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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 234.1 MILLION
(US\$350 MILLION EQUIVALENT)

TO THE

ISLAMIC REPUBLIC OF PAKISTAN

PUNJAB EDUCATION SECTOR PROJECT

May 6, 2009

Human Development Department
South Asia Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: April 30, 2009)

US\$1 = PKR 80.47

US\$ 1 = SDR 0.67

GOVERNMENT FISCAL YEAR

July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
CAS	Country Assistance Strategy
CIDA	Canadian International Development Agency
CMIS	College Management Information System
CFAA	Country Financial Accountability Assessment
CPD	Continuous Professional Development
C&W	Communication and Works
CTSC	Cluster Teacher Support Centers
DAC	Departmental Accounts Committee
DCA	Development Credit Agreement
DEO	District Education Officer
DfID	Department for International Development
DLI	Disbursement Linked Indicators
DMO	District Monitoring Officers
DPC	Development Policy Credit
DSD	Directorate of Staff Development
DTEs	District Training Educators
DTSC	District Teacher Support Centers
EDO	Executive District Officer
EEP	Eligible Expenditure Program
EMIS	Education Management Information System
ESMF	Environmental and Social Management Framework
FAS	Foundation Assisted Schools
FM	Financial Management
GOP	Government of Pakistan
GTZ	Gesellschaft fuer Technische Zusammenarbeit (German Aid Agency)
HDI	Human Development Index
IBRD	International Bank for Reconstruction and Development
ICB	International Competitive Bidding
ICR	Implementation Completion and Results Report
IDA	International Development Association
IUFRs	Interim Un-audited Financial Reports
LEAPS	Learning and Educational Achievement in Punjab Schools
MEA	Monitoring and Evaluation Assistant
MDGs	Millennium Development Goals
MfDAC	Memorandum for Departmental Accounts Committee

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MTBF	Medium-Term Budgetary Framework
MTDF	Medium-Term Development Framework
MTFF	Medium-Term Fiscal Framework
MTSF	Medium-Term Sector Framework
NCB	National Competitive Bidding
NEAS	National Education Assessment System
NEC	National Education Census
NER	Net Enrollment Rate
NLC	National Logistics Cell
NGOs	Non-Governmental Organizations
NRSP	National Rural Support Program
PEAS	Punjab Education Assessment System
PEC	Punjab Examination Commission
PEDPC	Punjab Education Development Policy Credit
PEF	Punjab Education Foundation
PEFA	Public Expenditure and Financial Accountability
PEI	Performance Evaluation Index
PESAC	Punjab Education Sector Adjustment Credit (First)
PESRP	Punjab Education Sector Reform Program
PIHS	Pakistan Integrated Household Survey
PITE	Provincial Institute of Teacher Education
PMIU	Program Monitoring and Implementation Unit
PPRA	Public Procurement Regulatory Authority
PPSC	Punjab Program Steering Committee
PRMP	Punjab Resource Management Program
PRSP	Punjab Rural Support Program
PRSP-II	Second Poverty Reduction Strategy Paper
PSLSMS	Pakistan Social and Living Standards Measurement Survey
PTBB	Punjab Textbook Board
SED	School Education Department
SC	School Council
SMIS	School Management Information System
STR	Student Teacher Ratio
TPV	Third Party Validation
UNICEF	United Nations Children's Fund
UPE	Universal Primary Education

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PAKISTAN
Punjab Education Sector Project

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PAKISTAN
PUNJAB EDUCATION SECTOR PROJECT
PROJECT APPRAISAL DOCUMENT
SOUTH ASIA
SASHD

Date: May 6, 2009	Team Leader: Sofia Shakil
Country Director: Yusupha B. Crookes	Co-TTL: Tahseen Sayed
Sector Manager/Director: Amit Dar/Michal Rutkowski	Sectors: General education sector (85%);Sub-national government administration (15%)
Project ID: P102608	Themes: Education for all (P);Administrative and civil service reform (S);Public expenditure, financial management and procurement (S);Law reform (S)
Lending Instrument: Specific Investment Loan	Environmental screening category: Partial Assessment

Project Financing Data

Loan Credit Grant Guarantee Other:

For Loans/Credits/Others:

Total Bank financing (US\$m.): 350.00

Proposed terms: Standard IDA terms: 35-year maturity with a 10-year grace period

Financing Plan (US\$m)

Source	Local	Foreign	Total
BORROWER/RECIPIENT	3,000.00	0.00	3,000.00
International Development Association (IDA)	349.00	1.00	350.00
Total:	3,349.00	1.00	3,350.00

Borrower:

Government of Pakistan
Economic Affairs Division
Pakistan Secretariat, Block C
Islamabad, Pakistan
Tel: 92-51-9212769

Responsible Agency:

Department of School Education
Government of Punjab
Punjab Civil Secretariat
Lahore
Pakistan
Tel: 92-42-9232291

Estimated disbursements (Bank FY/US\$m)								
FY	2009	2010	2011	2012				
Annual	122.00	113.00	113.00	2.00				
Cumulative	122.00	235.00	348.00	350.00				
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? [] Yes [X] No <i>Ref. PAD I.C.</i>								
Does the project require any exceptions from Bank policies? [] Yes [X] No <i>Ref. PAD IV.G.</i>								
Have these been approved by Bank management? [] Yes [] No								
Is approval for any policy exception sought from the Board? [] Yes [X] No								
Does the project include any critical risks rated "substantial" or "high"? [X] Yes [] No <i>Ref. PAD III.E.</i>								
Does the project meet the Regional criteria for readiness for implementation? [X] Yes [] No <i>Ref. PAD IV.G.</i>								
Project development objective <i>Ref. PAD II.C., Technical Annex 3</i> The Project's development objectives are to improve access and equity, and the quality and relevance of education in Punjab.								
Project description: <i>Ref. PAD II.D., Technical Annex 4</i> The Project will support the Punjab Education Sector Reform Program (PESRP) which aims to: (i) enhance fiscal sustainability and the effectiveness of public expenditures including in education; (ii) enhance the quality of school education; (iii) improve and expand access through improvements in school participation and completion rates and reduction in gender and regional disparities; and (iv) strengthen school management and governance in the education sector. The Project has two components: (i) Component 1 - Program Financing: This component accounts for the large part of the total financing provided by the Bank and Development Partners. This component includes the four pillars of PESRP mentioned above that together help contribute to the project development objectives; and (ii) Component 2 – Technical Assistance: This will provide support to strengthen existing capacities for implementation and monitoring of the sector program.								
Which safeguard policies are triggered, if any? <i>Ref. PAD IV.F., Technical Annex 10</i> Environmental Assessment (OP/BP 4.01)								
Significant, non-standard conditions, if any, for: <i>Ref. PAD III.F.</i> Board presentation: NIL Loan/credit effectiveness: None Covenants applicable to project implementation: <u>Implementation Covenants</u> <ul style="list-style-type: none"> ▪ GoPunjab will establish and maintain, throughout the period of implementation of the Project, a Provincial Steering Committee, a Program Monitoring and Implementation Unit, a Quality Coordination Committee, and District Steering Committees in all provincial districts. ▪ On-lending arrangements: GOP shall make the proceeds of the Credit available to GoPunjab in 								

accordance with the provisions of the Financing Agreement and GOP on-lending policies and budgetary procedures, under the same term of reference and conditions agreed between IDA and GOP in the Financing Agreement.

- GOP and GoPunjab 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 taking or the acquisition of land without the prior approval of the Association. Notwithstanding the forgoing, if land acquisition were required for Project activities, GoPunjab will consult with the Association and acquire such land pursuant to the Land Acquisition Act (with the exception of clause 17(4) –urgency/emergency clause) or as donation or bequeath.
- GoPunjab shall produce interim-unaudited financial reports of the project on semi-annual basis to support disbursements for eligible expenditures under the Credit.
- GoPunjab shall produce quarterly budget execution reports for the entire education sector for monitoring purposes.
- GoPunjab shall maintain a publicly accessible website showing procurement activities.
- GoPunjab shall hold at least two Department Accounts Committee meetings at the district level in each district per fiscal year, by March 2010 for FY08's advance audit paras, March 2011 for FY09's advance audit paras, and March 2012 for FY10's advance audit paras.
- GoPunjab shall prepare, notify and disseminate a design and execution manual for school construction by May 31, 2010
- GoPunjab shall continue implementation of the Continuous Professional Development (CPD) program in the 12 districts where the program is ongoing and expand the program to all 35 districts by March 2011
- GoPunjab shall establish an autonomous provincial accreditation board for teachers by March 2012.
- By no later than May 31, 2010, prepare financial management and procurement guidelines to be disseminated among School Councils to be applied in the implementation of school development plans.

Disbursement Conditions

- Retroactive financing up to US\$70 million (equivalent to 20% of the proceeds of the Credit), as of 12 months prior to Credit signing.
- Disbursement of the proceeds of the Credit for Component 1 of the Project (i.e. the non TA component) will be done semi-annually on the basis on fulfillment of at least 80% of the DLIs as defined in Annex 3 to the PAD (Schedule 5 to the Financing Agreement). DLIs will be monetized equally and the authorized amounts for each disbursement will be the sum of the achieved DLIs multiplied by the unitary DLI price. Any unmet DLIs will be rolled over to the following year's DLIs for the purpose of computing 80% number of DLIs.

I. STRATEGIC CONTEXT AND RATIONALE

A. Country and Provincial Context and Sector Issues

1. ***Pakistan, with a population of 165 million and a per capita GNP of \$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 under its Poverty Reduction Strategy¹ and was in line with the robust growth trends in the region. However, owing to 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 is still off track in meeting the education Millennium Development Goals (MDGs) for 2015 which are universal primary completion and gender parity in enrollments. Although there have been recent improvements in enrollments, the pace of increase in primary participation and completion rates makes it unlikely for Pakistan to achieve the MDG 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 with only 55 percent of population ten years and older literate, and rural female literacy at 30 percent. Although there are positive trends in primary enrollment and gender parity trends, the quality of learning remains persistently low across Pakistan, as evidenced by findings of the National Education Assessments System (NEAS).

3. ***While Pakistan's public expenditure on education has increased 3.2 times during this period, increasing at 18.2 percent annually over the last eight years, expenditure as a percentage of GDP is extremely low.*** 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.

4. ***Punjab, with a population of approximately 100 million, has had remarkable economic performance over the last decade.*** Compared with the national average growth of 7.3 percent per annum, Punjab's economy grew at an annual rate of 7.6 percent between 2002/03 and 2006/07. As such, Punjab's share in the national economy increased to 59 percent in 2006/07.

5. ***While Punjab's fiscal situation has shown improvement mainly due to prudent management of finances by the Government over the past decade, there are some worrying trends.*** While the provincial fiscal deficit at 1.3 percent of provincial GDP was significantly lower than the budget target and less than half of the 2006/07 level, the overall revenue of the

¹ For details, see the 2003 Poverty Reduction Strategy Paper, "Accelerating Growth and Reducing Poverty, The Road Ahead." Ministry of Finance, Government of Pakistan; December 2003.

province fell short by 14 percent. Federal revenue transfers also fell short by 6 percent. The provincial government has presented a more realistic budget for 2008/09 on the basis of conservative estimates of federal revenue collection, better managed expenditures, and is developing a Medium Term Fiscal Framework (MTFF) to instill a longer term perspective in planning. While these measures are helping the province control the fiscal deficit, this trend will need to be monitored so that it does not have a negative impact on delivery of public services. Provisional data on budget implementation shows a shortfall of 28 percent in education sector expenditure at the district level, mainly in the development budget. A large factor in these low levels of expenditures is weak capacity for implementation (particularly civil works). This analysis of expenditure trends is being followed up by the provincial government, and with careful monitoring and implementation oversight by government it is likely to see an improvement.

6. The Government of Punjab has been implementing a comprehensive Punjab Education Sector Reform Program (PESRP) since 2003. Under this holistic program which is based on a framework of sector-wide reforms, several supply side interventions (missing facilities, need-based teacher recruitment, school up-gradation) and demand-side measures (free textbooks, female stipends², subsidies to low fee private schools³) were taken to attract children to school. These were accompanied by institutional reforms for improving quality and governance (such as strengthening teacher professional development, capacity building of School Councils). Fiduciary reforms to improve financial management (FM) and procurement systems and practices were a key aspect of the PESRP, and underpinned the sector reforms. Apart from enrollment gains, key outcomes of PESRP have included fundamental shifts in all key aspects of education sector governance. The following box presents a summary of the systemic improvements in sector governance. Together, these reforms provide the foundation and enabling conditions for improving the quality of education and student learning.

Box 1: Systemic Governance Reforms in the Education Sector as Outcomes of the First Phase of PESRP

Teacher recruitment and placement: The Punjab Government has made a major policy shift towards hiring of new teachers on merit-based, need-based, school-specific contracts with preference to local candidates and females. All teacher recruitment is being undertaken transparently using MIS data and related needs analysis based on school student-teacher ratios. This has had a major impact on ensuring that teachers with the right qualifications are hired and reducing chronic teacher absenteeism down from about 40 percent in 2005 to 15 percent in 2007 based on the Performance Monitoring undertaken by District Monitoring Officers.

Competitive textbook printing, publishing and authorship have been instituted in the province resulting in improved quality of textbook production. Textbooks coming up for renewal under the new curriculum guidelines are being authored and developed through an open competitive process. Punjab's pioneering efforts in this area have influenced the National Textbook Policy of Pakistan.

Public Financing of Private Schools: Recognizing the contribution of the large low cost private sector as a means to filling the access gap, the Punjab Government launched a major program to provide public financing to low cost private schools. The Punjab Education Foundation (PEF) was restructured as an autonomous but publicly funded institution to support low cost private schools through which now almost half a million children are benefiting.

² Chaudhury, N., Parajuli, D. (2006). Conditional Cash Transfer and Female Schooling: Impact of the Female School Stipend Program on Public School Enrollments in Punjab, Pakistan; Impact Evaluation Series No. 9; Research Working Paper No. WPS 4102; Impact Evaluation – Population Council

³ Barrera, F., and Raju, D. (2008). Evaluating a test-based public subsidy program for low-cost private schools: Regression-discontinuity evidence from Pakistan. Unpublished manuscript. Full impact evaluation underway.

Independent Information on Student Learning: A major reform for measurement of quality of learning is the establishment of an independent Punjab Examination Commission (PEC) for universal examinations for Grades 5 and 8. This has emerged as a core reform as it has strong linkages with content and quality of teaching. Examination data is already being used to establish district ranking in quality and will be used to provide performance-based incentives to the highest performing schools and additional support to the lowest performing schools and districts.

The monitoring and information management system and implementation mechanisms set up under the PESRP are considered a flagship not only in Punjab but also in the rest of Pakistan. The system has provided the basis for streamlined delivery of all inputs (improving controls to prevent leakage and reduce corruption), and ensured policymakers can make informed, transparent and need-based decisions. The internal departmental monitoring systems are further supported by an institutionalized third party monitoring system outside of the department. This is also supported by periodic third party validations. Performance monitoring is conducted against program indicators and is derived from monthly reports emanating from school-specific visits.

7. Despite enrollment gains, about 38 percent of Punjab's primary school-going age children remain out of school, and middle and secondary level participation has shown little improvement. Learning outcomes remain low at all levels of education, and there is weak accountability and governance. The following summarizes the challenges in these three areas.

8. ***Since 2001, Punjab has taken the lead among other provinces with regard to improving access, but large gaps remain.*** Punjab's primary NER has increased from 45 percent in 2001/02 to 62 percent in 2006/07, and while above the national average of 49 percent, it is far below that of comparable areas in the region. There have been improvements in female primary NER during the same period from 43 to 59 percent and for rural females from 38 to 55 percent⁴. Total enrollment in public sector schools has increased by 22 percent. Private sector enrollments are also increasing, and now make up almost 40 percent of total enrollments. Despite this progress, enrollment is still low, especially for girls in rural areas and for poor households. Still 38 percent of children ages 5-9 do not attend primary school. Rural-urban gaps remain large with disparities being largest between urban males and rural females: e.g. for every 100 boys who enroll in school in urban Punjab, only 66 girls do so in rural Punjab. In urban areas, the main gaps are between the richest and poorest quintile. Transition rates from primary to secondary are low leading to the middle NER being only 20 percent and secondary NER at 11 percent. Less than 30 percent of children who complete primary education also finish secondary education⁵.

9. ***Significant institutional restructuring has taken place to improve the quality of education, but these changes have not yet translated into improved student learning.*** While student achievement is significantly higher than the average in Pakistan, it is still quite low. The quality of education delivered through the government managed public school system is poor due to: (i) low levels of teacher competence and accountability; (ii) weak support systems for teachers; and, (iii) inadequate teaching materials and aids. Findings of LEAPS⁶, NEAS, and universal school examinations conducted by the Punjab Examination Commission (PEC) all show that children perform significantly below curricular standards for key subjects and concepts at their grade level. NEAS is carrying out systematic periodic assessments of student learning outcomes and

⁴ Pakistan Social and Living Standards Measurement Surveys (PSLSMS) – 2001/02; 2003/04; 2006/07.

⁵ Estimates for completion and transition are for children between the ages 15 to 19.

⁶ Learning and Education Achievement in Punjab Schools (LEAPS), World Bank Report, February 2008. LEAPS measures student learning of 12,000 students in Grade 3 in selected villages of 3 districts in Punjab in public and private schools

annual student examinations are taking place, however, the findings are only now beginning to inform the system for making necessary changes and improvements.

10. While interventions under PESRP have aimed to strengthen capacity and sector governance, gaps remain in district and local capacity and in school governance and management. Credible monitoring systems have been established at the provincial level and are regularly capturing data from the school level. These now need to integrate student learning data in order to assess school-specific gaps and to develop targeted programs for quality improvement. District level capacity for planning and managing education service is still weak. While field monitoring systems have been effective, these now need to be mainstreamed into the district education departments' responsibilities. Parental participation in school affairs is still weak as School Councils (SCs) are yet to effectively function across the province⁷.

B. Rationale for Bank involvement

11. The Bank has supported the Government's PESRP from 2004-2007 through a series of four Punjab Education Development Policy Credits (PEDPCs)⁸. The rationale for Bank's continued engagement is compelling because the province still has a large unfinished agenda and Bank support will assist in deepening and expanding the gains of the past several years, particularly to sustain the fundamental policy shifts that are improving governance in the sector. The Bank has a long history of engagement in the province and has been the sole financing partner for education for the past many years during which time a strong relationship with the client has been established. This sustained financial and technical support has enabled continuity in implementing the sector program, especially to maintain momentum and show results. To build upon the reforms undertaken under PEDPC⁹, and to help address remaining challenges in the education sector, the Government has requested the Bank for further multi-year assistance to support the continuation of PESRP. Also, given the long-standing engagement in Punjab's education sector, the Bank has leveraged support from other development partners (DPs). It has engendered active collaboration with DPs working in education, and has been coordinating dialogue and support to education in Punjab to ensure alignment with the Government's overall program.

C. Higher level objectives to which the project contributes

12. The proposed Project is aligned to the priorities of the Pakistan CAS¹⁰, approved by the Board in June 2006, and to the national priorities, which include increased learning achievement of primary students, reduction of gender gaps, and improvement of post-primary access and quality. It also contributes to Pakistan's priority for human development articulated in the PRSP-II¹¹. One key pillar of PRSP-II is *Human Development for the 21st Century* which

⁷ See Annex 10

⁸ Punjab Education Sector Adjustment Credit (PESAC), Program Document, January 8, 2004 (Report No. 27528-PK); Second Punjab Education Sector Development Policy Credit (PEDPC-II), Program Document, March 7, 2005 (Report No. 31519-PK); Third Punjab Education Sector Development Policy Credit (PEDPC-III), Program Document, April 28, 2006 (Report No. 35441-PK); Fourth Punjab Education Development Policy Credit (PEDPC-IV), Program Document, May 8, 2007 (Report No. 38884-PK)

⁹ See Annex 11

¹⁰ Pakistan Country Assistance Strategy (CAS) FY06-09; Report No. 35718-PAK

¹¹ Pakistan Poverty Reduction Strategy Paper (PRSP) –II 2009, Finance Division, Government of Pakistan

envisages significant investment in the human resource base of the country to produce a skilled and competent workforce that can respond to the demands of a steadily growing economy. PRSP-II emphasizes the need for reforms addressing sector financing; strengthening planning and implementation capacity; improving resource utilization; enhancing governance for greater accountability of education providers; capacity building of district and local institutions; and strengthening the school committees, all of which are key components of the proposed Project.

II. PROJECT DESCRIPTION

A. Lending instrument

13. *The proposed project is a US\$350 million Sector Investment Credit that uses a programmatic approach to support the implementation of the PESRP.* First, credit disbursements will be made against selected key education budget line items referred to as Eligible Expenditure Programs (EEPs), up to capped absolute amounts. Second, 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 the Government. As currently structured, the total disbursement amount is evenly divided across the total number of DLIs in a given year, conditional on meeting at least 80 percent of the agreed DLIs each year (e.g. 8 out of 10 DLIs in Year 1). Third, a technical assistance (TA) component is also included in the Project, which finances essential capacity building.

14. The DLIs reflect the priority elements in the PESRP. They include intermediate outcome, implementation performance or institutional change indicators that build incrementally over the life of the project. Some of the DLIs generate improved efficiency and effectiveness in the education sector during the life of the credit. Others constitute incremental institutional steps that will have impact and sustain results beyond the life of the project (see Annex 3 for DLI table). The results represented in the DLIs are critical to achieving the Project's development objectives.

15. The achievement of DLIs ensures disbursement under the credit, and each DLI is weighed equally. However, if at least 80 percent of the DLIs are not achieved in a particular year, then the project will withhold disbursement. If only up to 20 percent of the DLIs (or 2 out of 10 in the first year) are not met, then the weighted amount for each unmet DLI would not be released.¹² The value of unmet DLIs (if any) would be rolled over to the next disbursement.

16. The EEPs supported by the Project represent about 80 percent of total Government expenditure on education, while Bank support accounts for about 10 percent of the total Government program. Proposed EEPs include both sizeable, relatively large recurrent expenditures as well as smaller EEPs. The largest EEPs are teacher and sector staff salaries. Other relatively large EEPs are girls' stipends, financing of the low cost private sector, and performance linked incentives. The smaller EEPs include high priority programs such as

¹² For example, if the total expected disbursement amount is US\$120 m., and there are 10 DLIs, achievement of each DLI carries a disbursement of US\$12 m., provided that the amounts spent on the EEPs exceeds this amount. If less than 8 DLIs are met then no disbursement will take place while if all 10 are met then \$120 m. will be disbursed. However, if 8 DLIs are met, then \$96 m. will be disbursed and if 9 are met then the disbursed amount will be \$108 m. Projects using a similar design have been successfully implemented in Latin America (e.g., loans in Ceara and Minas-Gerias).

capacity building for SCs and districts. The Bank guidelines on financial management and procurement will be applicable to EEPs. The framework for addressing social and environmental safeguards endorsed by the Government will be applicable to all PESRP activities.

B. Project development objective and key indicators

17. The Project's development objectives are to improve access and equity, and the quality and relevance of education in Punjab. Success of the Project in meeting its main objectives will be measured by the following outcome indicators:

	Baseline	End of Project (2012)
Primary NER (%)	62 (59 female; 64 male)	66
Middle NER (%)	20	22
Rural Female: Male NER ratio, primary (%)	88.7	92
Rural Female: Male NER ratio, middle (%)	73.7	78
Primary School Completion Rate (%)	61	65
Learning levels monitored through assessments and examinations	Grades 4 & 8 national assessments in 4 key subjects; Grades 5 & 8 School Examinations, and Grade 10 matriculate exams	Improved quality of Grade 5 provincial assessments in at least 2 key subjects; improved quality of national and school exams

C. Project components¹³

18. The project provides support for the PESRP which aims to: (i) enhance fiscal sustainability and the effectiveness of public expenditures including in education; (ii) enhance the quality of school education; (iii) improve and expand access through improvements in school participation and completion rates and reduction in gender and regional disparities; and (iv) strengthen school management and governance in the education sector. The Project is structured around two components: (i) *Component 1 - Program Financing*: This component accounts for the large part of the total financing provided by the Bank and DPs. This component includes support for the four pillars of PESRP mentioned above that together help contribute to the project development objectives; and (ii) *Component 2 – Technical Assistance* will provide support to strengthen existing capacities for implementation and monitoring of the sector program. The components are described in detail in Annex 4.

Component 1: Financing of the PESRP [Total: US\$3,340 million, IDA: US\$ 340 million]

19. This component contributes to financing for the four pillars of the PESRP. The programmatic support proposed by DPs is fully aligned with the Government's overall program that amounts to approximately \$3.35 billion over the three year period. A description of the program that Bank financing will be contributing towards follows:

¹³ See Annex 4 (Detailed Project Description) for details

Sub-Component 1.1: Enhanced Education Sector Expenditures and Improved Fiduciary Environment

20. This sub-component focuses on improving education sector expenditures, and deepening the implementation of fiduciary reforms initiated under the PEDPC series. The Project not only supports the development of medium-term expenditure and fiscal frameworks for the sector, but also promotes improvement in the composition, quality and efficiency of sector expenditures. Underpinning this are the FM and procurement reforms and actions. The Project supports improvements in FM practices to instill a culture of remedial action on audits and strengthening capacity and awareness for better and increased spending in line with sector objectives. Capacity for improved internal audit will be enhanced, supported by capacity building of education staff to follow up on audit observations. Improved FM at the provincial level will include timely preparation of expenditure reports. Capacity building support will be provided to develop new rules for procurement of goods and works. Better procurement practices in civil works, textbooks, and furniture will be implemented. This sub-component does not have any related EEPs.

Sub-Component 1.2: Improved Quality and Relevance of Education

21. Improving quality of education and strengthening the systems for measurement of student learning is a central objective of PESRP. This sub-component supports four strategic areas, aligned to PESRP's objectives relating to improvement in quality of education: (i) improved teaching practices through a teacher professional development program including on-site mentoring; (ii) enhanced use of teaching and learning materials through the development and implementation of a program for good quality teaching and learning materials in schools; (iii) design and pilot implementation of a provincial teacher accreditation system for teacher certification, licensing and accreditation; and (iv) providing performance-based incentives to well-performing schools as well as additional support to low performing schools. The Project supports improvements in the student learning measurement systems for school examinations and provincial assessments. Punjab has established a strong institutional foundation for quality improvement, and the Project will help ensure coordination and synergies among all interventions and use of results of assessments and examinations to provide feedback into the system, including the use of additional targeted interventions and incentives. This sub-component's EEP includes Performance Linked Incentives for Schools (from Year 2).

Sub-Component 1.3: Improved Access and Equity

22. Sub-Component 1.3 supports the Government's program to improve access and reduce regional and gender disparities. The strategic areas supported include decrease in the number of schools with missing facilities; increased transition from primary to middle and secondary levels; timely delivery of free textbooks and stipends; and, increased public financial support for the low cost private sector. The Project supports interventions to reduce primary drop-out rates, improve completion and participation rates, and increase the transition from primary to secondary levels by: (i) providing demand side interventions, such as on-time delivery of free textbooks in Grades 1-10, continuing textbook publishing and printing through open competition, and on-time stipends to eligible girls in Grades 6-10 in fifteen low literacy districts; (ii) implementing supply

side improvements, including filling of teacher vacancies, reducing missing facilities in schools, and up-gradation of schools from primary to middle, and middle to secondary levels according to criteria that favor girls and rural areas; and (iii) providing greater support to the private sector to establish schools in areas with low enrollments through the Punjab Education Foundation (PEF). EEPs under this subcomponent are: Girls Stipend Program; Public-Private Partnership Program.

Sub-Component 1.4: School Management, Governance & Monitoring

23. Sub-Component 1.4 focuses on improving sector governance and creating an enabling environment for schools to function more effectively. The strategic objectives supported by this sub-component are: enhanced accountability of teachers to parents and stakeholders at the local level; increased capacity of SCs for effective school management; reduction in teacher absenteeism; recruitment and placement of teachers on a merit and need basis; transparent examination and assessment systems to enable quality information on student learning. The Project supports SC capacity¹⁴ through phased mobilization and capacity support to all primary schools, and ensuring a streamlined mechanism to transfer recurrent non-salary budgets to all SCs. The Project builds upon the well-established monitoring systems in the sector, strengthens field monitoring, mainstreaming of monitoring in the district education departments and creates greater capacity for planning and evaluation at the provincial level. Transparent recruitment of teachers on need basis, strengthening of the examination system managed by a fully autonomous and functional Punjab Examination Commission (PEC), and ensuring better quality provincial assessments for assessment of students in key subjects are also key elements of this sub-component. Subcomponent 1.4 EEPs include: Teacher and staff salaries; SC Capacity Building Program; SC Recurrent Budget; District Capacity (GCU Partnership); Monitoring.

Component 2 – Technical Assistance [Total: US\$10 million; IDA: US\$ 10 million]

24. The Project has a TA component to support the activities under Component 1, and will finance the following generic cost elements of the Project through a system of Special Drawing Account to be held with the Program Monitoring and Implementation Unit (PMIU): (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, incremental staffing, training and other capacity-building activities, designing, formulating and supporting the implementation of education sector strategies, and budget planning and management activities.

25. The TA component has been designed to directly support the ongoing and planned programs under the medium-term education sector framework of the PESRP, and augment monitoring of program activities. It consists of four packages for which detailed plans have been developed by Government: (i) Package A consists of TA activities to strengthen the fiduciary aspects of the Project, covering financial management and procurement systems and processes in the sector; (ii) Package B comprises TPVs of programs supported under the PESRP ranging from delivery of textbooks to teacher recruitment; (iii) Package C proposes a plan for environment

¹⁴ National Rural Support Program (NRSP) and Punjab Rural Support Program (PRSP) – both organizations provided SC capacity building support under a pilot in six districts in the first phase of PESRP, and are now engaged to scale up capacity support to all 35 districts.

enhancement linked to the interventions supported under PESRP; and (iv) Package D consists of TA for improving the quality of education, enhancing access, and strengthening governance and monitoring in the sector. Accounting for the largest portion of the proposed technical assistance, the main aim of activities under Package D is to evaluate the performance of ongoing programs under PESRP to strengthen and expand them, identify new areas where efforts are required to reinforce the reform agenda, and strengthen the planning and monitoring systems of the sector.

D. Lessons learned and reflected in the project design

26. The Project benefits greatly from the lessons learned from the PEDPC series¹⁵, analytical work such as the LEAPS study, impact evaluation of the stipend program, and the ongoing assessments under NEAS and student examination information from PEC. The Project also draws from international experience and lessons from other similar operations in Pakistan, which have been incorporated into project design. Some lessons learned reflected in the Project include the following.

27. Sustained sector improvement requires higher level alignment at both political and bureaucratic levels and an overall enabling fiscal and fiduciary framework. Lessons from PEDPC have confirmed that leadership and political championship are critical for successful implementation and that bipartisan support and wide ownership is vital to ensure sustainable reforms. Further, a strong fiscal and fiduciary framework is essential for furthering sector reforms. This requires participation of all key stakeholder departments, including Finance and Planning. Participation and ownership by district governments is also important and was an integral part of the program supported under the PEDPC series¹⁶, and a similar arrangement is being continued under the Program supported by the proposed Project.

28. Programmatic approaches are more likely to deliver results. Lessons from Pakistan, the region and from international experience show that such an approach which focus on implementation of reforms over the medium-term and encompass a strong results framework, are effective in engendering results. It is critical that they are developed taking cognizance of government capacity, technical, and resource constraints and develop a culture of accountability for results. The proposed Project incorporates these lessons and is designed as a multi-year programmatic engagement that builds on the results achieved under the earlier DPC series through its focus on implementation and capacity building.

29. Education quality and access need to be tackled simultaneously. There is no simple solution for improvement of quality in education, as it is a long-term endeavor which requires continuous testing of interventions, evaluation, and coordination. International experience shows that specific investments in discrete aspects of the quality dimension will not translate automatically into improvements in the classroom environment. They require deeper coordination among the relevant institutions to show results at the classroom level, and need to be accompanied by strengthened support mechanisms at the district and classroom level. This is a key lesson that has been incorporated into the design of this Project, with emphasis on strengthening ongoing

¹⁵ Implementation Completion and Results (ICR) Report (IDA-38550 JPN-51706), Report No: ICR0000434

¹⁶ Terms of Partnership (ToP) between provincial and district governments were signed annually, and included a performance and need based formula to provide incentive against agreed performance indicators.

mentoring and classroom based support for teachers through all interventions. Further, efforts to enhance access and quality will only produce sustained results if several interventions and inter-linked strategies are implemented. Demand and supply side interventions can lead to short-term surges in enrollments but these can only be sustained over time if both quality and access interventions are implemented together, as is the case in this Project.

30. *Monitoring of performance and outcomes.* Strong monitoring to measure how the system is delivering and to track results is critical for measuring performance and implementation, and for refining the interventions through more informed decision making. The monitoring system under the PEDPC series, including the PMIU and the field and school monitoring set up was built upon strong systemic capacity, and is being further strengthened. Monitoring of student learning is also an important facet, and enhancing the systems that provide information on student achievement is also being undertaken through the Project. Finally, it is important to ensure that information coming out of the monitoring system is validated through independent surveys, and consequently, third-party assessments have been built into the design of the Project.

31. *Ensuring rigorous impact evaluation.* Establishing a comprehensive evaluation system is critical to ensure that the interventions and approaches in the Project are properly evaluated. This will help determine whether the Project is meeting its objectives, and also provide information for corrective action. The Project places extensive emphasis and provides resources to enable research, surveys and rigorous impact evaluations of interventions, such as of the stipend and public-private partnership programs.

32. *Evidence suggests that strengthening the role of School Councils in school management can lead to improved performance but takes time.* Lessons from PESRP demonstrate that SCs do not function actively unless provided mobilization support. Experience based on a pilot capacity building initiative showed that while more active SCs do not lead to improved quality in student learning¹⁷, they are nonetheless a necessary condition to enable an improved learning environment through better use of available non-salary budgets and oversight on teacher and student attendance. International evidence also suggests that greater autonomy with accountability at the school level can lead to changes in behaviors and dynamics which in turn affect learning, but over time. SC capacity building is being expanded to cover all schools over a three-year period under the Project to create an enabling environment for improved learning.

E. Alternatives considered and reasons for rejection

33. *Given the comprehensive nature of Government's continuing sector program, a programmatic approach was considered most appropriate.* The strong policy and institutional actions taken over the past few years provide a sound basis to proceed with a more targeted approach that focuses on capacity-building, implementation and translates the reforms into results. A ring-fenced SIL supporting specific interventions was considered, but determined to be inadequate for supporting the implementation of sector wide reform. The proposed programmatic SIL provides the required multi-year support over the medium-term to support key sector interventions that build upon earlier reforms with an emphasis on achievement of results

¹⁷ An evaluation of impact of SC capacity building on improved learning and learning environment is being commenced, building upon the extensive baseline data collected under the pilot initiative

against clearly defined indicators. Use of this proposed instrument leverages IDA's contribution to support the entire Government program. It also enables harmonization of DP assistance in support of a common sector-wide approach.

III. IMPLEMENTATION

A. Partnership arrangements

34. *World Bank support to the Government of Punjab will be supplemented by parallel financing by the UK Department for International Development (DfID) and other potential interested DPs*¹⁸. Of the approximately \$3.35 billion total program cost during 2008/09 – 2011/12, the Punjab Government will contribute around \$3.0 billion, IDA about US\$ 350 million and DfID will contribute about GBP 45 million (about US\$67 million equivalent). The Bank and DfID will provide their support in the form of disbursements of a proportion of eligible Government expenditures on the program¹⁹. DfID will provide its support through separate parallel financing arrangements with the Government of Punjab over the same time period.

B. Institutional and implementation arrangements

35. *Project implementation arrangements maintain and build on the institutional arrangements of the Punjab Government's education sector.* The Project supports the Government program which is being implemented across all districts of Punjab. At a strategic level, the provincial Planning & Development Board heads a Provincial Program Steering Committee, which has participation of all key stakeholder departments. This Committee provides overall strategic guidance and an enabling environment to the reforms, and is a forum for higher level decision making and interface with the political leadership. The main implementing agency is the School Education Department (SED) which is responsible for overseeing planning, implementation and monitoring of the school sector²⁰. The SED has instituted a Quality Coordination Committee which includes all key stakeholder sub-departments to ensure coordination for planning and implementation of interventions for improving teaching practices and student learning.

