Loan Agreement

(Third Punjab Education Sector Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated August 31, 2016
LOAN AGREEMENT

Agreement dated August 31, 2016, between ISLAMIC REPUBLIC OF PAKISTAN ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of three hundred million Dollars (USD300,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are March 15 and September 15 in each year.

2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

(c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05 (c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section IV of Schedule 2 to this Agreement.
ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Secretary to the Government of Pakistan, Economic Affairs Division (“EAD”), or any Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer in EAD.

5.02. The Borrower’s Address is:

The Secretary to the Government of Pakistan
Economic Affairs Division
Ministry of Finance, Revenue, Economic Affairs,
Statistics and Privatization
Islamabad
Pakistan

Facsimile:
+ (92-51) 9202417

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.,
Washington, D.C. 20433
United States of America

Facsimile: 1-202-477-6391
AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

ISLAMIC REPUBLIC OF PAKISTAN

By

Authorized Representative

Name: Tariq Bajwa
Title: Secretary

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Patchamuthu Illangovan
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to support Punjab to improve school participation, completion, and teaching-learning practices with a particular focus on Low Performing Districts.

The Project and consists of the following parts:

Part 1: Improved Access, Quality and Education System Management

Supporting a series of interventions aimed at:

(a) improving access to schooling for the poorest through: (i) Education Voucher Scheme, (ii) Public-Private Partnerships in Education, and (iii) Secondary School Stipends;

(b) ensuring high quality teaching and learning for all through: (i) improving the quality of Early Childhood Education, (ii) strengthening human resources management for teachers, (iii) reinforcing field-based continuous professional development for teachers, and (iv) improved education assessments; and

(c) improving leadership, management and accountability through: (i) strengthening the system of allocation and accountability in the use of non-salary budgets and (ii) data strengthening and performance management.

Part 2: Capacity Building, Project Management, Monitoring and Evaluation

Strengthening the institutional capacity of the entities working in the primary and secondary education sub-sectors in Punjab to, inter alia, design, deliver, monitor and evaluate activities to fulfill their mandates, including achieving the DLIs; and to ensure efficient and effective Project management, monitoring and evaluation.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. On-lending Arrangements

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity in accordance with the provision of this Agreement and the Borrower’s on-lending policies and budgetary procedures, and under the same terms and conditions as shall have been received from the Bank.

2. Notwithstanding paragraph 1 above, in the event that any of the provisions of this Agreement, including the instructions that the Bank shall have specified by notice to the Borrower pursuant to Section IV.A.1 of this Schedule, are inconsistent with the budgetary procedures of the Borrower, the provision of this Agreement shall prevail.

3. The Borrower shall exercise its rights under the on-lending arrangements referred to in the preceding paragraphs in such manner as to protect the interests of the Bank and to accomplish the purposes of the Loan.

B. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and shall cause the Project Implementing Entity to prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report.
B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than nine (9) months after the end of such period.

Section III. Procurement

A. General

1. Goods and Non-consulting Services. All goods and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to additional provisions agreed upon from time to time between the Borrower and the Bank and set forth in the Procurement Plan; (c) Shopping; (d) procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank; (e) Direct Contracting; (f) Procurement under Public Private Partnership Arrangements in accordance with procedures which have been found acceptable to the Bank; and (g) Community Participation procedures which have been found acceptable to the Bank.

C. **Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. **Withdrawal of Loan Proceeds**

A. **General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Eligible Expenditures Program under Part 1 of the Project</td>
<td>289,890,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, consultants' services, Training, and Incremental Operating Costs under Part 2 of the Project</td>
<td>9,360,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Front-end Fee</td>
<td>750,000</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(4) Interest Rate Cap or Interest Rate Collar premium</td>
<td>-0-</td>
<td>Amount due pursuant to Section 2.08(c) of this Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>300,000,000</td>
<td></td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. Notwithstanding the provisions of Part A of this Section, the Borrower shall only submit an application for withdrawal under Category (1) and withdrawal shall only be made for each such application if the Borrower has:

   (a) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Bank of the applicable IUFR detailing the expenditures incurred under the Eligible Expenditure Program up to the date of the applicable withdrawal application; and

   (b) furnished evidence, in accordance with the Verification Protocols and acceptable to the Bank, of the Project Implementing Entity’s satisfactory achievement of each DLR for the respective Fiscal Year and for which payment is requested in the amount of the Price for each such DLR as set forth in Schedule 4 to this Agreement.

