micro Bank	0.00	2.43	0.00	0.00	0.00	2.43	0.00	0.00
2004	NBFI Credit	6.50	0.00	0.00	0.00	6.50	0.00	0.00	0.00
	Orix Finance	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006	Orix Leasing	17.00	0.00	0.00	0.00	17.00	0.00	0.00	0.00
2005	PICT	6.00	0.00	0.00	0.00	6.00	0.00	0.00	0.00
2006	PICT	8.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1983	PPL	0.00	1.33	0.00	0.00	0.00	1.33	0.00	0.00
2002	PPL	0.00	5.63	0.00	0.00	0.00	5.63	0.00	0.00
1965	Packages	0.00	0.05	0.00	0.00	0.00	0.05	0.00	0.00
1987	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1991	Packages	0.00	0.02	0.00	0.00	0.00	0.02	0.00	0.00
1994	Packages	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00
1995	Packages	0.00	0.26	0.00	0.00	0.00	0.26	0.00	0.00
2005	Packages	25.00	5.43	0.00	0.00	0.00	1.47	0.00	0.00
2006	Paktel 2005	35.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001	Sarah Textiles	1.12	0.00	0.00	0.00	1.12	0.00	0.00	0.00
2004	TRG Pakistan	0.00	4.16	0.00	0.00	0.00	4.16	0.00	0.00
2007	TRG Pakistan	0.00	2.50	0.00	0.00	0.00	2.50	0.00	0.00
2006	Tameer Bank	0.00	1.01	0.00	0.00	0.00	1.01	0.00	0.00
1996	Uch Power	29.60	0.00	0.00	0.00	19.68	0.00	0.00	0.00
	Total portfolio:	239.91	72.98	59.00	14.12	134.53	56.04	7.90	14.12

FY Approval	Company	Approvals Pending Commitment			
		Loan	Equity	Quasi	Partic.
2004	CSIBL	0.04	0.00	0.00	0.00
2006	IHFL II	0.01	0.00	0.00	0.00
2004	Dewan SME	0.00	0.00	0.00	0.00
2006	JSPE Fund	0.00	0.02	0.00	0.00
2006	Habib Bank	0.00	0.05	0.00	0.00
2006	Paktel 2005	0.00	0.00	0.00	0.03

2006	Orix SME OLP	0.02	0.00	0.00	0.00
2006	Tameer Bank	0.00	0.00	0.00	0.00
2006	Dewan Petroleum	0.00	0.00	0.00	0.03
Total pending commitment:		0.07	0.07	0.00	0.06

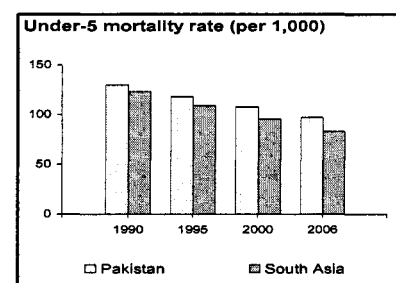
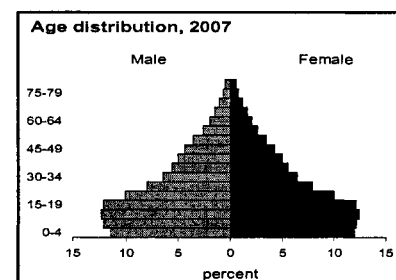
Annex 15: Country at a Glance
PAKISTAN: Sindh Education Sector Project

Pakistan at a glance

9/24/08

Key Development Indicators

	Pakistan	South Asia	Low income
<i>(2007)</i>			
Population, mid-year (millions)	162.4	1,520	1,296
Surface area (thousand sq. km)	796	5,140	21,846
Population growth (%)	2.1	1.4	2.1
Urban population (% of total population)	36	29	32
GNI (Atlas method, US\$ billions)	141.0	1,339	749
GNI per capita (Atlas method, US\$)	870	880	578
GNI per capita (PPP, international \$)	2,570	2,537	1,500
GDP growth (%)	6.4	8.5	6.5
GDP per capita growth (%)	4.2	6.9	4.3
<i>(most recent estimate, 2000–2007)</i>			
Poverty headcount ratio at \$1.25 a day (PPP, %)	..	40	..
Poverty headcount ratio at \$2.00 a day (PPP, %)	..	74	..
Life expectancy at birth (years)	65	64	57
Infant mortality (per 1,000 live births)	78	62	85
Child malnutrition (% of children under 5)	31	41	29
Adult literacy, male (% of ages 15 and older)	64	70	72
Adult literacy, female (% of ages 15 and older)	35	46	50
Gross primary enrollment, male (% of age group)	94	111	100
Gross primary enrollment, female (% of age group)	73	104	89
Access to an improved water source (% of population)	90	87	68
Access to improved sanitation facilities (% of population)	58	33	39