36. SED's policy and planning functions are supported by the PMIU, which coordinates all monitoring and implementation arrangements for the sector. The PMIU, which is financed by the regular budget of the Government, has been in operation for the past five years and has a strong track record of performance. The PMIU in turn relies on the district monitoring system, which comprises of the District Monitoring Officer (DMO), and the team of Monitoring and Evaluation Assistants (MEAs)²¹ that are responsible for monitoring school performance against set program indicators. Rural Support Programs deployed for capacity building of School Councils will support SCs to implement school-level programs. The district education system is

¹⁸ Other DPs, including CIDA, GTZ, and UNICEF are in dialogue with Punjab Government to support the Program.

¹⁹ DfID have also provided GBP 500,000 through the Externally Funded Output mechanism to the Bank to help support preparation and technical assistance activities for the program.

²⁰ The Schools Education Department is responsible through Grade 10. The Education Department was recently (in 2008) bifurcated into Schools and Higher (Colleges). The Higher Education Department oversees college education, which includes Grades 11-16, but the intermediate colleges also include Grades 9 and 10.

²¹ There are 35 DMOs (one per district) supported by about 930 MEAs.

further bolstered by District Review Committees chaired by District Coordination Officers (DCOs) that are active in each district to oversee implementation, and on a monthly basis assess sector performance against a list of composite performance indicators. The districts are responsible for implementing field level activities, such textbooks, stipends, civil works improvements and up-gradation, with PMIU coordinating and monitoring implementation.

C. Monitoring and evaluation of outcomes/results

37. *The Project relies on the Government's established education monitoring system for assessing progress in the project's outcomes and results.* This monitoring system comprises of different levels of internal monitoring which is further supported by regular third-party validations and evaluations. Punjab's education monitoring system has been an exemplary model for monitoring systems in other sectors in the province and for education programs in other provinces. The main features of the monitoring systems and arrangements include systematic school-based data collection on monthly basis by MEAs, reporting progress and performance by districts on a monthly basis by DMOs, an annual school census, and periodic third party validation. The PMIU prepares monthly and annual reports based on the monitoring system. The school sector's monitoring efforts are being augmented by an emerging central monitoring system spearheaded by the province to introduce a culture of real time e-monitoring through use of electronic communications. Systematic evaluation of student learning is also a part of Punjab's monitoring and evaluation system, and includes the school examination conducted for Grades 5 and 8 by PEC, and Grade 10 by the Secondary School Examination Boards, as well as the NEAS provincial assessment information on student assessment for key subjects in Grades 4 and 8 levels. The Project builds upon these systems and strengthens them to improve monitoring of results in the sector and learning outcomes, including building capacity for impact evaluations. Independent TPVs have also been built into the TA component to verify results emanating from the monitoring system.

38. *Supervision and Reporting.* DPs together with the Government of Punjab will carry out at least two Joint Review Missions annually, with more frequent missions anticipated during the first year. The missions will monitor (progress towards) the achievement of DLIs, compliance with stipulated FM, procurement, and safeguard requirements, and implementation of the Project's TA component. The missions will include visits to districts and schools. DP staff and technical consultants will also make regular visits on a need basis to support implementation. 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 (see Annex 3 for details of supervision arrangements). Supervision arrangements by the DPs are complemented by monitoring and supervision by provincial and district governments, including the in-built third party monitoring system of the government, and independent TPVs, and the project supports the strengthening and increased use of all these systems.

D. Sustainability

39. *The sustainability of the Project is anchored in the Government's demonstrated commitment, as seen in maintaining the interventions introduced under PESRP with*

bipartisan support. All activities and programs being supported by the Project are fully funded in the Government’s regular budget, as included in the MTFF, ensuring fiscal sustainability. The Project’s design ensures that all relevant stakeholder sub-departments in the school education sector are involved in the planning and implementation of various interventions. The Project also supports the participation of districts in implementation of the Program. Further, the Project supports capacity building of district education departments, and enhanced participation of communities through SCs. Strengthened local participation, including of civil society and the private sector, will also enhance ownership of sector reforms and outcomes, and will contribute to sustainability of the program beyond the life of the Project.

E. Critical risks and possible controversial aspects

Risks	Risk Mitigating Measures	Risk Rating with Mitigation
<i>To project development objective</i>		
Overall macroeconomic situation deteriorated sharply in FY08; fiscal and current account deficits reached unsustainable levels due to oil and food price shocks compounded by political uncertainty. Risks include balance of payments crisis, significant slowdown in growth, and fiscal pressures crowding out poverty-related spending.	<ol style="list-style-type: none"> 1. The International Monetary Fund stabilization program, with intensive monitoring of key macro indicators against targets, forms the basis of the Bank’s dialogue on macro issues. 2. Falling short of the program’s macro targets would trigger a coordinated DP response for taking immediate remedial measures. 	Substantial
The province’s fiscal situation due to shortfalls in federal revenue transfers and in the overall revenue base of the province could pose a risk to sustaining the education sector expenditures.	<ol style="list-style-type: none"> 1. 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. 2. The GoP is implementing improvements in budgetary processes through MTFFs to ensure strategic budget planning and prudent fiscal management including adequate allocations to priority sectors, especially education. 3. The project supports improvements in the efficiency and effectiveness of existing public education expenditures; if successful some shortfalls in allocations could be tolerated. 4. There is shared commitment in the Planning, Finance and Education departments to protect the core sector expenditures as agreed in the Medium Term Sector Framework. 	Substantial
Weak planning, management and monitoring capacity at the provincial, district and school levels may jeopardize the achievement of project objectives.	<ol style="list-style-type: none"> 1. The Project requires the Government to prepare and annually update a Medium Term Sector Framework, which aims to help instill better planning for education sector resource allocation and implementation. The Project also includes TA for reviewing the human resource management aspects relating to education management at the provincial and district levels. The district education capacity building program which will also be assessed as part of this review to put in place a long term restructuring of education management. 2. Local capacity is being enhanced through implementation of a School Council capacity building program. The already 	Substantial

Risks	Risk Mitigating Measures	Risk Rating with Mitigation
	<p>established district monitoring system is being strengthened, and gradually mainstreamed into the district education system.</p> <p>3. An ongoing school based mentoring system for teachers has been put into place and is being reviewed and strengthened.</p>	
<i>To component results</i>		
<p>Disbursements in the project are linked to verifiable performance indicators that require stable implementation and monitoring arrangements. Slippage in achievement of DLIs would put the Project's results at risk.</p>	<p>1. The PMIU, and the established monitoring systems at the provincial and district levels provide strong oversight over implementation. As part of project preparation, a review of the monitoring system which shows that the school and field monitoring system was carried out which confirms that the established monitoring system is continuing to function effectively, and additional capacity support to strengthen M&E is provided through the TA Component of the Project.</p>	Moderate
<p>Weak financial management capacity at the provincial and district levels that could hamper implementation of the reform program and its activities.</p>	<p>1. This risk will be mitigated by a series of capacity building activities aimed at timely reconciliations, improved budget management through the SAP R/3 system, and enhanced level of financial accountability across the whole sector.</p> <p>2. The Project is supporting technical assistance to strengthen financial management capacities, tracking of key program expenditures, and steps towards establishing an internal audit function aimed at systemic improvement at the provincial and district levels.</p>	Moderate
<p>Inadequate procurement regulatory systems present risks to the transparent use of Bank funds.</p>	<p>1. The Project is financing EEPs that present a relatively low risk profile.</p> <p>2. Additional overlaid procurement procedures to supplement Government of Punjab's own systems are also being proposed.</p> <p>3. Ex post reviews of procurements carried out for procurements under eligible expenditure categories.</p> <p>4. Strengthening earlier work with the Government on procurement reform, both specific to the education sector and the broader procurement reform through TA under the Project.</p>	Substantial
<p>Some aspects of the Government's program, such as delivery of stipends, contracts for books, hiring of teachers, civil works etc. expose the program to a risk of corruption and non-transparent or inefficient practices. Systems that ensure transparency in procurement and delivery are crucial to reduce these inherent risks.</p>	<p>1. The project benefits from the past four years of the PEDPC series under which several governance improvements were instituted e.g.: implementation of a merit based teacher recruitment policy; establishment of effective delivery systems for textbooks, stipends; regular school monitoring systems including for teacher presence, availability of inputs, and student attendance among others.</p> <p>2. The program design incorporates expenditure monitoring; external validation exercises, internal monitoring by the departments, and other checks that will be identified and instituted during the preparation stage are expected to mitigate this risk substantially.</p> <p>3. The Bank's own intensive supervision of technical and fiduciary aspects will also mitigate this risk.</p> <p>4. The Government is committed to independent third party validations to assess both quality and delivery of sector inputs including civil works.</p>	Substantial
<p>The scope of supervision is large as IDA funds finance a portion of a large government program and the ability to supervise could be</p>	<p>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 review include field visits. The team will include specialists in the sector as well as in FM, procurement, safeguards, and governance and anticorruption.</p>	Moderate

Risks	Risk Mitigating Measures	Risk Rating with Mitigation
undermined by security risks.	2. The supervision design envisions that supervision by DPs will be complemented by (i) monitoring and validation by third parties; and (ii) monitoring by provincial and district authorities, including their in-built third party monitoring and supervision. The project supports their use and strengthening. 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..	
Overall risk rating		Substantial

F. Loan/credit conditions and covenants

40. Implementation Covenants

- GoPunjab will establish and maintain, throughout the period of implementation of the Project, a Provincial Steering Committee, a Program Monitoring and Implementation Unit, a Quality Coordination Committee, and District Steering Committees in all provincial districts.
- On-lending arrangements: GOP shall make the proceeds of the Credit available to GoPunjab in accordance with the provisions of the Financing Agreement and GOP on-lending policies and budgetary procedures, under the same term of reference and conditions agreed between IDA and GOP in the Financing Agreement.
- GOP and GoPunjab 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 taking or the acquisition of land without the prior approval of the Association. Notwithstanding the forgoing, if land acquisition were required for Project activities, GoPunjab will consult with the Association and acquire such land pursuant to the Land Acquisition Act (with the exception of clause 17(4) –urgency/emergency clause) or as donation or bequeath.
- GoPunjab shall produce interim-unaudited financial reports of the project on semi-annual basis to support disbursements for eligible expenditures under the Credit.
- GoPunjab shall produce quarterly budget execution reports for the entire education sector for monitoring purposes.
- GoPunjab shall maintain a publicly accessible website showing procurement activities.
- GoPunjab shall hold at least two Department Accounts Committee meetings at the district level in each district per fiscal year, by March 2010 for FY08’s advance audit paras, March 2011 for FY09’s advance audit paras, and March 2012 for FY10’s advance audit paras.
- GoPunjab shall prepare, notify and disseminate a design and execution manual for school construction by May 31, 2010
- GoPunjab shall continue implementation of the Continuous Professional Development (CPD) program in the 12 districts where the program is ongoing and expand the program to all 35 districts by March 2011
- GoPunjab shall establish an autonomous provincial accreditation board for teachers by March 2012.
- By no later than May 31, 2010, prepare financial management and procurement guidelines to be disseminated among School Councils to be applied in the implementation of school development plans.

41. Disbursement Conditions

- Retroactive financing up to US\$70 million (equivalent to 20% of the proceeds of the Credit), as of 12 months prior to Credit signing.
- Disbursement of the proceeds of the Credit for Component 1 of the Project (i.e. the non TA component) will be done semi-annually on the basis on fulfillment of at least 80% of the DLIs (e.g. 8 out of 10 DLIs in year 1) as defined in Annex 3 to the PAD (Schedule 5 to the Financing Agreement). DLIs will be monetized equally and the authorized amounts for each disbursement will be the sum of the achieved DLIs multiplied by the unitary DLI price. Any unmet DLIs will be rolled over to the following year's DLIs for the purpose of computing 80% number of DLIs.

IV. APPRAISAL SUMMARY

A. Economic and financial analyses

42. *Cost-Benefit Analysis*: The analysis covers the three year period from 2008-09 to 2010-11 and four interventions, i.e., textbooks, female stipends, missing facilities and public-private partnership in education. For the cost streams, the analysis uses: (i) indicative projected current and development expenditure by the Punjab Government on the school program; (ii) private direct costs of schooling or out-of-pocket expenses incurred by households; and (iii) the opportunity costs of foregone earnings by children going to school. For the benefit stream, the analysis was based on: (i) increased life-time earnings of additional enrollees; (ii) increased probability of passing matriculate exams of the enrolled children in secondary level; and (iii) additional graduates in the system based on the increase in pass rate. The IRR using this base-case scenario was nine percent.

43. *Fiscal Sustainability Analysis*: Fiscal space to replace the DP financial support (although nominal at 10 percent of the total education budget of the province) will crucially hinge on the speed of recovery of the provincial GDP and in turn revenue receipts from the NFC award and provincial/district resource mobilization efforts in the coming years. Based on indicative estimates provided in MTFY FY09-11 and MTSF 2009-2011, and projecting the baseline scenario of: (a) holding the share of development education expenditures at the FY10 level; (b) gradually increasing the share of current expenditures by 0.6 percentage points; and (c) projecting school program expenditures, growth in provincial education expenditures will be sufficient to continue the existing initiatives in the post-program period. Increased expenditures on school initiatives will be fiscally manageable from the perspective of debt sustainability.

B. Technical

44. The Project is designed to support the Government's medium-term PESRP, and builds upon the lessons of implementation of the education sector reforms in Punjab since 2003. The program is also aligned with national and international practice and experiences on effective policies and programs to tackle complex access and quality challenges. In this context, the Project supports a multi-pronged strategy to expand access that addresses gender, regional and school-level disparities, including a combination of supply and demand-side interventions, and support to the low cost private sector in low enrollment areas. The design of the Project allows

support for performance-based lending, with credit disbursements based on the achievement of pre-specified results referred to as DLIs.

45. The Project's technical design is based on interventions that have horizontal linkages to meet the quality and access objectives. It supports the development of more effective mechanisms to measure student learning and to use information on student learning gaps to provide additional support for poor performing schools and districts. Information on student learning is also corroborated by findings of NEAS, which provides a provincial level picture of student learning in key subjects, but the Project will support implement assessments to cover a provincially-representative sample. The Project also focuses on the processes and institutions that create an enabling environment for better classroom learning. These include inputs such as teachers, materials, on-site support systems for teachers and schools, and a more active school community that will help improve school governance. By ensuring coordination and synergies, the Project will contribute to improvement in the quality by creating an enabling environment.

C. Fiduciary

46. **Financial Management:** The existing state of PFM systems and the trajectory of reforms in progress have enabled significant reliance on the country systems of budgeting execution, accounting, internal controls, financial reporting, and auditing. The Government of Punjab continues to show a strong commitment to the ongoing country PFM reform agenda. These reforms are primarily supported through the Bank-financed PIFRA project. Punjab PEFA documents satisfactory progress on overall FM reforms. The program would continue to support PFM and accountability reforms in the province, particularly from a sectoral perspective.

47. No separate designated account will be established for this Project. Instead, the Credit proceeds will periodically be disbursed directly to the Consolidated Fund Account No. 1 of the Government of Punjab. The quantum of resources to be transferred to the Consolidated Fund at each disbursement cycle will be linked, where appropriate, to the Government meeting the DLIs, and the expenditure levels that the Bank will finance are capped for each disbursement period as defined in the disbursement schedule. The Bank requires that the financial statements for the EEPs and TA be audited annually and provided to it no later than six months after the end of the reporting period. The financial statements will be audited by the Auditor General using a risk-based methodology introduced under PIFRA for which a specific schedule of audit would be agreed. The use of country systems warrants little duplication of audit effort by audit offices; nonetheless, there is need for effective coordination among different Directors General concerned. With strengthened FM capacity in PMIU and adequate reporting of budgets, FM arrangements broadly drawing upon the country systems will be consistent with the Bank's requirements under OP 10.02, provided the proposed FM and internal auditing staff are recruited, assigned, and retained during the life of the Project.

48. **Procurement:** Procurement under the Project will 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 Request for Proposal document will be used in the selection of consulting firms.

49. Procurement reforms which focused on bringing more transparency in the public procurement regulatory environment initiated over the past several years under the PEDPC series, and also supported by the Punjab Resource Management Program (PRMP), will be deepened in the Project. The main aspects of procurement improvements have moved forward, but the pace of converting the reforms into action has been slow in the past year. The next step entails making decisions to take the reform agenda forward including appointment of a full time head of the Public Procurement Regulatory Authority (PPRA) as a step towards an empowered PPRA. PPRA has drafted a set of procurement rules which are an improvement over the Federal PPRA rules in the areas of independent second tier of appeals and selection of consultants. Adoption of this draft by the PPRA Board will provide a basis for the PPRA to formulate an implementation plan for their reform strategy.

50. A procurement assessment was carried out, focusing on processes and procedures of major procurements in the sector, which are expected for printing of textbooks, civil works and procurement of furniture and computers. Textbook printing is now being conducted through a competitive bidding process, however, the bulk production requirements and market capacity constraints limit the benefits of this competitive process. The Bank will, during the course of the Project, engage with the Textbook Board to explore and suggest appropriate options for optimizing the benefits of this competition. Also, in view of the continuing quality issues with civil works, a comprehensive review of civil works in the sector (how school construction and improvement is managed and procured) is planned under this Project to identify alternative options for both design and management of school construction.

51. Since EEPs relate to recurrent expenditures such as salary and allowance, stipends, funds for recurrent expenditures to SCs, and to PEF for enrollment-based subsidies to low fee schools, procurement plans are not likely to be required. However, a detailed plan will be reviewed to determine the types of contracts that could be considered eligible and Procurement Plans will be prepared and agreed for TA activities under Component 2 of the Project. Procurements under the EEPs and TA component will use procurement procedures agreed with the Bank.

D. Social

52. Participatory Approach and Community Accountability: A Social Assessment was conducted during the preparation process, and shows that the Project supports the Government's program which follows a participatory approach of holding consultations with direct and indirect stakeholders including parents, students, teachers, community members, SC members, civil society, government departments, and private sector. The program covers all geographic areas of the province with special focus on the lagging and less developed districts. The Social Assessment also provides an inclusive participatory framework for the involvement of stakeholders over the project cycle.

53. Poverty and Gender: The program addresses some aspects of poverty through targeted interventions that would benefit poorer groups more. In addition, the program also aims to continue to provide support to the private sector to reach less privileged groups. The program supports and mainstreams gender in the education sector through support to female students and

teachers either through specific interventions or an enabling environment where female teachers will have better access to training, pay and facilities.

54. Grievance Redressal: The social aspects of the program also include measures for improving the grievance redressal/complaint resolution mechanism through established mechanisms at the provincial and district levels, and also through the PESRP website. The education sector is linking up with the Provincial Complaint Cell. Creation of awareness of program interventions and objectives is key to creating demand and knowledge of demand, and this is also being promoted through the SC capacity building program.

55. The Project does not envisage any acquisition of land for public purposes but, if required, will use land voluntarily donated by the communities. In order to ensure that transparent participatory processes are followed, the Environmental and Social Management Framework (ESMF) provides conditions that require to be met for use of any land donated by an individual or community. It will entail the signing of an agreement between IDA (the Bank) and the Punjab Government that will among other, ensure: (i) the ownership of the land and voluntary nature of the donation; (ii) that the land is appropriate for the intended purpose; (iii) that the land does not belong to any donor who is below the poverty line or whose holdings would be reduced below the minimum size as stipulated to be economically viable (2.5 acres); (iv) that there are no encumbrances on the land; (v) that it does not negatively impact on the livelihood of any vulnerable groups, and if so, that community developed mitigation measures are acceptable to the affectees; (vi) that no compensation will be paid for the land; and (vii) that the owner gives up all claims on the land and the title will be transferred to the recipient through the notary public or a registered deed or any other procedure prescribed by the law of the state.

56. The Social Assessment did not identify the presence of any known Indigenous People in the project area hence OP 4.10 is not triggered. However, during implementation of the Project should any such group be identified, the Government will prepare an Indigenous Peoples Development Plan, and implement it after obtaining Bank clearance.

E. Environment

57. Most of the activities to be financed by the Bank are environmentally benign and will rather result in enhanced environmental benefits. However, some of the program activities, which include construction/rehabilitation of schools, and adding missing facilities may have some negative impacts, which require good 'housekeeping' measures as part of environmental due diligence. The significance and severity of these negative impacts is likely to be low to medium, in view of the nature and extent of the construction/rehabilitation activities, and hence the Project has been classified as Category B, in accordance with OP 4.01 of the Bank. In order to address these concerns and in compliance with OP 4.01, an Environmental Assessment has been carried out and an ESMF developed by the Punjab Government (see details in Annex 10), which has been disclosed prior to Appraisal. ESMF includes appropriate mitigation measures to adequately address the safeguard issues, defines implementation arrangements, stipulates monitoring requirements, and assigns supervision responsibilities.

58. Environment Enhancement Opportunities: A significant number of schools in Punjab do not have access to safe drinking water and sanitation facilities. Furthermore, the current school

building designs do not provide protection against natural disasters in the high risk areas. The TA component will address these issues through: (a) reinforcement of selected school buildings in high risk areas (piloting); (b) provision of low-cost water treatment facilities – compliant to the WHO guidelines - in selected schools; (c) provision of natural disaster preparedness and hygiene training to teachers and students; and (d) preparation of guidelines for school building design/construction, addressing aspects such as natural lighting and ventilation, aesthetics, protection against natural disasters, water supply, sanitation, maximizing use of local construction materials, and consideration of the local climatic conditions.

F. Safeguard policies

Safeguard Policies Triggered	Yes	No	TBD
Environmental Assessment (OP/BP 4.01)	X		
Some of the project activities may cause a low level of adverse environmental impacts, hence this OP is triggered and the project is categorized as B. In response to this OP, the ESMF has been developed. The environmental mitigation measures proposed under the ESMF will help reduce if not completely eliminate the adverse impacts of the project, and will also enhance the environmental performance of the project.			
Natural Habitats (OP/BP 4.04)		X	
Forests (OP/BP 4.36)		X	
Pest Management (OP 4.09)		X	
Physical Cultural Resources (OP/BP 4.11)		X	
Indigenous Peoples (OP/BP 4.10)		X	
Involuntary Resettlement (OP/BP 4.12)		X	
Safety of Dams (OP/BP 4.37)		X	
Projects on International Waterways (OP/BP 7.50)		X	
Projects in Disputed Areas (OP/BP 7.60)		X	

G. Policy Exceptions and Readiness

59. No policy exceptions are sought.

60. All actions required as appraisal and negotiations conditions have been met. The project's implementation, fiduciary and M&E arrangements are in place (with baseline data available for key performance indicators).

Annex 1: Country and Sector Background

PAKISTAN: Punjab Education Sector Project

61. After a decade of slow growth and little progress in poverty reduction and social indicators, Pakistan enjoyed, beginning in 2000, a period of robust macroeconomic performance and wide-ranging reforms. Real GDP growth averaged 5 percent per year from 2000-01 and 2004/05, and reached over 7 percent in the two following years. During this period, poverty rates declined from 34.5 percent to 22.3 percent at the national level and social indicators started to show some improvements. Developments in Punjab, the province which comprises about 60 percent of the total population in Pakistan, followed a similar path. Poverty rates fell from 23.4 percent to 12.1 percent in urban areas and from 28.4 percent to 21.0 percent in rural areas. The macroeconomic situation, however, worsened significantly in 2007-08 and in recent months on account of domestic and external factors, but evidence is not yet available to show whether the positive trend towards poverty reduction has been maintained, stopped or reversed.

62. As part of the Government's overall reform efforts, high priority was given to the improvement of social indicators, and in particular to the education sector. Pakistan's Poverty Reduction Strategy Paper (PRSP) was finalized in 2003. It complemented the Government of Pakistan's five-year Medium-Term Development Framework and laid down the direction of future reforms and programs. Implementation, however, rested with the provinces since, under Pakistan's constitution, education is a provincial subject and education financing and service delivery responsibilities rest in the hands of the province and districts.

Box 1: Recent Data Sources Used For Analysis

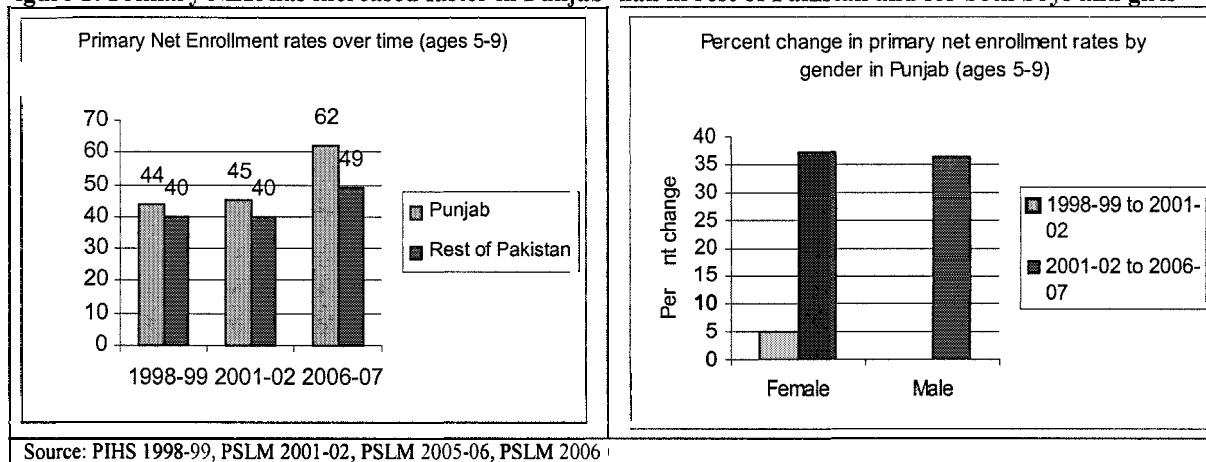
- **Four repeated cross-sections of nationally and provincially representative household surveys.** The PIHS 1998-1999, PIHS 2001-2002, PSLM 2005-2006, PSLM 2006-07 are all representative at the provincial level.
- **The National Education Assessment System (NEAS):** Two rounds of large scale national assessments for grade 4 were conducted in 2005 and 2006 and a preliminary analysis of the accompanying background information on student and school characteristics has been provided by the NEAS. The 2006 round also tested Grade 8 students. In Punjab the sample included nearly 4,000 students in 660 schools in Grade 4 with a slightly larger sample for Grade 8.
- **The LEAPS survey:** Two rounds of the LEAPS survey took place in Punjab in 2003 and 2005 in rural areas of three districts of Attock, Faisalabad and Rahimyar Khan. 112 Villages were randomly selected from the set of villages with at least one private school. All schools, public and private, providing primary education in the sample villages were surveyed and 12,000 students in Grade 3 in these schools were tested.
- **Punjab Examination Commission (PEC):** School examinations for Grades 5 have been conducted in 2005, 2006, and 2007, and for Grade 8 in 2006 and 2007. In 2006, about 1.8 million children in both grades from public and private schools participated.

63. In 2003, the Government of Punjab took the lead among other provinces of Pakistan in launching a comprehensive reform program - the Punjab Education Sector Reform Program (PESRP) - which aimed at improving access, quality and governance in the education sector. This program included supply-side interventions such as upgrading schools and filling teacher vacancies and demand-side measures such as stipends for girls and subsidies to low fee private schools. In parallel, a number of reforms in teachers' recruitment and professional development, textbook production and the examination system were initiated. The following sections take stock of recent achievements and of remaining challenges (see Box 1 for data sources used).

Recent Achievements

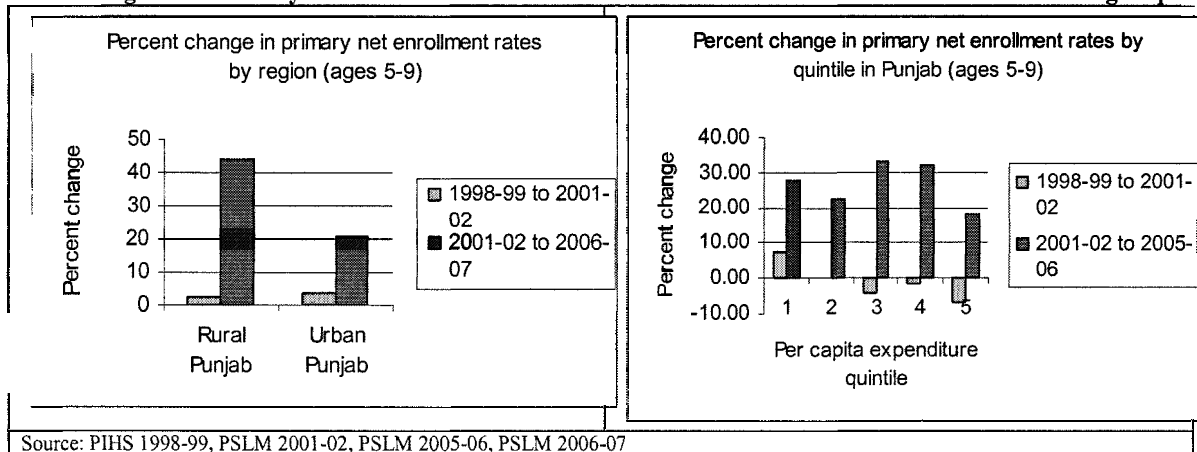
64. **Net primary enrollment rates in Punjab have significantly increased since 2001-02, and at a faster rate than in the rest of the country.** While rates stagnated in the late 1990s, net primary enrollment in Punjab increased by 38 percent between 2001-02 and 2006-07 and now reaches 62 percent for the 5 to 9 age group. Both boys and girls have increased their participation by 36-37 percent. Female enrollment rate has reached 59 percent (vs. 64 percent for males). Although improvements also occurred in the rest of the country during this period of rapid growth, Punjab continued to perform better and increased its comparative advantage over the other provinces (Figure 1).

Figure 1: Primary NER has increased faster in Punjab than in rest of Pakistan and for both boys and girls



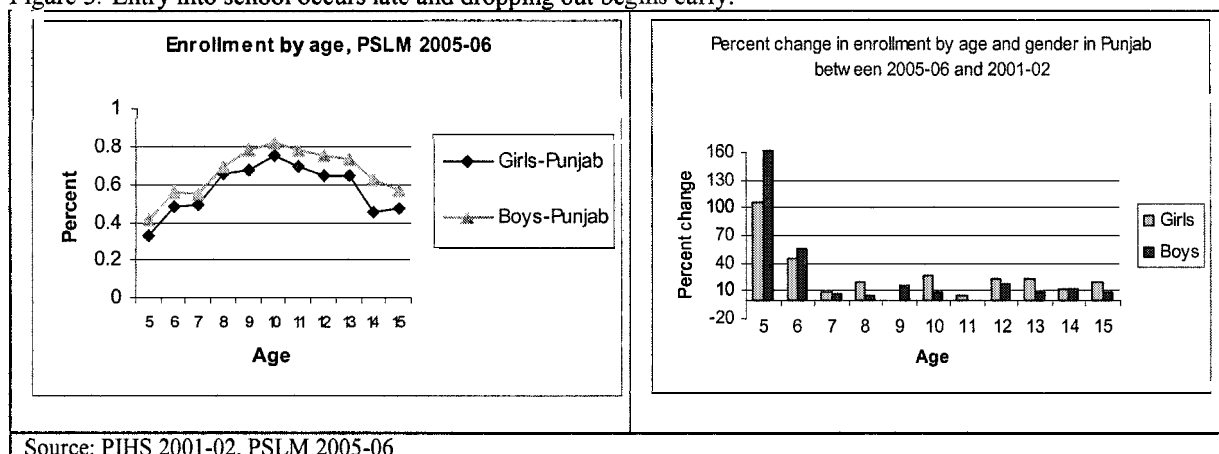
65. **The increase in primary enrollment in Punjab took place in both rural and urban areas, and across all income groups.** Although all groups did benefit, the faster increase observed in rural areas contributed to a narrowing of the urban-rural gap (from .17 to .11 percentage points) and progress in terms of access from low and middle income groups allowed some improvements in terms of equity (Figure 2).

Figure 2: Primary NER has increased faster in rural areas and for low and middle income groups



66. **Although school participation is characterized by late entry into primary school, it is at ages 5 and 6 that participation increased most over the last five years.** Enrollment rates are affected by the age at which children enter school. Although the official age bracket for primary school is 5 to 9 in Punjab, many children enter school at an age later than 5 and remain in primary school beyond the age of 9. Over the last five years, however, an increasing number of children have entered school earlier and the mean age of children enrolled in Grade 1 has fallen from 6.8 years to 6.2 in Punjab (Figure 3), compared to 6.5 years in rest of Pakistan.

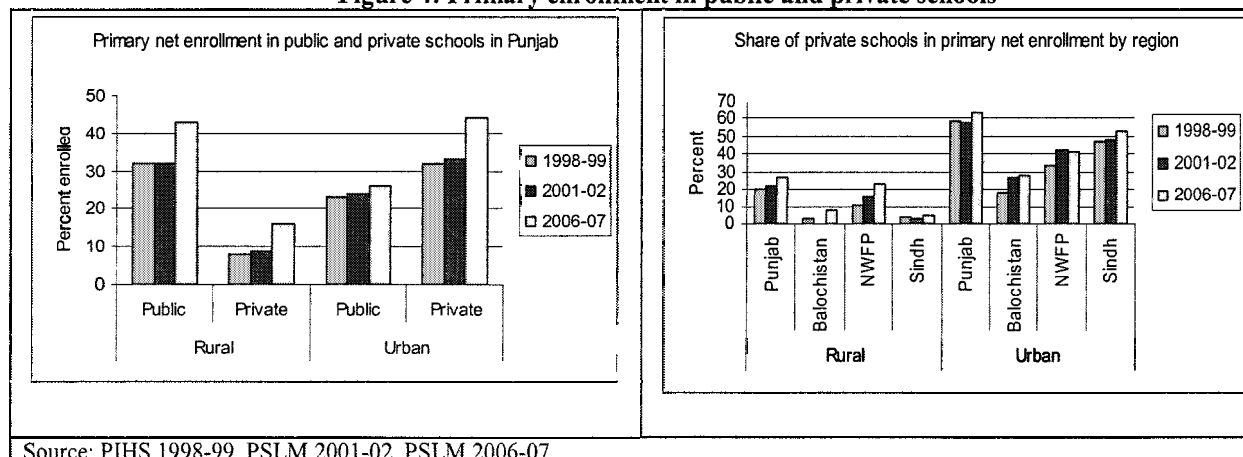
Figure 3: Entry into school occurs late and dropping out begins early.



Source: PIHS 2001-02, PSLM 2005-06

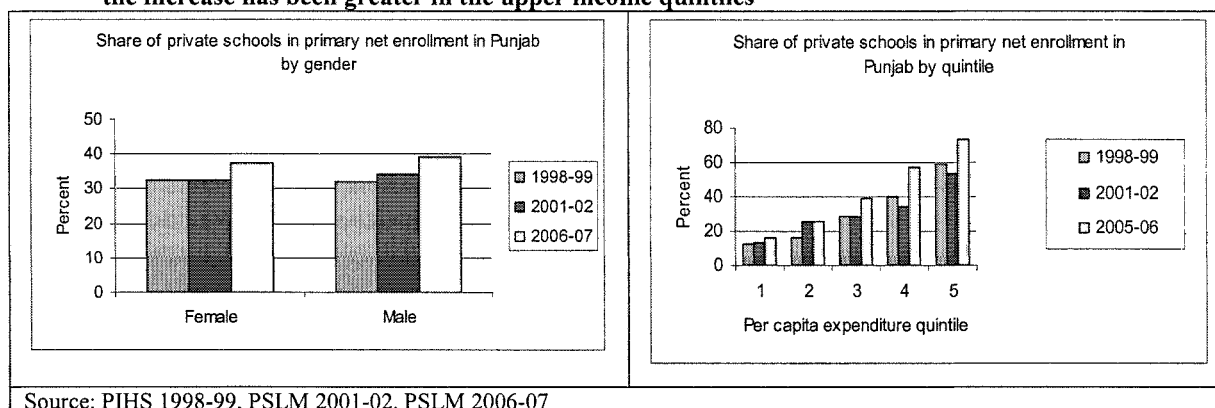
67. **Both public and private schools have contributed to increased enrollment.** Private schools, however, have gained in the share of enrollment for both boys and girls, and in urban and rural areas, a phenomenon that is observed across all provinces of Pakistan (Figure 4). The increase in the share of private schools has been greater in the upper income quintiles (Figure 5) and, although the poor have access to private schools in both rural and urban areas, the share of private school enrollment in the bottom expenditure quintiles remains below 20 percent and has not increased much over time. To give greater opportunities to children from low income families to attend private schools, the Punjab Government has started supporting low cost private schools through PEF and this program is already benefiting around half a million children.