3. Notwithstanding the provisions of Part B.2(b) of this Section, the Borrower may submit an application for withdrawal under Category (1), up to an aggregate amount not to exceed USD39,000,000 equivalent to facilitate the achievement of DLI(s) in Year 1, provided however, that the Borrower shall have complied with the requirements set forth in paragraph (a) of Section B.2 above.

4. Notwithstanding the foregoing, if the Bank determines in its sole discretion that one or more of the DLRs set forth in Schedule 4 to this Agreement has/have not been achieved, or were no longer achievable, by the end of the respective Fiscal Year and/or the Closing Date, then, the Bank shall withhold the allotted Price for the unmet DLR(s) and, at its sole discretion, may:

   (a) authorize partial releases of the amounts so withheld/to be withheld, if and when the Bank is satisfied that: (i) the non-fulfillment of the respective DLR(s) is due to an event of force majeure; and/or (ii) the Borrower and/or the Project Implementing Entity have/made reasonable efforts, in the sole opinion of the Bank, to remedy the situation in order to achieve said DLR(s);

   (b) authorize, at a later date, the full release of the amounts so withheld, if and when the Bank is satisfied that the respective DLR(s) has/have been achieved; and/or
(c) at any time, by notice to the Borrower, cancel the amount(s) so withheld/to be withheld, and/or reallocate it/them, whether in full or in part, to any other Category and/or DLR(s).

5. Notwithstanding the provisions of sub-paragraph 1(b), and those of paragraph 4 of this Sub-section IV.B, the Borrower shall ensure that not more than seventy percent (70%) of the amounts available for withdrawal under Category shall be applied towards the financing of the Employee-Related Expenses of primary and secondary education sub-functions of provincial and all District governments (account code A01) under the EEP.

6. The Closing Date is December 31, 2021.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Repayment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 15, 2021</td>
<td>1.5</td>
</tr>
<tr>
<td>March 15, 2022</td>
<td>1.5</td>
</tr>
<tr>
<td>September 15, 2022</td>
<td>1.5</td>
</tr>
<tr>
<td>March 15, 2023</td>
<td>1.5</td>
</tr>
<tr>
<td>September 15, 2023</td>
<td>1.5</td>
</tr>
<tr>
<td>March 15, 2024</td>
<td>1.75</td>
</tr>
<tr>
<td>September 15, 2024</td>
<td>1.75</td>
</tr>
<tr>
<td>March 15, 2025</td>
<td>1.75</td>
</tr>
<tr>
<td>September 15, 2025</td>
<td>1.75</td>
</tr>
<tr>
<td>March 15, 2026</td>
<td>2.25</td>
</tr>
<tr>
<td>September 15, 2026</td>
<td>2.25</td>
</tr>
<tr>
<td>March 15, 2027</td>
<td>3.5</td>
</tr>
<tr>
<td>September 15, 2027</td>
<td>3.5</td>
</tr>
<tr>
<td>March 15, 2028</td>
<td>3.5</td>
</tr>
<tr>
<td>September 15, 2028</td>
<td>3.5</td>
</tr>
<tr>
<td>March 15, 2029</td>
<td>3.5</td>
</tr>
<tr>
<td>September 15, 2029</td>
<td>3.5</td>
</tr>
<tr>
<td>March 15, 2030</td>
<td>3.5</td>
</tr>
<tr>
<td>September 15, 2030</td>
<td>3.5</td>
</tr>
<tr>
<td>March 15, 2031</td>
<td>3.5</td>
</tr>
<tr>
<td>September 15, 2031</td>
<td>3.5</td>
</tr>
</tbody>
</table>
2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

(b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal
Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
### SCHEDULE 4

Disbursement-Linked Indicators, Disbursement-Linked Results and Respective Prices