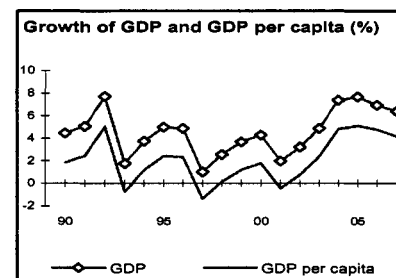


Net Aid Flows

	1980	1990	2000	2007 ^a
<i>(US\$ millions)</i>				
Net ODA and official aid	1,181	1,127	692	2,147
<i>Top 3 donors (in 2006):</i>				
United States	42	167	88	478
Japan	112	194	280	225
United Kingdom	44	54	24	203
Aid (% of GNI)	4.6	2.7	0.9	1.7
Aid per capita (US\$)	14	10	5	14

Long-Term Economic Trends

Consumer prices (annual % change)	..	10.6	4.8	7.7
GDP implicit deflator (annual % change)	9.1	6.5	24.9	7.8
Exchange rate (annual average, local per US\$)	9.9	21.4	51.8	60.6
Terms of trade index (2000 = 100)	..	103	100	112



	1980	1990	2000	2007 ^a	1980–90	1990–2000	2000–07
Population, mid-year (millions)	82.7	108.0	138.1	162.4	2.7	2.5	2.3
GDP (US\$ millions)	23,690	40,010	73,905	143,597	6.3	3.8	5.8
<i>(% of GDP)</i>							
Agriculture	29.5	26.0	25.9	19.6	4.0	4.4	2.8
Industry	24.9	25.2	23.3	26.8	7.7	4.1	7.9
Manufacturing	15.9	17.4	14.7	19.5	8.1	3.8	10.1
Services	45.6	48.8	50.7	53.7	6.8	4.4	6.5
Household final consumption expenditure	83.1	73.8	75.4	75.0	4.3	4.9	5.1
General gov't final consumption expenditure	10.0	15.1	8.6	10.4	10.3	0.7	9.5
Gross capital formation	18.5	18.9	17.2	23.0	5.8	1.8	6.5
Exports of goods and services	12.5	15.5	13.4	13.9	8.4	1.7	10.0
Imports of goods and services	24.1	23.4	14.7	22.2	2.1	2.5	9.9
Gross savings	24.1	22.3	20.1	23.9			

Note: Figures in italics are for years other than those specified. 2007 data are preliminary. .. indicates data are not available.
a. Aid data are for 2006.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade*(US\$ millions)*

	2000	2007
Total merchandise exports (fob)	8,191	17,011
Total merchandise imports (cif)	10,309	30,540
Net trade in goods and services	-2,275	-15,021

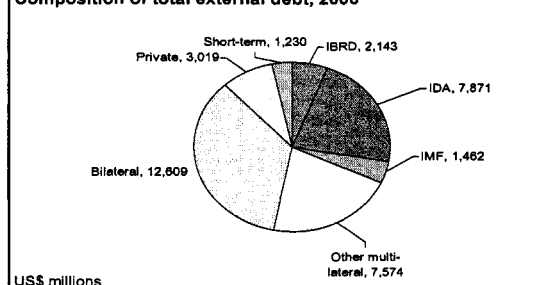
	2000	2007
Workers' remittances and compensation of employees (receipts)	1,075	5,998
Current account balance as a % of GDP	-217	-8,037
	-0.3	-5.6
Reserves, including gold	2,149	15,801

Central Government Finance*(% of GDP)*

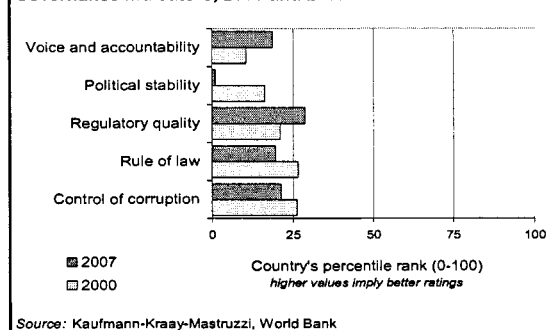
	2000	2007
Current revenue (including grants)	13.7	14.9
Tax revenue	10.6	11.1
Current expenditure	14.3	11.9
Overall surplus/deficit	-2.3	-0.1
Highest marginal tax rate (%)		
Individual	35	35
Corporate	..	37

External Debt and Resource Flows*(US\$ millions)*

	2000	2007
Total debt outstanding and disbursed	32,781	35,909
Total debt service	2,854	2,282
Debt relief (HIPC, MDRI)	-	-
Total debt (% of GDP)	44.4	28.3
Total debt service (% of exports)	26.7	9.2
Foreign direct investment (net inflows)	308	4,273
Portfolio equity (net inflows)	35	1,152