Figure 4: Primary enrollment in public and private schools



Source: PIHS 1998-99, PSLM 2001-02, PSLM 2006-07

Figure 5: Share of private schools in primary enrollment has increased for both boys and girls but the increase has been greater in the upper income quintiles



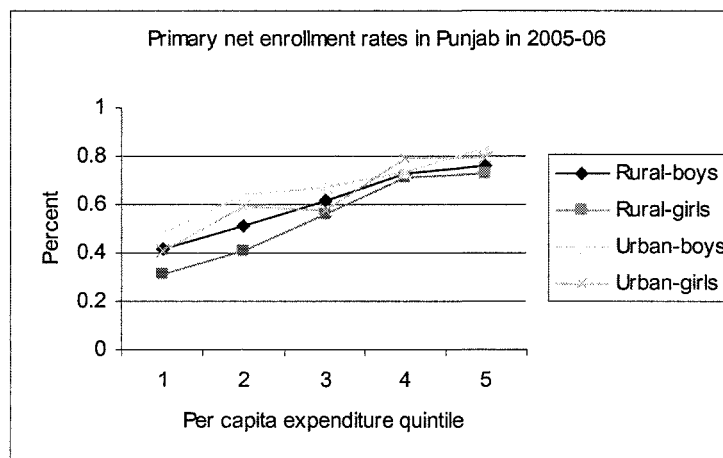
Source: PIHS 1998-99, PSLM 2001-02, PSLM 2006-07

Remaining Challenges in Access

68. Despite the recent progress, large gaps remain and Punjab still faces significant challenges regarding access to primary education. There are still 38 percent of children between ages 5 to 9 who do not attend school. The rural-urban gap remains large, particularly for poor households. It is larger than the gender gap which itself is predominantly a rural phenomenon (Figure 6). Disparities are best seen in comparing urban males with rural females: for every 100 boys who enroll in school in urban Punjab, only 66 girls do so in rural Punjab. In urban areas, the main gaps are between the richest and poorest quintiles.

Figure 6: The urban-rural divide is large for the poor

69. *Access is a more significant issue than retention at the primary level.* While a large proportion of children never attend school, those who do, have fairly high completion rates in Punjab: about 89 percent for urban boys, 92 percent for urban girls, and 85 percent for both rural boys and girls. Nevertheless, at the end of primary school which for many children occurs after age 10 due to late entry, dropout rates are high and only a small proportion of students pursue their studies beyond that level (Figure 3).

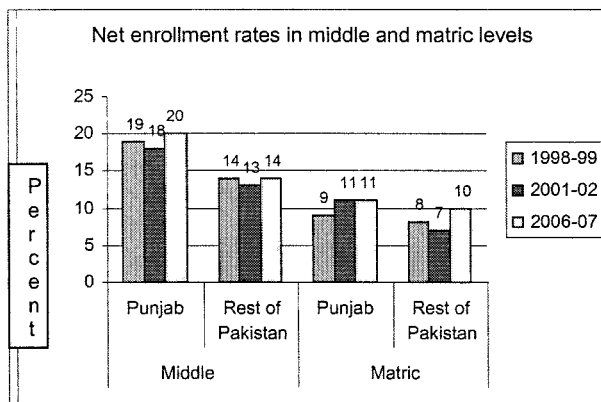


Source: PSLM 2005-06

70. *Transition rates from primary to middle and secondary education remain very low.* As a result, net enrollment rates at the middle and secondary (matric) levels are only at 20 percent and 11 percent respectively in 2006/07 (Figure 7). Only about 30 percent of urban boys, 40 percent of urban girls, 21 percent of rural boys and 20 percent of rural girls who complete primary

education also complete middle school.²² Although the stipend program in districts with low literacy rates has had a positive impact on girl's enrollment in Grades 6-10, there is a clear need to pursue this strategy for a longer period of time (Box 2).

Figure 7: Net enrollment rates are much lower at middle and matric levels



Source: PIHS 1998-99, 2001-02, PSLM 2005-06, PSLM 2006-07

Box 2: The Female Secondary School Stipend Program in Punjab

The Government of Punjab introduced the female secondary school stipend program in 2004 in 15 low-literacy districts of Punjab. Under the program girls enrolled in middle school (Grades 6-8) received a conditional cash transfer of Rs. 200 per month²³ for attending public schools. Chaudhury and Parajuli (2006) conducted a rigorous impact evaluation of the Punjab stipend program. They estimate the *net* growth in female enrollments in grade 6-8 in stipend eligible schools using different estimation strategies including difference-and-difference (DD), triple differencing (DDD) and regression-discontinuity design (RDD). Results indicate a modest but statistically significant impact of the intervention. The average program impact between 2003 and 2005 was an increase of 6 female students per school in terms of absolute change and an increase of 9 percent female enrollment in terms of relative change. Regardless of the estimation strategy, the impact is consistently significant and positive. A triangulation effort was also undertaken by the authors using two rounds of a nationally representative household survey conducted by the Federal Bureau of Statistics before and after the intervention (PIHS 2001-02 and PSLM 2004-05). Even though the household surveys were meant to be representative at the provincial level, results corroborate evidence of the impact using school census data.

71. Although improvements have been made in infrastructure in recent years, poor infrastructure and low availability of functioning schools remain a constraint in increasing access, and more so for girls. According to the two rounds of the LEAPS survey in 2003 and 2005, even though infrastructure has improved in recent years, the gap remains significant. With the exception of a few public schools that are poorly equipped in terms of even basic facilities such as classrooms and blackboards, most schools have adequate classrooms and blackboards but lack facilities like toilets, teaching aids, libraries, boundary walls and access to electricity. Still 45 percent of public schools do not have access to electricity, 37 percent do not have boundary walls and 74 percent do not have a library (Table A). Absenteeism among enrolled children tends to be higher in schools with missing facilities. In addition, distance to school affects enrollment of girls more than boys and accounts for 60 percent of the gender gap in enrollment (LEAPS)²⁴. For every 500 meter increase in distance to school, girls' enrollment

²² Estimates for completion and transition are for children between the ages 15 to 19 using PSLM 2005-06 survey.

²³ In dollar terms, this is about \$US 3 per month.

²⁴ Learning and Education Achievement in Punjab Schools (LEAPS), World Bank Report, February 2008.

drops by 20 percentage points. Physical access is a more serious constraint at secondary and higher levels as there are fewer of these schools compared to primary schools.

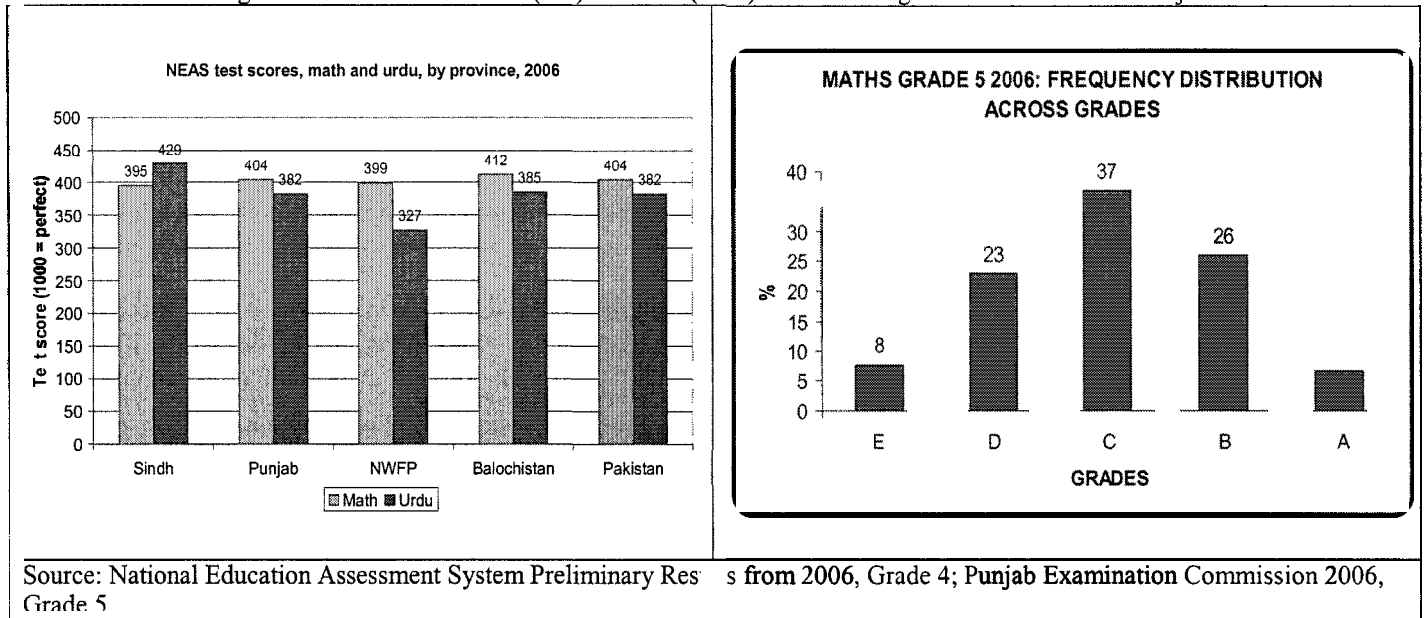
<i>Infrastructure in public schools</i>	<i>Percent change between 2003-2005</i>	<i>Level in 2005</i>
Number of toilets per school	38	.36
Percent schools with library	65	.26
Percent schools with boundary wall	-5	.63
Percent schools with fan	8	.48
Percent schools with electricity	10	.55

Remaining Challenges in Quality of Education

72. The increased investments in the education sector and institutional reforms under the first phase of PESRP have not yet translated into improved student learning and the education system is still ill- equipped to provide the school population with the relevant skills and training required to contribute productively toward society and the economy. Considerable progress has been made over the last few years to measure and monitor learning outcomes. This includes the National Education Assessment System (NEAS) established at the national level, and the Punjab Examination Commission (PEC) at the provincial level which has seen a set of recent reforms to improve the quality of assessment. These are supplemented by an extensive research program on learning outcomes that was initiated in 2003 in three districts in Punjab. The test content, test administration and samples are different in each of these assessments, making it difficult to compare results across them. However, all of the studies concur that learning outcomes are poor (Figure 8) and substantially below curricular standards. Another common finding is that private schools perform significantly better than public schools. See Box 3 for a more detailed description of the findings of these studies.

73. The low quality of education can be related to a number of issues related to teachers and pedagogy: (i) low levels of teacher competence; (ii) high teacher absenteeism; (iii) inappropriate curriculum and textbooks that include outdated material; (iv) outdated pedagogical methods; and (v) inadequate teaching materials and aids. The institutional infrastructure for in-service training exists, but the content of training is weak. Pedagogic methods rely on rote learning and high stakes examination. Most textbooks do not have accompanying teacher guides, nor do they possess adequate teaching materials. Finally, there is no system for carrying out periodic assessments of teachers.

Figure 8: Results from NEAS (left) and PEC (right) show learning outcomes are low in Punjab



74. Teaching practices remain outdated and are largely based on a culture of rote learning gearing students towards examination. The profession of teaching has become one of the least desirable career aspirations for young graduates, not least because of the low levels of remuneration but also due to the lack of other incentives. Teachers are seldom provided academic guidance; use of supplementary materials is limited; and training has not necessarily led to improved classroom practices. Much of the reliance to date on improving teacher performance has been on teacher training. The province still has a long way to go to provide competencies complemented by support mechanisms to motivate teachers to improve classroom teaching practices, a process which has now started through on-site mentoring. A further challenge, especially at the primary level, relates to the limited time that teachers can actually spend with students, given the prevailing multi-grade environment.

75. Textbooks and Learning Material: A major part of reform over the past three years has been to open up textbook authorship, publishing and printing under a phased approach. Printing of textbooks has been gradually opened up to competition, which has improved the print and physical quality of these books and has lowered the cost. However the quality of the content of textbooks has not been improved as textbooks had not come up for renewal during the past three years. The Federal Ministry of Education has recently revised the curriculum as a part of a national curriculum reform program. New textbooks coming up for renewal will be prepared under the new curriculum, and book authorship will take place under an open competitive manner, leading to improvement of the content quality of textbooks.

76. At the classroom level, there is a scarcity of up-to-date learning material to supplement textbooks. Past experience with use of supplementary materials has shown that training teachers to integrate materials such as charts, reading materials, and other learning aides into their lessons is not effective as classroom based practice is often very different from the environment in training programs. More on-site classroom based support is required to bring a cultural shift in teaching practices, including effective use of support materials.

Box 3: Learning outcomes in Punjab

This box summarizes key findings on student learning outcomes in mathematics and language and on their determinants from (i) the NEAS 2006 round of grade 4 standardized tests carried out in Punjab and nationwide *in government schools* only; (ii) the 2003 LEAPS survey of grade 3 in rural Punjab which includes public and private schools, and (iii) the 2006 PEC survey of grade 5 which includes public and private schools. In the NEAS, scores on tests provide a measure of how well the students can answer questions based on the National Curriculum. Scaled scores are used with the scale used the same as in TIMSS, SAT, TOEFL, etc. The range of scaled scores is 0-1000 and the scales are constructed so that a student achieving 50 percent correct marks receives a scaled score of 500 and the standard deviation of the scale is set at 100.

- *Learning outcomes are low:* Both in Punjab and in Pakistan, scores in Grade 4 were significantly below the set mean in language and mathematics. The mean scores in mathematics and Urdu in Punjab were comparable to Pakistan (Figure 6). Initial available results on Grade 8 also indicate low mean scores in language and mathematics, although higher than the mean for Pakistan. In the NEAS, nationwide, mathematics results were better when it came to number recognition and simple mathematical processes while results were weakest when it came to conceptual applications of processes, definitions, relations and measurement or in geometry or spatial competencies. In language performance, the most difficult areas were narrative or persuasive writing, and reading for connection, while students did better at reading for information, or general understanding.
- The LEAPS survey also showed that students' knowledge in mathematics and Urdu is far below curricular standards in rural Punjab. Mathematics questions involving division and multiplication are difficult for most students in grade 3. Even simple operations such as subtraction and addition are not acquired by many students. Only 65 percent of third graders were able to do single digit subtraction comparable to grade 1 in the curriculum. Results in language were also poor. As an example, only about 30 percent of third graders were able to write a simple sentence using the word "school".
- *The LEAPS survey finds that schools make a large difference to learning outcomes.* More than 50 percent of the variation in scores is due to differences among schools. In other words, differences in learning outcomes between children would fall significantly if all children presently attending "bad" schools were to attend "good" schools. Child and household characteristics such as gender, age, parental education and wealth add little explanatory power. Unlike the gender gap in enrollment, the gender gap in scores is insignificant for both mathematics and Urdu. Private schools outperform government schools in learning outcomes. The private-public scores gap is larger than the gap due to socio-economic differences across students. In fact learning outcomes in private schools remain significantly higher even after controlling for differences in school and child/household characteristics. Private schools have lower student-teacher ratios and better infrastructure but they do not account for much of the score gap between public and private schools. The report suggests that difference in teacher effort between public and private schools may be one of the key factors accounting for the test score differential. It estimates that students in public school will require between 1.5 to 2.5 years of additional schooling to reach learning levels of private school students in Grade 3.
- The PEC results from Grade 5 also indicate that learning outcomes are below curricular standard. PEC assesses students on competencies that closely reflect the curriculum. Children are assigned a percent correct score. In Grade 5, mean scores were 46 percent in mathematics and 52 percent in Urdu. Mathematics competencies were also graded by difficulty levels from A to E, A being the most advanced ones and D/E being the most basic ones (Figure 7). A-level competencies include calculating areas of squares and rectangles, solving word problems involving basic operations on fractions, solving everyday problems involving proportions while D/E level competencies include multiplication and addition in everyday context, identifying shapes, writing roman numerals up to 50 etc. Only 7 (26) percent of grade 5 children could do the more advanced A (B) level competencies.
- *The PEC results find that school characteristics are associated with scores.* These include school type, medium of instruction, location, gender mix of students and school level. Private schools have higher scores than public schools. Schools using English as the medium of instruction do better than schools using Urdu as the medium of instruction. Schools in urban areas do better than those in rural areas. Schools that have students from both genders have higher scores than schools with only boys or only girls. Schools that have grades up to high school or middle school do better than schools with only primary level grades.

Challenges in Sector Management and Governance

77. Despite programs under PESRP that aimed to improve capacity and governance, there are still large gaps in district and local level capacity to provide effective support to schools. In order to make schools function more effectively, district governance and management capacity has to be improved, accountability mechanisms strengthened, school based management improved, and communities empowered. The capacity for planning and managing education service delivery at the district level is still weak. While field monitoring systems have been effective, these now need to be integrated into the district education departments' main responsibilities. Building upon lessons and operational experiences of the pilot program for strengthening school council (SC) capacity, community level participation in school management also requires further strengthening. At the provincial level, while credible monitoring and planning systems have been established, these need to be strengthened to enable more robust analysis for measuring and identifying student learning performance, and to provide support for improving quality of learning. Capacity for fiduciary functions at both provincial levels also requires improvement. Further focus on these areas will help to improve governance and accountability in the sector, reduce inefficiencies and corruption, and bring better service delivery to the communities.

78. The mechanisms for ensuring teacher accountability remain weak. The Punjab Schools Education Department is one of the largest employers in the country (over 500,000 staff), yet it has limited capacity to monitor staff performance. The LEAPS survey reports teacher absenteeism rates around 20 percent. High teacher absenteeism emanates from political interference in postings and transfers, weak monitoring and supervision, and lack of accountability in the system. Especially problematic are the guidelines of the outdated Civil Servants Act, which make it virtually impossible to fire staff when necessary by preventing action against poor performers. Teachers are hired primarily on the basis of education and training qualifications. Once hired, there is limited accountability. Teacher salaries in the government sector are based on teacher qualifications such as education, training and experience and are in no way linked to teacher effort or learning outcomes²⁵. The Government has started addressing this issue by recruiting local teachers and giving them school based contracts according to the need-based and facility-specific contract recruitment in place since 2005. This recruitment policy together with the intensive school monitoring system, absenteeism has started to decline. But given that there are large numbers of teachers in the system from the pre-contract policy implementation, much more is required in terms of strengthening accountability of the teacher to the communities, including through a stronger role of the School Council, Although teacher accountability is a serious concern, it is important to note that part of the absence among teachers stems from the non teaching duties assigned to them. In the LEAPS survey, 26 percent of teachers in public schools reported absence due to non teaching work required of them.

²⁵ A large fraction of government teachers is highly educated (45 percent have a college or masters degree) and trained. 94 percent have received teacher training (PTC, CT or Bachelor of education degree). 88 percent have 3 or more years of teaching experience.

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

PAKISTAN: Punjab Education Sector Project

<i>Sector Issue</i>	<i>Project</i>	<i>Ratings (For Bank Projects Only)</i>
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-II), 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
To 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

Other Development Agencies	
<i>Development Partner</i>	<i>Project</i>
European Commission (EC)	Sindh Education Plan Support Program; 2006 - 2011
European Commission (EC)	NWFP Education Sector Reforms Program; 2008 – 2013
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
Asian Development Bank (ADB)	Girls Primary Education Project; 2000 - 2006
Japan Bank of International Cooperation (JBIC)	Middle Level Education Project; 1998 - 2006
United States Agency for International Development (USAID)	Education Sector Reforms Assistance Program; 2002 – 2007 EdLinks; 2008 - 2013
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: Punjab Education Sector Project

Arrangements for results monitoring

I. Introduction

79. Drawing on the success and lessons of experience from the Government's established monitoring system under PESRP, the monitoring framework under the Project benefits from developed, data-based and school-based monitoring mechanisms that are reviewed periodically at the Provincial, District and sub-District levels for assessing progress in the Project's outcomes and results. Disbursement Linked Indicators (DLIs) and other key indicators to monitor implementation and outcomes were agreed during preparation, in accordance with the Project's development objectives.

80. The use of timely data and information to support and monitor progress has increasingly been embedded into PESRP implementation at the Provincial and District levels. The School Education Department (SED), through the PMIU with collaboration from other apex educational institutions such as DSD, PEC and PEAS, operates a comprehensive monitoring system which it is relying on more and more for information-based decision-making. For example, two key areas of data usage for decision-making relate to the composite index of district performance (prepared monthly) and the identification of missing school facilities, which are used by the District Review Committee, chaired by the DCO, to: (i) introduce corrective measures; (ii) formulate appropriate action plans; and (iii) allocate funding according to priorities.

81. SED's monitoring system comprises a number of inter-linked aspects of internal monitoring, involving 35 District Monitoring Officers (equipped with a district EMIS), and 929 Monitoring and Evaluation Assistants, whose tasks focus on data collection and verification of such indicators as teachers and students' attendance, school cleanliness, free textbook provision, stipends, upon which a monthly Performance Evaluation Index (PEI) for each district is derived. This is further reinforced by regular third party validations and evaluations. This education monitoring system has been an exemplary model for other sectors in the Punjab Province, as well as for education programs in other provinces. Thus, the system of data collection, validation, compilation and analysis is fairly reliable. The Government of Punjab, under the leadership of the Chief Secretary and implemented by the Implementation and Coordination Department (of Punjab Government), is introducing a system of e-monitoring which promotes greater use of electronic communications down to the sub-district level to enable real-time monitoring. Under the Project, the focus is on fine-tuning and further strengthening the system, based on lessons from past experience, to be able to measure program implementation and outcome results effectively under the agreed framework.

II. Sources of Data for Monitoring Outcomes and Outputs

82. SED's school monitoring system features: (i) an annual school census; (ii) the School Management Information System (SMIS); and (iii) a monthly monitoring system.

83. *School Management Information System (SMIS):* At the provincial level, the PMIU maintains a dynamic School Education Monitoring Information System (SMIS), under which bi-annual school censuses are conducted and the data used regularly for planning. This census data has also been transferred to the districts and is bi-annually updated. Similarly a College Management Information System (CMIS) is also fully functioning. The system is being used for posting and transfer decisions thereby making the process much more transparent. In a short period, it has introduced a shift in the business process related to management of human resources in the college sector.

84. *Program Monitoring through Performance Evaluation Index:* In addition to these management information systems, ongoing monitoring is conducted through a system which tracks sector expenditures, implementation progress on program interventions, and overall sector progress. Monthly monitoring data is linked and districts performance is ranked. The provincial government conducts monthly review meetings with all districts.

85. *District Level Monitoring:* Two monitoring streams are under implementation. These are: (a) the office of DMO which includes the district EMIS functions, and the School Monitoring Wing which is supported by the MEAs; and (b) the monitoring done through the EDO (Education). The office of the District Monitoring Officer, assisted by MEAs, is the backbone of the effective district-based system of school monitoring and data collection, which is regulated by the PMIU. It functions as an in-built third party monitoring outside of the mainstream district education department. To enable them to perform their tasks effectively, MEAs are assigned areas or “school circles,” which enable each of them to visit at least four schools per day. Each school in the circle is visited at least once. Every month MEAs are rotated within a district to ensure veracity and transparency in data collection and monitoring. MEAs are required to fill out a two-page monthly monitoring checklist, which includes items such as enrollment, teacher attendance, student attendance, and stipends and textbook delivery. In addition, every year MEAs act as enumerators for the SMIS. In addition, monthly review meetings are conducted by the District Coordination Officer with the DMO and EDOs to regularly assess performance at tehsil and sub tehsil level.

86. *Third Party Validations (TPVs):* In addition to data triangulation across databases, the PMIU arranges for third party validations (TPV) to be undertaken to test the validity of monthly monitoring data to: (i) assess the quality of civil works and supply of furniture being carried out under the program for up-gradation of missing school facilities; (ii) verify the actual receipt of stipends and of free textbooks; and (iii) assess the impact of teacher training and public-private partnership through PEF. These serve as an important external check on internal monitoring systems.

87. Information on the education program is widely disseminated on the Government’s website²⁶. Going forward, this website will also include a citizen complaint mechanism, which is an important step towards creating a culture of citizen/client reporting. In addition, the SC capacity building program will also include dissemination among primary stakeholders.

²⁶ <http://pesrp.punjab.gov.pk>

III. Monitoring of Outcomes

88. **Enhance quality of school education:** To measure improvements in learning outcomes, education quality diagnostics instruments will be used to assess learning levels against grade competencies and through examinations. In this regard, SED will be supported by the Provincial Educational Assessment Center (in collaboration with the *National Education Assessment System [NEAS]*) for assessment of learning levels at Grades 4 and 8. NEAS provides important information on learning gaps, and the Punjab Education Assessment Center undertakes in depth analysis to provide horizontal and vertical feedback into the system. This capacity will be strengthened.

89. For measuring learning levels through examinations, SED will be assisted by the *Punjab Examination Commission (PEC)* for administering examinations for Grades 5 and 8. PEC maintains a comprehensive database of student achievement in Grades 5 and 8. This information will be expanded to include Grade 10 (Board results) and used together with the SMIS to conduct analysis to identify factors affecting poor performance and those contributing to good performance, and will feed into programs to provide additional support to poor performers and rewards to the best performing/most improving schools.

90. **Improve school participation and completion and reduce gender and urban/rural disparities:** The program will monitor progress in school enrollment, completion, transition rates, and gender. This data is already being collected and analyzed regularly by the PMIU (School Education Department) at the provincial level through the *School Education Monitoring Information System (SMIS)*, described above.

Monitoring of Intermediate Outcomes

91. **Enhance education sector expenditure and improve fiduciary environment:** The systems for expenditure monitoring started three years ago are now well established both at the provincial and district levels. These provide quarterly reports on sector expenditures. Financial monitoring and audit reports, as well as procurement monitoring reports, will provide the basis for assessing progress on fiduciary aspects.

92. **Improve teaching practices and effective use of teaching/learning materials:**

- **Teacher Professional Development:** The DSD maintains a database on all professional development activities for teachers. This database also provides useful information that can be used for analysis on performance, and for planning additional support.
- **Establishment of program for certification, accreditation and licensing of teacher:** SED will provide notifications, rules and regulations relating to the establishment of certification, accreditation and licensing program for teachers.
- **Development, piloting and evaluation of program for enhancing use of teacher resource and supplementary learning material:** SED will provide notifications on policy implementation for the program in addition to the evaluation reports of the working group, minutes of meetings of the group etc.

- *Textbook Reform:* The Punjab Textbook Board (PTB) will be the source of information to monitor development of textbooks through an open competitive process, and field-testing of new textbooks.
- *Performance linked incentives program:* Notifications on policy approvals, criteria, guidelines on implementation will be provided by the SED. Implementation of the program will be monitored by the PMIU and data validated by TPVs.

93. ***Provide incentives for school participation and improved equity:*** The SMIS maintained by the PMIU will provide data on number schools with missing facilities, number of schools upgraded from primary to middle and middle to secondary, provision of free textbooks and stipend to eligible girls. This data will be validated on a periodic basis through TPVs.

94. ***Improve school management, governance and monitoring and assessment and examination systems:*** Data on the transfer of the non-salary budget and utilization of the budget will be derived from the expenditure monitoring system discussed above. Data on teacher absenteeism will be gathered from the SMIS managed by the PMIU. Information on the capacity support provided to School Councils will be provided by SED based on reports from the RSPs and validated in the second and third years through TPVs.

IV. Research and Evaluation

95. ***Impact Evaluations & Evaluation of Student Learning.*** The Technical Assistance (TA) Component will also support the strengthening of capacity to monitor learning outcomes and to evaluate the impact of quality interventions mainly through third party validations, impact evaluations for various program interventions, and relevant studies.

V. Supervision Strategy

96. The supervision strategy for the Project is based on several mechanisms that will enable enhanced implementation support to the Government of Punjab and timely and effective monitoring of Project activities. These are described in detail in the PAD and Financing Agreement of the Project. Key features of the supervision strategy are explained below:

97. **Joint Review Missions:** DPs will join the Government of Punjab to formally review program implementation semi-annually. The March/April missions will focus on assessing progress towards DLI targets, implementation of TA, and review of financial management reports. The September/October missions will conduct a comprehensive review of Project performance against the Results Framework and agree on planned actions (including financing plan) for coming years, in line with the Medium Term Sector Framework/Medium Term Fiscal Framework, in addition to progress in the TA component. As part of formal and ongoing technical missions, extensive field visits will be undertaken to determine reform outcomes, and to take corrective actions for improvement at the district and school levels. One month prior to the joint review missions, SED, through PMIU, will provide to the DPs a comprehensive progress report on program activities, and an annual plan and budget, based on the agreed MTSF, and studies and evaluations.

98. The TTL and other key members of the Bank team including fiduciary and safeguards staff and specialists from other Development Partners engaged with the Project are based in the country office which will enable continuous dialogue with the Government supplemented by missions throughout the duration of the project for additional support as and when needed.

99. SED's Monitoring System: of data collection, validation, compilation and analysis has been strengthened considerably through support in the past under the PEDPC series. It is fairly reliable and will be strengthened further through support from the Project. The DPs will use information generated from this system in assessing progress made by project activities. Key features include:

100. *School Management Information System (SMIS)*: The PMIU maintains a dynamic SMIS, under which annual school censuses are conducted and the data used regularly for planning.

101. *Program Monitoring through Performance Evaluation Index*: Ongoing monitoring is conducted through a system which tracks sector expenditures, implementation progress on program interventions, and overall sector progress. Additionally, monthly monitoring data is linked and districts performance is ranked based on indicators such as teachers and students' attendance, school cleanliness, free textbook provision, stipends, etc. This information is published on the PESRP website.

102. *District Level Monitoring*: Two monitoring streams are under implementation. These are: (a) the office of District Monitoring Officer (DMO) which includes the district EMIS functions, and the School Monitoring Wing which is supported by the Monitoring and Evaluation Assistants (MEAs); and (b) the monitoring done through the EDO (Education). MEAs are assigned areas or "school circles," which enable each of them to visit at least four schools per day. Each school in the circle is visited at least once in a month. Every month MEAs are rotated within a district to ensure veracity and transparency in data collection and monitoring. MEAs are required to fill out a two-page monthly monitoring checklist, which includes items such as enrollment, teacher attendance, student attendance, school facilities, and stipends and textbook delivery. SED employs 35 DMOs and 929 MEAs for its monitoring functions.

103. *Third party validations (TPV)* are also undertaken periodically to test the validity of monthly monitoring data. These include, for example, the quality of civil works and supply of furniture being carried out under the program for up-gradation of missing school facilities; verification of the actual receipt of stipends and of free textbooks; the impact of teacher training. These serve as an important external check on internal monitoring systems.

104. Independent Third Party Validations (TPVs): The TA component of the Project builds in third party validations of the following PESRP interventions: (i) textbook delivery; (ii) stipend delivery; (iii) missing facilities program; (iv) school up-gradation program; (v) teacher recruitment; (vi) support to school councils (transfer of recurrent budget and capacity building program); and (vii) performance-based incentive program for teachers.

105. Internal Audit: An Internal Auditing Specialist will be engaged by the PMIU to support implementation of the Project. The Internal Auditing Specialist 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. In addition, under the TA component, there is a provision for support for sectoral PFM reforms to undertake activities such as improving budget management in the education sector, capacity building of DDOs, using financial reports for decision-making, enhancing procurement effectiveness, and improving internal controls, etc.

106. External Audit: The annual financial statements of the Project (the EEPs and TA component expenditures financed by the Bank) will be audited by the Auditor-General of Pakistan²⁷. 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 Punjab.

107. Coordination with Government of Punjab's Chief Secretary E-Monitoring Initiative: A new electronic monitoring system is emerging, with introduction of enhanced use of electronic communications to enable real time monitoring. This is an initiative that is led by the Implementation and Coordination Department in the Chief Secretariat, and is tied closely to the Citizen's Complaint Cell and System. The SED is connecting its monitoring system gradually to coordinate with this new initiative, and the Task Team will work with the Punjab Government to strengthen this initiative and to gradually rely on such means to augment its supervision.

108. Security risks: The prevailing security situation in Punjab is not anticipated to have a significant impact on the supervision of the Project. If conditions warrant, the DPs will consider alternate forms of supervision, such as greater use of electronic means, reliance on TPVs and in-built monitoring. The emerging e-monitoring system of Punjab Government will also be utilized and further developed.

²⁷ The role of the Auditor-General to carry out the annual audit of the financial statements of Bank-financed projects is generally acceptable to the Bank. The Auditor-General being the Supreme Audit Institution in Pakistan has formally adopted the INTOSAI Standards on auditing. In addition, the new Financial Audit Manual enshrines the principles contained in the International Standards on Auditing issued by International Federation of Accountants.

Results Framework

Project Development Objectives	Project Outcome Indicator	Use of Project Outcome Information
Enhance quality of school education	Learning levels monitored through assessments in 4 key subjects at the Grade 5 level and through examinations (all subjects) at grade 5, 8 & 10 levels.	Learning assessments and examination results will be used as tools to identify poor performing schools/students and design improved teaching and learning processes
<p>Improve school participation and completion at primary, middle and secondary levels (grades 1- 10)</p> <p>Reduce gender and urban/rural disparities</p>	<p>Increase in net enrollment rates at primary level (Grades 1-5; age group 5-9) Overall: 62 percent to 66 percent Girls: 59 percent to 62 percent Boys: 64 percent to 70 percent</p> <p>Increase in net enrollment rates at middle level (Grades 6-8; age group 10-12) Overall: 20 percent to 22 percent</p> <p>Primary school completion rate: 61 percent to 65 percent</p> <p>Increase in ratio of female to male NER in rural areas Primary: 89 percent to 92 percent Middle: 74 percent to 78 percent</p>	<p>Indicators will monitor progress over time and inform government authorities about program implementation and needed adjustments.</p> <p>The performance on these indicators will be reviewed annually.</p>
Intermediate Outcomes	Intermediate Outcome Indicators	Use of Intermediate Outcome Monitoring
<i>Enhance education sector expenditure and improve fiduciary environment</i>	<p>Annual education budget consistent with Medium-Term Sector Framework and Medium-Term Fiscal Framework</p> <p>Education expenditures in line with budget targets</p> <p>At least 60 percent reduction in outstanding advance audit paragraphs (provincial and district levels) in the education sector for FY08 and FY09</p> <p>40 percent improvement in procurement performance in education sector as measured by improvement in: a) publication of awards, b) time for preparation of bids; c) bidder Participation; d) bid acceptance; e) bid processing lead time; f) cancelled bidding procedures; g) contract amendments; h)contract dispute resolution; i) completion rate; and j) late payment</p>	Indicators will provide information on the process of budget execution, the sustainability of sector financing and improvements in accountability and transparency in the financial management and procurement systems. They will measure the improvement in the internal control systems of the department and the systems for procurement of goods, services and civil works in the sector
<i>Improve teaching practices and effective use of teaching and learning materials</i>	<p>Teachers in all districts provided training and on-site support by DSD under the CPD Framework</p> <p>Development, piloting and evaluation of program</p>	These indicators will provide information on the gradual improvement in the teaching and learning process and the

	<p>for enhanced use of teacher resource and supplementary learning material</p> <p>Establishment of a certification, accreditation and licensing program for teachers</p> <p>Implementation of textbook reform; Number of books developed by authors selected through an open competitive process; Number of textbooks field tested</p> <p>Number of schools awarded performance-linked incentives for teachers in best-performing schools</p>	<p>reduction in disparities between schools' performance</p>
<p><i>Provide incentives for school participation and improved equity</i></p>	<p>Decrease in number of schools with missing facilities from 2009 baseline</p> <p>Number of schools upgraded from primary to middle; Number of schools upgraded from middle to secondary; (percent of girls' schools upgraded)</p> <p>Free textbooks delivered to public schools within the first month of the academic year Timely delivery of stipends to eligible girls</p> <p>Public financial support for students in low cost private schools expanded and evaluated</p>	<p>These indicators will inform about improvements in the quality of service delivery and the reduction in the number of out-of-school children (in particular, girls)</p>
<p><i>Improve school management, governance and monitoring and assessment and examination systems</i></p>	<p>Percent of SCs that received non-salary budget in a timely manner</p> <p>Percent utilization of school-based budgets</p> <p>Percent of SCs provided capacity support</p> <p>Percent reduction in teacher absenteeism from 2008 baseline</p> <p>Number of teacher recruited in accordance with a recruitment plan based on the approved recruitment policy</p> <p>Transparent examination and assessment system, providing quality information on student learning</p> <p>Monitoring and evaluation system strengthened at province and district levels</p> <p>School census conducted annually</p>	<p>Transfers to school councils and reorganization of district education offices will be instruments to strengthen accountability for service delivery at school and district levels.</p> <p>The M&E system – including the census and examination data – will be critical for a better assessment of needs and for feeding into policy design.</p>

PESRP OUTCOME INDICATORS

Indicator	Baseline	2008-09	2009-10	2010-11	2011-2012
Overall NER, primary level (5-9 age group, Grades 1-5) [female, male]	62% [59%, 64%]	63% [59.8%, 65.5]	64% [60.5%, 67%]	65% [61.3%, 68.5%]	66% [62%, 70%]
Overall NER, middle level (10-12 age group, Grades 6-8)	20%	20.5%	21%	21.5%	22%
Female-male ratio NER, primary level in rural areas (5-9 age group, Grades 1-5)	89%	89.8%	90.5%	91.3%	92%
Female-male ratio NER, middle level in rural areas (10-12 age group, Grades 6-8)	74%	75%	76%	77%	78%
Primary school completion rate	61%	62%	63%	64%	65%
Teacher absenteeism rate	15.1%	13.8%	12.6%	11.3%	10%
Learning levels monitored through assessments and examinations	Grade 4 & 8 national assessments in 4 key subjects; Grade 5 & 8 School Examinations, and Grade 10 matriculate exams	Assessments and examinations conducted as per schedule; analysis completed	Assessments and examinations conducted as per schedule; analysis completed	Assessments and examinations conducted as per schedule; analysis completed	Improved quality of Grade 5 provincial assessments in at least 2 key subjects; improved quality of national and school exams

Protocol: Net Enrollment Rate (NER) statistics obtained from the Pakistan Social and Living Standards Measurement Survey (PSLM). Baseline of NER and female-male ratio in Primary and Middle derived from the 2006-07 PSLM report. Completion Rate derived from annual census data (students in Grade 1 in 2003/students in Grade 6 in 2008). Teacher absenteeism data from the SMIS maintained by the PMIU; baseline from PEI of March, 2007.

