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SIMPLIFIED IMPLEMENTATION COMPLETION REPORT

THE ISLAMIC REPUBLIC OF PAKISTAN

SECOND DEVELOPMENT POLICY CREDIT FOR

THE GOVERNMENT OF PUNJAB PROVINCE

Cr No. 40460-PAK

MAY 15, 2006

**Human Development Sector Unit
South Asia Region**

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CURRENCY EQUIVALENT
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US\$1 = PKR 59.95

GOVERNMENT FISCAL YEAR
July 1 – June 30

ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
CBT	Cluster Based Training
CSR	Composite Schedule of Rates
CWIQ	Core Welfare Indicator Questionnaire
CY	Calendar Year
DAC	Departmental Account Committee
DPC	Development Policy Credit
DMO	District Monitoring Officer
DSD	Directorate of Staff Development
EMIS	Education Management Information System
FAS	Financial Assistance to Schools
FY	Fiscal Year
ICR	Implementation Completion Report
IDA	International Development Agency
MDG	Millennium Development Goals
MTBF	Medium-Term Budget Framework
NEAS	National Education Assessment System
NFC	National Finance Commission
NGOs	Non-Governmental Organizations
PAC	Public Accounts Committee
PEDPC	Punjab Education Development Policy Credit
PEF	Punjab Education Foundation
PESAC	Punjab Education Sector Adjustment Credit
PESRP	Punjab Education Sector Reform Program
PFC	Provincial Finance Commission
PIHS	Pakistan Integrated Household Survey
PMIU	Program Monitoring and Implementation Unit
PSLSMS	Pakistan Social and Living Standard Measurement Survey
PRSP	Poverty Reduction Strategy Paper
SCs	School Councils
SECAL	Sectoral Adjustment Loan
TOP	Terms of Partnership
TPV	Third Party Validation
UPE	Universal Primary Enrollment

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ANNEXES

Annex 1	Reform Actions Supported Under PESAC and PEDPC II and Initial Impact
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Simplified Implementation Completion Report For Programmatic Development Policy Lending

<i>Operation ID:</i> P083228	<i>Operation Name:</i> Second Education Sector Development Policy Credit for Government of Punjab Province (PEDPC II)
<i>Team Leader:</i> Tahseen Sayed	<i>TL Unit:</i> SASHD
	<i>Report Date:</i> May 15, 2006

1. Program Data

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

KEY DATES

			<i>Original</i>	<i>Revised/Actual</i>
<i>PCD/PR:</i>		<i>Effective:</i>	September 9, 2005	September 9, 2005
<i>Appraisal:</i>	January 3, 2005	<i>MTR:</i>		
<i>Approval:</i>	July 1, 2005	<i>Closing:</i>	October 31, 2006	October 31, 2006

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

STAFF	Current		At Appraisal
<i>Vice President:</i>	Praful Patel		Praful Patel
<i>Country Director:</i>	John W. Wall		John W. Wall
<i>Sector Manager:</i>	Michelle Riboud		Michelle Riboud
<i>Team Leader at ICR:</i>	Tahseen Sayed		Tahseen Sayed
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2. Principal Performance Ratings

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

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

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

3. Program Description

3.a. Description of Program

The Government of Punjab is implementing a three-year education sector reform program to enhance access and improve quality of education and improve gender parity in Punjab. Key pillars of the Punjab Education Sector Reform Program (PESRP) remain the same as in the Program supported by the first credit as reviewed by the first ICR¹ for this series: (A) public finance reforms to increase public spending for education (and other pro-poor services) and to ensure fiscal sustainability; (B) reforms that strengthen devolution and improve the fiduciary environment and governance; and (C) education sector reforms to improve access, quality and sector governance.

3.b. Description of the Operation

The Bank has supported year two of the reform program through a US\$100 million Second Punjab Education Sector Development Policy Credit (PEDPC II). The objective of PEDPC II, the second in a series of three single tranche annual credits, was to provide financing for the PESRP to assist Punjab to move towards achieving the Millennium Development Goals (MDG) of Universal Primary Education (UPE) and Gender Parity in Primary Education by 2015. The DPC supported the three pillars of PESRP. This simplified ICR assesses the performance of PESRP supported by PEDPC II, corresponding to the period since the last ICR of March 2005 to the current date.² A full ICR will be prepared after the completion of the full DPC series next calendar year.