Composition of total external debt, 2006**Private Sector Development**

	2000	2008
Time required to start a business (days)	-	24
Cost to start a business (% of GNI per capita)	-	12.6
Time required to register property (days)	-	50
Ranked as a major constraint to business (% of managers surveyed who agreed)	2000	2007
Access to/cost of financing	47.5	..
Tax administration	46.0	..
Stock market capitalization (% of GDP)	8.9	48.9
Bank capital to asset ratio (%)	4.9	8.8

Governance Indicators, 2000 and 2007**Technology and Infrastructure**

	2000	2007
Paved roads (% of total)	56.0	64.7
Fixed line and mobile phone subscribers (per 1,000 people)	2	52
High technology exports (% of manufactured exports)	0.4	1.4

Environment

	2000	2007
Agricultural land (% of land area)	35	35
Forest area (% of land area)	2.7	2.5
Nationally protected areas (% of land area)	..	9.5
Freshwater resources per capita (cu. meters)	..	336
Freshwater withdrawal (% of internal resources)	323.3	..
CO2 emissions per capita (mt)	0.77	0.83
GDP per unit of energy use (2005 PPP \$ per kg of oil equivalent)	4.2	4.5
Energy use per capita (kg of oil equivalent)	463	490

World Bank Group portfolio*(US\$ millions)*

	2000	2007
IBRD		
Total debt outstanding and disbursed	3,093	2,086
Disbursements	159	175
Principal repayments	227	284
Interest payments	182	114
IDA		
Total debt outstanding and disbursed	3,828	9,075
Disbursements	141	1,001
Total debt service	93	197
IFC (fiscal year)		
Total disbursed and outstanding portfolio of which IFC own account	718	219
Disbursements for IFC own account	455	214
Portfolio sales, prepayments and repayments for IFC own account	2	69
	52	55
MIGA		
Gross exposure	111	82
New guarantees	0	36

Note: Figures in italics are for years other than those specified. 2007 data are preliminary.

.. indicates data are not available. - indicates observation is not applicable.

9/24/08

Development Economics, Development Data Group (DECDG).

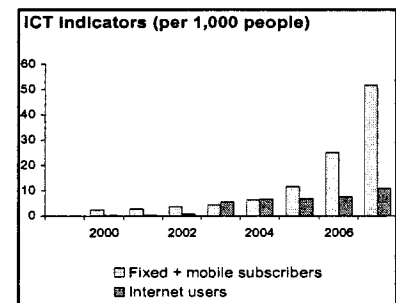
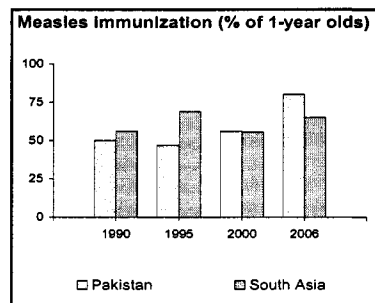
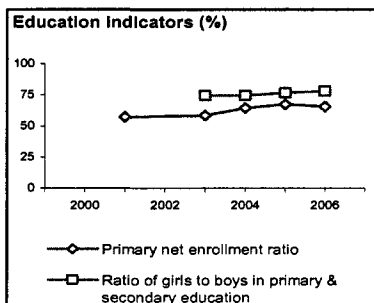
Millennium Development Goals

Pakistan

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

Pakistan

	1990	1995	2000	2007
Goal 1: halve the rates for extreme poverty and malnutrition				
Poverty headcount ratio at \$1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	28.6	32.6	..
Share of income or consumption to the poorest quintile (%)	8.1	9.9	8.7	9.1
Prevalence of malnutrition (% of children under 5)	39.0	..	31.3	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	33	..	57	66
Primary completion rate (% of relevant age group)	..	..	..	62
Secondary school enrollment (gross, %)	25	..	..	30
Youth literacy rate (% of people ages 15-24)	..	..	55	65
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	..	78
Women employed in the nonagricultural sector (% of nonagricultural employment)	7	8	7	10
Proportion of seats held by women in national parliament (%)	10	..	2	21
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	130	118	108	97
Infant mortality rate (per 1,000 live births)	100	93	85	78
Measles immunization (proportion of one-year olds immunized, %)	50	47	56	80
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	320
Births attended by skilled health staff (% of total)	19	18	23	31
Contraceptive prevalence (% of women ages 15-49)	15	18	28	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	0.1
Incidence of tuberculosis (per 100,000 people)	181	181	181	181
Tuberculosis cases detected under DOTS (%)	..	1	3	50
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	86	87	88	90
Access to improved sanitation facilities (% of population)	33	40	48	58
Forest area (% of total land area)	3.3	..	2.7	2.5
Nationally protected areas (% of total land area)	..	..	..	9.5
CO2 emissions (metric tons per capita)	0.6	0.7	0.8	0.8
GDP per unit of energy use (constant 2005 PPP \$ per kg of oil equivalent)	4.2	4.2	4.2	4.5
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	0.8	1.7	2.2	3.0
Mobile phone subscribers (per 100 people)	0.0	0.0	0.2	48.6
Internet users (per 100 people)	0.0	0.0	0.2	10.8
Personal computers (per 100 people)	0.1	0.4	0.4	..