DISBURSEMENT LINKED INDICATORS

Area	Indicator	Baseline	DLIs for FY09 disbursement	DLIs for FY10 disbursement	DLIs for FY11 disbursement	Protocol
DLI 1: Fiscal and budget management	Preparation of MTSF		Core Sector Program for FY09 approved by SED, Planning & Development and Finance Departments, and fully financed in accordance with the Medium-Term Sector Framework (MTSF)	FY10 and FY 11 sector program approved with financing levels in accordance with MTSF	FY11 sector program approved with financing levels in accordance with MTSF	(i) Funding for the core education program included in the Medium Term Fiscal Framework (MTFF) and approved by Finance and Planning and Development Departments; and (ii) subsequent annual budgets in accordance with the approved sector framework.
DLI 2: Improving teacher performance	Improved quality of teaching	Limited teacher incentive programs currently underway	Data simulation exercise undertaken in two districts for the implementation of a province-wide program to provide performance-linked incentives to teachers in the form of cash awards to 20 percent highest performing schools in each district	(1) Disbursement of performance-linked awards for FY10 to 20 percent highest performing schools based on approved criteria and validated by third party; and (2) Program expanded to include a category that dedicates 20 percent of the total award amount to schools that show most improvement	(1) Disbursement of performance-linked awards for FY11 to 20 percent highest performing schools and to most improving schools in all districts based on approved criteria and validated by third party	(i) Initial criteria (for FY09) to be based on (a) student performance as verified by achievement in PEC/matric exams; and (b) school performance as verified by increase in enrollment and decrease in dropouts using SMIS data; (ii) Final criteria (based on simulation exercises) agreed with DPs and notified for implementation of the program by September 2009; (iv) Program implemented on the basis of approved criteria; (v) the lists of schools provided awards publicly disclosed; (vi) TPY conducted in FY11 and (vii) criteria for most improving schools to be agreed with the DPs.
DLI 3: School improvement	Decrease in number of schools with missing facilities ²⁸	30,854 public schools (Primary, Middle, High and Higher Secondary) with one or more missing facility ²⁹	Schools Department begins implementation of the program to provide all missing facilities to schools on a whole school approach basis	At least 1,500 schools provided missing facilities on a whole school approach basis	An additional 1,500 schools provided missing facilities on a whole school approach basis and validated by a third party organization	(i) Guidelines for selection of schools to be provided missing facilities to be agreed with DPs and to include: (a) One scheme for each school by SED to provide all missing facilities, (b) lists of qualifying schools to be prepared using SMIS data, (c) list provided to districts for review by the District Steering Committees for selection and preparation of individual PC-Is; (ii) Program implemented in accordance with the guidelines agreed with the DPs; and (iii) TPY completed in FY11 on a sample basis to assess if: (a) all missing facilities were provided to each school; and (b) schools provided missing facilities in accordance with the guidelines for provision of missing facilities agreed with DPs.
DLI 4: Increased access to higher levels	Increased transition from Primary to Middle,	44,684 public primary schools,	Schools Department prepares implementation plan and develops priority list of 1,400 primary schools and	600 Primary Schools and 200 Middle Schools Upgraded	An additional 800 Primary Schools and 200 Middle Schools upgraded, validation by a third party organization.	(i) Criteria for selection of school to be upgraded to be based on: (a) land area (for Primary to Middle(boys:25 marlas; girls: 20 marlas) for Middle to High (boys:60 mar-las; girls:40 mar-las) for high to

²⁸ Missing facilities defined as boundary wall, clean drinking water, toilet and electricity

²⁹ October 2008 census

Area	Indicator	Baseline	DLIs for FY09 disbursement	DLIs for FY10 disbursement	DLIs for FY11 disbursement	Protocol																														
of education	Middle to High and Higher Secondary	7,397 middle schools, 4,545 public high schools	400 middle schools identified for upgrading, as part of a program for upgrading schools from primary to middle, middle to high schools, giving priority to girls and rural areas			higher secondary: min. 16 kanals} (b) total enrollment {for Primary to Middle (boys: 100; girls: 80) and in grades 4 and 5 (boys: 20; girls: 15) for Middle to High (boys: 200; girls: 150) and in grades 7 and 8 (boys: 40; girls: 30); (c) For High to Higher Secondary, no college/higher secondary school in 10km radius and 20km for boys; (ii) criteria to be agreed with DPs; (iii) medium-term school up-graduation plan to prioritize schools on the basis of enrollment needs using data provided by the PMIU developed and sent to District Steering Committees for implementation; (iv) schools up-graduation implemented in accordance with the approved criteria agreed with the DPs and the medium-term up-graduation plan; and (v) TPY conducted in FY11.																														
DLI 5: Provision of textbooks to public schools	Continued timely delivery of free textbooks to public schools	Free textbooks delivered to 80% of public schools (grades 1-10)	Free textbooks delivered to at least 80 percent of public schools within the first month of the academic year beginning August 2008	Free textbooks delivered to at least 90 percent of public schools within the first month of the academic year beginning April 2009, validated by a third party organization	(1) Free textbooks delivered to at least 90 percent of public schools within the first month of the academic year beginning April 2010; and (2) Commence field testing of selected new books on a sample basis.	(i) All books continue to be published through an open competitive process for development, printing/publishing of textbooks; (ii) TPY conducted in FY10; and (iii) At least 5 new textbooks developed under the new curriculum guidelines field tested on a sample basis in 8 districts.																														
DLI 6: Girls Stipend Program	Timely provision of stipends to eligible girls enrolled in grades 6-10 in public schools	% of eligible girls enrolled in grades 6-10 in public schools received stipends within the quarter for the preceding quarter	Delivery of stipends to at least 80 percent of eligible girls (grades 6-10 in public schools) as per the following schedule agreed with IDA. <table border="1"> <thead> <tr> <th>Quarter</th> <th>By date</th> </tr> </thead> <tbody> <tr> <td>Oct-Dec'07</td> <td>Apr 1 '08</td> </tr> <tr> <td>Jan-Mar'08</td> <td>July 1 '08</td> </tr> <tr> <td>Apr-Jun'08</td> <td>Oct 1 '08</td> </tr> <tr> <td>Jul-Sep'08</td> <td>Jan 1 '09</td> </tr> </tbody> </table>	Quarter	By date	Oct-Dec'07	Apr 1 '08	Jan-Mar'08	July 1 '08	Apr-Jun'08	Oct 1 '08	Jul-Sep'08	Jan 1 '09	Delivery of stipends to at least 85 percent of eligible girls (grades 6-10 in public schools) as per the schedule agreed with IDA. <table border="1"> <thead> <tr> <th>Quarter</th> <th>By date</th> </tr> </thead> <tbody> <tr> <td>Oct-Dec'08</td> <td>Apr 1 '09</td> </tr> <tr> <td>Jan-Mar'09</td> <td>July 1 '09</td> </tr> <tr> <td>Apr-Jun'09</td> <td>Oct 1 '09</td> </tr> <tr> <td>Jul-Sep'09</td> <td>Jan 1 '10</td> </tr> </tbody> </table>	Quarter	By date	Oct-Dec'08	Apr 1 '09	Jan-Mar'09	July 1 '09	Apr-Jun'09	Oct 1 '09	Jul-Sep'09	Jan 1 '10	Delivery of stipends to at least 90 percent of eligible girls (grades 6-10 in public schools) as per the schedule agreed with IDA. <table border="1"> <thead> <tr> <th>Quarter</th> <th>By date</th> </tr> </thead> <tbody> <tr> <td>Oct-Dec'09</td> <td>Apr 1 '10</td> </tr> <tr> <td>Jan-Mar'10</td> <td>July 1 '10</td> </tr> <tr> <td>Apr-Jun'10</td> <td>Oct 1 '10</td> </tr> <tr> <td>Jul-Sep'10</td> <td>Jan 1 '11</td> </tr> </tbody> </table>	Quarter	By date	Oct-Dec'09	Apr 1 '10	Jan-Mar'10	July 1 '10	Apr-Jun'10	Oct 1 '10	Jul-Sep'10	Jan 1 '11	(i) Streamlined process for delivery of stipends: (a) Funds transferred to Account- IV in the first half of the disbursement month (April for Jan-March quarter); (b) Funds transferred from Account IV to PSA within 1 month of the beginning of the disbursement month; and (c) issuance of money orders to eligible girls commenced from week 4 of the disbursement month; and (ii) TPY conducted in FY10.
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DLI 7: Support to the low cost private sector schools	Increase in public financial support for students in low cost private schools	Foundation Assisted Schools (FAS) providing support to 494,958	Over 1000 schools supported under the FAS program, and over 40 supported under the NSP program with appropriate resources, from the budget of PKR 3 bn. transferred to the Punjab	Over 1,300 schools supported under the FAS program, and over 150 schools supported under the NSP program with appropriate resources (PEF budget for FY10 approved in	Over 1,500 schools supported under the FAS program, and over 200 schools supported under the NSP program with appropriate resources (PEF budget for FY11 approved in	Timely is defined as within one month of beginning of the financial quarter																														

Area	Indicator	Baseline	DLIs for FY09 disbursement	DLIs for FY10 disbursement	DLIs for FY11 disbursement	Protocol
DLI 8: Strengthening school level management	(i) Enhanced accountability of teachers; (ii) Increased capacity of SCs for effective school management; and (iii) Reduced teacher absenteeism	students; New Schools Program (NSP) initiated School Council capacity support being provided in 6 districts of Punjab	Education Foundation (PEF). 20 percent of public primary and middle School Councils provided capacity building through partnership arrangements with RSPs, and receiving School Council grants for FY09 in their accounts.	line with the Medium Term Sector Framework along with a timely quarterly transfer of allocated funds. (1) 70 percent of public primary and middle School Councils provided capacity building through arrangement with RSPs, and receiving School Council grants in their accounts; and (2) Operational Guidelines for School Council management disseminated.	line with the Medium Term Sector Framework along with a timely quarterly transfer of allocated funds. 95 percent of public primary and middle School Councils in all 35 districts provided capacity building through arrangement with RSPs, and receiving School Council grants in their accounts.	(i) MOUs with RSPs signed for capacity building for School Councils, including mobilization and training; (ii) Funds transferred to SC Accounts within the first quarter of the fiscal year for FY10 and FY11; (iii) TTY to assess the capacity support provided by the RSPs to SCs conducted in FY10 and FY11; (iv) School Council operational guidelines to include simplified procurement, financial record-keeping procedures; and (v) SC Policy implemented effectively including the hiring of voluntary teachers.
DLI 9: Public school teacher recruitment	Teachers recruited on a merit and need basis	Merit-based teacher recruitment policy in place. Number of teachers to be recruited identified based on annual demand.	Recruitment of 34,000 teachers initiated in all 35 districts, and completed in at least 2 districts according to merit-based policy	Implementation of teacher recruitment as per the agreed recruitment plan	Implementation of teacher recruitment as per the agreed recruitment plan and validated by a third party organization	(i) Recruitment consistent with merit based recruitment policy; (ii) The recruitment plan to take into account: (a) subject specialist needs (at least one teacher of each subject in all schools), (b) enrollment loads (STR 40:1) and (c) Recruitment Policy(2008) implemented in past years; and (iii) recruitment plan to be agreed with DPs; (iv) TTY
DLI 10: Examination and assessment systems	(i) Transparent examination and assessment system; and (ii) Good quality information on student learning	3 rounds of Grade 5 & 8 exams conducted in AY07-08; province-wide assessment of students in grade 4 undertaken for all 4 key subjects in AY07	Examinations for grades 5 and 8 conducted by the Punjab Examination Commission (PEC) for academic year beginning April 2008 in March 2009	A province-wide mathematics assessment of students in grade 5 in a district-representative sample of public schools successfully implemented by PEAS and fully financed and appropriately technically staffed PEC in academic year beginning April 2009.	(1) A province-wide mathematics, language and social studies assessment of students in grade 5 in a district-representative sample of public schools successfully implemented by PEAS in Academic year beginning April 2010. (2) Analysis of mathematics assessment data undertaken in previous year completed by PEAS.	(i) PEC Exams conducted by March 2009 for AY08; (ii) technical staff for PEC to include research staff and Examination Coordinator and their ToRs to be agreed with the DPs; (iii) funds transferred in accordance with MTSF; and (iv) Successful implementation of PEAS assessment is defined as complete fielding of the test. Assessments are those developed by PEAS. Completion of data analysis verified by using PEAS data analysis reports. Test sample documentation for each round to be provided by PMIU. Use of assessment by teachers in public schools verified by using PEAS reporting documentation; and (v) Program to provide additional support to low performing schools and districts developed

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

109. The Government of Punjab has been implementing a comprehensive Punjab Education Sector Reform Program (PESRP) since 2003. The Bank supported the PESRP from its inception through a series of four Development Policy Credits and technical assistance on the interventions under the PESRP. The proposed Project aims to continue support to the Government of Punjab as it embarks on developing and implementing second generation reforms in the education sector. The Government's Medium-Term Sector Framework (MTSF) for the education sector outlines the government's programs to improve quality, access and governance in the sector over the next three years. The Development Partners (DPs) are proposing to align their support to this MTSF.

110. The Project is structured around two components: (i) *Component 1 - Program Financing (US\$340 million, IDA)*: contributes to financing the medium-term program of the Government that includes various interventions to improve access, quality and governance in education that together help contribute to achieving the project development objectives. Component 1 will disburse against the selected Eligible Expenditure Programs (EEPs) in the sector; and (ii) *Component 2 – Technical Assistance (US\$ 10 million)* is designed to strengthen existing capacities for implementation and monitoring of the sector program. The TA component will disburse against financial management reports submitted by the Government.

111. Disbursements under the project (Component 1) will be made against a set of proposed Eligible Expenditure Programs (EEPs) which include both sizeable, relatively large recurrent expenditures as well as smaller EEPs. The largest EEPs are teachers and education sector staff salaries. Other relatively large EEPs are girls' stipends program, School Council recurrent budget, financing of the low cost private sector under PEF, and performance linked incentives (from the second year onwards). The smaller EEPs include high priority programs such as capacity building for school councils, and monitoring and evaluation programs. The Bank's guidelines on financial management, procurement and social and environmental safeguards will be applicable to the *EEPs* mentioned above.

112. ***Disbursements will be made against Eligible Expenditure Programs conditional on the achievement of a certain percentage of Disbursement Linked Indicators.*** 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. This matrix constitutes the DLI matrix³⁰, and includes key outcome indicators as well as policy, institutional development and output indicators embedded in the results monitoring framework of PESRP.

113. Meeting at least 80 percent of the agreed DLIs each fiscal year (8 out of 10 DLIs) will constitute the primary basis for triggering Credit disbursements against the Project's EEPs (Component 1). The DLIs will be monetized, on an equal weight basis during the *final* verification in each yearly disbursement cycle (May/June). The unitary DLI price will be derived by dividing the capped amount of annual disbursement planned for the fiscal year with the number of respective DLIs. Eligible disbursement amounts will be based on the sum of the

³⁰ In Annex 3.

achieved DLIs multiplied by the unitary DLI price. The value of any unmet DLIs would be rolled over to the next disbursement. If the minimum condition of 80 percent of DLIs is not met in a particular year by the annual verification date, disbursement will be held till the minimum number of DLIs is met.

Component 1: Financing of the PESRP [Total: \$3,340million, IDA: US\$340 million]

114. This component will support the implementation of the MTSF of the Government of Punjab's PESRP. The DP's support will amount to approximately 10 percent of the total program of the Government, and about 15 percent of EEP expenditures.

Sub-Component 1.1: Enhanced Education Sector Expenditures and Improved Fiduciary Environment

115. This sub-component focuses on improving education sector expenditures, and further deepening the broader provincial reforms initiated for financial management and procurement over the last few years in the education sector. The Project not only supports an increase in education sector budget over the medium-term period but also promotes improvement in the quality and efficiency of sector expenditures. The Government has prepared a Medium-term Sector Framework, which is aligned to the province's medium-term fiscal framework, and this will be updated annually to reflect the medium term requirement and plans of the sector for all key activities and interventions in the PESRP.

116. Underpinning the MTSF are the FM and procurement reforms and actions. The Project supports improvements in FM practices to instill a culture of remedial action on audits and strengthening capacity and awareness for better and increased spending in line with the objectives of the sector program. Capacity for improved internal audit will be enhanced and supported by capacity building of education staff to follow up on audit observations. Improved FM at the provincial level will include timely preparation of expenditure reports.

117. Procurement reforms in Punjab initiated in the past several years will be continued, and the provincial Public Procurement Regulatory Authority (PPRA) will be supported to translate the reforms into an implementation strategy. In the sector, better procurement practices in civil works, procurement of textbooks, and furniture will be developed and implemented. Improvement of procurement practices of the education sector will be measured through tracking the following key indicators: (a) publication of awards; (b) time for preparation of bids; (c) bidder participation; (d) bid acceptance; (e) bid processing lead time; (f) cancelled bidding procedures; (g) contract amendments; (h) contract dispute resolution; (i) completion rate; and (j) late payment.

Punjab Education Sector Project: Piloting Use of Country Systems in Procurement

The Punjab Education Sector Project has been selected as one of the pilot projects for using country systems in procurement. In May 2008, the Board approved a methodology by which the Bank could promote stronger country procurement systems by introducing a piloting program under which national procurement systems would be relied upon for ICB contracts in countries that have achieved procurement standards equivalent to those embodied in the Bank's Procurement Guidelines and have demonstrated capacity to carry out such procurement. The Bank is proposing to conduct one such pilot in the education sector in Punjab. Should the Punjab Government agree to the pilot, the first steps would be to conduct an assessment both of the regulatory framework and the performance in the area of procurement, which would form the basis of an action plan that will be agreed to remove any gaps between the systems of the Punjab Government, and those required for a full adoption of the country systems over a period of 18 to 24 months. The timing of this initiative is particularly opportune for the Bank's interventions in the Punjab Education Sector Reform Program because, if the Government of Punjab is indeed able to bring about the agreed improvements, it unlocks the potential for the Bank to disburse against a wider range of eligible expenditures that are procurable.

Disbursement Linked Indicators

- Development and approval of a Medium-Term Sector Framework

Related Technical Assistance Activities

- Financial Management – technical assistance on internal auditing focused on systemic and internal control improvements
- Expenditure tracking/third party validation in key PESRP focus programs
- Technical assistance to review the system for procurement and execution of works for schools including a review of civil works: (i) procurement systems; and (ii) execution processes; TA to review school design
- Technical assistance for implementing procurement reforms in Punjab including the education sector
- Technical assistance for improving environment aspects (see TA Component for more details)

Sub-Component 1.2: Improved Quality of Education

118. Sub-Component 1.2 is the key pillar relating to improving the environment for quality education and contributing to enhanced student learning. Improving quality of education and strengthening the systems for measurement of student learning is a central objective of PESRP, and Sub-Component 1.2 supports this objective. This sub-component supports four strategic objectives, aligned to PESRP's objectives relating to improvement in quality of education: improved teaching practices, enhanced use of teaching and learning materials, establishment of a provincial teacher accreditation system, and provision of performance-based incentives to teachers. The key interventions include:

119. ***Teacher Professional Development:*** The Government of Punjab has invested considerably in the area of teacher professional development through the Continuous Professional Development (CPD) program in the past few years. The Directorate of Staff Development (DSD) has established a system for training and for the ongoing mentoring and on-

site support for teachers, which is currently under implementation in twelve districts. There has been progress in terms of number of trainings held, number of teachers and other personnel trained, creating structures and in designing the processes and procedures. The role of the Provincial Institute of Teacher Education (PITE) is also being regenerated and it is taking responsibility for delivering several activities along with DSD. DSD completed, during the first quarter of FY09, ten training activities targeting 93,905 participants. Additionally, PITE has planned training of secondary school heads and secondary school teachers at a cost of Rs. 235.7 million. Training structures have been created at the district level (DTSC) as well as at the grassroots level (CTSC) with LTEs and DTEs being in-charge of the centers respectively at district level and below district level. District Coordination Committees have also been set up in all districts. Quality Assurance Mechanisms have been created at the DSD, DTSC, and CTSC levels. The Project will provide direct support for this ongoing program, in addition to providing technical assistance for strengthening the implementation of the program based on detailed evaluations that are currently underway. It is envisaged for the learning from the evaluations to be integrated into the implementation of the program before it is expanded to the remaining 23 districts of the province in year three of the Project.

120. ***Effective use of teaching and learning material:*** The Project proposes to provide support for appropriately developed teacher resource and supplementary material which will accompany textbooks so that teachers are aware of how to effectively use the books. The Government of Punjab has established a working group of technical experts and practitioners which will guide this process of developing appropriate teacher resource and supplementary material for primary and middle school levels. On the basis of extensive consultation with relevant stakeholders including schools, training providers, Punjab Textbook Board (PTBB) and publishers, the working group will review critical factors impeding the use of supplementary materials in government schools, recommend ways to support their practical use, analyze the system for introducing materials in the classroom through existing mechanisms, and ensure that these are in line with the learning objectives in the curriculum. Based on the recommendations of the Working Group, a program for enhancing quality of teacher resource and supplementary material used in classrooms will be developed by the Schools Education Department, and a pilot program on enhancing use of teacher resource and supplementary learning material implemented in two districts in the second year of the Project. In year three, an independent evaluation of the pilot is planned, based on the results of which a plan to expand the program is envisaged during the implementation of this project.

121. ***Teacher accreditation, certification and licensing:*** Putting in place a system for teacher accreditation, certification and licensing is a key element of improving the quality of teachers at entry and for maintaining standards while in service. The Project will support the development of a system for teacher accreditation, certification and licensing. The Project will provide support to the Government of Punjab's Technical Task Force on Teacher Certification, Licensing and Accreditation, comprising practitioners from the public and private sectors. The Task Force is mandated to review the existing teacher certification program and the Ministry of Education's work on teacher certification and standards to assess suitability of the federal program for implementation in Punjab. It will identify appropriate teacher education standards required for preparing teachers with the knowledge, skills and personal attributes to meet future needs, and assess the on-going structures and processes necessary to guarantee the quality and number of teachers required. It will also identify appropriate institutions for teacher certification. The Task

Force will develop a policy roadmap for the adoption of standards for teacher education in Punjab. By the third year of the project, an autonomous provincial accreditation board based on the recommendations of the task force will be established.

122. **Performance based incentives for teachers:** The Government has allocated Rs. 1 billion for FY09 for a program to give incentives to teachers on the basis of performance at the school level. Under the program, awards will be provided to schools linked to student performance (based on PEC results) and school performance (based on student enrollments, dropouts data from SMIS). Recognizing the positive impact of effective teacher incentive programs on the quality of teaching and resultant student learning outcomes³¹, the Project is supporting this initiative of the Government of Punjab through the Project. It has been selected as one of the eligible expenditure items through which disbursements under the project will be made. Cash awards will be provided to 20 percent of the best performing schools in each district under this incentive program. The monitoring system set up under the PESRP will be used to gather and analyze data to generate the list of eligible schools. Initial criteria (for FY09) to provide incentive awards will be based on (a) student performance as verified by achievement in PEC/matric exams; and (b) school performance as verified by increase in enrollment and decrease in dropouts using SMIS data. However, to ensure that this criteria ensures equitable distribution of awards among rural/urban and poor districts, simulation exercises on the basis of the current criteria will be conducted in at least 2 districts with the participation of district education staff to test both the criteria and process of selection of best performing schools. On the basis of the results of these simulation exercises, final criteria will be notified for implementation of the program on the basis of which the program will be taken up to scale and implemented province-wide. A TPV to validate (a) selection of schools on basis of approved criteria, (b) awards provided only to the list of schools generated by PMIU on the basis of data, and (c) award amount identified by PMIU on the basis of data provided to schools will be conducted in FY11. Also, in the second year of the project, a category for most improving schools will be included which will also be provided incentive awards under this program.

Eligible Expenditure Programs

123. Sub-Component 2 includes the following EE items: Performance based incentives for teachers.

Disbursement Linked Indicators

- A program to provide Performance Linked Incentives to 20 percent highest performing schools and subsequent initiated

Related Technical Assistance Activities

- Evaluation of implementation of CPD program for primary teachers
- Support for working group evaluation of teaching and learning material including teacher resource material and supplementary material.

³¹ *Teacher Performance Pay: Experimental Evidence from India.* Muralidharan, Karthik; Sundararaman, Venkatesh. October 2008.

- TA for task force working on the design of the teacher certification system; assessment of certification, licensing & accreditation programs in other countries to inform policy development
- TA to inform design of the head teachers program specifically with respect to roles and accountabilities of head teachers
- Impact evaluation of the performance-based incentive program for teachers and of the continuous professional development framework

Sub-Component 1.3: Improved Access and Equity

124. Sub-Component 1.3 supports the Government's program to bridge the remaining access gap, with specific focus on reducing regional and gender disparities. The strategic objectives supported include: improved school environment through decrease in the number of schools with missing facilities; increased access to higher levels of education; timely delivery of free textbooks and stipends; and, increased public financial support for the low cost private sector.

125. ***Missing facilities:*** Out of a total of 44,684 primary schools in Punjab, about 64 percent³² are still lacking at least one basic facility, i.e. water, electricity, a boundary wall or toilet. Providing these facilities to all schools in the province would greatly contribute to the access agenda³³. Under the MTSF, the Government of Punjab envisages providing these missing facilities to at least 3000 schools with one or more missing facility by the end of the Project. The Government will follow a whole school approach to provide these missing facilities, meaning that there will be one scheme for each school to provide all missing facilities in the school under the same contract. This will ensure that all missing facilities are provided to every school through one school-specific contract. Guidelines for selection of schools to be provided missing facilities are based on SMIS data provided by PMIU. Although expenditure under this program is not an EEP under the Project, it is a critical DLI which will determine disbursements under the Project. Further, it will be linked closely with the technical assistance the DPs will provide on improving the procurement systems and execution processes employed for civil works in the province.

126. ***School Up-gradation Program:*** Up-gradation is a key program to expand access to middle, secondary and higher secondary levels of schooling, particularly for girls. Approximately Rs. 4.9 billion is allocated to upgrade schools from primary to middle and from middle to high school standards in FY09. Of this amount Rs 2.0 billion is specifically allocated for upgrading girls' schools. The program focuses on the southern districts of Punjab and on girls, which will help meet the outcomes relating to gender parity and reducing regional disparities. Criteria for selection of schools to be upgraded has been agreed with DPs and is based on land area; total enrollment; and distance to the nearest school. A medium-term school up-gradation plan to prioritize schools on the basis of need (enrollment loads) using data provided by the PMIU is being prepared for implementation. While this program is not an eligible expenditure item under the Project, it is an important DLI.

³² Data from PMIU

³³ See section V-C of Annex 9

127. **Female Stipend Program:** This program targets 15 districts of Punjab (mostly in southern Punjab) with literacy rates below 40 percent. Stipends of Rs. 200/month are provided on a quarterly basis to girls enrolled in Grades 6-10 in government schools, conditional on their maintaining average class attendance of 80 percent. For FY09, the Government has maintained the budget allocation for stipends at approximately Rs. 1 billion and intends to do so going forward in FY10 and FY11 under the MTSF. Over 350,000 girls are receiving the stipend in Grades 6–10. An impact evaluation carried out by the Bank using both household survey and administrative data showed that the program had a significant positive impact on the net growth in female enrollment in eligible districts, with little evidence of enrollment shifts from private to public schools. The Government is continuing the program in recognition of its effectiveness in improving gender parity. Timely delivery (within one quarter of the preceding quarter) of the stipends however is critical and an important aspect of the DLI for this program and is planned to be verified through a TPV in year 2 of the Project. In addition to being a DLI for the project, this program is also an eligible expenditure item against which disbursements to the project will be made.

128. **Textbook distribution:** Provision of free textbooks is an important element of the access agenda³⁴. This activity has been managed by the PMIU who have managed the distribution of textbooks on the agreed criteria well in the past. For the academic year 2008-09, a total of 28.6 million books³⁵ have already been distributed to both public and private sector schools. Of the total, about 27.4 million (96 percent) of the free textbooks are distributed to public schools and the remainder to private. Approximately Rs. 1 billion has been allocated for this activity in FY09.

129. An important aspect of this DLI is textbook development and printing reforms. The Punjab Textbook Board (PTBB) has devised a process to develop multiple textbooks for each subject and level (starting with Grades 1, 6 and 9) in all subjects on an open competitive basis. Under this process, textbooks will be developed following the new national curricula approved in 2007. All existing textbooks are also being printed on competitive basis wherein private sector can participate irrespective of whether they are registered as printers with the PTBB or not. This competitiveness is helping improve the physical quality of books along with the prices of textbooks. Salient features of the process of textbook development include inviting the private publishers and printers through widely published advertisements to indicate the process of author selection, manuscript writing, physical designing of textbooks and all other related elements of attractive and quality textbooks in terms of content presentation and methodology, and reviewing manuscripts by provincial and national level review committees to ensure that they are in line with the curricula. In addition, the PTBB is holding workshops for authors, reviewers, and publishers (with support from GTZ). Continued publication of textbooks through an open competitive process for development and printing/publishing of textbooks is a critical aspect to be met in order for the DLI to be considered achieved.

130. Another important element of the textbook development process that this project will support is field-testing of books before finalization of the textbooks. Field testing will incorporate views of the teachers and students to see how far the textbook is teacher and student

³⁴ See section V-A of Annex 9

³⁵ Data from PMIU

friendly. A few of the new textbooks are slated to be introduced in April 2010. The PTBB is preparing a prioritized list of books/subjects which will determine the order in which the books are introduced and hence the books/subjects that will be field tested and introduced in April 2011. At least five new textbooks developed under the new curriculum guidelines will be field-tested on a sample basis in eight districts of the province under the Project. The TA component includes support for establishment of a textbook evaluation system.

131. **Support to the low cost private sector:** through the Punjab Education Foundation (PEF) is a key strategic intervention to cover the full sector to support both public and low cost private sector in expanding access and improving quality of education, especially in underserved areas. The Government has allocated Rs. 3 billion to PEF in FY09 for the ongoing Foundation Assisted Schools (FAS) program and also to enhance access in districts with high numbers of out of school children under the New Schools Program. Under the MTSF, the Government envisages expanding its support to PEF to Rs. 4 billion in year 2 and Rs. 4.5 billion in year 3 to increase coverage of PEF in areas with high numbers of out of school children.

Box 1: Impact Evaluation of the Foundation Assisted Schools Program of the Punjab Education Foundation

A rigorous impact evaluation is presently underway for investigating the causal effects of the main public-private partnership (PPP) program administered in Punjab province, and the largest PPP program in elementary education ever instituted in Pakistan. Called the Foundation-Assisted Schools (FAS) program and initiated in 2005, the program has several innovative features. The FAS program offers a monthly per-student subsidy (with free rein on how the school spends the subsidy) to low-cost private schools conditional on tuition-free schooling and a minimum level of student performance in an externally-administered independent test offered semi-annually. The program also offers large group bonuses to teachers and competitive bonuses to schools for high levels of student test performance. As of June 2008, the FAS program covered 1,082 elementary schools in 18 out of the 35 districts in Punjab, with a total enrollment of roughly half a million children.

Initial evaluation results from comparing outcome data between: (1) private schools that applied to the FAS program and just failed to pass the program entry student test; and (2) private schools that applied to the FAS program, just passed the program entry student test, and joined the program suggest significant positive effects on enrollment and school inputs such as teachers, classrooms, and blackboards. The effects are viewed as large in magnitude given the short period between when the schools entered the program and when the endline data were collected. In addition, the cost-effectiveness of the enrollment gains induced by the FAS program compares very favorably against those achieved by other rigorously-evaluated educational interventions in the developing world.

The evaluation work is ongoing. Key research questions that are expected to be examined over the next 12 months include: (1) what the effects on student learning are; (2) whether FAS schools are engaging in strategic behavior such as “teaching-to-the-test”; (3) what the effects on the socioeconomic composition of students are; and (4) whether and to what extent the FAS program has induced the displacement of students from non-program schools in the vicinity of FAS schools.

132. A key reform of PESRP, it is important to ensure continued autonomy of PEF and to institute high caliber leadership in the organization to expand the program and chalk out a strategic direction for the Foundation. The governance structure and autonomous functioning of PEF has led to good results, and this will continue to provide transparent and need-based support, particularly as PEF expands its coverage.

Eligible Expenditure Programs

133. Sub-Component 1.3 includes the following EE items: Girls stipends program; Public Private Partnership (PPP) Program – Punjab Education Foundation

Disbursement Linked Indicators

- At least 3000 schools will be provided basic missing facilities by the end of the Project
- Up-gradation of 1,400 Primary Schools to the Middle level and 400 Middle Schools to the High School level during the course of Project implementation
- Improvements in timely delivery of free textbooks to public schools
- Improvements in timely provision of stipends to eligible girls enrolled in Grades 6-10 in public schools
- Increase in public financial support for an increased number of students in low cost private schools through PEF

Related Technical Assistance Activities

- Technical assistance to develop a medium-term plan for provision of missing facilities based on data generated from the monitoring system using criteria agreed under the program
- Evaluation of the Faisalabad and the UNICEF UPE district models of the Whole School Approach, and the early childhood components
- Assistance for development of a medium-term plan for up-gradation based on an analysis of school requirements as measured by growth of population and private sector and an accompanying action plan which includes criteria for implementation
- Third party validations to assess: (i) missing facilities program; (ii) whether schools upgraded in accordance with the approved criteria; (iii) timely delivery of textbooks; (iv) girls' stipend program; and (v) the performance based incentive program
- Capacity building of the Punjab Textbook Board and private publishers, authors for textbook development
- TA to help establish a system for field testing/evaluation to provide systematic feedback into the system for improvement of new textbooks

Sub-Component 1.4: School Management, Governance & Monitoring

134. Sub-Component 1.4 focuses on improving sector governance and creating an enabling environment for schools to function more effectively. The strategic objectives supported by this sub-component are: enhanced accountability of teachers to parents and stakeholders at the local level; increased capacity of School Councils for effective school management; reduction in teacher absenteeism; recruitment and placement of teachers on a merit and need basis; transparent examination and assessment systems to enable good quality information on student learning.

135. **School Council Capacity Building Program:** In an effort to make schools function more effectively, the Government of Punjab piloted a School Council capacity building program in six districts of Punjab under PESRP. Under this pilot, 2,400 schools were provided capacity building support in partnership with Rural Support Programs (RSPs). Although a full impact evaluation of the capacity building program is yet to be commissioned, evidence of the benefits of well functioning SC are beginning to appear in these districts. A key lesson from the pilot is that for SCs to be effective, the support has to be provided for a minimum of 2-3 years in addition to timely provision of resources to the SCs in order to build sustained capacity and lead to improvement in the physical quality of the school and quality of education provided at schools. Under the MTSF, a phased roll out of a capacity building program in partnership with RSPs³⁶ is envisaged to cover all schools. Capacity support provided by RSPs will include: (a) community mobilization, (b) establishment of School Council in accordance with School Council Policy of 2007, (c) orientation on roles and accountabilities of School Councils, and (d) development of school level activity plans.