4. Achievement of Objectives and Outputs

The achievement of objectives and outputs is rated as satisfactory. PESRP continues to show steady progress. Achievements of the first operation have been sustained, including the continued increases in public sector enrollments and sector financing. Progress has picked up in areas that showed slower movement under the first Credit, such as the quality agenda and public private partnerships. The following provides an assessment of achievement of objective and outputs under each reform pillar.³

Pillar 1: Improving Public Sector Financing

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

The levels and composition of the education budget are now increasingly aligned to meeting the needs of the sector. The Government has maintained its commitments under the Medium-Term Budget Framework (MTBF). Education allocations in the FY05 provincial budget (supported through PEDPC II) as well as in FY06 have increased by 15% and 12.6%, respectively. Districts have allocated 15% more non salary budget for education from their own budgets. The budget increases financed through the provincial budget are filling infrastructure gaps; supporting targeted incentives such as stipends and free textbooks; financing quality improvement such as teacher training and non-salary budgets for schools; and supporting capacity building programs. While overall provincial and district sector financing has improved, school budgeting has commenced yet is still inadequate. There have also been shortfalls in

¹ Simplified ICR, Education Sector Adjustment Credit for The Government of Punjab Province (Report No. 31750)

² The Punjab Government has reviewed and provided comments on this simplified ICR, which have been incorporated. The Punjab Government agrees with the content of the ICR.

³ The tables in attached Annexes 1 and 2 capture the details of progress and initial impact made in the Program supported by PEDPC II and to date of writing this ICR.

utilization of development budget during FY05⁴. Increases in non salary budgets, transfer to School Councils, and utilizations levels now have been made a part of the performance indicator under the Terms of Partnership (TOP) agreements between the provincial and district governments.

Pillar 2: Supporting Devolution and Public Sector Management Reform

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

Fiscal decentralization is on track and timely transfer of funds for education to districts under a one line budget is taking place. Annual conditional grants for education are being provided by the provincial government through the TOP agreements between the provincial and district governments on the basis of needs-cum-performance formula⁵, shifting from equal share under PESAC, to 70%-30% needs-performance weightage in FY05, moving to 60%-40%, respectively, in FY06. Rs. 5 billion have been provided over and beyond the one line transfer under the TOP mechanism.⁶

While the transfer of resources is timely and sufficient, there are issues that continue to constrain district level performance. First, capacity constraints lead to under-spending and delays in implementation. Further, there are limited capacities for undertaking civil works which also affect quality of school construction. District level monitoring of the use of development funds needs to be strengthened to ensure improvements in service delivery. Further, after the election of new district governments in 2005, the district budget approvals have been behind schedule this fiscal year. This has led to delays in implementation of district financed programs.

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

The operation is influencing financial management at the level of the education department and at the broader provincial institutional level. At the *departmental level*, timely and more reliable financial data are being made available. Proper accounting procedures to track and monitor sector expenditures have been developed by the Program Monitoring & Implementation Unit (PMIU), making the education sector the first sector where complete provincial and district expenditure tracking and monitoring is taking place. The Department's large backlog of pending audit paragraphs are being progressively reduced, as regular fortnightly Departmental Account Committee (DAC) meetings are being held. These meetings review and settle all arising audit observations (paras) in the Provincial Account 1, as well as progressively clearing backlogs for at least FY2002-03.⁷ At the *broader level*, a Provincial Public Financial Management and Accountability Assessment (PFMA) has been conducted. This has the resultant effect of introducing a form of 'self-assessment' system of tracking and monitoring of the performance measurement indicators of the Province against specified indicator benchmarks - the first of such self-assessment will be available by end of FY05/06.

Although these actions demonstrate the heightened focus on improving financial management in the education sector, the capacity for financial management needs to be continuously strengthened at the district level, through the pending recruitment and training of additional accounting and auditing staff,

⁴ See footnote 4 for explanation.

⁵ The need-based factor includes enrollment and literacy levels, while the performance-based factor includes district's own budget increase, realignment in the budget towards actual release for school councils and non-salary items, improvements in education indicators (enrollment, retention).

⁶ There have been delays in utilization of these development funds, as the implementation cycle follows a calendar year rather than the fiscal year because, although the Program commenced in July 2003, implementation began from January 2004 as systems were being devised in the first six months (e.g., TOPs, stipends, textbook distribution). The program has continued to follow a CY cycle.