<table>
<thead>
<tr>
<th>DISBURSEMENT- LINKED INDICATORS</th>
<th>RESULTS TO BE ACHIEVED IN FY2016/17 (YEAR 1)</th>
<th>RESULTS TO BE ACHIEVED IN FY2017/18 (YEAR 2)</th>
<th>RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 3)</th>
<th>RESULTS TO BE ACHIEVED IN FY2019/20 (YEAR 4)</th>
<th>RESULTS TO BE ACHIEVED IN FY2018/19 (YEAR 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Private school vouchers: Strengthening program design to expand coverage of tuition-replacement vouchers to children from disadvantaged households.</td>
<td>Revised EVS system in place; and PEF initiates pilot for EVS.</td>
<td>10,000 Eligible Children received vouchers to attend private schools; and PEF's Board of Directors approved the Revised System for EVS.</td>
<td>134,000 Eligible Children received vouchers to attend private schools.</td>
<td>270,000 Eligible Children received vouchers to attend private schools.</td>
<td>400,000 Eligible Children received vouchers to attend private schools.</td>
</tr>
<tr>
<td>Price</td>
<td>$8,590,000</td>
<td>Price</td>
<td>$8,590,000</td>
<td>Price</td>
<td>$8,590,000</td>
</tr>
<tr>
<td>2. Public Private Partnerships in Education: Leveraging the private sector to support school to increase enrollment</td>
<td>180,000 children are enrolled through Public-Private Partnerships under PEF approved programs that have a Strengthened Quality Assurance System.</td>
<td>360,000 children are enrolled through Public-Private Partnerships under PEF approved programs that have a Strengthened Quality Assurance System.</td>
<td>540,000 children are enrolled through Public-Private Partnerships under PEF approved programs that have a Strengthened Quality Assurance System.</td>
<td>720,000 children are enrolled through Public-Private Partnerships under PEF approved programs that have a Strengthened Quality Assurance System.</td>
<td>900,000 children are enrolled through Public-Private Partnerships under PEF approved programs that have a Strengthened Quality Assurance System.</td>
</tr>
<tr>
<td>Price</td>
<td>$8,590,000</td>
<td>Price</td>
<td>$8,590,000</td>
<td>Price</td>
<td>$8,590,000</td>
</tr>
</tbody>
</table>

---

1. Private school vouchers: Strengthening design to expand coverage of tuition-replacement vouchers to children from disadvantaged households.
2. Public Private Partnerships in Education: Leveraging the private sector to support school to increase enrollment.
### 3. Secondary School Stipends

SED has strengthened its original program and is implementing it in 16 Districts.

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$7,220,000</th>
<th>$3,220,000</th>
</tr>
</thead>
</table>

SED continues to implement the strengthened program in 16 Districts.

SED continues to implement the strengthened program in 16 Districts.

SED continues to implement the strengthened program in 16 Districts.

### 4. Early Childhood Education: Improving Quality and Expanding Access in Early Childhood Education

SED has approved the ECE Policy Framework, which includes Quality Standards for ECE classrooms.

1,000 schools have classrooms that meet the Quality Standards prescribed by the ECE Policy Framework.

2,500 schools have classrooms that meet the Quality Standards prescribed by the ECE Policy Framework, and 50 schools have started implementation of District health/nutrition officer pilot.

4,300 schools have classrooms that meet the Quality Standards prescribed by the ECE Policy Framework.

7,000 schools have classrooms that meet the Quality Standards prescribed by the ECE Policy Framework.

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$7,220,000</th>
<th>$3,220,000</th>
</tr>
</thead>
</table>

### 5. Human Resources Management

SED has started implementation of its recruitment policy for Merit-Based Recruitment of new teachers and reallocation of posts.

SED continues to implement its recruitment policy for Merit-Based Recruitment of new teachers and reallocation of posts.

SED continues to implement its recruitment policy for Merit-Based Recruitment of new teachers and reallocation of posts.

SED continues to implement its recruitment policy for Merit-Based Recruitment of new teachers and reallocation of posts.