136. Recognizing that the soft side of mobilization support through RSPs/NGOs must be accompanied by timely and concurrent availability of school-specific recurrent (through district governments), and development budgets (through provincial government), timely provision of these funds to SCs has also been included as a compulsory pre-requisite to meeting the DLI. Further, the Project requires the Government to institute a streamlined process of transferring the non-salary budget directly to the accounts of the SCs to ensure sustainability of this aspect. Communities / SCs need tangible activities for school improvement around which they can be mobilized, be active and ultimately show results. Beginning from the second year of the Project, RSP support to the SCs will include development of school based activity plans that help plan the efficient use of these resources.

137. **Teacher Recruitment & Rationalization:** The Government is committed to continuing with a transparent, merit-based facility specific policy for teacher recruitment. In line with this, recruitment of an additional 34,000 contract teachers is underway for FY09, which is based on merit but also builds in a preference for locally based teachers to reduce teacher absenteeism. Going forward, the Project will support the Government in the preparation of a medium-term recruitment plan (based on data from monitoring systems) which factors in the existing, arising and future needs at the school level, with particular focus on balancing the student-teacher ratio (STR) at the primary level and ensuring adequate supply of subject specialists for elementary and secondary levels. The Government's plan for rationalization of teaching and non teaching staff recently notified will be implemented in tandem with the strategy for new recruitment and be embedded in a medium-term plan for making teachers available at schools with greatest needs as determined by enrollment loads. Any future rounds of teacher recruitment will be carried out in accordance with the medium-term recruitment plan which will be based on a need and merit based policy.

138. **School Examinations & Assessments:** Measuring student learning through examinations and learning assessments is a cross-cutting theme of both the governance and quality agendas. An independent and credible school examination system that measures student learning by

³⁶ MoUs with the National Rural Support program to provide support in 10 districts and the Punjab Rural Support Program to provide capacity support in 19 districts was signed in February 2009.

competency provides a platform for identifying interventions and for providing targeted support to poor performing schools. Autonomy of this system is thus critical to improve governance in the education sector. In view of this, the Government of Punjab has revised the Punjab Examination Commission (PEC) Ordinance and submitted it for approval by the Standing Committee of the Provincial Assembly as an Act establishing PEC as an autonomous body. Under the new universal examination system commenced three years ago with UNICEF technical support, PEC has been implementing school terminal exams for Grades 5 and 8. All public sector schools and a large number of private schools also participate. Continuation of this system is essential as it will enable the Government to conduct annual analysis of learning achievements and to identify gaps in key subjects. As one of the EEPs under the Project, PEC will receive direct support from the Project.

139. Punjab Education Assessment System (PEAS), working with NEAS has completed three rounds of student assessment for Grade 4 and two rounds of assessment for Grade 8 in Languages, Mathematics, Science and Social Studies. Findings and recommendations of the results of these assessments have started influencing the educational policies at the national and provincial level, but it is essential for deeper dissemination of findings to relevant stakeholders, including departments such as DSD and PTBB to influence necessary improvements in training programs as well as in textbooks, and to direct stakeholders such as teachers and local organizations working in the area of supporting quality in schools. The project will enhance the quality of the assessment system and support the implementation of provincial level assessments on a district-level sample basis in key subjects. This will provide better quality information on student learning achievements and gaps, and enable improvements in the system and better targeting of resources of the province to programs and areas which are identified by this system.

140. ***District Education Capacity Development:*** Capacity to implement effectively is based on strong capacity of the district education system which remains one of the weakest elements of the education program. The Project is thus supporting strengthening of district education capacity through a phased multi-year training program in partnership with a management institution³⁷, starting with Executive District Officers (EDO) for Education and district education officers. This district capacity building training is supplemented by provision of necessary mobility and technical equipment (such as computers) support to districts.

141. ***Strengthening Monitoring:*** The Project builds upon the well-established monitoring systems in the sector, and supports strengthening of field monitoring, mainstreaming of monitoring functions in the district education departments, and creating greater capacity for evidence-based planning at the provincial level. It is critical that sector decisions are made on the basis of data. Decisions on issues such as teacher recruitment, up-gradation, missing facilities, among others can be transparent only if these are implemented on the basis of need as determined through high quality monitoring data. Continued strengthening of this system is essential in improving transparency and governance in the sector. This monitoring system will receive direct support through the Project as one of the eligible expenditure programs in addition to a set of interventions under the TA component.

³⁷ The Government College University (GCU) Management Studies Department has been contracted to develop and implement a tailored training program for district education staff over the medium-term period.

Eligible Expenditure Programs

142. Sub-Component 4 includes the following EE items: Teacher salaries (Schools), School Council Capacity Building Program; District Capacity Building Program (GCU Partnership); School Council Recurrent Budget; Monitoring – PMIU/Field Monitoring.

Disbursement Linked Indicators

- Increased capacity support to School Councils for effective school management in all districts and timely transfer of funding to SCs
- Teachers recruited on a merit and need basis
- Establishment of a transparent examination and assessment system and good quality information on student learning

Related Technical Assistance activities

- Impact evaluation of the School Council capacity building pilot program
- Review of the Education Management System, and technical assistance to strengthen capacity
- Development of medium-term teacher recruitment plan based on enrollment loads, arising vacancies and population projections
- Technical assistance for PEC and PEAS including technical assistance for development of a program to provide additional support to low-performing schools
- Third party review of: (i) examination content and process conducted for each cycle of annual examination; (ii) teacher recruitment; and (iii) School Council capacity building

Component 2 – Technical Assistance [Total: US\$10 million; IDA US\$: 10 million]

143. The proposed project has a US\$ 10 million technical assistance component to support the fiduciary, quality, access and governance/monitoring programs of the PESRP. This component will disburse against presentation of financial management reports.

144. The specific TA relating to each subcomponent has been identified above. In addition, the MTSF identifies some key areas such as the district education capacity building program and the head teacher program which will be developed over the next few years before implementation of these programs begins beyond the horizon of the three year MTSF. Although they do not comprise the DLIs for the project, the DPs will provide additional technical assistance to the Government to develop these programs so they are ready for implementation in the next phase of reform.

145. The TA component is proposed to be structured into four packages which will directly support the ongoing and planned programs under the medium-term education sector framework: (i) Package A consists of TA activities to strengthen the fiduciary aspects of the program, covering financial management and procurement systems and processes in the sector; (ii)

Package B comprises third party validations of programs supported under the project ranging from delivery of textbooks to teacher recruitment; (iii) Package C proposes a plan for environment enhancement linked to the interventions supported under the PESRP; and (iv) Package D consists of TA for improving the quality of education, enhanced access, and strengthening governance and monitoring in the sector.

146. The TA packages are proposed to be managed by the Schools Department through arrangements with TA management firms and individuals. The TA management firms/individuals will coordinate and supervise the proposed activities under each package. However, overall responsibility for delivery of the technical assistance and accountability against the agreed list of TA will lie with the Schools Education Department.

147. **Package A: Education Expenditures and Fiduciary Aspects** will provide support to improve the fiduciary environment of the education sector in Punjab. The TA will focus on two main areas of financial management and procurement reform.

148. **Financial Management:** The program will continue to support PFM and accountability reforms in the province, particularly from a sectoral perspective. An area of continuing significant concern is the large number of advance audit paragraphs prepared by the AGP each year for the education sector, which in turn reflects a continued need for improving internal controls and other preventive/systemic actions. Specifically, an Internal Auditing Specialist would be engaged by the PMIU, who would carry-out a causal analysis of these audit paragraphs in order to design and implement suitable preventive/systemic actions.

149. **Procurement Reform:** Technical assistance will be provided to improve procurement performance and outcomes in the education sector which will entail gathering performance data on procurements carried out by the Department against 10 agreed indicators in the first year. This will be followed with assistance to create an action plan to improve procurement performance against DLIs agreed to, and contained in the index.

150. **Package B: Third Party Validations** - of interventions under the PESRP outlined above under the corresponding pillars of the program. In summary, the TPVs of the following programs will be conducted under this project: (i) textbook delivery; (ii) stipend delivery; (iii) missing facilities program; (iv) school up-gradation program; (v) teacher recruitment; (vi) school council capacity building program; (vii) public-private partnership program, and (viii) performance-based incentive program for teachers.

151. **Package C: Environment Aspects** – A significant number of schools in Punjab do not have access to safe drinking water and sanitation facilities. Similarly, a large number of schools in the province do not have electricity. Furthermore, currently the school building designs do not provide protection against natural disasters such as earthquakes in the high risk areas. To address these issues, environmental enhancement components have been proposed under the Punjab Education Sector Project. These proposed environmental enhancement activities include: ensuring structural safety, disaster preparedness training, architectural designs, provision of safe drinking water in accordance with the WHO guidelines, and hygiene promotion.

152. ***Package D: Quality, Access and Governance*** – This package will consist of technical assistance to support implementation of Pillars II thru IV of the PESRP as identified under the description of the corresponding subcomponents above. In addition, some technical assistance to inform the development of key programs for the next phase of reform will also be included in this package such as a review of the education management system.

153. Most notable of these is a review of the education management system. The Education Department in Punjab is one of the largest in the province in terms of number of employees. There are a total of 80,000 employees (non-teaching staff) and an additional 350,000 teaching staff under the jurisdiction of the School Education Department in Punjab. The Government of Punjab has requested assistance to undertake a comprehensive review of the management and accountability structures in the sector (building upon work initiated under the PESRP over the last several years), and help identify restructuring of education management at the provincial and district levels.

Annex 5: Indicative Program Costs
PAKISTAN: Punjab Education Sector Project

Project Cost by Component and/or Activity	Total Program Costs US\$ million
Component 1 - Punjab Education Reform Support Program	
Girls Stipends	37.5
Employee Related Exps. (primary and secondary edu.)	3032.8
School Council Recurrent Expenditures	55.0
Public/Private Partnership Grants (PEF)	140.0
School Council Capacity Building Program	15.0
District Capacity Building (GCU Partnership)	1.92
Performance Based Incentive Program	40.0
Monitoring (Education Monitoring teams)	17.8
Total Baseline cost	3,340.0
Physical Contingencies	-
Price Contingencies	-
Component 2 - Technical Assistance	10.0
Total Program Cost	3,350.0
Total IDA Financing	350.0
(Anticipated DfID Financing)	[GBP 45 m.]

Annex 6: Implementation Arrangements
PAKISTAN: Punjab Education Sector Project

Organizational Structure

154. Management and implementation arrangements for the Project provide for: (i) program direction and oversight; (ii) decentralized district-based management and implementation, with active participation from School Councils; and (iii) technical support and capacity-building. This annex describes the decentralized management structure for the Project (see Appendices 1-3 – Organizational Structure, Roles and Responsibilities).

I. Program Direction and Oversight

155. These functions are performed by members of elected bodies, representatives of various departments of Government, and stakeholders.

Provincial Level

156. The Provincial Program Steering Committee (PPSC), Government of Punjab, provides policy directives and guidance to the School Education Department (SED). The PPSC, headed by the Chairman of the Planning and Development Department (P&D), is composed of representatives of the Planning and Development Department, the Finance Department, SED, the Higher Education Department, Program Director, PMIU (member Secretary), and development partners (observers). The PPSC is expected to meet at least twice per quarter, and to conduct an annual review of policy and Program project progress, including identifying bottlenecks and proposing solutions. The annual review will be based on a progress report prepared by an independent entity, and an annual implementation plan, as reflected in the Medium-Term Sector Framework.

157. The Secretary, SED has overall oversight responsibility for implementation and monitoring of the Project framework, with support from concerned line agencies in managing education sector reforms, school activities, and in planning and budgeting. The SED is supported by apex educational institutions for program implementation at the provincial level: the Directorate of Staff Development (DSD), the Punjab Examinations Commission (PEC), the Punjab Education Assessment System (PEAS), the Punjab Textbook Board (an autonomous body), and the Punjab Education Foundation (PEF), which is fully autonomous, for implementation of program support to low-cost private schools. The Secretary, SED, is a member of the Board of PEF whose members are predominantly from the private sector. Program activities of these apex educational institutions are coordinated through the Quality Coordination Committee, which meets regularly, under the leadership of the Secretary, SED.

158. SED established PMIU to oversee the implementation of the education reform program, under the leadership of a Program Director, assisted by one Additional Program Director and three Deputy Directors (Coordination, Monitoring and Evaluation, and Planning). Over the years, the role played by the PMIU has been pivotal to implementation of the sector reform program. The PMIU is assisted by District Monitoring Officers, and Monitoring and Evaluation Assistants. It works directly under the guidance of the Secretary, SED, and acts as a policy wing

of the Department. The key functions of the PMIU are to: (a) coordinate with District Governments regarding the SED program; (b) liaise with the Finance and Planning and Development Departments, other key stakeholders, and development partners; (c) act as a repository of all program documentation; (d) prepare periodic financial statements and accounts, and ensure their reconciliation; and (e) carry out any other tasks as may be assigned to it by the PPSC or Secretary, SED. PMIU's capacity is being strengthened in the areas of financial management, procurement, and in the coordination of the technical assistance component.

District Level

159. At the district level, the Schools Education Department program is supported by the District Steering Committee, as reconstituted in 2006, chaired by the District Coordination Officer (DCO). The other members of this Committee comprise: the Executive District Officer (Finance and Planning); the Executive District Officer (Education) (EDO), District Education Officer (Works & Services), District Monitoring Officers (DMO), and any other member deemed appropriate to be co-opted by the DCO/Chairperson. The Committee is responsible for the coordination and review of progress related to enrollment, retention, and quality of education.

160. In the district, the Executive District Officer (Education), with support from DEOs (Elementary and Secondary), is responsible for program implementation, whose main tasks consist of: (i) preparing District plans and budgets (Development and Non-Development); (ii) granting scholarships; (iii) organizing meetings of district review committees; (iv) approving selected development schemes; (v) managing school councils' affairs; (vi) conducting Grade 5 & 8 Examinations; (vii) inspecting and monitoring devolved institutions; (viii) managing intra-district transfers and postings; (ix) performing monitoring and evaluation activities; (x) acting as focal point for providing institutional data/information; (xi) facilitate disbursements of stipends and incentives; and (xii) monitoring the activities of rural support organizations in mobilizing communities and training school council members. In addition, implementation and monitoring capacity at the district has been strengthened through the establishment of a district monitoring system, staffed by a District Monitoring Officer (DMO), and a team of Monitoring and Evaluation Assistants (MEAs), responsible for monitoring school performance against set program indicators. The district education system is responsible for implementation arrangements for school-level activities relating to textbooks, stipends, and identification of civil works improvements and up-gradation, and for coordinating district activities with the PMIU.

161. Coordination and identification of priorities at this level is carried out mainly through the District Review Committee chaired by the District Coordinating Officer, and including the EDO (Education) and a representative of the National Logistics Cell (for execution of missing facilities). This Committee holds monthly meetings to review progress, and take decisions on emerging issues.

Community and School Level

162. Over the past years, there have been variations in the forms, structure and functions of community and school level organizations for community participation. Currently, the key role of ensuring community stakeholder participation in important tasks of educational delivery is entrusted with the School Council, notified in December 2003 (with parents' participation

mandated to be greater than 50 percent). A School Council (SC) policy was issued in 2007, and subsequently revised in 2008. The SC, consisting of 7-15 members with representation from local elected representatives, parents and the school administration, holds monthly meetings to discuss issues faced by the school administration and parents, and documents deliberations in recorded minutes kept by the school administration. SED has mobilized rural support programs/NGOs for strengthening the capacity of School Councils for schools in all thirty-five districts.

II. Decentralized District-based Management and Implementation

163. In 2001, the responsibility for management and implementation of education activities was devolved to district governments, under the Punjab Local Government Ordinance 2001. This was implemented through an annual Terms of Partnership (ToP) Agreement between the Provincial Government and the district governments for provision of tied budgetary support for the education sector until 2006 in which annual performance targets were mutually agreed. While the TOP arrangement has been discontinued, the mechanism for distribution of funds is continuing. Information flow lines are operationalized to track district education expenditures for monitoring and evaluation purposes. Special emphasis is placed on gradual clearance of the backlog of audit objections through holding of fortnightly Departmental Accounts Committee (DAC) meetings.

164. Furthermore, SCs have been empowered to undertake school development schemes, including minor civil works, up to Rs. 400,000 annually. A system of transferring budget to the SC has been established. To reduce the fears of teachers regarding audit by Accountant-General of Punjab, SCs' expenditures were removed out of the purview of Punjab Financial Auditing Rules early in PESRP implementation. But, the expenditures incurred by SCs are still subject to scrutiny by district education departments. Moreover, a comprehensive School Council Policy for Government Masjid Maktab, Primary and Middle Schools has been notified in August 2007 that addresses financial, administrative, managerial and monitoring concerns of SCs at that level. SC policy for high and higher secondary schools will be formulated in the near future.

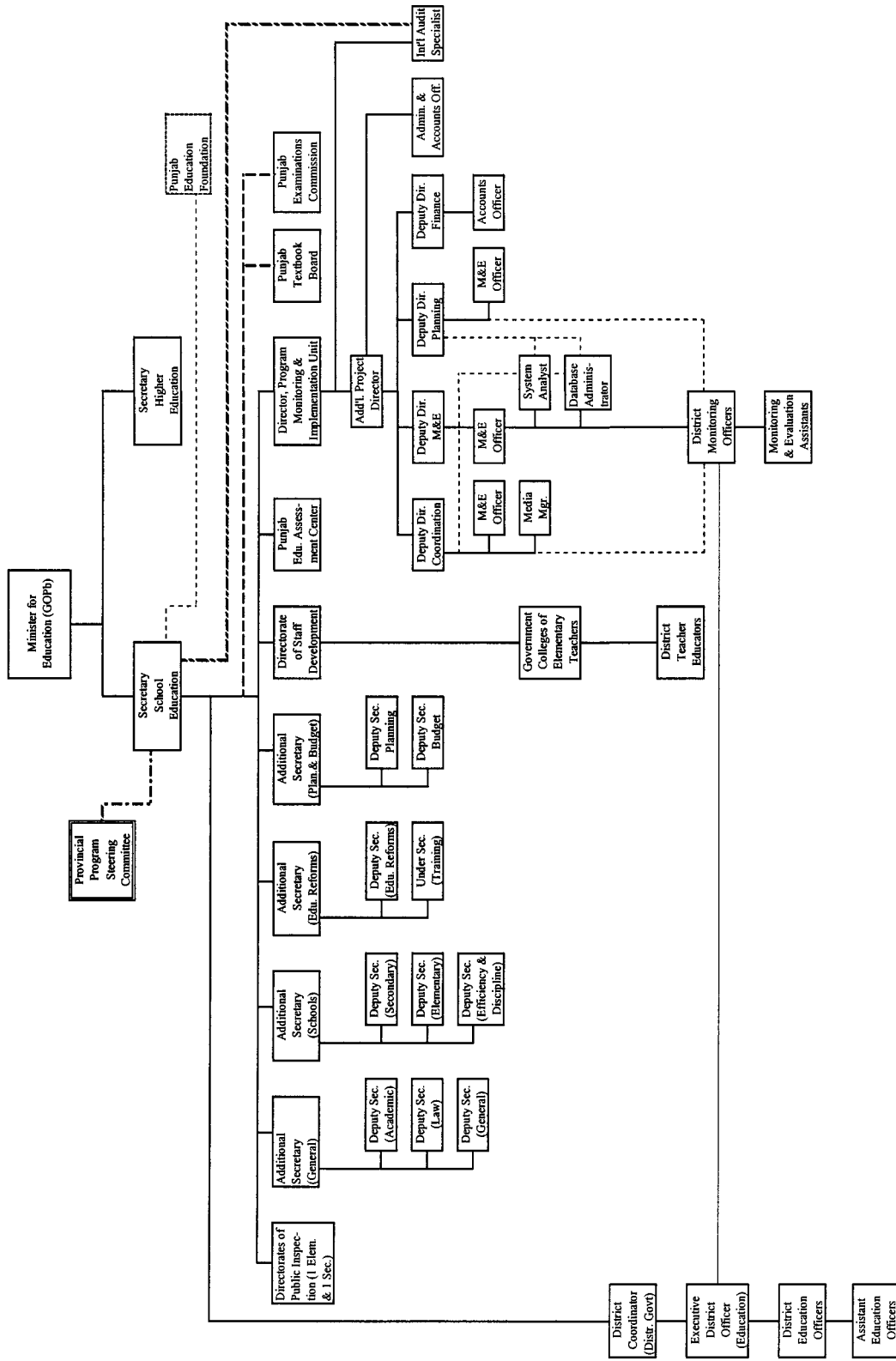
IV. Implementation Guidelines and Reporting

165. Program implementation will be based on existing as well as any new government rules and regulations issued by the Government of Punjab. The PMIU will be responsible for overall reporting on program progress, with collaboration from district and school level stakeholders.

166. With regard to school management and accountability, separate operations manual will be prepared and disseminated. Schools keep a basic education and management information system.

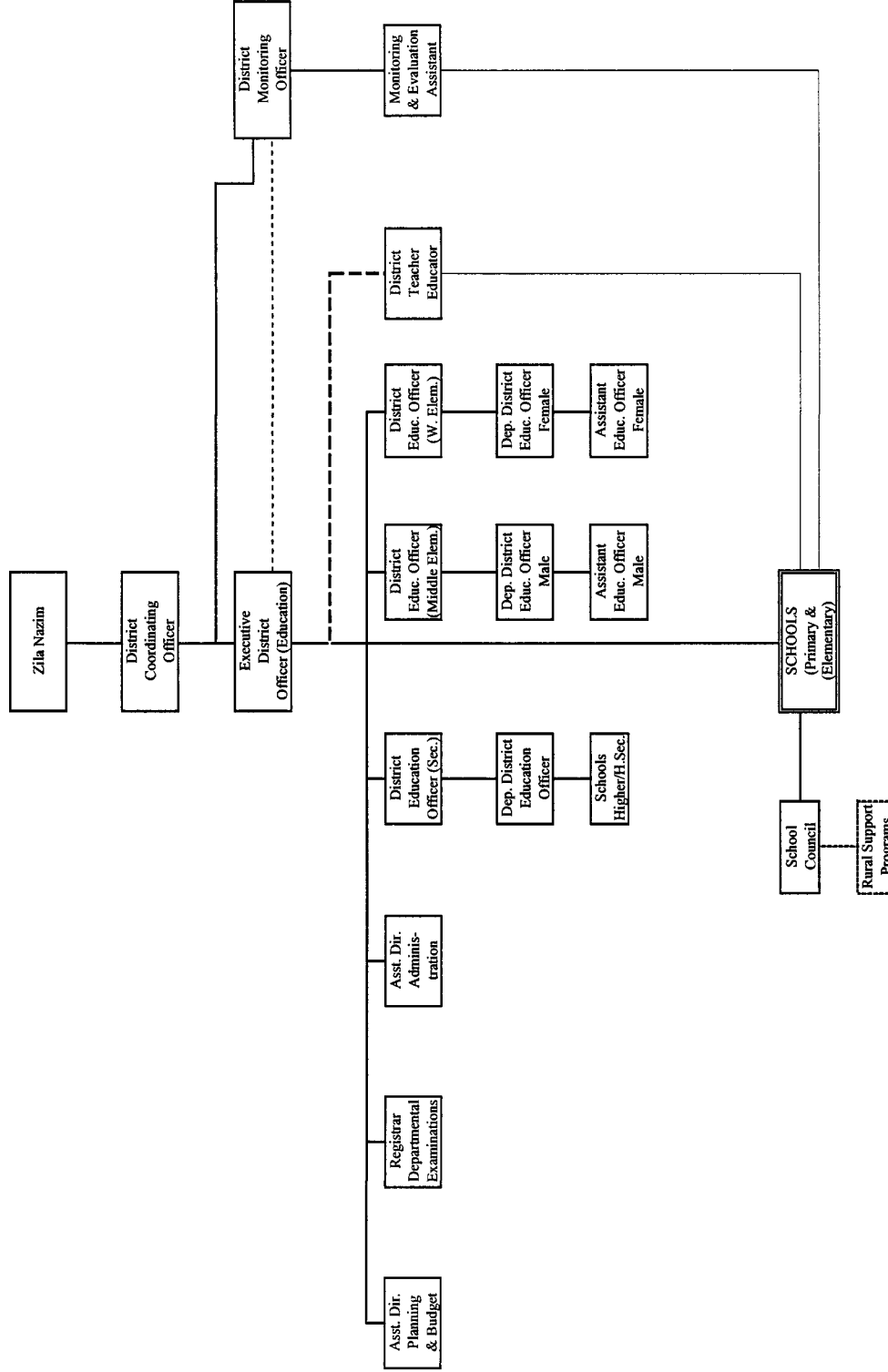
Appendix 1 of Annex 6

ORGANIZATIONAL STRUCTURE



Appendix 2 of Annex 6

PUNJAB EDUCATION DEVELOPMENT PROGRAM REFORM PROJECT
ORGANIZATIONAL STRUCTURE - DISTRICT LEVEL



Key Roles and Responsibilities

Unit	Key Roles and Responsibilities
Provincial Level	
Provincial Program Steering Committee headed by Chairperson of Planning and Development Department	<ul style="list-style-type: none"> • Provide advice and overall guidance for implementation of Program project • Carry out joint annual review on the basis of an annual independent evaluation report and School Education Department annual report, and subsequent fiscal year's annual plan • Resolve program implementation bottlenecks (including financial management issues) • Oversee overall program implementation
Punjab School Education Department (SED)	<ul style="list-style-type: none"> • Provide overarching policy and operational guidance for the Program Project • Participate as key member in Provincial Program Steering Committee • Coordinate with Federal Government on Education • Oversee the School Education and the Higher Education Departments • Oversee Curriculum Development and Textbook Production • Coordinate Teacher Training through Directorate of Staff Development • Develop Provincial Education Budget (Development & Non-Development) • Implement Foreign-Aided Projects • Grant Charter to Private Institutions/ Universities • Confer degree awarding status to Institutions • Establish new Universities/Institutions • Approve Provincial Education Development Schemes • Oversee Autonomous Schools, Boards of Intermediate and Secondary Education, and Public Libraries • Issue School Council policy and guidelines • Issue guidelines to district and other regional level offices
Planning and Budget (Schools Education Department)	<ul style="list-style-type: none"> • Provide financial oversight on program project implementation • Liaise with Education Department on program implementation activities, and development partners • Prepare program documentation, plans and budget allocation (development and recurrent) • Coordinate support from all relevant agencies (e.g. Directorates of Public Instruction, Directorate of Staff Development, Curriculum Research and Development Centre, Punjab Textbook Board, Provincial Institute of Teacher Education, Educational Management Information Systems) • Conduct bi-monthly meeting of provincial key stakeholders and issue minutes of meetings
Program Monitoring and Implementation Unit (PMIU)(School Education Department)	<p><i>Implementation</i></p> <ul style="list-style-type: none"> • Coordinate all program monitoring and implementation • Set up guidelines and regulations for program implementation • Convene Provincial Program Steering Committee meetings and issue Minutes of meetings • Conduct monthly coordination meeting of program stakeholders • Issue program project implementation guidelines to district and other regional level offices • Oversee and manage tasks of enlisted support agencies (e.g. technical assistance consultants, rural support organizations/NGOs, etc.) • Liaise with relevant educational institutions/agencies/units on program implementation (with support from Schools Education Department) <p><i>Planning</i></p> <ul style="list-style-type: none"> • Prepare monthly and annual reports on implementation progress and plans • Consolidate plans and budget estimates, implement and manage Project activities, and prepare relevant reports

	<p><i>Fiduciary(Financial Management and Procurement)</i></p> <ul style="list-style-type: none"> • Prepare semi-annual financial reports of Eligible Expenditure Programs (EEPs) and TA for disbursement purposes • Prepare Budget Execution Reports of entire education sector for monitoring PERP expenditures • House and augment the role of the Internal Auditing Specialist for designing and implementing interventions for systemic improvements and financial accountability in the education sector • Maintain the SAP/R3 terminal for financial reporting • Ensure that accounts are kept and reports on financial progress are prepared in timely manner. • Facilitate the audit process for the program expenditures and improvement of internal controls over the life of the program • Draft the Credit Withdrawal Applications to be signed by Additional Secretary (Budget), Finance Department • Oversee/execute contracts for goods, works and services • Plan and carry out procurement activities • Provide financial oversight on project implementation <p><i>Monitoring and Evaluation</i></p> <ul style="list-style-type: none"> • Develop Monitoring and Evaluation Plans • Coordinate with District Monitoring Offices/Monitoring Evaluation Assistants/School Councils • Liaise with project implementing entities/SCs • Ensure quality, consistency of data collected • Maintain SED's EMIS and disseminate for data utilization in decision-making • Produce/oversee production of semi-annual statistical data reports • Produce/oversee production of semi-annual analysis of program progress • Arrange conduct of Third Party Validations • Oversee production of impact studies of Project effectiveness • Conduct special ad hoc studies to assess specific issues under the Project as needed (e.g. changes in quality, changes in enrollment rates) • Feed data/information into annual monitoring and progress reports
Directorate of Staff Development (SED)	<ul style="list-style-type: none"> • Provide direction to policy development on promoting sustainable and systematic teacher development • Develop competency standards and appraisals, certification and licensing • Facilitate School Education Department in developing enabling learning environment in public school classrooms • Develop quality pre-service education institutions • Prepare action plans, programs, and continuous professional development activities for public school teachers • Provide capacity-building of district governments and related institutions for managing and delivering district teacher development plans • Provide on-line support to teachers through district and cluster training system through Government Colleges of Elementary Teachers and District Teacher Educators • Promote knowledge-based systems for program development • Revitalize existing teacher development institutions/organizations in public sector
Punjab Examinations Commission (PEC)	<ul style="list-style-type: none"> • Design, develop, implement, maintain, monitor and evaluate a system of examinations for elementary education • Formulate policy for the conduct of such examinations; and build capacity of teachers and education management staff to improve systems of learning assessment. • Conduct standardized examinations for Grade 5 and Grade 8 to enable education managers in the province to assess learning outcomes • Identify institutions which require particular attention in terms of support • Be responsible for the entire cycle of assessment
Punjab Education Assessments	<ul style="list-style-type: none"> • Carry out provincial assessments based on curriculum in line with the National

System (PEAS)	<p>Education Assessment System</p> <ul style="list-style-type: none"> • Undertake testing of student learning outcomes in selected grades • Liaise with Education Department on assessments of student learning outcomes
Punjab Textbook Board (PTB)	<ul style="list-style-type: none"> • Responsible for ensuring that textbooks developed in accordance with the approved guidelines of the Government of the Punjab, the curriculum prepared by the Federal Government • Facilitate textbook production, with focus on public/private partnership
Punjab Education Foundation (PEF)	<ul style="list-style-type: none"> • Provide financial assistance for the establishment, expansion, improvement, and management of educational institutions and allied projects • Provide incentives to students, teachers, and Educational Institutions • Foster public-private partnerships relating to education • Provide technical assistance to Educational Institutions for testing policy interventions and innovative programs for replication • Rank private educational institutions based on educational standards • Raise funds through donations, grants, contributions, subscriptions etc. • Assist Educational Institutions in capacity building, including training of teachers
District Level	
<i>District Steering Committees</i>	<ul style="list-style-type: none"> • Conduct meetings of district steering committees • Prioritize Development schemes (up to Rs.20 Million) • Oversee overall program implementation • Carry district review of program implementation • Resolve program implementation bottlenecks (including financial management issues)
<i>Executive District Officers – Education, District Education Officers, & Assistant Education Officers</i>	<ul style="list-style-type: none"> • Administer Schools • Grant Scholarships • Manage School Councils' affairs • Manage intra-district transfers and postings • Prepare District plans and budget (Development and Non-Development) • Purchase stores & capital goods for devolved institutions • Act as focal point for providing institutional data/information, facilitate disbursements of stipend, and incentives • Convenes district steering committee meetings • Conduct Grade V & VIII Examinations • Inspect and monitor devolved Institutions
<i>District Monitoring Offices & Monitoring and Evaluation Assistants</i>	<ul style="list-style-type: none"> • Perform Monitoring and Evaluation activities • Maintain district EMIS and use for decision-making • Liaise with PMIU on M&E activities
Community and School Level	
School Councils	<ul style="list-style-type: none"> • Be responsible for managing the schools • Be responsible for schools' maintenance of basic EMIS • Assist schools in decision-making, in preparing school plans and budget • Keep financial records of school expenditures and receipts • Obtain support from PRSP/NRSP/NGOs • Assist in ensuring accountability at school level • Assist in fostering greater participation of communities in school management through assemblies, meetings, etc.
Rural Support Organizations/NGOs	<ul style="list-style-type: none"> • With support from PMIU, and relevant district offices, develop programs, plans and budget for strengthening capacity of School Councils • Conduct orientation and community mobilization • Strengthen School Councils' capacity in management, planning, financial management and accountability • Train district officers

Annex 7: Financial Management and Disbursement Arrangements

PAKISTAN: Punjab Education Sector Project

Executive Summary

167. A financial management assessment of the education sector of Punjab was carried out as part of the preparation of the Project. The assessment has been carried out in accordance with OP/BP 10.02, and following the principles laid down in the Financial Management Practices Manual (November 2005). The assessment has also drawn on the findings of the Punjab PEFA PFM Performance Measurement assessment (2007), while focusing on the education sector. Emerging issues specific to the Project included the financial management processes governing funds transfer to School Councils, girls' stipends, release of funds to Punjab Education Foundation and issues of audit and accountability in the sector. Provided that agreed issues (to ensure FM capacity in PMIU, and to ensure adequate reporting of budgets and expenditures of EEPs) are addressed before appraisal, the financial management arrangements of the Project will be broadly based on the country FM systems for budget execution, accounting, internal controls, financial reporting and auditing. The conclusion of the assessment is that Punjab's public financial management systems meet the Bank's requirements, and there is sufficient basis to place reliance on the country systems for all financial management aspects of this Project.

168. The disbursement of funds would primarily be conditional on meeting at least 80 percent (e.g. 8 out of 10 for year 1) of agreed DLIs for the disbursement cycle in a fiscal year. Should these be met, disbursements under the project will follow the principle of "Interim Unaudited Financial Reports (IUFs)" (report-based disbursements). Semi-annual IUFs will be prepared from the government accounting system by the PMIU, and endorsed by the Accountant General before finally being approved by the Finance Department. The Additional Secretary (Budget), Finance Department will prepare the Withdrawal Application based on the IUFs, and the Bank shall disburse all funds to the Provincial Consolidated Fund of Punjab Government. Out of these, specific amounts for the TA component would be made available to PMIU through a Special Drawing Account (SDA – the successor to the erstwhile Personal Ledger Accounts). The SDA would be established after specific approval by FD. The final template of IUFs has been agreed and the SAP terminal in PMIU would be used to generate these reports.

169. To enhance the predictability of the funds flow under the Project, a cap will be set against each of the semi-annual disbursements under Component 1 subject to any deductions equivalent to the price of the unmet DLIs. All DLIs in each disbursement cycle will be priced equally based on planned disbursement during that fiscal year. The following expenditures (Disbursement Category One) can be easily captured in the government financial management information system on real time basis across the entire province against identified budget codes:

- (i) Employee related expenses of primary and secondary education sub functions of all district governments (Object head A01 for all education sub-functions),
- (ii) Girls' Stipends Program (Object head A03977),
- (iii) Grants for School Councils' Recurrent Budget (Object head A03975),
- (iv) School Council Capacity Building (ADP Scheme LO08000001),
- (v) Grants to Punjab Education Foundation (Object head A03976),

- (vi) District Capacity Building Program (Object head A03913 under ADP Scheme LO01001318),
- (vii) Performance Based Incentive Program (Object head A01250), and
- (viii) Monitoring systems (CM Monitoring Force-DDO code LQ5269).

170. Expenditures in respect of Technical Assistance (Disbursement Category Two) will also be captured in the government financial information system and will finance generic cost elements of the Project through a system of Special Drawing Account to be held with the PMIU including procurement of consultancy services in the areas of third party evaluations and monitoring activities, incremental staffing, training and capacity building activities, designing, formulating and supporting the implementation of education sector strategies, and budget planning and management activities.

171. Retroactive financing (to a maximum of 20 percent of the credit amount) for up to 12 months prior to credit signing is allowed as long as the DLIs agreed for March 2009 are met, and the amount of actual paid out in respect of the selected set of EEPs (e.g. district governments' employee-related expenses of Primary and Secondary Education and Grants to PEF) exceeds such financing.