⁷ In January 2003, overall un-reviewed audit observations of the Education Department were 46,062. By December 2005, the number had reduced to 34,707. Between September and November 2005, a total of 211 audit review meetings were held out of which 70 were for the Education Department. For further details, see Program Document PEDPC III, Report 35411-PK.

and continued training of existing staff. Once the district capacity issues are systematically addressed, there would be greater and visible reduction in the large number of arising audit observations.

Satisfactory progress has been made in the area of procurement. Reforms achieved include: contracts for civil works above a reasonable threshold are now based on open competition and transparent procedures; the requirements for pre-registration of contractors and of composite schedule of rates (CSR) have been removed and replaced with realistic cost estimates based on prevailing market rates; School Councils (SCs) are now authorized to carry out small civil works at the school level up to a threshold of Rs. 400,000; and annual independent third party ex-post procurement reviews of a sample of procurements are being conducted.

While such actions have laid the foundation for increased transparency and efficiency, there are areas that require further strengthening to institutionalize procurement reforms. For example, although SCs are authorized to carry out small civil works, this is only taking place in a few districts and is not yet a systematic practice. Findings of the ex-post procurement review based on audits carried out in four districts reveal a large number of deviations from established Punjab Government procedures. While the review does not establish the relative materiality of these observations to the total number value of samples reviewed, they are symptomatic of deficiencies in two areas of procurement policy reform, i.e. *procurement procedures* (including insufficient time given to bids, absence of administrative approval of scope changes, no preparation of site drawings for administrative approval, over-payment, and post bid negotiations) and *capacity constraints* of staff. The Government has begun preparation of rules for procurement of goods, works and services that meet international best practice, and has prepared a provincial procurement strategy in line with these.

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

This pillar aims to address two core areas: a) sector governance, and b) quality and access.

Objective: To strengthen education sector management

This new objective was included under PEDPC II to re-orient the education department's operational structure at the provincial and district levels to align it with its evolving responsibilities and functions under a devolved framework. Initially progress in this area was slower than anticipated, but restructuring of the provincial and district education departments has now begun. At the *provincial level*, the Education Department has created a unified Planning Wing by merging the two wings for college and school education to focus on planning and monitoring functions for the entire sector, including mainstreaming the management and information systems developed by the PMIU within the core functions of the Planning Wing. Capacity support programs are under implementation. At the *district level*, a plan for restructuring of the district education management system has been approved. This includes restructuring district management staff along functional lines that include human resource, monitoring, finance and planning, and academics (covering examination, assessment and teacher training). A parallel and phased action plan has been approved for capacity building of staff. This includes skill development through existing public training institutes, and infrastructure and equipment support for computers and mobility support for field monitoring. These programs are fully financed by Government. While these actions represent a serious effort to improve sector management, intensive capacity support backed by strong monitoring is required at both district and provincial levels.

Objective: To improve teacher management

Teacher performance and quality is affected by a number of factors. These include educational qualification of teachers; merit in recruitment; systems to monitor teacher performance, including absenteeism; and a system for incentive rewards, upgrading skills and career structure. So far, progress

has been made by revising the teacher recruitment policy including the policy of hiring all new teachers on school-specific contract and enhancing the requirement for educational qualification. From September 2005 all teacher recruitment is being undertaken using MIS data and related need analysis to determine school-by-school needs based on student-teacher ratios⁸. The teacher recruitment policy has been reviewed and amendments incorporated including hiring of only female teachers for primary schools and increasing the points for local level teachers to improve teacher attendance. While a comprehensive system for monitoring absenteeism is yet to be developed, monitoring through District Monitoring Officers reported 3,000 absenteeism cases and action has been taken on 1,600. A teacher management study⁹ carried out in 2005 also assessed the effectiveness of the contract teacher recruitment policy. This study found 25% of regular teachers absent as opposed to 17% of contract teachers absent on the day of the survey. The Chief Minister's monitoring teams are also capturing information on teacher absenteeism¹⁰ which is being provided to district governments for necessary action. Although these are useful sources of information, they are not part of an institutionalized system to monitor teacher absenteeism and performance. There have been delays in developing a focus program to improve teacher management by the district education set up. This is a core priority area under the next and future credits. A systematic mechanism based on the district education system in line with the functional reorganization will be developed in future operations, and an indicator for reduction of teacher absenteeism will be included in future TOPs. Further measures to improve quality of teachers are described in the subsequent section on quality and teacher professional development.