Note: Figures in italics are for years other than those specified. .. indicates data are not available.

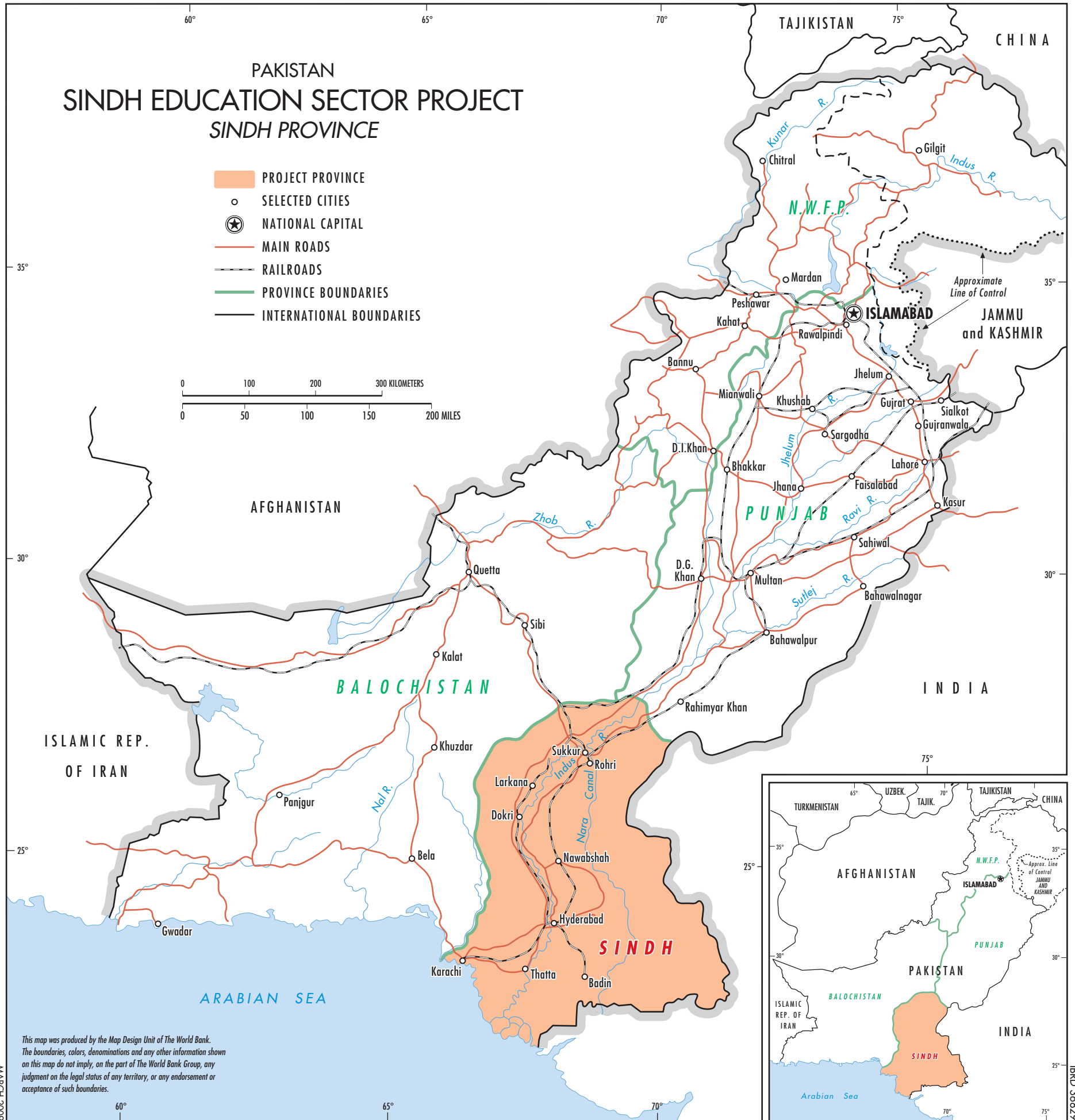
9/24/08

Development Economics, Development Data Group (DECDG).

MAP SECTION

PAKISTAN SINDH EDUCATION SECTOR PROJECT SINDH PROVINCE

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



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