RESTRUCTURING PAPER
ON A
PROJECT RESTRUCTURING
OF THE
SECOND PUNJAB EDUCATION SECTOR PROJECT
CREDIT APPROVED ON APRIL 26, 2012
TO THE
ISLAMIC REPUBLIC OF PAKISTAN

June 5, 2016

Public Disclosure Authorized
Education Global Practice
South Asia Region

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ABBREVIATIONS AND ACRONYMS

DLI       Disbursement Linked Indicator
GoPunjab  Government of Punjab
ISR       Implementation Status and Results Report
NER       Net Enrollment Rate
NSB       Non Salary Budget
PDO       Project Development Objective
PEF       Punjab Education Foundation
PESP III  Third Punjab Education Reform Program
PMIU      Program Management and Implementation Unit
SDR       Special Drawing Rights
SED       School Education Department
TA        Technical Assistance

Regional Vice President:  Annette Dixon
Country Director:         Patchamuthu Illangovan
Senior Global Practice Director: Claudia Maria Costin
Practice Manager/Manager: Keiko Miwa
Task Team Leader:         Scherezad Joya Monami Latif
# DATA SHEET

**Pakistan**

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

**SOUTH ASIA**

**Education**

Report No: RES24055

## Basic Information

<table>
<thead>
<tr>
<th>Project ID:</th>
<th>P125958</th>
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<tbody>
<tr>
<td>Regional Vice President:</td>
<td>Annette Dixon</td>
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<td>Keiko Miwa</td>
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<tr>
<td>Team Leader(s):</td>
<td>Scherezad Joya Monami Latif</td>
</tr>
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<td>Lending Instrument:</td>
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**Borrower:** Government of Pakistan

**Responsible Agency:** School Education Department, Program Monitoring and Implementation Unit

## Restructuring Type

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## Financing (as of 23-Jun-2015)

### Key Dates

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<th>Signing Date</th>
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### Disbursements (in Millions)

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## Policy Waivers
Does the project depart from the CAS/CPF in content or in other significant respects? | Yes [ ] | No [ X ]
--- | --- | ---
Does the project require any policy waiver(s)? | Yes [ ] | No [ X ]

A. Summary of Proposed Changes

The Government of Pakistan has requested a six month extension of the Project closing date from June 30, 2016 to December 31, 2016 in order to allow the Government of Punjab (GoPunjab) to effectively deliver on the Technical Assistance (TA) component and the remaining activities corresponding to it. This would be the Project’s second extension amounting to a cumulative total of 12 months of extension. The current extension would allow the School Education Department (SED) and the Program Monitoring and Implementation Unit (PMIU) to complete TA activities, thus supporting the GoPunjab’s education sector reform program and contributing to the achievement of the Project’s Development Objectives (PDO). The extension period would also allow the financing of preparatory activities for a smooth transition into the Bank-financed Third Punjab Education Reform Program (PESP III) which was approved on June 3, 2016. During the extension period, SED/PMIU is expected to spend the remaining (unspent) amount of the TA component (SDR 1.41 million/US$1.98 million equivalent as of May 16, 2016) on a series of defined and agreed upon activities expected to carry over to the next requested six month extension period. These activities (listed in the section below) include input to support the timely commencement of the next phase of the GoPunjab’s education sector reform program, the Punjab Education 2018 Goals, which is supported by PESP III. The restructuring does not include any revisions to the PDO of the Project or the Results Framework.

B. Project Status

The Project is currently rated as Moderately Satisfactory in progress towards achieving its PDO, and Implementation Progress is rated as Satisfactory. All Disbursement Linked Indicators (DLIs) have been met satisfactorily. Financial Management was rated Satisfactory and Program Management and Procurement were rated Moderately Satisfactory in the most recent Implementation Status and Results Report (ISR) (May 2016).

The Project’s PDO rating was downgraded from Satisfactory to Moderately Satisfactory in June 2015 based on the Pakistan Social and Living Standards Measurement Survey data for 2013/14 which show a decline in Net Enrollment Rates (NERs)—one of the outcome indicators for the Project. As per the latest ISR results matrix, there is a 3% difference between the target and actual for the primary level NER, a 5% difference between the target and actual for the middle level NER and a 1% difference between the target and actual for the matriculate level. Nevertheless, overall, implementation progress has been Satisfactory throughout the life of the Project.

Project Management was rated Moderately Satisfactory in the last ISR as there is room for improvement in the areas of TA management and procurement. Since February 2016, stronger and more capable leadership has been placed within the SED making this an opportune time for the Project activities to be completed and for the transition into the next and third phase of education reform (PESP III).

All legal covenants except parts (ii) and (iii) of the following have been met: (i) prepare a policy framework for the introduction of a new teacher certification and licensing regime; (ii) prepare an implementation plan for the introduction of such regime; and (iii) submit to Punjab’s Provincial Assembly, for its consideration, a draft law for the establishment of a teacher certification and licensing body have been met. Although consultations have been undertaken on a draft policy framework for teacher licensing, this is short of being approved by the Parliament as a draft law. The political economy of a teacher licensing law made it a difficult reform to push through during the project period, however the new
leadership in the School Education Department is currently reviewing various policy options for undertaking this key reform. Two legal covenants have been partially complied with: (i) GoPunjab to ensure that SED prepares and implements an institutional strengthening plan for strengthening the capacity of the Chief Minister’s Monitoring Force (CMMF) and (ii) GoPunjab to strengthen and update the Complaints Redressal System currently operating within the School Education Department (SED). Although the CMMF strengthening plan has been drafted, implementation of the plan has been slow. The complaints redressal system related legal covenant has been partially complied with given that feedback on the complaints redressal system needs further strengthening. Progress has been made towards achieving these covenants, and the Task team will continue to closely monitor the progress during PESPII as well as the follow on PESPIII which was approved June 3.