Objective: To Revitalize School Councils

Schools Councils (SC) strengthening is underway through the following interventions. The program for supporting 2,400 SCs in six pilot districts in partnership with two NGOs using two different models (contracting out management to the NGO and a capacity building approach) is now under implementation. The Education Department's analysis shows that SCs are functioning in 53,741 schools (or 84% of total schools) out of which more than 95% have active bank accounts with an average balance of about Rs. 11,000 per SC. However, on average only 36% of available funds were spent during the past year by primary school SCs, and an even lower 7% at the high and higher secondary levels. These findings point towards two deficiencies: capacity constraints of SCs; and lack of sufficient community mobilization to enable SCs to better understand their roles and functions. Recognizing these gaps, the government is now extending SC capacity building in a phased manner to all other (non-pilot) districts in partnership with NGOs, for which it has provided funding. School-based recurrent budgets have been provided to SCs in 19 districts. A performance indicator regarding release and utilization of school based budgets has been included in the TOPs. A review of quality of civil works undertaken by SCs in districts where they have been provided funds for school civil works has also been launched. The findings are expected to help other district governments to better understand the capacity of SCs to implement civil works. However, additional funding for SCs will not be effective without a capacity building program that enables SCs to become active in school affairs. Such a capacity building program needs to emphasize community mobilization for creation of greater information and awareness among parents and communities for managing and monitoring school performance.

Objective: To Strengthen Program Monitoring and Evaluation

A strong monitoring system has been established which is now recognized by other departments in Punjab, other provincial governments and by the federal Ministry of Education. PMIU's work has

⁸ This is the first time that data has been used systematically to determine teacher requirements on a school-by-school basis.

⁹ *Teacher Management in Punjab*, Issues and Policies Consultants, February 2005 (financed by World Bank and Department for International Development).

¹⁰ The Chief Minister's monitoring teams visited over 25,000 schools during 2005, and found low teacher absenteeism.

generated interest in other provinces, and the Punjab team has started to provide technical assistance to education reforms in Sindh and to the irrigation sector in Punjab. Similar requests have been made by the NWFP health and education departments. MIS data is being used for the purposes of analysis and reform program planning and policy decisions (e.g., data-based needs analysis for teacher recruitment). This ongoing monitoring is supported by a regular third party validation (TPV) system to verify delivery of program inputs. TPVs conducted in 2005 for the delivery of stipends and textbooks showed more than 90% and 99% delivery, respectively.

While there has been good progress in the area of monitoring, capacity of the Government to undertake evaluation is weak. Such capacity is also limited in national research organizations and among private consultants. The Government is working with the Bank and other donors to strengthen this capacity. Further, while the revamped monitoring system is in place and datasets developed by the PMIU placed with the districts, the capacity of district officials to analyze and use this information needs to be strengthened. Additionally, EMIS has to be strengthened to enable monitoring of outcomes, and needs to include full sector data of both public and private¹¹, and requires technical improvements to enable computation of drop out, retention and completion rates. Wider dissemination of the information generated through its M&E system, including through Punjab Government's official website, is required. This is expected to be available by mid-CY06.

Improve Quality and Access

Objective: To Improve Equitable Access to Education

This objective continues to show good performance, with steady increases in public sector enrollments and progress in moving towards gender parity. Total enrollments (Pre-Primary – Grade 10) have increased at a respectable rate of 7% between October 2004 and October 2005 (or 20% since the start of the reform program). Enrollment increases have been registered for both boys and girls, although at a higher rate for girls as a result of which Punjab is seeing a narrowing of the gender gap. In October 2003, girls made up 43.1% of total public school enrollment (Grades 1 – 12), moving to 44.5% in 2004, and 45% in May 2005, closer to the Government's target of 49%. Primary girls' enrollment in government schools has moved from 44% to 46% of total primary enrollment between October 2003 and May 2005, and at the middle level, girls now account for 41% of total enrollment, up from 36% in October 2003. Household survey data also show improvements in net enrollment rates (NER), echoing the trends public sector enrollments as reported by EMIS. The primary NER in Punjab has increased from 45% in 2001/02 to 58% in 2004/05¹². These trends are encouraging, but Punjab has a long way to go if it wants to attain UPE, achievement of which will require deepening and sustaining the reforms.

The *stipend program* targeting government Grade 6 – 8 girls in fifteen low literacy districts has continued to show enrolment increases and improved attendance. The number of girls receiving the stipend has increased from 214,000 in October 2004 to 252,000 in October 2005 (almost 18% increase), with attendance now at over 99% (up from 90% last year). As a result of this initial impact, the stipend program has been extended to girls in Grades 9 and 10 in the same districts from the last quarter of CY06. Increases in both girls' and boys' enrollment are evident at the primary and middle levels in both stipend and non-stipend districts, although more for girls. *Free textbooks* have been extended to cover all

¹¹ A National Education Census is currently being carried out by the Federal Bureau of Statistics, and will provide information on all public and private educational institutes in Pakistan. Once finalized, Punjab EMIS will use the data to update private sector information and to make it part of the routine EMIS census exercises.