172. For key financial management tasks, the PMIU requires adequate FM capacity. For this SAP connectivity has been provided and 2 suitable senior government accounts officers with relevant IT skills for financial monitoring of sectoral expenditures have been engaged.

173. The PMIU would prepare annual financial statements of the Project by drawing data from the government accounting system. Adequate notes and disclosures in accordance with International Public Sector Accounting Standards shall be provided. The financial statements would include the sources of funds (government, IDA, other development partners/sources), and the uses of funds for the pre-specified eligible expenditures funded under the Project.

174. The Bank requires that the financial statements be audited annually and provided to it no later than 6 months after the end of the reporting period. The annual financial statements for the EEPs and TA would be audited by the Auditor General using a risk-based methodology introduced under PIFRA for which a specific schedule of audit would be agreed. The use of country systems warrants little duplication of audit effort by audit offices; nonetheless, there would be a need for effective coordination among the different Directors General concerned.

175. An area of continuing significant concern is the large number of advance audit paragraphs prepared by the AGP each year for the education sector, which in turn reflect a continued need for improving internal controls together with other preventive/systemic actions. It was agreed that the Project will leverage addressing these issues through implementation covenants and TA. Accordingly, an Internal Auditing Specialist would be engaged by the PMIU, who would carry-out a causal analysis of these audit paragraphs in order to design and implement suitable preventive/systemic actions. The Internal Auditing Specialist would utilize the knowledge-base of already in place audit follow-up mechanism in the School Education Department, and build the sector capacity for laying down the foundation of an effective internal

audit function. Terms of Reference for the Internal Auditing Specialist have been agreed and selection of a suitable person is in process.

176. The programmatic operation is potentially fast-disbursing against pre-selected EEP amounts, conditional on achievement of reform actions defined through a Disbursement Linked Indicator (DLI) performance, and includes an essential Technical Assistance component to provide the enabling implementation capacity for smooth and unimpeded achievement of the reform measures. Other DPs (such as DfID) will provide parallel financing to the Program under a separate agreement with the Punjab Government but supporting the same program framework.

177. **Project Implementation:** The Project will be implemented using the Province's public financial management (PFM) systems as a basis for budgeting, accounting and internal controls, financial reporting, and auditing. While the coordination of the Project is managed under the auspices of the Program Management and Implementation Unit of the Education Department, the financial management of the Project will be carried out under the responsibility of the various PFM institutions in the province – Department of Finance and the various District Finance Offices, Accountant General and the various District Accounts Offices, and Directors General of Provincial and District Audit. The PMIU will maintain the approving authority for the SDA funds earmarked under the Technical Assistance component of the Project. Nevertheless, the Department of Education 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 consultancy services.

178. **Disbursement Linked Indicators:** Meeting at least 80 percent number of the defined DLIs as identified in the Project document for each indicator-led disbursement cycle for each fiscal year, will constitute the primary basis for triggering Credit disbursements under the Project's EEP (Component One). The DLIs will be monetized equally based on the planned disbursement for a particular cycle to incentivize the Punjab Government to focus on the priority implementation of actions that, together, support successful project outcomes. The eligible disbursement amounts will be the sum of the achieved DLIs multiplied by the unitary DLI price. The unitary DLI price will be derived by dividing the total capped amount of annual disbursement planned for that cycle as described in the following table:

FY Allocation of EEPs Disbursements and Annual DLI Pricing during program Life

Fiscal Year 2008/09

	<i>Disbursement</i>	<i># of DLIs</i>	<i>Avg. Price Per DLI</i>
-			
Retroactive	70,000,000		
First 6 mths. Forecast Advance (EEP Expenditures)	52,000,000		
Total Disbursement in FY 2008/09	122,000,000	10	12,200,000

Disbursement for Retroactive and first 6mth. Estimated Expenditures conditioned on achievement of 10 DLIs priced at \$12,200,000. Any under-spends against the forecast EEP expenditures for the 6 mths. To be recovered against next scheduled disbursement

Fiscal Year 2009/10

2nd 5 mth. Forecast Advance (EEP Expenditures)	20,000,000		
3rd 6 mth. Estimated EEP Expenditures	89,000,000		
Total Disbursement in FY 2009/10	109,000,000	10	10,900,000

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)	20,000,000		
5th 6 mth. Estimated EEP Expenditures	89,000,000		
Total Disbursement in FY 2010/11	109,000,000	10	10,900,000

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

179. For the first fiscal year (FY09), the capped amount of disbursement would be reduced to take into account any unmet indicators (maximum of 20 percent of the 10 DLIs in year 1). For any DLIs not met by the annual verification date during the second and third fiscal years, the equivalent value advanced for the first half-year based on the forecast EEPs, will be deducted from the final equivalent amount of EEPs to be disbursed. Equally, any balance of the IDA allocated EEP disbursements not qualifying at any disbursement cycle against the capped allocation may, be carried forward to be paid during a subsequent disbursement cycle if the related DLIs are later met. Disbursements of EEPs would be made against 11 months' expenditure in each fiscal year in order to allow second disbursement to be made before the fiscal year-end.

180. **Program Eligible Expenditures Component:** Bi-annual disbursements for the EEPs under this component will be capped at maximum ceilings, and effective eligibility will be conditioned on the Punjab Government meeting its DLI performance levels. If the minimum condition of 80 percent number of DLIs is not met in a particular year by the annual verification date, next disbursement would be held till that condition is met.

181. The EEP expenditures are part of the Province's own overall recurrent and development budget of the eligible activities implemented at the provincial as well as district governments in respect of primary and secondary education sub-functions. The expenditure mechanism satisfies 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 program expenditures under the programmatic arrangement, the Province has demonstrated ownership and commitment for these programs.

182. Over time, and by the time of the mid-term review of the Project, the operation 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 meet the PDOs, based on the best judgment of the Bank and the Punjab Government.

183. **Technical Assistance Component:** PMIU would manage the activities financed under the TA component using dedicated funds to be allocated for this through a Special Drawing Account. Unlike typical investment operations, the detailed accounts of the expenditures will also be maintained in the Government of Punjab's financial management system. Therefore, the TA expenditures would be part and parcel of the project-wide financial reporting.

Country/Provincial Issues

184. The Country Financial Accountability Assessment (CFAA, December 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 Program to Improve Financial Reporting and Auditing (PIFRA) at the federal, provincial, and district levels. Significant progress has been achieved so far to increase effectiveness, transparency, and accountability in public expenditure management and, as a result, the state of public financial management is gradually improving. The recently concluded Punjab Public Financial Management and Accountability³⁸ assessment confirms the significant progress in implementing reforms in public financial management in the province. Since PESRP is a province-wide initiative to be implemented by a large number of entities/institutions at the provincial and sub-provincial levels, the FM issues identified by these assessments are generally relevant to the Project. Therefore the FM arrangements for the Project are so designed to avoid or mitigate the impact of these issues.

185. The timely availability and use of the financial information generated from the PMIU-based PIFRA computer terminal would serve as a basis of decision-making in the pursuit of the Project's objectives. It would also provide the basis for fostering financial accountability at both the provincial and district government levels. In effect, the Education Department, through the PMIU, would maintain a system of regular reporting of financial flows on expenditures by way of producing quarterly budget execution reports within 30 days after the close of a calendar quarter. The format of these system-generated in-year financial reports has been parameterized.

186. The Project would continue to pursue the system of instituting regular Departmental Account Committee (DAC) meetings resulting in progressive resolution of serious audit issues and the application of sanctions, including cash recoveries in the education sector.

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

³⁸ The Punjab PFMA was completed in May 2007, using a more refined and globally accepted PEFA indicator-led performance measurement framework. The assessment ratings were published by GoPunjab in the Budget White Paper.

Risk Assessment and Mitigation Measures

188. The financial management risk of the program is assessed as ‘moderate’, overall; given that risk-factors such as decentralized program implementation across the 35 district governments of wide-ranging activities are to a great extent mitigated by the stability of the PIFRA supported systems.

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

Risk Assessment Matrix

Risk	Risk Rating	Risk Mitigating Measures Incorporated into Program Design	Condition of Negotiations, Board or Effectiveness	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	-	M
- Entity Level	S	- Provision of SAP terminals to PMIU for real time monitoring of budget execution.	Completed	M
- Project Level	M	- Engagement of two accounts officers and an internal auditing specialist in PMIU	Negotiation - Completed	M
Control Risk	S			L
- Budgeting	M	- Identification of all relevant budget and account codes for EEPs and TA expenditures.	Completed	L
- Accounting	M	- Consistent use of computerized work-flow processes by accounting offices	-	L
- Internal Control	S	- Gradual PFM reforms in the Sector through engaging a qualified internal auditing specialist in PMIU	-	L
- Funds Flow	M	- Use of report-based disbursement directly into the GoPunjab’s consolidated fund	-	L
- Financial Reporting	M	- Agreement on the format of Budget Execution Report of the Education Sector, and semi-annual financial reports of the Project with the Bank.	Completed	L
- Auditing and follow-up on issues	S	- Agreement on general scope of audit of the Project annual financial statements, combining the certification and regularity aspects of auditing. - Development and adoption of SOPs for resolution of audit observations	Completed -	M
Overall Risk	S			M

Roles, Responsibilities, and Staffing

190. Two government accounts officers and an internal auditing specialist with terms of reference and qualifications acceptable to the Bank will be engaged by PMIU. The accounts officers will oversee the financial reporting of the Project and sector, using the SAP terminal available within PMIU for expenditure monitoring and for disbursements under the program, as well as prepare the annual financial statements of the Project and the budget execution reports of the education sector. The internal auditing specialist will help improve the internal controls in the overall education sector, support the monitoring of resolution of advance audit paras, and carry-out ad-hoc reviews of expenditure management processes in the sector. The placement of qualified candidates to these positions is a condition of appraisal of the Project.

Funds Flow and Disbursement Arrangements

191. The program 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, semi-annual disbursements have been capped to ensure consistent flow of funds throughout the life of the program under the 'report-based' principle.

192. 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 a Withdrawal Application duly signed by the Additional Secretary (Budget), Finance Department. Disbursement from the Credit proceeds, expected to be in US Dollars, will be translated to Pak Rupees 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 PMIU although the funds will be maintained as part of the government's Treasury Single Account. Use of SDA will ensure availability of earmarked funds to PMIU for critical TA activities on a timely basis.

193. Report-based disbursement method, semi-annually, will be used for withdrawal of Credit Funds using the sector's financial reports generated from the province's financial management system. The template of interim unaudited financial reports has been agreed, which identifies actual program expenditures incurred against the EEPs and TAs supported by the Bank under the program. This will facilitate the computation of the eligible portion for Bank financing.

194. The starting point for determination of eligible expenditures for the purpose of ascertaining the 'retroactive financing' amount would be the actual expenditures for FY09 to date. Since the computerization and connectivity of all 35 District Accounts Office sites is now complete, the actual expenditures against the budget for the FY09 can also be generated on real time basis from the system for all district governments' employee related expenditures in primary and secondary education sub-functions as well as the grants made to PEF. Retroactive financing shall be limited to 20 percent (\$70 million) of the total credit amount of \$350 million.

195. The periodicity of future advances and disbursements will then follow the principle of 'Semi-Annual Interim Unaudited Financial Reports' prepared from the government accounting system through PMIU terminal and validated by the Accountant General before being approved by the Department of Finance in a Withdrawal Application. The budget for FY 2009/10 would then serve as the basis for next forecast of the expenditures to be advanced to the Government and against which replenishments can be made subject to the government achieving the set agreed DLI milestones on a six-monthly basis. Disbursements would be made against eleven months' expenditure in each fiscal year in order to allow second disbursement to be made before the fiscal year-end.

196. The Table below presents the allocated IDA financing of the two disbursement categories under the Project, and the allocated amounts represent the 100 percent capped expenditure limits from IDA:

Expenditure Category	Amount (US\$ Million)
1. Eligible Expenditure Program (EEPs)	340
2. Technical Assistance (including consultancy services, training, and incremental staff costs)	10
Total IDA Financing of Program	350

197. The following table provides the Project's indicative **disbursement schedule**:

Number	Estimated Date	Type of Disbursement	Capped Amount (\$M)	Price Per DLI ³⁹	Disbursement Basis
1.	June, 2009	Retroactive (EEPs)	70 for EEPs	Based on meeting DLIs at evaluation in June 2009: Average DLI equivalent price computed for FY 2008/09 of \$12,200,000. Total estimated disbursement in FY 2008/09 = \$122m based on meeting all 10 DLIs.	<ul style="list-style-type: none"> ➤ 20 percent of Credit total for upto 12 months actual EEPs prior to project effectiveness ➤ EEPs' disbursement conditioned on a minimum of 80 percent number of DLIs
2.	June, 2009	6 months' estimated EEP expenditures against budget for FY10 (Jul – Dec. 2009) and 7 months' TA estimate (Jun-Dec 2009)	52 for EEPs & TA as per estimate		<ul style="list-style-type: none"> ➤ EEPs' disbursement conditioned on prior met DLIs (2008/09)
3.	Jan. 2010	5 months' estimated EEP & TA expenditures against budget for FY10 (Jan. – May 2010)	20 for EEPs & TA as per estimate	Advance payment in Jan. 2010 against potentially meeting 10 DLI's to be evaluated by May/June 2010 and any DLI's missed to be deducted from the June 2010 final disbursement amount at the average DLI price of \$10,900,000. Total estimated disbursement in FY 2009/10 = \$109m based on meeting all DLIs.	<ul style="list-style-type: none"> ➤ Amount netted with any under-spends in June 2009 advance.
4.	June, 2010	6 months' estimated EEP expenditures against budget for FY11 (Jul – Dec. 2010) and 7 months' TA estimate (Jun-Dec 2010)	89 for EEPs & TA as per estimate		<ul style="list-style-type: none"> ➤ EEPs' disbursement conditioned on a minimum of 80 percent number of DLIs ➤ Amount netted with any under-spends in Jan. 2010 advance

³⁹ Based on a total equal-weighted DLIs

5.	Jan. 2011	5 months' estimated EEP & TA expenditures against budget for FY11 (Jan – May 2011)	20 for EEPs & TA as per estimate	Advance payment in Jan. 2011 against potentially meeting 10 DLI's to be evaluated by May/June 2011 and any DLI's	➤ Amount netted with any under-spends in June 2010 advance
6.	June 2011	6 months' estimated expenditures against budget for FY12 (Jul – Dec. 2011) and 7 months' TA estimate (Jun-Dec 2011)	89 for EEPs & TA as per estimate	missed to be deducted from the June 2011 final disbursement amount at the average DLI price of \$10,900,000	➤ EEPs' disbursement conditioned on a minimum of 80 percent number of DLIs ➤ Amount netted with any under-spends in Jan. 2010 advance
7.	Jan 2012				➤ Unused portion of TA may be reallocated to the EEPs expenditures.

198. A key area for financial management improvement related to the program is simplifying the funds-flow mechanisms in place for transfer of funds to the Schools Councils, disbursement of girls' stipends, and releases to PEF. This may involve improving the administrative monitoring as well as streamlining the FM procedures. It is envisaged that these improvements would be gradually leveraged under the Project.

Budgeting

199. As a programmatic operation, the budgeting of all program expenditures will constitute part of the government budgeting process. The New Accounting Model (NAM) - Chart of Accounts now has separate codes for EEPs financed under the project. These codes would be used during the next budget cycle to facilitate the budget execution and reporting process for the entire program.

Accounting and Financial Reporting

200. 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 are being progressively and consistently applied at the provincial as well as district government levels. Use of NAM policies and procedures conforms to international standards and would thus be acceptable to the Bank.

201. The system-generated accounting records will be the basis for preparation of the Budget Execution Reports of the Education Sector, including the program 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 Project Financial Statements will take the form of semi-annual Interim Unaudited Financial Reports, and Annual Financial Statements. The template for IUFRRs has been agreed between the Bank and the Punjab Government at appraisal, and the PMIU will have primary responsibility for preparing these statements.

202. 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 the Punjab Government. Adequate notes and disclosures consistent with acceptable international practice will be provided, at least for the annual financial statements. Disbursements will be made against Semi-Annual Interim Unaudited Financial Reports (IUFs) to be submitted by the Punjab Government to the Bank within 15 days after end of May/December each year. In addition, budget execution reports for the entire education sector will be submitted within 30 days after the end of each fiscal quarter for continuous expenditure monitoring.

Internal Controls and Internal Audit

203. The Punjab 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 will be engaged by the PMIU to jump-start an effective dialogue towards this direction. The Internal Auditing Specialist 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.

204. Under the TA component, a separate window for sectoral PFM reforms will be kept to cater for activities such as improving budget management in education sector, capacity building of DDOs, using financial reports for decision-making, enhancing procurement effectiveness, improving internal controls, etc. This window would be accessed to implement specific interventions by PMIU during the course of the project for which the Internal Auditing Specialist is envisaged to be the key person to plan, prepare, and manage implementation of these interventions while partnering with other PMIU officers, DMOs, and counterparts in education department as adequate on a case-by-case basis. An initial action plan is under preparation, which will serve as a start-up for the activities to be pursued by the Internal Auditing Specialist.

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

206. Finally, separate third party validations would be carried out during the Project life to further evaluate the process and impact of girls' stipends, public-private partnership through PEF, and grants to schools councils for expenditures at the school level. These studies would also review the social accountability principles enshrined in these processes.

External Audit

207. The annual financial statements of the Project (the EEPs and Technical Assistance component expenditures financed by the Bank) will be audited by the Auditor-General of

Pakistan⁴⁰. 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 an independent auditor for all the activities undertaken by provincial and district governments in Punjab.

208. The audit activity will primarily be carried out by the Director General (Civil) Audit for provincial expenditures and Director General (District) Audit for district government expenditures. Therefore, there would be need for coordination between both Directors General and designating the reporting responsibility to one of these. In addition, there would also be need for integrating the certification and regularity of audits, ensuring coverage of auditee formations on an annual cycle (rather than multi-year cycle as per current practice) following the risk-based audit approach. In order to improve the timeliness, there is a need to implement the AGP's new policy of transitioning to concurrent auditing based on in-year financial reports.

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

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

210. The normal country systems for resolution and settlement of audit observations will be equally applicable to this Project. The Project will support resolution of advance audit paragraphs of the entire education sector through a disbursement-linked indicator. Following SWAp principles, the Bank funds would not be separately tracked and the Bank will accommodate withdrawal applications from the Credit as long as the overall expenditures eligible under the EEPs are more than or equal to the amount withdrawn from the Credit.

Supervision Plan

211. The Project will require intensive supervision support in the initial year of implementation given the challenges and the capacity of the sector's financial management staffing. During Project implementation, the Bank will review: (a) the Project IIFRs 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 proposed for the PMIU, the Bank's normal implementation review procedures will suffice.

⁴⁰ 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.

Annex 8: Procurement Arrangements
PAKISTAN: Punjab Education Sector Project

A. General

212. Procurement under the Project (specifically the Eligible Expenditure Programs and the TA Component) 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.

213. **Procurement of Works:** There is no procurement of works that will be financed under this Project with the exception of minor works and repairs to be carried out by School Councils. Shopping procedures will be used by SCs to undertake these minor works and in accordance with the manual and guidelines for SCs to be developed through TA support under the Project.

214. **Procurement of Goods:** There are no major procurements of goods that will be financed under this Project. Some office equipment and stationery will be procured under the TA component of the Project which will be included in the Procurement Plan of the project. The International Competitive Bidding (ICB) procedure will 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\$ 50,000 would be procured through NCB, using bidding documents acceptable to the Bank.

Improvement of Bidding Procedures under National Competitive Bidding

215. Should there be any procurement of goods financed under the Project in the future, 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.

216. **Procurement of non-consulting services:** None envisioned at this time.

217. **Selection of Consultants:** Employment of consultants under the program will be mainly for Technical Assistance (TA). TA component is proposed to be structured into four packages which will directly support the ongoing and planned programs under the medium-term education sector framework of the PESRP: (i) Package A consists of TA activities to strengthen the fiduciary aspects of the program, covering financial management and procurement systems and processes in the sector; (ii) Package B comprises third party validations of programs supported under the PESRP ranging from delivery of textbooks to teacher recruitment; (iii) Package C proposes a plan for environment enhancement linked to the interventions supported under the PESRP; and (iv) Package D consists of TA for improving the quality of education, enhanced access, and strengthening governance and monitoring in the sector. Accounting for the largest portion of the proposed technical assistance, the main aim of TA activities under Package D will be to evaluate the performance of the ongoing programs under the PESRP to strengthen and expand them, identify new areas where efforts are required to reinforce the Government's reform agenda in education and strengthen the planning and monitoring systems of the sector. Details of the proposed activities under all four packages are provided in Annex 4. Short lists of consultants for services estimated to cost less than \$500,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

218. The Planning and Development Board has issued the following for use by all state and para-statal organizations of the Government of the Punjab: (a) Consultant Selection Guidelines, September 2006; and (b) Handbook for Consultant Selection, July 2007. Both of these

documents are now followed as the mandatory rules for procurement of consulting services. The Bank reviewed the Guidelines and the Handbook and found them to be in line with accepted international good practice, and in most respects fairly close to the Bank's own guidelines on the subject. Procurement of consultants under the Project will be subject to Bank's guidelines.

B. Assessment of the agency's capacity to implement procurement

219. Procurement activities will be carried out by the Education Department, Government of Punjab. The procurement of services under the TA will be conducted by the PMIU. It has been agreed that the PMIU will take on board a procurement specialist for the purpose.

220. An assessment of the capacity of the Implementing Agency to implement procurement actions for the project has been carried out. The assessment also relied on two third party evaluations carried out in selected districts of Punjab in 2006 and 2007, for civil works and furniture procurements made under the PESRP. The assessments looked at two main areas: the overall regulatory environment that will be assessed using the OECD-DAC Baseline Indicator System. The assessment reviewed the organizational structure for implementing the project and the interaction between the project's staff responsible for procurement staff and the Government of Punjab's relevant central unit for administration and finance. The main findings of the assessment are summarized in the following paragraphs.

221. The Government of Punjab carried forward a phased program for overall procurement reform in the province as part of the PESRP, resulting in: (i) Punjab Government's approval of Procurement Reforms Strategy; (ii) setting up of a provincial Public Regulatory Authority (PPRA) through an Ordinance; (iii) preparation of draft procurement rules; and (iv) agreement for PPRA initiating implementation of the reform strategy for effective procurement management. There had been encouraging progress on these actions during the program supported by the DPCs. However, due to changes in some of the key positions championing the procurement reforms, there has been slower implementation of some of the key actions required to move forward on procurement reforms. The momentum is again picking up and the reforms are on track. However, to carry forward these reforms, a full time MD PPRA needs to be appointed and resources for PPRA staffing allocated. The PPRA Board in its recent meeting was envisaging replication of the federal PPR rules in the province and to defer the staffing of the Authority including the appointment of a full time MD. The draft rules prepared by the province are in fact an improvement upon the federal PPRA with two major improvements: (i) independent mechanism for second tier of appeals; and (ii) separate consultancy rules. The Board may consider these improved rules for adopting, as these are better aligned with international best practice. Appointment of a full time MD and staffing of the PPRA is another major step which is essential to make the Authority functional in its capacity of the custodian of the rules and to effectively carry forward the reform agenda.

222. In general, throughout the government there is a dearth of skill in procurement ranging from the development of policy to the management of the function. This is largely due to the absence of dedicated posts for professional procurement officers, and the absence of a career path. Above all, low capacity in procuring agencies, regulatory authorities, and accountability institutions further hamper the efficiency, economy, and transparency of the procurement systems. In effect, both the institutional framework and the management capacity are weak and

will need to be improved substantively through TA ranging from drafting documents to on-the-job training at all levels from policy formulation to procurement contract administration.

Assessment of Procurements in the Education Sector

223. One of the significant procurements in the education sector is the printing of textbooks which was carried out by the Punjab Textbook Board (PTBB) through allocation of contracts. The PTBB was responsible for pre-registering printers/publishers in various categories who, based on their capacities, and individual organizational and technical competence, were allocated a certain number of books for printing. Since 2005 however, this process is being awarded based on competitive bidding. It was noted however that the sheer bulk of the printing requirement (about 75 million books, out of which around 60 million are for free distribution procured competitively) adds a peculiar dimension to open competition. The demand almost equates the entire market capacity, and books are to be delivered before the academic year commences. In this competitive process, bidders are required to quote their rates per 100,000 books and the awards are made based on their production capacity. Generally the lowest bid is set as a reference price which the other bidders are required to match. If agreement is not reached the remaining portion is re-bid. It was reported that generally the higher bidders match the lowest bidder's price. Although this process could have been beneficial in setting up the lowest price on a competitive basis, there is a requirement to take a deeper look at the market capacity, explore the possible options of phasing, and packaging to make this process efficient. Discussions with the PTBB have been encouraging, and it is anticipated that in the foreseeable future, they will adopt a different procurement strategy that will target the larger printing and publishing houses nationally by inserting qualification criteria that will lead to a consolidation of the market. The PTBB may even consider International Competitive Bidding.

224. The procurement of Civil Works has been another area of concern. While the Education Department is the budget-holder for school construction and up-gradation, the Communication and Works (C&W) Department has the responsibility for implementation and execution. This has led to several quality issues, over which the Education Department has very little control. Due to these earlier identified quality issues with C&W Department-managed civil works, NLC was hired under a direct contract for works on missing school facilities. Current implementation by NLC also reveals weaknesses in implementation and quality. The issue of civil works in the education sector – how school construction and improvement is managed and procured – requires a comprehensive review in order to identify alternative options for both design and management. The Bank has recommended that such a review be part of the overall procurement reforms in the sector. The Government of Punjab is initiating this comprehensive review with a workshop of all key stakeholders involved in the civil works aspects of schools. This workshop will be held in March/April 2009 and will look at processes that are followed for the procurement and execution of school buildings, including exploring alternative solutions such as SC involvement.

225. The School Councils are allowed to make procurements of up to Rs.400,000 at their own discretion for school supplies and minor repair and maintenance of schools buildings (which is only happening in a few districts that have actually provided development funds to SCs). However, even where provided the bulk of these funds remain unutilized due to low capacity. While the notification on SCs carries specific financial management guidelines, there are no

procurement instructions that the SCs can follow. The government has agreed that simplified procurement guidelines will be developed to facilitate this aspect for the SC activities, and will also be included in the SC capacity building program.

226. The assessment also specifically included the review of the contract awarded to GC University Lahore, for an amount of Rs. 153.7 million. The Contract was awarded following the Government of Punjab's Consultant Selection Guidelines 2006. The procurement process was carried out transparently and efficiently in accordance with the guidelines, and can be considered for financing under the Project as an Eligible Expenditure.

227. Technical assistance will be provided to improve procurement performance and outcomes in the education sector, which will entail gathering performance data on procurements carried out by the School Education Department against ten agreed indicators in the first phase. This will be followed with assistance to create an action plan to improve procurement performance against DLIs agreed to, and contained in the index.

228. In May 2008, the Bank's Board approved a methodology by which the Bank could promote stronger country procurement systems by introducing a piloting program under which national procurement systems would be relied upon for ICB contracts in countries that have achieved procurement standards equivalent to those embodied in the Bank's Procurement Guidelines and have demonstrated capacity to carry out such procurement. The Bank is proposing to conduct one such pilot in the education sector in Punjab. Should the Punjab Government agree to the pilot, the first steps would be to conduct an assessment both of the regulatory framework and the performance in the area of procurement, which would form the basis of an action plan that will be agreed to remove any gaps between the systems of the Government, and those required for a full adoption of the country systems over a period of 18 to 24 months. The Bank will also be able to provide technical assistance for implementation of the action plan. The timing of this initiative is particularly opportune for the Bank's interventions in Punjab's education reform program because, if the Government is indeed able to bring about the agreed improvements, it unlocks the potential for the Bank to disburse against a wider range of eligible expenditures that are procurable.

229. The overall project risk for procurement is: Substantial.

C. Procurement Plan

230. The Borrower, at appraisal, 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 on [date] and is available at TBA. 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.

D. Frequency of Procurement Supervision

231. In addition to the prior review supervision to be carried out from Bank offices, the capacity assessment of the Implementing Agency has recommended six-monthly supervision missions to visit the field to carry out post review of procurement actions.

E. Details of the Procurement Arrangements Involving International Competition

232. Consulting Services

(a) List of consulting assignments with short-list of international firms.

1	2	3	4	5	6	7
Ref. No.	Description of Assignment	Estimated Cost	Selection Method	Review by Bank (Prior / Post)	Expected Proposals Submission Date	Comments
1	TA Management firm for Quality, Access and Governance	\$8,000,000	QCBS	Prior	07/30/09	
2	Third Party Validation	\$500,000	QCBS	Prior	10/30/09	

(b) Consultancy services estimated to cost above \$200,000 per contract and single source selection of consultants (firms) for assignments estimated to cost above \$100,000 will be subject to prior review by the Bank.

(c) Short lists composed entirely of national consultants: Short lists of consultants for services estimated to cost less than \$500,000 equivalent per contract, may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Review of Procurement by the Bank

233. 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, regardless of value
- (iv) First NCB contract for works, regardless of value , an thereafter each contract for Works estimated to cost US\$300,000 equivalent or more.
- (v) First contract procured through shopping, for goods and works;

- (vi) The first Consultants' Services contract with consulting firms, irrespective of value, and thereafter all contracts with firms estimated to cost US\$100,000 equivalent or more;
- (vii) First consulting services contract with individual consultants, irrespective of value, and thereafter all contracts with individuals estimated to cost US\$50,000 equivalent or more.

234. All other contracts will be subject to Post-Review by the Bank. The 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

235. Procurement information will be recorded and reported as follows:

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

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

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

(d) A procurement database will developed supporting the procurement website that would register relevant information in a database format that would be suitable for analysis. The database would include 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 PMIU in accordance with the format agreed with the Bank. This database could be used as a resource by the implementing agencies to plan for the future projects.

(e) All information relating to procurement under the program and financed by the Project will be maintained on the PESRP website and the website of the Planning & Development Department to ensure wide dissemination.

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

I. Background and Context

236. The primary objective of this Economic and Financial Analysis is to inform the design of the Project by documenting and quantifying the benefits (economic and non-economic) of the World Bank support extended to the education sector of Punjab, as well as conduct an ex-ante appraisal and sustainability analysis for the period FY09-FY11, based on performance of the PESRP during 2003-2007.

II. Scope of Analysis

237. The scope of the analysis is to: (a) assess the effectiveness of a number of specific program interventions as well as of the overall program. These interventions form part of sub-component 1.3 of the Project. Specifically the analysis evaluates the following interventions under the DLIs and EEPs: provision of all missing facilities to schools; Girls Stipends program; Public Private Partnership program (PEF); and the Free Textbooks program⁴¹; (b) conduct a historical cost-benefit/rate of return analysis of Phase I and II combined; (c) perform ex-ante economic appraisal of the SIL for the period FY09-11; and (d) conduct a fiscal sustainability analysis of the sector which examines whether the investments that are being made in the sector will be financially sustainable, once the project terminates. The analysis will rely on primary data of households collected through PIHS 2001-02, PSLM 2005-06 and LFS 2006-07. Data on level-wise and year-wise beneficiaries of various interventions as well as expenditure on textbooks, stipends and enrollments was collected through PMIU and the Punjab Education Foundation (PEF).

III. Rate of Return Analysis

238. One of the primary objectives of the PESRP is to increase primary and secondary enrollments (specifically girls). Improving the quality of education and strengthening the systems for measurement of student learning are the other main objectives of the program/project. To quantify the ex-post and ex-ante benefits, we estimate the returns to primary, middle and secondary (matriculate) education (overall and females) using the PSLM 2006-07 and PIHS 2001-02. Table 1 gives the average earnings per month of persons with three levels of education and those who never attended school⁴².

⁴¹ See Pp7-8 of the main document

⁴² Earnings broken down by public and private education by levels would be a more accurate measure of returns but lack of data prevents us to go for the theoretical purity.

**Table 1: Average Earnings Premium of Paid Employees by Education Levels:
PSLM 2005-06**

	Monthly (Rs)		Yearly (US \$)*		Premium Relative to no schooling	
	Overall	Females	Overall	Females	Overall	Females
Never Attended	2,351	857	470	171	-	-
Completed Grade 1-5	3,055	1,086	611	217	141	46
Completed Grade 6-8	3,838	907	768	181	298	10
Completed Grade 9-10	4,919	3,027	984	605	514	434

Average monthly earnings Overall (Rs.3159) and Females (Rs.1107)

*Rs.60/US \$

239. For the overall sample the yearly earnings premium is US \$140 for primary school graduates, which rises to US \$514 for matriculates. Note also that inter-level premium rises from US\$157 (i.e. between primary and middle) to US\$ 216 between middle and matriculate. The female earnings are 1/3rd to 1/4th of male earnings till the middle level i.e., till Grade 8; they narrow considerably only when females are equipped with a secondary certificate. In a sense these overall average earning premiums incorporate the premiums due to location and experience. Since the definition of employees start with age 10, we also estimate the earnings of fresh (relatively) graduates between the ages of 10-17⁴³. Table 2 gives the earnings of the truncated sample.

**Table 2: Average Earnings Premium of Paid Employees age (10-17) by Education Levels:
PSLM 2005-06**

	Monthly (Rs)		Yearly (US \$)**		Premium Relative to no schooling	
	Overall	Females	Overall	Females	Overall	Females
Never Attended	1202	644	240	129	-	-
Completed Grade 1-5	1693	710	340	142	100	13
Completed Grade 6-8	2079	1174*	416	235	176	106
Completed Grade 9-10	2522	707*	504	141	264	12
Overall	1517	678	303	136	-	-

* Caveat: Based on a sample of 5 and 8 females respectively

** Rs60/US \$

240. For the overall sample, the earnings premiums of schooling relative to no schooling are robust but narrow down for relatively fresh graduates as compared to experienced employees. The gender differentials remain in the range of 1/3rd to 1/4th and do not narrow even for new female entrants with matriculation certificates.

⁴³ Strictly speaking a person of age 17 and starting work at 10 may have 7 years of work experience, thus earnings may slightly overstate the premium to fresh graduates.

241. For estimating the potential benefits in the ex-ante period FY09-11, the trends in the earnings also need to be assessed. Table 3 provides a comparison of average monthly earnings of the 10-17 age group with various levels of education for the overall sample for the years 2001-02 and 2005-06. The inflation adjusted average monthly earnings for all levels of education grew between 34-55 percent in the 5 year period. The real growth rate of 2.7 percent in average earnings of individuals with no formal education was the lowest during the period.

Table 3: Trends in Monthly Earnings (Rs.)

	2001-02	2005-06	Nominal Cumulative Growth rate	Inflation adjusted growth rate	Annual compound real growth rate
Never attended	858	1202	40.1	11.14	2.68
Grade 1-5	919	1693	84.2	55.24	11.62
Middle 6-8	1145	2079	81.6	52.04	11.15
Matric 9-10	1378	2522	83.0	54.04	11.40
Overall	927	1517	63.6	34.64	7.72

242. The results for estimating Mincerian wage functions using the weighted OLS regression technique is given in Table 4. For the overall sample, the education attainment coefficients for 2005-06 show a wage premium of 0.25 for individuals who complete Grades 1-5 relative to those with no schooling. This premium rises to 0.46 for those who complete Grades 6-8 and 0.63 for those individuals who complete Grades 9-10. Each year of experience adds 7.26 percent to the base earnings, while each year of experience with matriculation gives an additional edge of 0.37 percent earnings to its holder. This latter edge is much higher for females with secondary school certificates than for males.

Table 4: Dependent Variable: Loge Monthly Earnings

Variables	Overall		Female	
	2001-02	2005-06	2001-02	2005-06
Edu2	0.2033**	0.2487**	0.1465	0.1881
Edu3	0.4945**	0.4629**	0.4262**	0.2483
Edu4	0.8823**	0.6328**	0.7088**	0.4849**
Exprn	0.0726**	0.0688**	0.0291**	0.0475**
Sqr(exprn)	-0.00101**	-0.00098**	-0.0004**	-0.0007**
Edu2_exprn	0.0020	-0.000516	-0.0032	0.0070
Edu3_exprn	-0.00018	-0.00322	0.0178	-0.0117
Edu4_exprn	-0.00226	0.00373*	0.0416**	0.0436**
Male	1.3585**	1.3465**	-	-
Urban	0.1593**	0.1134**	0.3699**	0.1793**
Constant	4.9866**	5.5463**	5.4644**	5.8079**
Adj.R_sqr	0.5404	0.5794	0.1706	0.2164
No. of Observations	4435	4823	896	1179

243. For females, the education attainment co-efficients for the primary and middle level are statistically not significant, and only average earnings of female matriculates are significantly higher than those with no education⁴⁴.