The Project comprises two components:
1. Component 1 - A results-based financing component of US$340 million; and
2. Component 2 - Technical Assistance (TA) for advisory and capacity-building support of US$10 million.

Some of the key achievements under the PESP II include:
1. 33,832 teachers have been recruited to fill rationalized, school-specific needs after clearing a recruitment test. Teaching posts rationalized in all 36 districts.
2. Schools councils have been formed in 50% of the 36 districts in Punjab, annual grants for school development have been offered, and community mobilization, formation, and capacity development have been facilitated by contracted NGOs.
3. District and school performance report cards have been prepared and delivered on a quarterly basis to all 36 district education administrations.
4. 300,000 vouchers to attend private schools under a quality-assurance system have been distributed in 36 districts to support disadvantaged children.
5. Non-salary budgets for primary and secondary schools have been transferred to the accounts of respective school councils in 18 districts. Furthermore, school-specific non-salary budgets have been prepared for all 36 districts of the province and a total amount of PKR 14 billion to meet non-salary expenditure in FY2016/17 has been allocated by the provincial government.

Component 1:
This component aims to increase student enrolment through gender equity, trained and qualified teachers and improved governance and accountability. Under this component, the SED/PMIU was able to meet targets for all years, resulting in this component being completed satisfactorily.

In the last year of Project implementation, key reform areas continue to be implemented satisfactorily, including the rationalization of teaching posts, field-based staff development of teachers, the test based recruitment of teachers, allocation of larger amount of non-salary budgets at the discretion of School Councils, and stipends to girls in secondary schools.

Component 2:
The TA component aims to finance important technical, advisory, and capacity-building support to strengthen fiduciary, environmental management, administrative, and monitoring and evaluation activities. The selected activities under this component support program implementation towards the achievement of DLIs as well as verification of the achievement of DLIs. The TA component is currently rated Satisfactory. Implementation of Component 2 (Technical Assistance component) continues at a steady pace, and the Project does not face any major challenges in TA execution. An amount of SDR 5.05 million has already been disbursed to the SED/PMIU out of the total available amount of SDR 6.47 million under Component 2. The remaining funds of SDR 1.41 million (US$1.98 million as of May 16, 2016) will be used by the
SED/PMIU to complete remaining activities designed under the TA component, and to provide input for the timely commencement of interventions to be supported under PESP III. The PMIU submitted a list of activities to the Bank which could be funded by the TA component during the previous six month extension, and these activities are expected to carry over to the next requested six month extension period. These activities represent areas that the SED/PMIU deem critical to sustaining ongoing reforms in the sector, and to effectively starting new reforms under the Education 2018 Goals. Activities proposed by the SED/PMIU include conducting a Private School Census, baseline verification of students under the PEF-supported Education Voucher Scheme, conducting a Public Expenditure Review to examine fund utilization at the school level under the non-salary budget (NSB) reform, and continuing ongoing capacity building at the school level for effective NSB spending. In addition, the activities which would be financed with the requested extension would support timely commencement of the recently approved follow on project (PESP III) and at the same time would provide much needed just in time data and evidence for the SED to continue with their planned programs. For example, the Private School Census is a discrete output which would lead to better data and consequently better data integration and usage for education policy and planning. The PMIU has already initiated this work, and the field activity is expected to commence in the coming months.

C. Proposed Changes

Financing

Change in Loan Closing Date(s):

Explanation

The development objective of PESP II is to increase child school participation and student achievement. Building on the institutional, administrative, and program foundations laid by PESP II, GoPunjab is presently developing its next medium-term sector reform program for primary and secondary education, the Education 2018 Goals. The Bank plans to support the GoPunjab’s next phase of reform through the proposed PESP III. The proposed extension of the Project closing date will enable the implementation agency to complete remaining activities under PESP II TA component and conduct consultative work for the next phase of support under the recently approved PESP III. It is proposed that in order to allow smooth transition into PESP III, the Project may be granted a six month extension, from June 30, 2016 to December 31, 2016. This would be the Project's second extension amounting to a cumulative total of 12 months extension.

The restructuring does not include any revisions to the PDO or the Results Framework. The performance of the Implementing Agency (SED/PMIU) is rated Moderately Satisfactory. The Project is in compliance with all loan covenants except one loan covenant which has not been met, and two loan covenants that have been partially met (described above), including audit and financial management reporting requirements. The SED/PMIU has a detailed implementation plan, along with budget forecasts in place for the successful completion of the remaining activities during the extended time period.

<table>
<thead>
<tr>
<th>Ln/Cr/TF</th>
<th>Status</th>
<th>Original Closing Date</th>
<th>Previous Closing Date(s)</th>
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<th>Proposed Closing Date</th>
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