¹² 2001-2002 data based on Pakistan Integrated Household Survey (PIHS); 2004-2005 data based on Pakistan Social and Living Standards Measurement (PSLSM) Survey 2004-05 (CWIQ Approach), Federal Bureau of Statistics, Statistics Division, Government of Pakistan. The PSLSM Survey 2004-05 data is based on preliminary reports as raw data has not yet been made available. The Punjab Multiple Indicator Cluster Survey (MICS) 2004 while showing an improvement in the trend over 2001/02, shows a lower NER (Overall 51, male 53, female 49).

government Grade Katchi – Grade 8 students under which more than 20 million books were provided to 9.7 million students in April 2005. Out of the 32,389 approved *missing facility* schemes, about 12,000 were approved in 2005, and more than 60% of these have been completed. Recruitment of 16,000 *contract teachers* has been initiated¹³. As a result of these interventions, there has been a 60% reduction in the number of missing facilities, and a 66% reduction in the number of closed schools since the launch of the program.

Analysis of Punjab school census data from 2003-2005 shows that while there is an increase in the absolute number of children in each grade, 24% of Katchi class students do not progress to Grade 1, while 16% do not progress from Grade 4 to 5.¹⁴ Primary school completion rates have shown an increase from 58% to 61% between 2003 and 2005, yet students continue to drop out. It is likely that many students who come into the system are confronted by overwhelming conditions of over-enrolled schools (absence of teachers due to unfilled post or chronic absenteeism, missing infrastructure such as inadequate classroom space, and poor learning environment). Although these gaps are being addressed, there is a time lag between the rapidly growing enrollments and availability of program inputs at the school level.

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

During initial years, the Program focused on targeted measures to expand access. Although quality improvement was a core objective, progress has been slow as it required several institutional changes.¹⁵ Teacher professional development necessitated restructuring of the institutional framework for teacher training in the province. Similarly, textbook improvement required gradual changes such as first opening up of textbook printing of two grades to private competition, before moving towards complete opening of printing and publishing for all textbooks. Systems to monitor student learning were being developed in conjunction with national efforts. These institutional changes led to slower implementation on the quality agenda, but laid the foundations for meaningful reforms to improve quality.

Several steps are being taken to improve the quality of teaching and learning. Recruitment of teachers with higher qualifications is continuing to fill the vacancy gap. The Directorate of Staff Development (DSD) has initiated the **teacher professional development** program with approval of a framework for Continuous Professional Development of teachers, linked to future plans of ongoing support and mentoring. Training of Lead Trainers in partnership with private sector providers is also being initiated. Programs for classroom based support, especially for least qualified primary school teachers are being finalized. DSD is developing a teacher data management information system to assist in planning and managing teacher professional development. Despite these efforts, the program for teacher professional development has so far focused only on teacher training. Teacher performance requires the development of a comprehensive professional development system that includes training, provision of incentives, and reforms in career structure.

The process of **textbook improvement** is also underway with opening up of textbook printing and publishing to private competition. Building upon the positive experience with the Katchi grade Primer under the first Credit, printing and publication of Grade 6 books for all subjects has now been undertaken through a competitive open process. The total number of textbooks that has been printed and published through this has risen from 2.37 million in 2004 to 5.2 million in 2005. An action plan has been developed for phasing textbook reform, including restructuring of the Textbook Board to realign its functions. To reform an established institution with multiple interest groups is a challenging task, and will require continued high level commitment to develop alignment among the various stakeholders.

¹³ About 50,000 contract teachers have been recruited to date, including these 16,000 currently being recruited.

¹⁴ As there were no pass/fail grades given during this census period and a low rate of repeaters (about 2.6%), one can by proxy assume that these students dropped out of the system.