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$7,220,000</th>
<th>$3,220,000</th>
</tr>
</thead>
</table>
6. Quality in the primary classroom: Strengthening field-based Continuous Professional Development for improved teacher performance

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>Price</th>
<th>$8,590,000</th>
<th>Price</th>
<th>$8,590,000</th>
<th>Price</th>
<th>$2,220,000</th>
<th>Price</th>
<th>$2,220,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>DSD has designed: (a) the elements of the New Mainstream Phase of Integrated CPD program and piloted its key components; and (b) an innovative teachers support package and tested its components.</td>
<td>At least 85% of primary school teachers in 4 Districts covered by the New Mainstream Phase of Integrated CPD program; and</td>
<td>At least 85% of primary school teachers in 8 Districts covered by New Mainstream Phase of Integrated CPD program; and</td>
<td>At least 85% of primary school teachers in 12 Districts covered by New Mainstream Phase of Integrated CPD program; and</td>
<td>DSD continues to implement the validated innovative teachers support package in at least 100 schools; and</td>
<td>(a) the results of the integrated CPD program evaluation and integrated its findings into the CPD system; and</td>
<td>(b) the results of the innovative teachers support package evaluation.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Student Assessment: PEC has developed the revised policy framework and its assessment policy framework. The new PEC institutional Strengthening Plan has been approved by the commission overseeing PEC. Strengthened Grade 5-8 PEC instruments are piloted in at least one subject. Strengthened Grade 5-8 PEC instruments are administered throughout the entire Punjab school system. The new PEC institutional Strengthening Plan has been approved by the commission overseeing PEC. PEC has analyzed and reported Grade 5-8 PEC results in the previous year of Project implementation in Actionable Form. PEC has analyzed and reported Grade 5-8 PEC results in the previous year of Project implementation in Actionable Form.
8. **School Specific Non-Salary Budgets:** Setting and executing school budgets in line with school resourcing needs.

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$3,220,000</th>
<th>$3,220,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SED has prepared School-Specific Non-Salary Budgets for FY2016/17 in accordance with agreed funding formula, and submitted for inclusion in FY2017/18 District budgets in 36 Districts for all schools, including high/high secondary; and</td>
<td>Punjab's Finance Department has dispersed School-Specific Non-Salary Budgets bi-annually to schools with establishment of Necessary Support Structure for execution; and</td>
<td>Punjab’s Finance Department has dispersed School-Specific Non-Salary Budgets bi-annually to schools with establishment of Necessary Support Structure for execution; and</td>
<td>Punjab’s Finance Department has dispersed School-Specific Non-Salary Budgets bi-annually to schools with establishment of Necessary Support Structure for execution; and</td>
<td>Punjab’s Finance Department has dispersed School-Specific Non-Salary Budgets bi-annually to schools with establishment of Necessary Support Structure for execution; and</td>
<td>SED has prepared School-Specific Non-Salary Budgets for FY2020/21 in accordance with agreed funding formula, and submitted for inclusion in FY2021/22 District budgets in 36 Districts for all schools, including high/high secondary; and</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$3,220,000</th>
<th>$3,220,000</th>
</tr>
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<tbody>
<tr>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
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9. **Data Strengthening and Performance**

<table>
<thead>
<tr>
<th>Price</th>
<th>$8,590,000</th>
<th>$8,590,000</th>
<th>$3,220,000</th>
<th>$3,220,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>SED has conducted a private school census, and</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
<td>PMIU has integrated Education sector data</td>
</tr>
</tbody>
</table>
management: Strengthening management capacity and evidence-based decision-making

PMU has prepared and delivered on a semiannual basis District performance report cards for Year 1 following agreed format and contents, to District Education Administrations.

PMU has provided access and orientation to the integrated database to education departments and District education officials in 12 Districts.

PMU has prepared and delivered on a semiannual basis District performance report cards for Year 2 following agreed format and contents, to District Education Administrations.

PMU has provided access and orientation to the integrated database to education departments and District education officials in 36 Districts.

PMU has prepared and delivered on a semiannual basis District performance report cards for Year 3 following agreed format and contents, to District Education Administrations.

PMU has provided access and orientation to the integrated database to education departments and District education officials in 36 Districts.

PMU has prepared and delivered on a semiannual basis District performance report cards for Year 4 following agreed format and contents, to District Education Administrations.

PMU has provided access and orientation to the integrated database to education departments and District education officials in 36 Districts.

PMU has prepared and delivered on a semiannual basis District performance report cards for Year 5 following agreed format and contents, to District Education Administrations.

Price: $8,590,000

Price: $8,590,000

Price: $8,590,000

Price: $3,220,000

Price: $3,220,000

Price: $3,220,000
APPENDIX

Section I. Definitions

1. “Actionable Form” means data that is analyzed, tailored and disseminated to relevant stakeholders (teachers/trainers, curriculum and textbook developers, and decision makers) in a form that is useful to them in deciding what actions can be taken to improve the quality of education.