244. The education attainment coefficients between 2001-02 and 2005-06, show a declining trend except for those with primary level education. For the overall sample the returns of an extra year of experience also fell marginally during the period, but rose for females. Moreover in contrast to the beginning of the decade, experience with matriculation began to command a premium in 2005-06, relative to other education levels. For females the locational premium differential also narrowed during the period.

IV. Out-of-Pocket Expenses

245. Although public schools are subsidized, they charged nominal monthly fees until 2003-04. Moreover parents incur expenditure on textbooks, uniforms, transportation and other irregular incidentals, such as on sports and other activities. These out-of-pockets constitute expenses along with foregone earnings on the costs side of the equation for a more meaningful and realistic economic appraisal. Table 5 compares the annual out-of-pocket expenses recorded by households in the PIHS 2001-02 and PSLM 2005-06 surveys. The household level data indicates that since the Punjab Government's decision to provide free schooling and textbooks, the annual out-of-pocket expenses have fallen by roughly 30 percent in nominal terms between FY02-06. Meanwhile out-of-pocket nominal expenses for households with children in private schools rose at an annual rate ranging between 7.8 to 13.0 percent per annum.

Table 5: Average Annual Out-of-Pocket Expenses per Student (Rs.)

	Grade 1-5		Grade 6-8		Grade 9-10	
	2001-02	2005-06	2001-02	2005-06	2001-02	2005-06
Public	880	587	1974	1361	3000	2699
Private	2502	3374	3955	5580	5066	8271
ACGR (Private)	7.8		9.0		13.0	
Overall	1413	1714	2581	2710	3595	4528
ACGR (Overall)	4.9		1.2		5.9	

V. Ex-post Cost Benefit Analysis

246. It should be mentioned at the outset that financial and technical support to the education sector of Punjab by the World Bank during FY04-07 at an average rate of US \$100 million per year constituted 10-15 percent of the Punjab Government's total expenditure on education. This was budgetary support to the provincial government. It was meant to leverage financial and technical support and strengthen Punjab Government's on-going sector-wide reforms and initiate new ones to improve quality, access, governance and sustainability. Broadly speaking the increased access in the form of additional enrollments due to the above four interventions is attributed as benefits of the four year program, while total costs incurred on various interventions

⁴⁴ These education attainment coefficients are slightly higher than in case of Bangladesh. Using a simpler specification on HIES 2005 data and different categorization, the corresponding wage premium to those who completed 5-9 grades is 0.136 and rose to 0.29 for individuals completing secondary school certificate.

by the government (which operationally mean expenditure on carryover stock of students plus new enrollments during the period) represent the costs of the program. The assumption here is that because of the total costs incurred on interventions, there was an appreciable all-round improvement in access and quality of primary and secondary education in the province during the life of the program. In line with the premiums attached to the three levels of education, we estimate aggregate cost and benefits of each intervention and the program (level-wise) during the four year life of the program (FY04-07). For the ex-ante analysis we estimate the aggregate costs and benefits of the program during FY09-11.

A. Free Textbooks

247. The Punjab Government initially started providing free textbooks to primary level enrollees in public schools from 2003-04. In the subsequent year it extended the provision to the middle level, i.e., up through Grade 8. In FY06 secondary level students of public schools were also included. The beneficiaries gradually increased from 8.8 million in 2004-05 to 12.4 million by 2006-07⁴⁵. Correspondingly the expenditure on production of text-books increased from Rs.354 million to Rs.838 million in 2006-07.

i) Estimating the increase in enrollment:

248. Between 2003-04 and 2006-07, primary enrollment in public schools increased at the rate of 8.14 percent per annum. Prior to the program, i.e., during 2001-02 to 2003-04, primary level enrollment in public schools was increasing at the rate of 0.6 percent per annum. Discounting the program period increase by the pre-program increase, gives a net addition of 1.574 million students in primary enrollments. For middle level education, the pre-program increase in enrollment was 3.2 percent per annum. During FY04-07, the corresponding rate more than doubled to 6.9 percent. After adjusting for the pre-program rate, the net increase in middle level enrollment attributable to the program reduced to 0.21 million from 0.38 million. Enrollment at the matriculate (Grade 10) level was increasing at the rate of 6.1 percent per annum during 2001-02. During the program period, it increased marginally to 6.6 percent. Consequently, though the total enrollment increased by 157,400, only 13,320 can be attributed to the program.

ii) Opportunity costs of foregone earnings and out-of-pocket expenses

249. Level-wise earnings premium information in Table 2 and out-of-pocket expenses information in Table 5 are combined with estimates of additional enrollment in (i) above to estimate foregone earnings and out-of-pocket expenses at each level. For both these cost measures, the annual average estimates are raised by a factor of 5.3 and 2 to arrive at total costs for the primary, middle and matriculate levels respectively.

iii) Other costs and inefficiencies embedded in benefit calculations

250. High open unemployment rates of labor force with primary, middle and matriculate level education indicates the rigidities and imperfection of the market as well as the excess supply of

⁴⁵ In later years under public-private strengthening DOE, Punjab Government also provided free textbooks to NGOs schools, under Punjab Rural Support Program and to low-cost private schools assisted by the Punjab Educational Foundation.

labor with low and poor education. However the recorded rates may remain low due to underemployment as well as definitional weakness in its measurement. In both cases the aggregate lifetime earnings estimates of the beneficiary pool need to be adjusted by the phenomena of open unemployment. Open unemployment rates by education level from the Labor Force Survey of 2006-07 are used to adjust the number of enrollments for estimating the net discounted value (NDV) of lifetime earnings and internal rate of returns of the interventions and program⁴⁶.

251. One indicator to assess the impact of reforms on improvements in internal efficiency of the education sector is the pass rate of those appearing in the matriculation or secondary school certification exam. Historically the pass rate has hovered around 50 percent for those appearing in the exam. Thus the enrollment at the matriculate level is also adjusted for the pass rate to calculate the aggregate NDV of lifetime earnings of additional enrollees at the matriculate stage.

iv) Calculation of lifetime earnings

252. After adjusting the level-wise enrollment derived in (i) by level-wise unemployment rates, earnings premiums in Table 3 are used to obtain aggregate earnings impact on additional enrollees at each level. Returns to each year of experience as well as significant premium on experience due to education (e.g. matriculation) obtained in Table 4 are incorporated to estimate life-time earnings over a period of 25 years. These benefits in differential life-time earnings are discounted back to present value.

Table 6: Cost-Benefits of Text-book Program (US \$ m)

	Costs	NDV of life-time earnings (12 percent)	IRR
Primary	1969.0	2018.2	14
Middle	231.6	206.7	12
Secondary	10.2	8.6	11
Overall	2210.8	2233.5	13

253. Applying the above methodology, Table 6 gives level-wise and overall costs, NDV of lifetime earnings and IRR of the text-book intervention. Only in case of intervention at the primary level, does the NDV of benefits exceed the current cost of the intervention. Moreover, IRR of the intervention declines marginally at higher levels of education.

B. Stipends to Girls

254. Female enrollment indicators at all levels of school education continue to be dismally low specifically in rural areas and at secondary level of school education. In order to narrow gender disparities at the secondary level, the Government introduced stipends for all girls enrolled in middle schools in fifteen low literacy districts of Punjab from the 2nd quarter of FY04. It was extended to girls enrolled in Grades 9 and 10 from the 3rd quarter of FY07. Correspondingly the total girl beneficiaries from the program increased from 0.179 million in 2003-04 to 0.360

⁴⁶ Overall unemployment rates calculated from LFS 2006-07 for primary, middle and secondary level graduates are 4.97, 5.65 and 6.26 percent respectively.

million in 2006-07. Government expenditure on stipends increased from Rs.333.7 million to Rs.900 million in the corresponding period.

i) Impact on Enrollment

255. In program districts enrollment of females in middle level education increased at the annual rate of 14.7 percent during FY04-07 compared to the pre-program annual rate of 2.6 percent during FY02-04. Thus an increase of 79,485 female students during the period is attributable to the stipend program. Similarly secondary (Grades 9-10) school girls' enrollment in these 15 districts was growing at an annual rate of 7.5 percent prior to the program. It increased to 16.4 percent annually during the intervention period. Thus above normal growth equivalent to 22,000 is attributable to the program

ii) Costs calculations

256. Since stipends are provided only to middle and secondary level female enrollees, we use the female earnings premium information in Table 2 for two levels, i.e. primary and middle and the corresponding out-of-pocket expenses information on females to calculate aggregate foregone earnings and out-of-pocket expenses of the respective enrollees estimated in (i) above⁴⁷.

iii) Other Adjustments

257. For aggregating earnings benefits, the enrollees are adjusted for unemployment rates of 9.4 and 13.7 percent for middle and matriculate female graduates respectively. Matriculate enrollees are further adjusted by 56.3 percent female pass rate prevalent in 2007.

iv) Life-time earnings

258. The earnings profile and premiums of females given in Table 2 cannot be considered robust or reliable due to the very small number of observations in the middle and matriculate category. Thus we apply the growth rates observed in males in these categories to the primary school base earnings of females to estimate the premiums for the middle and matriculate category. These yield an estimate of US\$151 and US\$233 per year for middle and matriculate female graduates⁴⁸. Experience impact premiums for females that are significant in Table 4 are used to calculate life-time earnings and generate NDV for middle level and matriculates.

259. Applying the above set of parameters, Table 7 gives the aggregate costs, NDV of life-time earnings and IRR for middle-level and matriculate enrollees. The IRR for providing stipends to females for completing the middle level education stage is negative. However, for those who graduate to matriculate level, the IRR of stipend intervention is 17 percent. The negative IRR at the middle level is a consequence of very low nominal differential returns to

⁴⁷ The gender and level-wise out-of-pocket average expenses are not given in Table 5. These are available with the author.

⁴⁸ The premiums for males transiting from primary to middle and middle to matric were 6 and 54.7 percent respectively. Alternatively one could have used female earning data of 2001-02, which gave earning premiums of 32 and 48 percent for the corresponding transition, but again are based on too few observations.

middle level education for girls, i.e., US\$9 premium in yearly earnings per student combined with cumulative high expenses on stipends since 2004.

Table 7: Cost-Benefits of Girls Stipend Program (US \$ mln)

	Costs	NDV of life-time earnings (12 percent)	IRR
Middle	76.21	7.23	-6
Matric	13.35	19.42	17
Elementary (6-10)	131.08	104.83	11

260. However, in evaluating interventions specifically in female education, pecuniary costs and benefits are at best truncated estimates as spillover impacts and positive externalities that bestow on the society in the long-run largely remain unaccounted for in these pecuniary calculations. To judge the sensitivities of these estimates, we combine the increase in enrollment in both levels during the program period into a single category of Grades 6-10 and refer to it as 'elementary'. Applying the same methodology as above, with primary earnings as the reference base, IRR for the stipend program is 11 percent⁴⁹.

C. Investments in missing facilities

261. The state of infrastructure in schools impacts on access as well as the quality of education imparted to its enrollees. The Government carried out a baseline survey in 2003 to document the extent of missing facilities such as toilet, drinking water, electricity and boundary walls in its public school infrastructure. At the time the survey estimated that 118,275 schemes would need to be undertaken in the province at an estimated cost of Rs.14.9 billion to bridge the facilities gaps. It decided to allocate Rs.15 billion over a period of three years for this purpose. Since the provision of missing facilities is the responsibility of district governments, the allocation mechanism adopted by the Government for the districts was continuously modified and fine-tuned to achieve the desired results. As a result implementation can be grouped under three phases with schemes under each phase being implemented with distinct allocative mechanism⁵⁰. Enrollments and number and type of schools benefiting in the three phases of the program for filling the facilities gaps are given in Table 8.

Table 8: Level and Gender wise Schools and Enrollments

Levels	Gender	Phase I		Phase II		NLC Phase	
		Schools	Enrollment	Schools	Enrollment	Schools	Enrollment
High	Female	448	359,829	290	234,614	69	46,398
High	Male	812	499,682	575	380,802	165	99,671
Middle	Female	1,135	303,031	565	161,231	208	58,652
Middle	Male	820	251,907	473	164,531	162	52,426
Primary	Female	6,236	607,329	2,442	269,057	1,132	114,492
Primary	Male	5,053	624,757	2,836	395,413	1,458	183,816
Masjid	Male	-	-	-	-	136	9,381
Total		14,504	2,646,535	7,181	1,605,648	3,330	564,836

⁴⁹ The underlying assumption in treating it as a single category is that the transition from middle to secondary will be 100 percent for the additional enrollees.

⁵⁰ The details of allocative mechanism followed by Punjab Government and categorized as Phase I, Phase II and NLC Phase for documentation and monitoring purposes can be found in the current document.

262. At an aggregate level around Rs.14.38 billion has been disbursed by the Punjab Government since 2003-04 under this intervention.

i) Quantifying the increase in enrollments

263. As the review of literature indicates, assessing the impact of provision of infrastructure by type and quantity on enrollments, attendance and student performance places heavy demands on the quality and quantity of data. This warrants a separate study. In absence of readily available enrollment data pertaining to before and after the implementation of schemes in the reference schools in Punjab, we combine the parameters generated by relevant international studies with the patchy and soft national evidence to guesstimate the likely impact on enrollments.

264. To contextualize the quantification of impact, we briefly reproduce the international evidence documented in the review of literature. In the case of Bolivia, Newman et al (2002) finds that 'improvements in school infrastructure had little impact on attendance, enrollment or achievement, but drop out rates decreased'. In the case of Peru, Paxson and Schady (2002) find one standard deviation (9.6) increase in per capita spending on school infrastructure is associated with improvement in attendance rates by 14.5 percentage points. Results from an extensive and detailed study on impact of renovation of schools in Georgia (in many ways similar to the intervention by the Punjab Government), Lokshin and Yemtsov (2005) documents the following impacts: (a) the number of secondary school graduates increased in 37 percent of the villages with the rehabilitation projects as compared to 24 villages in non-project villages; (b) in project villages, primary and secondary enrollment rates increased by 6 percent between 2000 and 2001; (c) the health impact of school rehabilitation is substantial. In the treatment group villages, the incidence of respiratory diseases among school age children declined by 12 percent compared with a decline of only 5.6 percent in villages without the project; and (d) the aggregated number of pupils enrolled in school changed slightly due to the project effects. The number of pupils increased in 24.4 percent of villages between 1998 and 2002. Without the project the number would have increased in 21.4 percent of villages.

265. One piece of evidence for Punjab is mentioned in the project document prepared at the time of the First Sector Adjustment Credit for Education Sector in 2004⁵¹. The increase in attendance ranged from 16 percent (for schools with electricity) to four percent (for schools with toilets) as compared to schools without these facilities⁵².

266. A back of the envelope exercise was conducted on rural communities infrastructure facilities collected in PIHS 2001-02. The results of regressing log of enrollment of each public primary school (male, female and mixed) in rural areas on presence/absence of school infrastructure and other quality variables is given in Table 9.

⁵¹ World Bank Report No.27528-PK, January 8, 2004.

⁵² One needs to be careful in equating/translating increase in attendance rates to enrollment rates.

Table 9: Dependent Variable: Log of school Enrollment

Variables	Coefficient	T-value
Constant	3.1255	13.87
Teaching Experience of Head Teacher (yrs)	0.0113	4.32
Building Condition (Pacca)	0.3099	1.42
Building Condition (other)	0.2562	1.08
Water supply	0.3434	4.08
Electricity	0.1351	2.52
Boundary wall	-0.1284	-2.32
Toilet Facilities	-0.0158	-0.30
Library	0.0434	0.92
Community-Teachers Committee	0.3706	5.92
Total # of Teachers	0.1396	13.92
Adj R-Square	0.4934	
No of Schools in rural Punjab	468	

267. The above preliminary results need to be viewed with caution for policy implications and projecting it to the current scenario of missing facilities. The result of a significant and negative impact of boundary walls and negative although not significant impact of toilets on enrollment is contrary to a priori expectations. Even with these qualifications that need further data exploration, the net combined impact of presence of 4 infrastructure facilities, i.e., water supply, electricity, boundary wall and toilet facilities on primary school enrollment is 33 percent. In a stylistic sense the average impact per one missing facility on primary school enrollment comes to 8 percent.

268. Two scenarios for cost-benefit analysis are generated for additional enrollments attributable to investments in infrastructure. One scenario attributes 8 percent and the second scenario attributes 12 percent of level-wise enrollment shown in Table 9. This gives an increase of 175,000, 793,000 and 129,000 enrollees at the primary, secondary and matric stage for the 8 percent increase. Applying the same steps as in text book intervention the following values are derived for the investment in missing facilities.

269. The calculations indicate that IRR is not very sensitive to the assumption of beneficiaries and moves in the close range of 8-9 percent even when there is an increase of 50 percent in assumed beneficiaries.

Table 10: Cost Benefit of Investments in Missing Facilities (US \$ mln)

	Costs	NDV Benefits (12 percent)	IRR
Increase in Enrollees 8 percent	640.1	385.5	8 percent
Increase in Enrollees 12 percent	850.3	578.1	9 percent

D. Support for Public-Private Partnership (PEF)

270. The Punjab Government is promoting partnership with the private sector through the Punjab Education Foundation. In 2004, Government restructured the PEF and mandated it to provide financial assistance to private schools catering to low income households, with the specific provision that 75 percent of its resources would be earmarked for the support of low-cost private schools in disadvantaged areas. In pursuance of this mandate, PEF started funding low

cost private schools from FY06. In these schools the tuition fees at the rate of Rs.300 per month per student are picked-up by PEF and students are required to maintain a specific level of achievement, measured through periodic quality assurance tests (QATs).

271. *Cost-effectiveness estimates:* Using the conservative estimates of average program effects for the phase-4 sample, one way the program’s cost-effectiveness can be estimated is by deriving the annual rupee cost of one additional student in a program school *induced* by the FAS program. Given a baseline mean school size of 232 students for schools in the phase-4 neighborhood sample (which is treated as the number of children that would have attended the FAS program school even in the absence of the treatment) and an annual subsidy amount of Rs.3,600 per student, it costs Rs.13,426 (US\$189) to induce an additional student per year. A second way the program’s cost-effectiveness can be calculated is by deriving the annual per-student cost of increasing enrollment by 1 percent. Using an annual subsidy amount of Rs.3,600 per student and an enrollment impact estimate of 37 percent, we estimate a cost-effectiveness ratio of Rs.97 (US1.4). This estimate compares extremely favorably with the estimated cost-effective ratios of other evaluated educational interventions across the developing world which generated enrollment gains.

E. Overall Ex-post Economic Appraisal of Four Interventions

272. The four interventions to improve access and quality of education should theoretically enhance the internal and external efficiency of the primary and secondary education sector in the province of Punjab. Two common indicators of internal efficiency of the education system are transition rates at the three levels, and the pass rate at the high school or matriculate level. In the absence of data on transition levels, we rely on growth in enrollments and the pass rate at the matriculate level. Unfortunately, pass rate is sketchy and the available data as in Table 11 indicates, that there is no secular rising trend of pass rate since 1999.

Table 11: Matriculate Pass Rates

	1999	2005	2006	2007
Overall	45/46	49/51	61	49.2
Females	NA	57.6	NA	56.3

273. During 1999-2007 the overall pass rate of combined private and public schools fluctuated between 45 and 61 percent. The two data points available for females indicate that although higher than overall, it declined marginally from 57.6 in 2005 to 56.3 percent in 2007.

274. Overall cost-benefit calculations of four interventions is based on three components on the benefit side: (i) life-time increase in total earnings of additional enrollees at the primary, middle and matriculate level after adjusting for normal growth, open unemployment rates level-wise and pass rate at the matriculate level; (ii) calculating life-time increase in earnings of additional successful candidates in SSC exams as per the following method: increase in pass rate of three percentage points applied to the base matriculate enrollment 88,780 for the year 2006-07; and (iii) life-time earnings of primary and secondary school beneficiaries of PPP program under the FAS program.

275. The cost side consists of three components: (a) costs of interventions, i.e. text books, female stipends, infrastructure, FAS (student stipends plus teacher training) and text books to

NGOs; (b) opportunity cost of foregone income; and (c) out-of-pocket expenses of additional enrollees in the public system, PPP and due to improvement in internal efficiency.

The total cost of these interventions is US \$2.73 billion, NDV at 12 percent is US \$ 2.46 billion and the IRR is 12.1 percent.

F. Ex-ante Cost benefit of Interventions in 2010-11

276. In proposing to extend its financial and technical support to the Government for educational reforms for the next three years, the World Bank has set the following targets for outcome indicators in the Results Framework. During FY09-11, net overall (male and female) enrollments at the primary level in public schools are expected to increase from 62 percent in FY06-07 to 66 percent in 2010-11. Middle and secondary level net enrollments are projected to grow from 20 percent to 22 percent and 11 percent to 13 percent respectively in the corresponding period.

i) Projecting additional beneficiaries

277. The first step before estimating the ex-ante benefits is to translate the above outcome indicators for 2010-11 into absolute numbers of additional enrollees during the period. Based on the past relationship between NER and absolute enrollment, it was estimated that primary enrollment would grow from 8.068 million in FY06-07 to 8.840 million in 2010-11. Adjusting for historical growth during 2001-02 and 2003-04, 0.584 million will be the likely impact of the program on primary enrollment. Similarly middle and secondary enrollments are expected to increase by 0.243 million and 0.1638 million respectively.

ii) Growth in earnings during FY09-11

278. To estimate foregone earnings for the cost side and life time increase in earnings due to education for the assessment of benefits, it is essential to have some projections of yearly earnings of fresh primary, middle and secondary graduates in year 2010-11. The growth rate of earnings during 2001-02 and 2005-06 given in Table 3 provide some indications of historical growth. With nearly 25 percent depreciation of the rupee during 2007-08 and 2008-09, and unprecedented inflation, one can safely assume that the income increase in rupee terms by 2008-09 may have at least neutralized the rupee depreciation effect on earnings. Thus we assume that yearly earnings in US \$ terms for each of these education levels in 2008-09 are at the same level as they were in 2005-06, i.e., US \$240, \$340, \$416 and \$504.4 for no education, primary, middle and secondary educated respectively. Projecting till 2011 we apply annual growth rate of 2.68 for those who never attended and 5 percent annual growth rate for the remaining 3 levels to the US\$ yearly earnings in 2008-09.

iii) Projections for out-of pocket expenses

279. Out-of-pocket expenses are another major cost component in the estimation of total costs. Table 5 gives an indication of annual growth in these expenditures level-wise. However out-of-pocket expenses for public school enrollees have declined in nominal terms during the period

due to subsidy. One scenario is to freeze them at the 2005-06 level for projecting them to 2010-11. We adopt another assumption and let them grow at an annual rate observed for the entire sample, i.e., 4.9, 1.2 and 5.9 percent per annum for primary, middle and secondary levels respectively. Following the rationale adopted in projecting earnings, we freeze the US\$ value of per student per year expenditure in 2005-06 till 2008-09. From thereon we project the increase in out-of-pocket expenses in US\$ terms of public education till 2010-11 by applying the above annual compound growth rates.

iv) Beneficiaries and life-time earnings

280. For calculation of life-time differentials in earning benefits by various education levels, we adjust the unemployment trends marginally lower to reflect the long-term downward trends observed from the Labor Force Surveys for these educational categories. Moreover, we project the decline in returns to experience observed in Table 4 to year 2011 and adjust the returns to each year accordingly to the estimated NDV. At the matric level we apply a pass rate of 55 percent to the additional enrollees for calculating life-time earnings of matriculates.

v) Improvements in internal efficiency

281. We further assume that due to the various interventions in quality aspects of education, the pass rate will improve by 5 percentage points during the period. Thus applying this factor to the 2006-07 base of enrollment in matriculation we add the costs and benefits to the additional pool of enrollees obtained from (i).

vi) Incremental internal and external efficiency at the secondary level

282. From a broader perspective, interventions in the system, even at each of the levels, i.e., primary, middle and secondary level should filter to increase in pass rates at the secondary level examination and command higher earnings due to productivity increase and employability of matriculates. Thus we construct three scenarios for measuring the external efficiency at the secondary level by assuming 3, 5 and 8 percent growth in earnings for the middle, secondary and higher secondary graduates. Further in evaluating the internal efficiency of the system at secondary level, we generate two additional scenarios of 8 and 10 percentage points apart from the 5 percentage points improvement in the pass rate. The total indicative costs of the program during FY09-11 are apportioned by the increase in secondary level enrollment. The incremental IRRs under different scenarios of internal and external efficiency are given in Table 12.

Table 12: Incremental Internal Rates of Return ratios under different scenarios

Internal Efficiency (increase in pass rates)	External Efficiency (% increase in earnings)			
		3	5	8
5		12.6	12.8	13.1
8		13.5	13.6	13.9
10		13.9	14.0	14.3

283. The above analysis indicates that the IRRs under the different scenarios move in the narrow range of 12.6 to 14.3 percent.

G. Overall Ex-ante Cost-benefit Ratios

284. Ex-ante analysis of cost benefit differs from the ex-post in one respect. The projected expenditures for the period FY09-11 on these four interventions by the Punjab Government are still being firmed up. Till the finalization of projected expenditures, we use the indicative estimates provided in MTSF 2009-11. These are documented in Table 5.4 under the headings of “costing of new initiatives”. The total current and development expenditure projected for new initiatives for 3 years is Rs.72.17 billion. Converting these expenditure in US \$ terms at the rate of Rs.80/US\$ the expenditure is US\$902 million for the 3-year period. These tentative projected current and development expenditures by Government on new initiatives in school education are added to projected foregone earnings and out-of-pocket expenses of: (a) additional enrollees due to 2010-11 level-wise NER targets; (b) increase in PPP enrollments; and (c) additional matriculate graduates due to improvements in pass rate by five percentage points. NDV of life-time earnings of the above three sets of beneficiaries constitute the benefit side.

The ex-ante cost-benefit indicators under the above indicative expenditures on school education by the Punjab Government are: Costs US \$ 2.252 billion, NDV of benefits (at 12 percent) US \$ 1.429 billion and IRR is 8.4 percent.

VII. Fiscal Analysis

285. While the Punjab Government stands committed to allocating as well as spending more on the on-going interventions to improve access to and quality of school education, its actual expenditure has been constrained by the downturn in the economy since FY08, (in turn affecting revenue receipts and thereby expenditure commitments) the political climate (including change in the government), and the implementation capacity of the education department of the province. In FY07 trends in expenditure on education indicate a shortfall of Rs.2 billion in current expenditure and of Rs.5.6 billion in development expenditure from the budgeted expenditures. In FY08, the shortfalls from the budgeted expenditure increased to Rs.10 billion on the current side and Rs.13.5 billion on the development side⁵³.

286. Fiscal sustainability of the program crucially hinges on how fast the national economy and specifically Punjab’s provincial economy recovers with concomitant increase in revenues, once the program ends in FY11. The resource and expenditure envelope contained in the Medium-Term Fiscal Framework prepared by PMIU for the FY09-11 period reflects the gradual and slow recovery of the provincial economy from the shocks in the last two years.

287. The scenario for assessing the fiscal sustainability is generated from the tentative MTFE FY09-11 and MTSF 2009-11. Based on the growth trends and shares, the analysis is extended to FY12 to quantify the expenditure components, i.e., recurrent and development of: (a) overall Punjab Budget; (b) allocation to education in the province; and (c) school initiatives for the first

⁵³ MTSF 2008-11

year without the program and then assess how far the SIL funding of roughly US\$115 million per year can be financed from given trends in recurrent expenditures.

288. To assess the fiscal sustainability of the program, we assume: (a) that the share of the current total budget to education rises gradually from 37.4 in FY09 to 39.2 percent in FY12, at the rate of 0.6 percentage points; (b) the share of total development budget to education after falling to 18.6 percent in FY10, from 19.4 percent in FY09, remains constant at 18.5 till FY12. The assumption is that a substantial backlog of missing facilities already cleared, recurrent expenditures need to rise faster to cover maintenance costs of larger pool of facilities; and (c) for 2011-12 it is assumed that expenditures on school initiatives increase at the annual rate of 42.9 percent projected by MTSF for the period FY09-11. Recurrent and development expenditures for FY12 are apportioned in the shares prevalent in FY11.

289. Under the above scenario, the total expenditures (provincial plus districts) on education in Punjab would rise from Rs.175.7 billion in FY11 to Rs.207.8 billion in FY12, an increase of Rs.32 billion. Correspondingly, the increase in expenditures under new school initiatives will increase from Rs.33 billion in FY11 to Rs.47.2 billion FY12, an increase of Rs14.2 billion. Thus in case the external funding to the program is terminated and resource mobilization (from NFC and provincial tax base) of the province remains inelastic, rise in expenditures on school initiatives to the tune of Rs.14.2 billion (25-30 percent of the provincial budget deficit), will lead only to a rise of deficit from 1 to 1.2 percent of provincial GDP. These increases in expenditures on school initiatives are financially manageable from the perspective of debt sustainability.

Table 13: Punjab: Trends in Expenditures in the Education sector

	2008-09	2009-10	2010-11	ACGR	2011-12
	1	2	3	4	5
A. Total Revenue Receipts (Rs. Bn)	389.99	425.05	506.88	14	577.84
B.Total Budgeted Expenditure (Rs.Bn)	416.95	506.98	565.61	16.5	658.94
B.1 Current (Rs.Bn)	256.95	322.98	353.61	17.3	414.78
B.2 Development (Rs.Bn)	160	184	212	15.1	244.16
C.%age of Tot. Budget allocated to Education (Provincial + Districts)	30.50	31.00	31.10	0.00	31.50
C.1 %age share of Current Budget to education	37.4	38	38.6		39.2
C.2 %age share of Development Budget to education	19.4	18.6	18.5		18.5
D. Total (current+ Development)	127.14	156.95	175.71	17.5	207.76
D.1 Amount: Current (Rs.Bln)	96.1	122.73	136.49	19.2	162.59
D.2 Amount: Development (Rs.Bln)	31.04	34.22	39.22	12.4	45.17
E. Expenditure on School Initiatives: MTSF (Rs. Bln)	16.15	23.02	33	42.9	47.17
E.1 Current Expenditure on Sch. Initiatives	8.74	11.1	12.99	21.9	18.57
E.2 Development Expenditures on Sch. Initiatives	7.41	11.92	20.01	64.3	28.6
Increase in Educ. Expenditures Col.5-Col.3 (row D)					32.05
Increase in Educ. Expenditures in US \$ bln					0.4
Increase in School Initiatives Expenditure Col.5-Col.3 (row E)					14.17
Increase in School Initiatives Expenditure in US \$ bln					0.18

Annex 10: Safeguard Policy Issues: Social Assessment and Environment Management Framework

PAKISTAN: Punjab Education Sector Project

290. A Social Assessment has been conducted as part of project preparation and to help identify areas that can help PESRP strengthen social aspects of the program. The Social Assessment (SA) includes: (i) a social and gender analysis; (ii) stakeholder analysis; and (iii) an analysis of the applicability of social safeguards included in the World Bank's operational policies. The SA assesses the proposed program from the viewpoints of social groups, gender, participation and social accountability and provides an overall view of social issues in relation to the education sector at the provincial and district levels and information on the social and gender aspects of previous interventions in selected sites while assessing education from the view points of gender, social class and groups, participation and empowerment.

291. **Methodology:** The SA has used a range of tools to obtain primary and secondary information. Secondary data was used to provide the quantitative overview of the Program. This included use of data already collected by the PESRP since 2003 through the yearly census of schools, monthly school inspection reports, and the EMIS.

292. The dataset includes, among others, information on: (i) staff strength and attendance; (ii) absent teaching and non-teaching staff; (iii) teachers' training; and (iv) Schools Councils. The data has been analyzed in relation to male/female teachers and girls/boys schools as well as rural and urban areas. The information has been strengthened with consultations to establish linkages with social factors including gender to determine the impact of the School Councils in the education sector. The analysis also looked at the monitoring systems to determine how well social issues including gender have been integrated into them.

293. **Primary information:** The SA at the field level used a strongly qualitative approach using PRA techniques including Consultations, Focus Group Discussions, (FGD), and use of key informants. A significant focus of the investigation was from the community/student perspective to discover the social perceptions that play a role in schooling, especially for girls. It also analyzed the context and content of the respondent's views to assess the key factors related to access and quality of education. The school was the primary focus of analysis and included the teachers, students, School Councils, monitoring staff as the main players, and strengthened with consultations with parents and the wider community players. All districts of Punjab were included in the data analysis while the qualitative field level consultations had a spatial focus with one district each from the North (Attock), South (Muzaffargarh), West (Multan), and Center (Faisalabad) of the province. The sample selected also allows for a comparative analysis between a high performing and a relatively low performing district.

294. The specific schools sample was randomly drawn. In addition to the sample of public schools visited, PEF schools in Lahore, Okara and Sahiwal were also included in the field visits. The SA at the field level used a strongly qualitative approach in order to investigate key social factors influencing access to schools. As far as possible, the FGDs covered both male and female stakeholders in each stakeholder group (students, parents, teachers, School Councils) and a balance between schools rural and urban areas was maintained.

295. The instruments used for data collection for qualitative information included the use of semi structured questionnaires/interviews, checklists and guidance questions in areas of interest for the Assessment. The gender analysis reviewed gender disaggregated trends on educational access and attainment over the past few years: (i) enrollment and completion rates (overall and gender disaggregated); (ii) factors such as location of schools, availability of teachers and facilities and their correlation with enrollment and completion rates of girls; and (iii) role of incentives in influencing educational attainments through a comparison between stipend districts and non-stipend districts with respect to enrollment and completion rates of female students.

296. Overall, the focus of the analysis is to assess the impact on access to education, social acceptability and beneficiary participation/satisfaction with the interventions undertaken by PESRP and the impact of these interventions on education outcomes

297. **Stakeholders Consultation:** The Stakeholder Analysis used a matrix on relative influence and importance of stakeholders. Interviews identified the current and future roles of each stakeholder and their ability to impact the project both positively or negatively. Thus in addition to the consultations held at the school and community levels, stakeholders covered also included government institutions, non-governmental organizations, research institutions and other social groups/beneficiaries at each level of intervention. The report also provides a broad strategy on participation and involvement of stakeholders over the life of the project.

298. **Social Safeguards:** The SA during consultations and analysis did not find any Indigenous Groups (as defined by OP 4.10) in the project area hence OP 4.10 on Indigenous Peoples is not triggered. The Project does not envisage any acquisition of land but will depend on donated land for construction of schools. Hence OP 4.12 on Involuntary Resettlement is not triggered. However, the Environmental and Social Management Framework lays out the conditions that will need to be met by the project for any donated land.

Findings and Recommendations:

299. **School Councils:** Under PESRP, SCs have been formed in every district and are broadly functional (albeit in varying degrees) One measure of this formation and functionality is the number of meetings held in the year. This further shows that for 2007 the median number of meetings for SCs was six with 22 districts holding the median number of meetings above this figure. The frequency of meetings further shows that SCs have been activate and function regularly. Field consultations with SCs revealed that meetings were held fairly regularly by SCs. However, almost all Head Teachers reported that getting all members to attend SC meetings is a challenge. The most frequent reasons cited for this were lack of time on the part of members; and lack of incentives for members to attend the SC meetings. Head Teachers in poor urban areas reported that poverty forced most mothers to work in factories or find domestic help jobs leaving little time for them to attend meetings. In Muzaffargarh and Multan, some Head Teachers also mentioned that SC members expected to be paid for participating in meetings. The quality of SC meetings is also an issue. Almost every consultation on the subject indicated that areas for expenditure are outlined by the Head Teacher who is also the co-chair of the SC. The role of the SC emerged strongly as an approver of the Head Teacher's proposals. In almost all cases, Head Teachers seemed to be genuinely aware of where improvements and investments were required but they also saw the SC as a sanctioning body.

300. A key reason behind the passive role of SCs is the process of SC formation and the extent to which they are made aware of their role and responsibilities as enshrined in the School Council policy. According to information from most of the consultations, SCs had been formed through a selection process by the Head Teacher, where they cited a range of criteria for selection of members, such as people with a known track record of cooperation, mothers with education. In at least five instances, SCs were observed to be completely subservient to the Head Teacher's role and had little, if any, knowledge of their roles and responsibilities. It was noticed that where the SC had been selected by the Head Teacher, members tended to be drawn from the dominant group (as in rural Sahiwal and Muzaffargarh). The extent to which this process of selection translates into genuinely representative structures is questionable. Knowledge of SC policy was also found to be generally lacking. In ten districts, less than 20 percent SCs had received the SC Policy and in 19 districts 50 percent had not received the document.