¹⁵ See Simplified ICR, Education Sector Adjustment Credit (Report No. 31750) and Program Document for PEDPC II (Report No. 31519-PK) for more description of the institutional changes in quality undertaken under the first operation

A most significant development has been the establishment of baseline for monitoring the **quality of learning through assessments and examination** through the National Education Assessment System (NEAS). The first pilot assessment of Grade IV students in language and mathematics provides the baseline of student learning outcomes at the provincial and national levels. It shows that although Punjab performed slightly better than the national average, it still fell below the mean scaled score of 500 in both subjects (430 in mathematics and 382 in language, out of a total score of 1000). A major reform for measurement of quality of learning is the approval to establish an independent Examination Commission. This was not foreseen at the start of the Program but has emerged as core reform as it has strong linkages with content and quality of teaching. It will help to establish school-wise and district-wise performance benchmarks, making it easier to identify and fill gaps in teaching and learning. It would enable government to design appropriate teacher training and to better target interventions. Data could be used to establish district ranking in quality and will enable provision of performance-based incentives to schools and districts. This could be a useful way of promoting healthy competition leading to improved performance. The data could also enable government to provide additional technical support to poor performing or disadvantaged districts.

The quality agenda forms a core objective of the reforms, and the institutional changes that have been made to lay the foundation for quality improvements are yet to translate into visible improvements in student learning and in classroom practice. All aspects of quality improvement – teacher professional development, textbook improvement, and measuring of student learning – need to be addressed in a more holistic manner to have an impact on improved learning outcomes.

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

The Punjab Education Foundation (PEF) is now fully functional and staffed, with a vision and strategy in place. It has initiated several innovative programs to support low cost private schools. These include a Cluster Based Teacher Training (CBT) Program through which more than 1,500 teachers from low cost private schools have been trained; the Foundation Assisted Schools (FAS) program that provides tuition support to low cost schools enabling households to send their children to school; and a pilot voucher scheme that will initially target 5,000 low-income households in urban slums in Lahore. In order to ensure quality, an in-house Academic Development Unit helps design, deliver and monitor training, provide ongoing support to teachers, and conducts periodic assessments of students and teachers.

PEF programs will be evaluated to consider future scaling up. The strategy to support private sector provision will benefit from new data and information including the National Education Census currently being carried out by the federal government. A World Bank study on public private partnership is currently being finalized which, using household survey data from three districts, will provide baseline data on quality of education in the private sector.

5. Major Factors Affecting Implementation and Outcome

Several factors have affected the satisfactory implementation and outcomes in the Program supported by PEDPC II. First, the *continued high level political support and commitment* has kept the Program on track. It has enabled the Government to take on challenging institutional reforms, such as establishing an independent Examination Commission and moving forward on the restructuring of the Textbook Board. The high level commitment has also been demonstrated through the Chief Minister's monitoring teams that have helped to fill gaps in district monitoring. Second, *alignment in the senior provincial management and bureaucracy* has been maintained which also facilitates implementation. The team is forward looking and continues to seek improvements in program design and aims to deepen the reforms. Third, government has maintained its financing commitments under the MTBF. Fourth and most

important, strong MIS and data analysis have helped to monitor progress and to identify areas that require further support.

There are however factors that have hindered progress in implementation and outcomes in certain areas. Delays in reorganization of the district education system have delayed the start up of district capacity building programs. This has in turn affected the capacity to monitor school performance, including setting up a streamlined system to monitor teacher absenteeism. The slow progress in capacity building of SCs has also delayed activating SCs to play a more effective role. The institutional reforms required for improving quality have taken longer than earlier anticipated, but will be a key focus in the next phase of reforms.

6. Bank and Borrower Performance

Bank performance is rated as satisfactory. The task team's consistent engagement and responsiveness is acknowledged by Government. Continuity of the task team has been one major factor for ensuring the consistency in policy dialogue with the senior provincial leadership and in working with the Education Department. The Bank has maintained intensive dialogue with senior policy makers outside of the education sector, including finance and planning, which has helped to address sector issues within the context of the overall provincial development and financing framework. The team regularly engages with civil society to understand different stakeholder perspectives. At the operational level, consistent engagement with the PESRP team has enabled effective review of progress and discussion on areas needing acceleration. Coordination with donors has been effective and has enabled better alignment between available technical expertise and resources and with the needs of the Program (e.g., UNICEF technical support for assessing the examination system which led to the decision to establish PEC). Finally, the Bank's performance has benefited from regular field visits to districts and schools leading to better understanding of local level stakeholder issues, including those of district officials, teachers, and parents.