3. “Budget Execution Reports” or “BER” means the budget execution reports to be prepared by the Project Implementing Entity pursuant to Section II.C. of the Schedule to the Project Agreement.

4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

5. “Chief Minister’s Monitoring Force” means the force of the Monitoring and Evaluation Assistants established within SED, pursuant to the summary approved by Punjab’s Chief Minister on April 29, 2004, as amended to the date to this Agreement.

6. “Chief Minister’s Monitoring Force Expenditures” means the reasonable costs of salaries, salary supplements and overheads of the Chief Minister’s Monitoring Force term employees and/or staff responsible for the regular inspection of government schools.


8. “Continuous Professional Development” or “CPD” means the advisory support to teachers at school level that is provided by the SED through DSD.

9. “Directorate of Staff Development” or “DSD” means Punjab’s directorate established in 1959 under the name “Education Extension Center” to support teacher training and support in the classroom.
10. "Disbursement-Linked Indicator" or "DLI" means each of the disbursement-linked indicators set forth in the first column of the matrix set forth in Schedule 4 to this Agreement.

11. "Disbursement Linked Result" or "DLR" means each of the disbursement-linked targets/results set forth in Schedule 4 to this Agreement in the columns entitled "Results to be Achieved in FY2016/17 (Year 1)"", "Results to be Achieved in FY2017/18 (Year 2)", "Results to be Achieved in FY2018/19 (Year 3)"", Results to be Achieved in FY2019/20 (Year 4)" or "Results to be Achieved in FY2020/21 (Year 5)", as applicable.

12. "District" means a district within Punjab, and "Districts" means the plural thereof.

13. "District Coordination Officer" means the officer within the Government of Punjab responsible for overall administration of the District, or any successor thereto.

14. "District Education Administrations" mean the relevant District education officials that are responsible for education service delivery within Districts.

15. "District Teacher Educators" or "DTEs" means individuals employed by DSD to provide mentoring and training to government school teachers to improve their teaching performance, or any successor thereto.

16. "Early Childhood Education" or "ECE" means pre-primary education, both formal and informal as well as public and private education services for children between the ages of 3 and 5.

17. "ECE Policy Framework" means the framework established by the SED which includes quality standards for ECE classrooms and institutional and budget planning.

18. "Education Voucher Scheme" or "EVS" means the education financial assistance, public private partnership program adopted by the Punjab Education Foundation pursuant to the minutes of its 29th board meeting held on May 22, 2006, providing subsidies to children in socioeconomically disadvantaged households in Punjab for the payment of tuitions in low cost private schools.

19. "Eligible Children" mean those children who would be able to participate in the EVS as defined by the PEF Board of Directors' criteria for eligibility.

20. "Eligible Expenditures Program" or "EEP" means, collectively, the reasonable costs of SED's Employee-Related Expenses of primary and secondary education sub-functions of provincial and all District governments (account code A01); the
PEF’s expenses related to salaries and programs (account codes: 32001 through 32005, 32011, 32016, 32210, 32220, 32521, 32602, 32651 through 32653, 32544, 32555, 32401 through 32409, 32010, 33010, 33015, 33020, 32500, 32700, 32010); Secondary School Stipends (account code: A03977); School Specific Non-Salary Budgets (account code: A09270-AD7); and Chief Minister’s Monitoring Force Expenditures (account code: LQ5269), each of which are defined expenditures incurred by Punjab under Component 1 of the Project, and financed through the budget of the government of Punjab, and any other account codes related to the above mentioned expenses, which may be agreed to between the Borrower and the Bank.

21. “Employee Related Expenses” means the reasonable costs of salaries, allowances, and related costs of teachers and other education staff of public primary, elementary and secondary schools, as well as provincial, District and sub­divisional offices thereof.

22. “Fiscal Year” or “FY” means the Borrower’s and the Project Implementing Entity’s fiscal year which begins on July 1 of each calendar year and ends on June 30 of the next calendar year.

23. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

24. “Incremental Operating Costs” means the reasonable costs of incremental expenditures required for the Project, including: consumable material and supplies; office rental costs; utilities fees; insurance; communications, advertising and newspaper subscriptions; printing and stationary costs; vehicle and/or office equipment operation and maintenance; charges for opening and operating bank accounts required for the Project, travel, lodging and per diems allowances for Project staff; salaries of contractual staff (other than consultants); and reasonable Project allowances for project staff working full time on the Project, but excluding salaries of the Borrower or Punjab’s civil servants.