301. There is also varying and in general a low level of understanding of the role of SCs among SC members. In no instance did SCs report being aware of the need to play a role in checking teacher absenteeism. SCs and Head Teachers reported receiving funds on an intermittent basis, and released intermittently. There was an absence of clarity over the amount that would be disbursed in a year. About 42 percent of urban and 54 percent of rural schools received funds for the SC in 2007, while the southern districts showed a clear pattern of low percentage of SCs with funds (except Bahawalnagar and D.G. Khan in rural areas). Urban SCs are seen to be particularly disadvantaged in this respect.

302. Data on SCs from the yearly census shows that minor repair of school buildings was the largest activity/expenditure undertaken by the largest percentage of SCs. Drinking water facilities was the next largest expenditure item, but this was considerably lower (range 3-16) in comparison to building repair. Lack of clarity on their role and accountabilities also led to underutilization of the funds available to SCs. Schools visited during field consultations reported not using funds from the SC account due to audit objection fears and because of district education officials' refusal to *grant approval* for funds usage, even though such approval is not required under the SC Policy. Data analysis shows that the most active SCs were those that were chaired by parents across all types of schools (in rural and urban areas). While the majority of SCs had played little or no role in the wider community, at least three SCs (all women) reported making visits to their community to enquire about student absenteeism and drop-outs. Two schools reported having a body of volunteers who help with enrollment increases, fund raising and door to door visits for encouraging parents to send their children to school regularly. At least five schools were seen to have publicly displayed the names of their SC members on their notice boards.

Recommendations:

303. The overall SC Policy for Punjab should be reviewed to ensure that it is in line with social conditions and aspirations of parents. The SC Policy needs to be disseminated to all schools in the province. The Policy must be displayed publicly in schools. Capacity building of SCs needs to be organized to ensure that SC members are aware of their roles and responsibilities. The capacity building training must clarify roles and accountabilities regarding current apprehensions such as audit objections, approval from AEOs etc. Further, there should be a forum for interaction with the School Education Department staff for SCs to be able to share

their issues and concerns and seek clarifications. Also, in addition to dissemination of the Policy, other means of communication also need to be explored especially in rural areas.

304. The SC structures must be genuinely representative, transparent and headed by parents not just teachers. The current SC Policy has made it mandatory to make a parent the co-chair member of the SC but in practice 11 percent SCs have general members as chairpersons and 64 percent have teachers only as chairpersons. Situations where only the Head Teacher is the chair should be minimized and, in time, eliminated as this practice lacks transparency.

305. Fund allocation to various levels of schools should be clearly outlined. SCs in Elementary and High Schools are reportedly not eligible for funds which results in lack of investment in teaching material. While Farogh-e-Talim funds provide some regular injection of funds, these are often not enough for specialized materials required at the secondary level. Teaching material (laboratory equipment) for science subjects was found to be sorely lacking in all secondary schools. Likewise, the uses of funds need to be further specified as teachers face a lack of clarity about uses. Some indicative uses and categories should be outlined for guidance.

306. The SCs need to be empowered through the social mobilization process to act as partners in improving school conditions, boosting enrollment, checking absenteeism and tackling transparency issues where they arise. SCs should be empowered, together with support from NGOs, to hold annual *khulli katcheri* (“people’s court”) sessions where they have a chance to hold face-to-face discussions with the School Education Department, ask questions, highlight challenging issues and set parameters for future improvement.

307. A transparent and independent complaint process/grievance-redressal mechanism needs to be established for SCs and teachers to voice their complaints and receive arbitration from an independent source. One model is that of an Ombudsman style entity that has the power to arbitrate and enforce a final decision. This could be trialed in selected districts to gauge its efficacy and fine tune its design. The district administration should seriously consider this mechanism to ensure transparency, citizen engagement and participation in the education sector.

Social Issues in Education

308. **Access to education** is strongly premised on poverty and locational conditions. The poor are the main recipients of government-sector education. In particular, it is the chronic and extreme poor who form the largest section of clients. Typically such households have low literacy, poor access to health care, sanitation and are marginalized within social structures and institutions. Parents however, are cognizant of the need to send children to school, both boys and girls. Field consultations did not reveal any strong or widespread cultural barriers towards education in general and girls’ education in particular. Where visible they are seen to be highly co-related with strongly hierarchical power structures such as feudalism as well as low levels of urbanization and primarily agrarian social systems. This is prevalent in parts of southern districts of the Punjab especially in remote rural areas. Even in the southern districts, there is a widespread acceptance for education at least till the primary level, although drop out is an issue.

309. For girls, the attrition rate is high after primary school. Several factors contribute to this situation. Firstly, households need for labor. At around Grade 5, girls are old enough to

contribute to household chores and take care of smaller siblings. The drop out rate is therefore closely tied to the household labor needs either for domestic chores or to assist parents in income generating activities. Secondly, the cost of attending school, e.g. purchase of uniforms, notebooks, stationery, was quoted as an additional factor that places extra burden on chronic and extremely poor households forcing them to not send children to school. Such households place considerable demands on children's contribution to household chores. In some case, children from chronically poor households even at primary level contribute to income generating activities. Thirdly, the distances to middle schools contribute to parental reluctance to educate girls beyond Grade 5. A significant number of children, especially girls, do not continue education beyond primary school due to the distance issue and travel costs/lack of choices.

310. Fourthly, attrition rates for girls in post primary education are strongly tied to marriage prospects. Teachers reported that around Grade 8, dropouts are often due to early marriage with subsequent lack of family support for education and personal reluctance to study further. This was reported in both rural and urban schools. Several government schools also mentioned that students switch from one school to another where parents choose to switch their children to a school that can accommodate all siblings to ensure that they are together.

311. Student absenteeism is another major issue. Poverty significantly contributes to student absenteeism. In FGD, teachers and parents highlighted that absenteeism among students is mainly attributable to household labor needs, weather conditions and health conditions. At the primary level, health and weather conditions are major reasons for absenteeism, while in post primary grades children are employed in household chores and productive income. This applies largely to girls. In rural areas, absenteeism is tied to the major agricultural cycles such as during the harvest in April/May and October. Non-functionality of schools seems to be a small factor in defining lack of access since only about 2 percent of overall schools fall in this category. However, missing facilities also seem to constrain access to education.

312. The stipends program has boosted student enrollment at middle and high school level. Data for 15 stipend districts shows that stipends have been provided to 101 percent of enrolled female students in urban schools and 94 percent students in rural schools, in some districts data shows more than 100 percent girls receiving stipends (Muzaffargarh has 106 percent in quarter 4 coverage at both rural and urban levels, perhaps as a result of increased enrollment through the year). This raises some questions about the veracity of either enrollment figures or stipendees. Data analysis also shows that stipends have led to lower absenteeism in girls' schools both in comparison with primary grades (which do not receive stipends) and boys in corresponding Grades. There are some exceptions – in urban schools, Bahawalnagar, D.G. Khan and Bhakkar have higher female absenteeism figures than boys in Grades 6-10 and Jhang, Pakpattan, Kasur and Bhakkar have slightly higher female absenteeism than boys in rural areas. Focus Group Discussions showed that stipends have provided useful and much needed support towards costs of attending school. In interviews, students stated that at least part of the stipend is used to buy educational material or uniform/shoes for schools. The remaining amount is spent by parents. This shows that the combined amount of Rs.600 on a quarterly basis is a useful intermittent injection of funds at the household level to meet at least some urgent educational needs. Teachers in boys' schools especially in rural areas reiterated the need to include boys also in the stipends program. The cost of school education pose an equal strain for boys and girls and even a small amount would be useful to assist poor families in meeting these expenses. Children in rural

schools, irrespective of sex, cannot afford uniforms, shoes and school material. Boys at middle and high school levels face the additional pressure of engaging in income generating activities which is a major cause of student attrition.

313. Concerns about the quality of education in government schools emerged as an issue. Wherever parents have the choice of private education (whether through nominally increased income or through subsidized opportunities such as PEF's voucher scheme or FAS schools), a large number of them choose to avail the alternative instead of government schools. This was observed in multiple FAS schools where a government school also operated nearby (Multan). Discussions with children showed that they were far more satisfied with the approach and quality of teaching in FAS schools in comparison with government schools. They mentioned the lack of teacher interest in government schools as the major reason for switching to a FAS school. Such students reported being asked by teachers to undertake chores, not receiving quality instruction in classes, teacher absenteeism and late arrival of teachers in government schools.

314. The voucher scheme introduced by PEF has made a worthwhile contribution to putting children from low income areas in urban localities back into school. Focused on some of the most deprived areas in Lahore (*katchi abadis*⁵⁴ in Sukhneher, Fatehgarh, Dargahwala, Harbanspura and Warasattar), the voucher scheme targets children from extremely poor households who are either at the brink of dropping out from school, have already dropped out from school, or have never been educated. This is a particularly needed scheme since urban schools are few in number compared to eligible children and have large number of students in the classes. The limited numbers of government schools in urban areas (such as Lahore) reduce choices for poor households who cannot afford even meager fees demanded by private schools. Field visit to the Shalimar area of Lahore showed the strong impact of the voucher scheme, since the government school in the neighborhood is already overburdened and unable to accommodate more students. An estimated 55 percent of the voucher recipients are girls, and majority of vouchers are being provided to students at the primary level. However, the scale of the scheme is still small to create a widespread impact. In Shalimar area alone, the voucher scheme is providing a portion of the overall 10,000 vouchers among estimated 5,000 households. This area is among the 310 officially recognized *katchi abadis* in Lahore so the scheme needs widespread extension to provide meaningful coverage. The scheme's major drawback is high input costs as it requires household surveys and data compilation for selection of deserving children. Children are also periodically monitored through tests to ascertain their learning in school.

315. Teachers in several government schools showed a deep awareness of the need to boost student numbers and many reported undertaking door-to-door visits to persuade parents to send children to schools. They were conscious of the impact of PEF schools and considered them as competition.

Recommendations:

316. The enrollment trends need careful examination. While it is true that overall enrollment figures have increased, there is little knowledge on whether the same children continue to progress to complete primary school or not. The rate of children switching from one school to

⁵⁴ slums

another and from government schools to private schools is not accounted for, and more rigorous impact evaluation is needed.

317. Student absenteeism needs to be addressed at various levels. Clearly, a range of interventions will be required at each school level to reduce absenteeism. At the primary level, small amounts of stipends can be one incentive to boost attendance and also supplement the additional costs of education. At the middle and high school level, stipends have already played a positive role, and consideration should be given to expanding the program to boys especially in rural areas. Additionally, meeting transport needs is crucial for reducing girls' absenteeism in middle and high schools. Stipends alone cannot meet this need in rural areas where transport facilities do not exist or where travel to school is unsafe for girls. The role of stipends is partially to stimulate attendance and partially to meet costs of education by offsetting cost of transportation. At the high school level, these costs increase considerably and stipends need to provide assistance that is adequate for high school studies.

318. Another urgent need is to concentrate on mapping the availability of middle schools for communities that already have recourse to primary education especially in rural areas and increasing the number of middle schools and/or increasing their facilities. Without the availability of middle schools, enrollment increases at primary level will not translate into post primary education. There is an urgent need to upgrade the facilities and increase teachers at the middle level to promote greater access to post primary education and reduce attrition rates.

319. FAS Schools provide educational options for low income students. There are some concerns that such schools provide education to well performing students and may also contribute to attrition in government schools (although this is being assessed by the impact evaluation underway). However, the SA shows that such schools have provided increased options for children and generally maintain higher education standards such as teacher attendance and improved quality of teaching.

320. **Environmental Safeguards:** The activities to be financed under PESRP will result in environmental benefits. However, some of the activities, such as rehabilitation and/or up-gradation of school buildings, adding missing facilities and waste disposal 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.

321. In order to address the above concerns and in response to the OP 4.01, an Environmental Assessment (EA) has been carried out and an 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 adverse environmental impacts will be greatly reduced, if not completely eliminated.

322. **EA Objectives and Scope.** The primary objective of the EA is to assess the program against the national regulatory as well as Bank safeguard requirements, and to address any adverse environmental and social impacts of the PESRP. The study covers all the activities

under the entire education reform program, including design, construction/rehabilitation and operation of the schools; and printing and distribution of text books.

323. **EA Methodology.** The EA study has relied both on primary and secondary data sources, though greater reliance was placed on primary sources, which included site visits, soliciting information from key persons like construction contractors, school councils, parents, teachers, and the district administration. Stakeholders' consultations and focus group meetings were also conducted to solicit viewpoints and concerns of the stakeholders. A checklist was developed and used for collecting first hand information and for ascertaining disturbances to environmental parameters from program implementation. A simplified impact assessment matrix was used for characterizing the adverse impacts on selected parameters of the physical, biological, and social environments in the study area. Photographs taken during field visits and surveys have been used to highlight areas of concern and in explaining the impacts.

324. **Environmental Impacts.** The EA has revealed that most of the Program activities are isolated and small-scale in nature and limited to the individual school sites, and hence will not produce significant negative impacts. The potential impacts during the construction phase relate to water contamination, air pollution, noise and vibrations, consumption of raw materials, and worksite safety, and inconvenience to public from improper stockpiling of the materials. The key impact pertaining to school operation relates to the soil/water contamination caused by improper sewage disposal from the school latrines. All these impacts will be prevented and/or mitigated by incorporating appropriate measures such as good housekeeping during the construction phase, including adequately sized septic tanks in the school designs, and ensuring that these septic tanks function properly once in use.

325. **Environmental and Social Management Framework.** The environmental and social Management framework (ESMF) provides the implementation mechanism for the mitigation measures identified during the environmental and social assessment discussed above. ESMF provides the environmental and social guidelines to be implemented during the design, construction and operational phases of the program activities. Compliance to these guidelines will ensure that the above-mentioned negative environmental impacts are adequately prevented or mitigated. A set of three guidelines has been prepared – one each for the design, construction and operation phases of the program.

326. **Institutional and Implementation Arrangements.** ESMF also describes institutional arrangement for the ESMF implementation, and assigns roles and responsibilities for various personnel and departments. The main responsibility of ESMF implementation has been assigned to PMIU, and its Deputy Director (Planning) has been designated as the ESMF Coordinator. At the district level, the District Monitoring Officers (DMOs) have been given the responsibility to monitor and coordinate the ESMF implementation in their respective districts. The C&W Department in each district will implement the design-stage mitigation measures, whereas the construction contractors will be responsible to implement the construction-stage mitigation measures. The Head Teachers and SMCs will be responsible to implement the environmental and social guidelines during the school operation.

327. **Monitoring.** ESMF defines three tiers of environmental and social monitoring to ensure that the environmental and social guidelines are being effectively implemented in the field. At

the first tier, the Head Teachers will perform the environmental and social monitoring at their respective schools, with the help of the environmental and social checklists developed on the basis of the guidelines included in EA as discussed above. The Head Teacher will send the compliance reports to DMO on monthly basis. At the second tier, the existing Monitoring and Evaluation Assistants (MEAs) will carry out environmental and social monitoring during their regular visits to the schools, and submit their monitoring reports to DMO on monthly basis. Finally, at the third tier, annual external monitoring will be carried out to validate the effectiveness of the internal monitoring, and to identify any outstanding environmental and/or social issues.

328. **Capacity Building.** ESMF also stipulates the capacity building activities which will be implemented during the Project. These include awareness raising and training sessions at the PMIU level and similar activities at the district level.

Annex 11: Key Outcomes of the Punjab Education Development Policy Credit Series
PAKISTAN: Punjab Education Sector Project

329. The series of DPCs supporting the Government of Punjab in its effort to increase enrollment rates, reduce gender disparity in education and improve the financial and overall management of the education sector in Punjab met with good success over the three year period of its implementation. During 2003 - 2006 there was better realignment of financial resources by the government to the education sector as seen by the annual budget allocations. The increased budget financed missing infrastructure and targeted incentives such as free textbooks and stipends, support to the private sector and teacher deployment and development. This helped in providing greater access to education as well as lowering of the gender gap as measured by the gender disaggregated enrollment rates in government schools.

330. The government introduced new business processes in the education sector such as the introduction of performance based incentives in the form of the Terms of Partnership between the districts and the provincial government, thus making the districts partners in the process of change. The monitoring and evaluation mechanisms were strengthened as evidenced by the strong database on education indicators maintained by the PMIU. A new teacher recruitment policy based on merit and need was adopted and evolved over time to include new dimensions such as preference for local candidates at the sub-district level, female applicants, and prioritizing enrollment-based teacher requirements and subject specialists for high schools.

331. An important aspect of the reform program had been the setting up of institutions for quality including the Punjab Examination Commission, and Department of Staff Development, as well as the realignment of the functions of the Punjab Textbook Board. Further, PEF was made an autonomous body which is providing equitable access to education for children of all socioeconomic levels.

332. Since the start of the PESRP there was steady progress in implementing the reform program. The first adjustment Credit was provided to support a programmatic approach to reform, in which subsequent adjustment credits would continue to maintain broader and deeper fiscal, governance, and education reforms of the Punjab Government. The Government of Punjab's performance during the first program year was impressive and a number of initiatives had begun to show early impact. By the second year, the reforms were being implemented on a faster track than anticipated during the preparation of the first credit. Achievements of the first operation were sustained, including the continued increases in public sector enrollments and sector financing. Under the second Credit, progress picked up in some areas that had shown slower movement under the first Credit, such as the quality agenda and public private partnerships. The satisfactory progress of the program continued in the third PEDPC. The third year built on the successes of the first two years and a clear improvement in the outcome indicators emerged. The fourth credit also supported and deepened the reforms of the first three years.

Baseline⁵⁵, Targets and Achievements of PESRP Phase I (2004-2006)

1. Outcome Indicator	2. Baseline 2003	3. Actual 2006 (Target in Parenthesis)	
Net Primary Enrollment Rates by Gender (excluding katchi ⁵⁶)	Overall: 45 Girls: 43 Boys: 47	Overall: 58 (48) Girls: 55 (46) Boys: 60 (50)	
Net Middle Enrollment Rate by Gender (Source: PSLSMS)	Overall: 18 Girls: 18 Boys: 18	Overall: 20 (22) Girls: 19 (24) Boys: 21 (20)	
Annual Program Indicators under Terms of Partnership Agreements Baseline and Achievements			
Indicator	Baseline Data District Profiles	October 2006 School Census	Change
Primary Completion rate in Government schools ⁵⁷	58 percent	61 percent	3 percent
Enrollment Grade Katchi to V (Male)	3,487,400	4,312,030	24 percent
Enrollment Grade Katchi to V (Female)	2,897,006	3,733,000	29 percent
Enrollment Grade VI to VIII (Male)	1,025,997	1,222,904	19 percent
Enrollment Grade VI to VIII (Female)	692,176	867,605	25 percent
No. of school councils operationalized as per circulated guidelines	New initiative	85 percent	
No. of closed schools	2031	[680	66 percent reduction
District Government's total allocation for elementary education (Rs. million)	20,455	26,282	28 percent increase
Total districts' non-salary budget (Rs. million)	661	1,426	115 percent increase
Reduction in missing facilities	Data as per District Profile on type of missing facility	60 percent overall reduction	

⁵⁵ Baseline data for Government schools is from a special Punjab EMIS survey carried out in Spring 2003 to develop district baselines, and covers Government schools. Baseline for outcome indicators is from PIHS 2001/02.

⁵⁶ *Katchi* is the term used in Pakistan for pre primary grade.

⁵⁷ In the absence of student IDs in school census and cohort analysis, the primary completion rate has been estimated by using 6 years time series government school census data; i.e. by comparing the number of students in Grade 1 vs students in Grade 5 between five census cycles.

Annex 12: Project Preparation and Supervision⁵⁸

PAKISTAN: Punjab Education Sector Project

	Planned	Actual
PCN review	11/26/2008	10/30/2008
Initial PID to PIC	12/18/2008	11/17/2008
Initial ISDS to PIC		12/05/2008
Appraisal	03/30/2009	
Negotiations	04/29/2009	
Board/RVP approval	06/04/2009	
Planned date of effectiveness	06/15/2009	
Planned date of mid-term review	09/01/2010	
Planned closing date	06/29/2012	

Key institutions responsible for preparation of the project:

- School Education Department, Government of Punjab
- Program Monitoring and Implementation Unit (PMIU), Department of Education, Government of Punjab
- Planning and Development Department, Government of Punjab
- Department of Finance, Government of Punjab
- Directorate of Staff Development (DSD), Government of Punjab
- Punjab Examination Commission (PEC), Government of Punjab
- Punjab Education Foundation (PEF), Government of Punjab
- Punjab Textbook Board (PTB), Government of Punjab
- Punjab Education Assessment System (PEAS), Government of Punjab

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Sofia Shakil	Task Team Leader	SASHD
Tahseen Sayed	Operations Adviser Bangladesh	SACBD
Irajen Appasamy	Senior Operations Officer	SASHD
Hanid Mukhtar	Senior Economist	SASEP
Asif Ali	Sr. Procurement Specialist	SARPS
Zia Al Jalaly	Sr. Social Development Specialist	SASDI
Huma Ali Waheed	Research Analyst	SASHD
Furqan Ahmed Saleem	Sr. Financial Management Specialist	SARFM
Anwar Ali Bhatti	Disbursement Analyst	SACPK
Mohammad Omar Khalid	Environmental Specialist	SASDI
Mohammad Khalid Khan	Program Assistant	SASHD/HQ
Amna W. Mir	Program Assistant	SASHD/FO
Martin Serrano	Counsel	LEGES
Chau-Ching Shen	Sr. Finance Officer	LOAFC

⁵⁸ See Annex 3 for detailed supervision strategy and monitoring arrangements; Annex 6 on Implementation Arrangements.

Consultants		
Michelle Riboud	Education Consultant	SASHD
Priyanka Pandey	Consultant	SASHD
S. Ameer H. Naqvi	Education Consultant	SASHD
Randy Hatfield	Education Consultant	SASHD
Safiya Aftab	M&E and Sector Framework Consultant	SASHD
Sajjad Akhtar	Consultant	SASHD
Martin Johnson	Financial Management Consultant	SASHD
Zeeshan Tariq	FM Consultant	SASHD
Salma Omar	Social and Gender Consultant	SASHD
Kamran Karimian	Consultant	SASHD

QER Panel Members and Peer Reviewers:

Robin S. Horn, Sector Manager, HDNED; Astrid Helgeland-Lawson, Senior Operations Officer, OPCIL; Eduardo Velez Bustillo, Sector Manager, EASHD; Tanuj Mathur, Senior FM Specialist, SARFM; and Enzo De Laurentis, Sector Manager, LCSPT.

Annex 13: Documents in the Project File
PAKISTAN: Punjab Education Sector Project

Punjab Education Development Program (PEDP) Project Preparation Mission Aide Memoire, December 18 – 29, 2008

Back to Office Report – December 18-29, 2008 preparation mission

Punjab Education Development Program (PEDP) Project Identification/Preparation Mission Aide Memoire, September 10-17, 2008

Back to Office Report (BTOR) – September 10-17, 2008 Identification/Preparation Mission

Punjab Education Reforms Technical Note, World Bank Technical Visit, July 29 – 30, 2008

2003 Poverty Reduction Strategy Paper, “Accelerating Growth and Reducing Poverty, The Road Ahead.” Ministry of Finance, Government of Pakistan; December 2003

Chaudhury, N., Parajuli, D., Conditional Cash Transfer and Female Schooling: Impact of the Female School Stipend Program on Public School Enrollments in Punjab, Pakistan; Impact Evaluation Series No. 9; Research Working Paper No. WPS 4102; Impact Evaluation – Population Council

Learning and Education Achievement in Punjab Schools (LEAPS), World Bank Report, February 2008

Punjab Education Sector Adjustment Credit (PESAC), Program Document, January 8, 2004 (Report No. 27528-PK)

Second Punjab Education Sector Development Policy Credit (PEDPC-II), Program Document, March 7, 2005 (Report No. 31519-PK)

Third Punjab Education Sector Development Policy Credit (PEDPC-III), Program Document, April 28, 2006 (Report No. 35441-PK)

Fourth Punjab Education Development Policy Credit (PEDPC-IV), Program Document, May 8, 2007 (Report No. 38884-PK)

Education Sector Development Policy Credit; Implementation Completion and Results Report (IDA-38550 JPN-51706), Report No: ICR0000434

Pakistan Country Assistance Strategy (CAS) for FY06-09, April 4, 2006 (Report No. 35718-PAK)

Pakistan Country Assistance Strategy FY06-09 (Report No. 35718-PAK)

Pakistan Poverty Reduction Strategy Paper (PRSP) –II 2009, Finance Division, Government of Pakistan

Pakistan Education Statistics 2006-07, National Education and Management Information Systems (NEMIS) data

Pakistan Social and Living Standards Measurement Surveys (PSLSMS), 2001/02; 2003/04; 2006/07

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

Project ID	Project Name	<u>Original Amount in US\$ Millions</u>					<u>Difference Between Expected and Actual Disbursements</u>	
		IBRD	IDA	GRANT	Cancel.	Undisb.	Orig.	Frm Rev'd
P071454	AJK Community Infrastructure & Services		50.0			18.5	-17.0	13.0
P094086	Balochistan Education Support Project		22.0			16.5	1.9	
P089378	Balochistan SSIP		25.0			21.5	-1.9	
P095982	Electricity Distribution and Transmission	173.6	83.1			248.6		
P035823	GEF-Protected Areas Management Project			10.1		2.2	2.2	
P010556	HIGHWAYS REHAB	215.0	150.0			128.9	-45.0	100.7
P074856	HIV/AIDS Prevention Project		37.1			6.8	3.2	-1.9
P090501	Land Records Mgmt & Information Systems		45.7			43.3	6.9	
P082621	NWFP Community Infrastructure II (CIP2)		47.1			2.5	-12.6	
P077288	National Education Assessment System		3.6			1.4	1.0	
P076872	PIFRA II		84.0			39.2	22.4	
P074797	PK Banking Sector Technical Assistance		26.5			5.3	0.3	
P099542	PK Earthquake Disability			5.0		1.8	1.8	-0.5
P083370	PK Public Sect Capacity Building Project		55.0			15.5	14.9	
P099110	Pakistan Earthquake ERC		400.0			24.1	5.3	
P083929	Punjab Municipal Services Improvement	50.0				40.4	30.4	15.0
P082977	Second Poverty Alleviation Fund Project		551.0			66.6	-267.3	-29.6
P084302	Sindh Water Sector Improvement Project		150.2			144.1	-2.6	
P078997	Sindh On-Farm Water Management Project		61.1			5.1	4.9	
P088994	Taunsa Barrage Emergency Rehab. & Modern	123.0			9.4	1.0	16.5	
P077306	Tax Administration Reform Project	24.4	78.5			85.4	69.2	
P110099	Water Sector Capacity Building Project		38.0			34.9	-1.5	
		586.0	1907.9	15.1	9.4	953.4	-167.9	96.8

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

		Approvals Pending Commitment			
FY Approval	Company	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

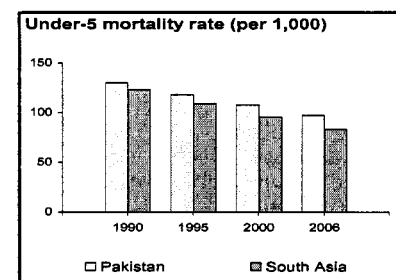
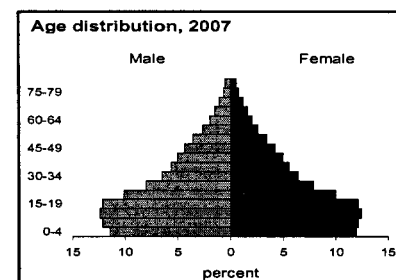
PAKISTAN: Punjab Education Sector Project

Pakistan at a glance

9/24/08

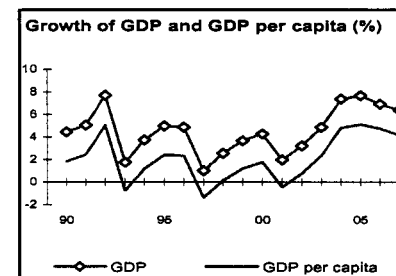
Key Development Indicators

	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

	1980	1990	2000	2007 ^a
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
<i>(% of GDP)</i>				
Population, mid-year (millions)	82.7	108.0	138.1	162.4
GDP (US\$ millions)	23,690	40,010	73,905	143,597
Agriculture	29.5	26.0	25.9	19.6
Industry	24.9	25.2	23.3	26.8
Manufacturing	15.9	17.4	14.7	19.5
Services	45.6	48.8	50.7	53.7
Household final consumption expenditure	83.1	73.8	75.4	75.0
General gov't final consumption expenditure	10.0	15.1	8.6	10.4
Gross capital formation	18.5	18.9	17.2	23.0
Exports of goods and services	12.5	15.5	13.4	13.9
Imports of goods and services	24.1	23.4	14.7	22.2
Gross savings	24.1	22.3	20.1	23.9

1980–90 1990–2000 2000–07 (average annual growth %)

Population, mid-year (millions)	2.7	2.5	2.3
GDP (US\$ millions)	6.3	3.8	5.8
Agriculture	4.0	4.4	2.8
Industry	7.7	4.1	7.9
Manufacturing	8.1	3.8	10.1
Services	6.8	4.4	6.5
Household final consumption expenditure	4.3	4.9	5.1
General gov't final consumption expenditure	10.3	0.7	9.5
Gross capital formation	5.8	1.8	6.5
Exports of goods and services	8.4	1.7	10.0
Imports of goods and services	2.1	2.5	9.9

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.

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Balance of Payments and Trade

	2000	2007
<i>(US\$ millions)</i>		
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

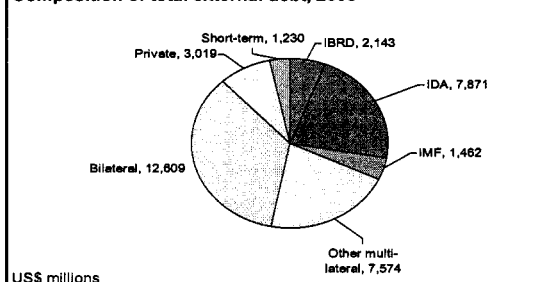
Workers' remittances and compensation of employees (receipts)	1,075	5,998
Current account balance as a % of GDP	-2.17	-8,037
	-0.3	-5.6
Reserves, including gold	2,149	15,801

Central Government Finance

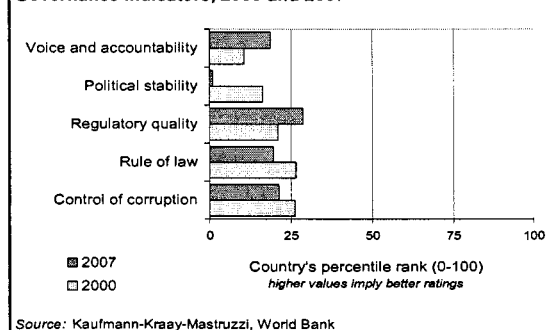
	2000	2007
<i>(% of GDP)</i>		
Current revenue (including grants)	13.7	14.9
Tax revenue	10.6	11.1
Current expenditure	14.3	11.9
Overall surplus/deficit	-2.3	-0.1
Highest marginal tax rate (%)		
Individual	35	35
Corporate	..	37

External Debt and Resource Flows

	2000	2007
<i>(US\$ millions)</i>		
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

	2000	2007
<i>(US\$ millions)</i>		
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.
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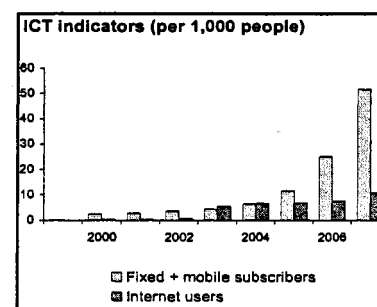
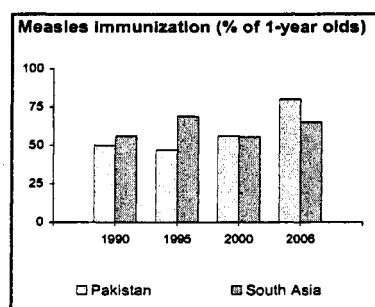
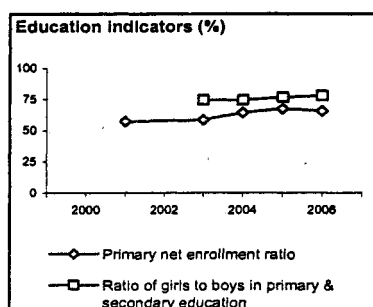
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Millennium Development Goals

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	..



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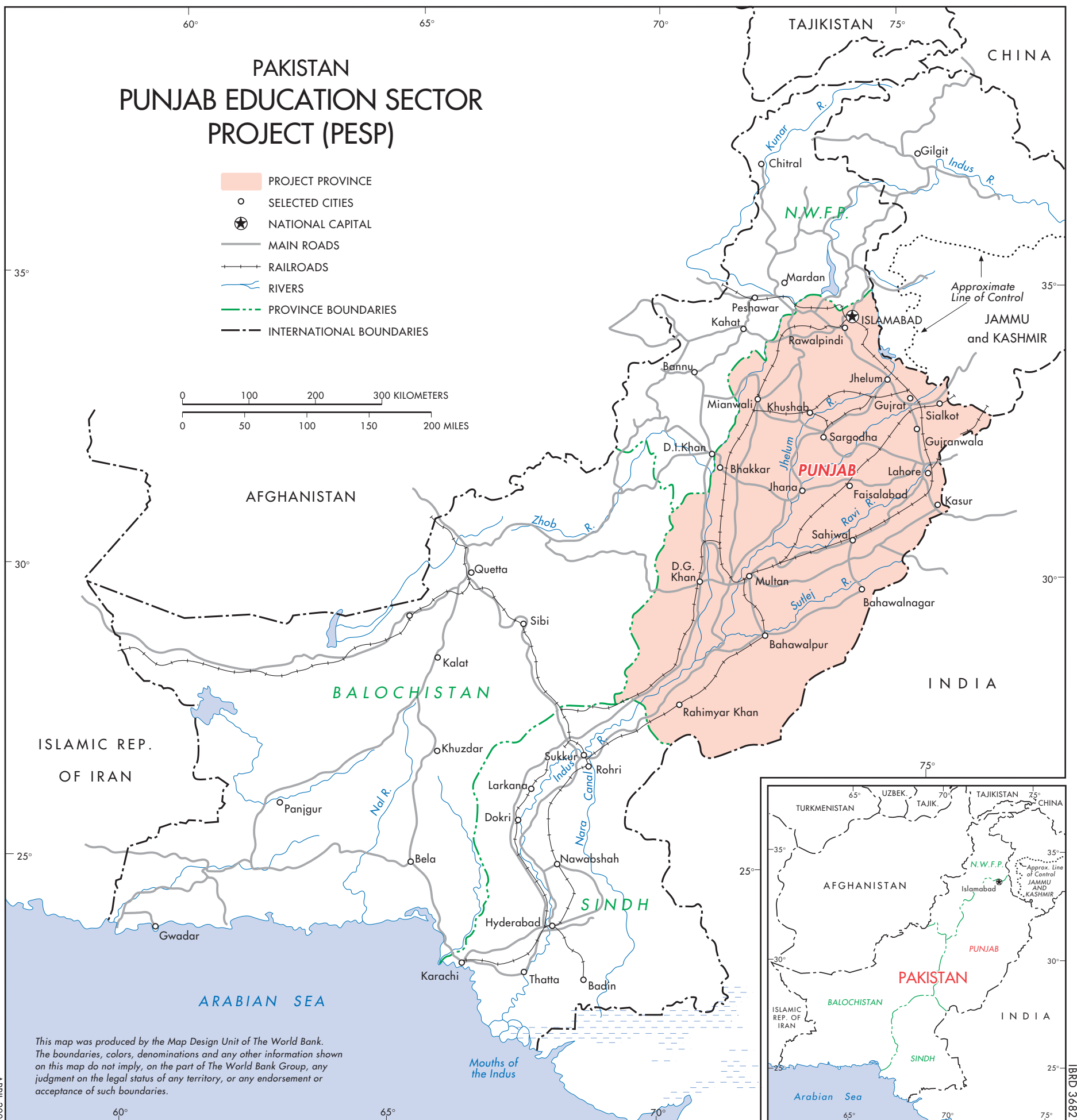
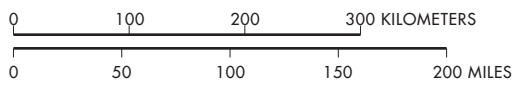
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MAP SECTION

PAKISTAN PUNJAB EDUCATION SECTOR PROJECT (PESP)

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



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