Borrower performance is rated as satisfactory at all levels. At the provincial level, the good progress and satisfactory achievement of objectives has been based on strong political championship, alignment of vision and strategy among the key set of policy makers, and intensive monitoring and oversight by the dedicated operational teams. The Chief Minister's keen interest and monthly reviews of implementation progress have helped keep the Program on track. The PESRP Provincial Steering Committee continues to monitor progress, address bottlenecks, and provide overall guidance on policy issues. The PMIU's intensive monitoring and analysis has ensured that the Program momentum is maintained, especially in timely implementation and delivery of inputs, and that policy decisions are based on information and analysis. At the district level, the commitment of district governments is reflected in progress achieved in the indicators agreed to in the TOP agreements. The planned capacity building program will enable district education teams to further improve their performance.

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

It will be critical for this high level commitment for education reforms to continue for the satisfactory implementation of future operations supporting Punjab's education reforms. Several ongoing and planned reforms require fundamental changes in institutional structures and systems, and therefore will require continued drive from the provincial leadership. This will be particularly important for future operations that support Phase II. Elections planned for late 2007 may pose a risk for the continuity of the reform program, especially if priorities shift. However, institutionalizing of reforms, such as the integration of systems developed by PMIU into mainstream department functions, and giving autonomy and clearer mandates to institutions (e.g., for examinations, supporting the private sector, and textbook

development), could contribute to continuity and long term sustainability of the reform program and the success of subsequent operations.

To support this continuity and for implementation of future operations, stronger district capacity is needed to ensure effective implementation and ownership. Restructuring of the provincial education department to better align it to carry out its functions (policy, planning, and monitoring) could also help to counter any major shift in political commitment. Ownership of the reform program will need to be strengthened among different stakeholders, including all levels of government, teachers, parents, and the civil society at large. One avenue to achieve this is through wider dissemination of program achievements and outcomes, which will help to build an understanding about the direction of the reforms. Another is to put in mechanisms to assess user satisfaction on an ongoing basis, such as through citizen kiosks. It will be equally important to conduct analytical work and evaluation, based on credible information and dynamic monitoring (for example, the impact evaluation of the stipend program, review of PEF's programs, and the review of teacher professional development programs, among others). Further, the awareness campaign and enrolment increases have generated momentum, and continued public pressure could also help in maintaining reform continuity. Finally, one important factor in helping to ensure continuity and ownership of the reforms will be visible improvements in quality of education. A holistic approach to quality improvement that entails a stronger focus on the school and the classroom, and one that translates the institutional changes into actual improvement in teaching and student learning will be essential for building credibility of the public education system. Many of these elements have already been incorporated into the program that will be supported by the third credit, and also are part of the longer term education reforms.

The sector requires long term reforms, and it is important that government maintain the focus as there is always a risk of complacency with initial success. Both government and the Bank recognize the long term nature of reforms. Government is maintaining continuity by moving PESRP into a second phase, which is expected to be supported through a new DPC series after completion of this series. The focus of future operations will include promoting a holistic reform strategy that includes making special interventions at the earliest stages of schooling, i.e., *katchi* (pre-primary) class, strengthening and deepening public private partnerships by stimulating private sector participation in schooling in rural areas, and supporting a market-responsive college education sector. Before launching into a second phase, a program evaluation will be undertaken, especially to better understand reasons for high drop out rates and teacher absenteeism, and to assess how effective the reform program and its specific interventions have been in bridging the enrollment and gender gaps. Such a program evaluation, planned to commence in the early part of FY07, would provide information for the full ICR at the completion of the current DPC series next year, will also strengthen future operations, and will help develop a framework of continuing reforms that can help Pakistan move closer towards achieving the MDGs.