25. “Institutional Strengthening Plan” or “ISP” means a plan designed to strengthen PEC, based on the results of the functional review done for PEC which would include the following areas: PEC’s mission, update of PEC’s functions, activities and operating procedures, staffing levels and profiles and improvement in training needs; equipment procurement, budgetary requirements and capacity building.

26. “IUFR” means each of the interim unaudited financial reports to be furnished to the Bank by the Borrower pursuant to Section II.B.2 of Schedule 2 to this Agreement, and by the Project Implementing Entity pursuant to Section II.B.2 of the Schedule to the Project Agreement.
27. “Low Performing Districts” means ten Districts that have among the lowest school participation rates (ages 6-15); and “Lowest Performing District” means any one of such districts.

28. “Merit-Based Recruitment” means hiring 100% of teachers through a system that includes a competitive test administered by a third party.

29. “Necessary Support Structure” means the formulation of a steering committee with representation from all stakeholders and the required capacity building program to engage/mobilize School Councils and District Education Administrations.

30. “New Mainstream Phase” means strengthening DSD’s existing CPD system by supporting teachers, logistic allowances for District Teacher Educators, filling DTE posts on merit, and using teacher standards to guide training.

31. “PMIU” means the project monitoring and implementation unit referred to in Section I.A (a) of the Schedule 2 to the Project Agreement, to be maintained within SED for the purposes of providing, until completion of the Project, management, planning, coordination and monitoring support.

32. “Price” means the amount of the financing allocated to the achievement of each DLR in each Fiscal Year as set forth in Schedule 4 to this Agreement and for which the Recipient may make withdrawal applications in accordance with Section IV.B of Schedule 2 to this Agreement.


34. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 24, 2016 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

35. “Project Implementing Entity” and/or “Punjab” means the Province of Punjab.

36. “Public-Private Partnership” means a partnership involving public sector financing and private sector provision of education service delivery, and “Public Private Partnerships” means the plural thereof.

37. “Punjab Education Foundation” or “PEF” mean the entity established pursuant to the Punjab Education Foundation Act (1991) (Act I of 1991) as amended by the Act XII of 2004 of Punjab, as a semi-autonomous non-commercial/nonprofit
organization aimed at encouraging and promoting the education in the low cost private sector through Public-Private Partnerships.

38. "Punjab Examination Commission" or "PEC" mean the commission established pursuant to SED's Notification No. SO (Schools) (PEC) 1-1/2006, dated January 16, 2006, for purposes of conducting examinations of students in selected grades.

39. "Quality Standards" means the indicators for minimum quality standards for an ECE classroom and its school, related to staffing, training, content of teaching and learning materials, monitoring and parental outreach, set out in the ECE Policy Framework.

40. "Revised System" means a revised/improved beneficiary targeting, validation and monitoring system that includes quarterly monitoring of partner schools for the Punjab Education Foundation's Education Voucher Scheme.

41. "School Council" or "SC" means each of the councils established pursuant to the School Council Policy (2007) approved by the SED.

42. "School Specific Non-Salary Budgets" means school budgets that are prepared according to an agreed needs-based formula approved by the SED.

43. "School Education Department" or "SED" means Punjab's School Education Department, or any successor thereto acceptable to the Bank.

44. "Secondary School Stipends" means payments made by the SED to students enrolled in grades 6 through 10 in government schools, conditioned on school attendance.

45. "Strengthened Quality Assurance System" means a quality assurance system that involves continuous professional development support to teachers; improved quality assurance tests; and enhanced monitoring of partner schools to include quarterly monitoring of Punjab Education Foundation partner schools.

46. "Third Party Verification" or "TPV" means a verification study conducted by a third party that will seek to verify achievements of specific Project interventions under Part 1 and Part 2 of the Project.

47. "Training" means the reasonable costs of training, workshops and conferences conducted in the territory of the Borrower or attended abroad by SED/PMIU's officials and staff, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.
48. “Verification Protocols” means the protocol and evidence required for the verification of DLIs and DLRs, acceptable to the Bank.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee; Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).

(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”