Annex 1

Reform Actions Supported Under PESAC and PEDPC II and Initial Impact¹⁶

Objectives	Prior Actions for PESAC and PEDPC II	Initial Impact
Reform Pillar 1: Improving Public Sector Financing		
Ensure public expenditure is appropriately allocated to meet Punjab's education needs	<ul style="list-style-type: none"> Letter of Sector Development Policy issued by the Government of Punjab A medium-term provincial budget framework (MTBF) which gives priority to increasing provincial expenditures on education by more than 50% over a 3-year period 	Maintaining of targets and commitments under the MTBF – there has been a 50% increase in the education sector budget from FY2004-FY2006
Reform Pillar 2: Support Devolution and Public Sector Management Reforms		
Facilitate transfer of resources to district governments in order to improve service delivery	<ul style="list-style-type: none"> Terms of Partnership signed between provincial and district governments with agreed annual performance indicators, and conditional grants under PESRP fully transferred to district accounts upon signature of TOPs 50% of districts increased the level of district non salary recurrent budget for education. 	Districts own education budgets have increased by 15% for non salary budget, and 72% for development
Increase transparency of financial management processes and provincial and district capacity for monitoring financial flows	<ul style="list-style-type: none"> Developed accounting procedures to monitor and track program expenditures Fortnightly DAC meetings to review and settle all arising audit observations (paras) in the Provincial Account No. 1, as well as progressively clear backlogs Procurement reforms initiated to increase transparency, including removal of requirements for pre-registration of contractors, and development of streamlined standard procurement guidelines for goods purchases, and independent ex-post procurement reviews carried out annually 	Introduction of performance-based incentives: from pure need based formula in FY04, a gradual shift towards equal share for performance and need; 30% weight to performance in FY05, increased to 40% weight in FY06
Improve transparency in procurement procedures and practices	<ul style="list-style-type: none"> Developed accounting procedures to monitor and track program expenditures Fortnightly DAC meetings to review and settle all arising audit observations (paras) in the Provincial Account No. 1, as well as progressively clear backlogs Procurement reforms initiated to increase transparency, including removal of requirements for pre-registration of contractors, and development of streamlined standard procurement guidelines for goods purchases, and independent ex-post procurement reviews carried out annually 	Full budget tracking system (for both provincial and district budgets) is in place. Progressive reduction of backlogs of un-reviewed audit observations and consolidating accountability in the sector Procurement now more transparent, with no requirement for pre-registration of contractors, and annual third party ex-posts procurement audits being conducted
Reform Pillar 3: Improving Quality, Access and Governance in the Education Sector		
Improve education sector management	<ul style="list-style-type: none"> Increased financing for community-managed contracting and provision of greater authority to School Councils to manage and implement small civil works Issuance of guidelines clarifying the role of School Councils, including their authority to undertake small procurement of works, and responsibilities of school councils in monitoring teacher absenteeism. Announced free schooling up to matriculation level Policy of free textbooks announced for primary school students. Introduction of a stipend program for all girls in grades 6-8, targeted initially to 15 disadvantaged districts with low literacy levels Missing facilities provided to schools based needs identified by district education profiles. Textbook printing and publishing opened to competition, beginning with the Primer, and phased action for restructuring of Textbook Board Restructured institutional framework for teacher 	School Councils have been reconstituted (85% of primary schools have SCs), and provided the authority to spend development funds on civil works.
Improve teacher management		Capacity building of School Councils under implementation with NGO support
Revitalize school councils to monitor school performance		Free textbooks received by 99% government Grade K-8 students on time for school year (10.6 million students received free textbooks)
Strengthen monitoring & evaluation in order to gauge education outcomes and to improve and re-adjust education policies		Eligible girl students regularly receive quarterly stipends (90% on time delivery)
Improve equitable access to education		Almost 20% overall increase in public school enrolments, with reduction in gender gaps
Ensure provision of quality education through improved teaching and materials		Stipends have led to 40% increase in girls'

¹⁶ As PEDPC II is part of a series of credits providing programmatic support, it is difficult to isolate and assess actions in one year from another. Therefore, the initial impact is presented for the Program supported to date under the two credits.

<p>Expand access to education through innovative public private partnerships</p>	<p>professional development</p> <ul style="list-style-type: none"> • Reorganized Education Department's Directorate of Staff Development for delivery of teacher professional development programs. • Credible monitoring & evaluation system established • Legal restructuring of PEF • Independent third party surveys commissioned to assess availability of stipends and free textbooks at the school level. • School Councils re-established and roles clarified • Established school-based budgets • Established transparent criteria for districts to recruit new contract school-specific teachers, favoring recruitment of women and local candidates 	<p>enrollment in target districts (and more than 90% increase in attendance), and have shown increased enrollments for boys compared to non-stipend districts.</p> <p>Reduction in missing facilities gap: work on 60% of identified missing facilities commissioned, with work completed on more than half.</p> <p>Teacher recruitment now being conducted on a basis of needs analysis</p> <p>Over 66% of closed schools have opened through appointment of teachers</p> <p>For the first time, teacher development programs being delivered in partnership with private sector</p> <p>5.2 million books printed through a competitive process.</p> <p>The M&E system is producing data and information for policy and analysis; it has received national recognition and is being replicated in other provinces.</p> <p>Public private partnerships are developing. These will be assessed in Phase II</p> <p>Implementation of merit based recruitment policy has led to better qualified teachers with increased % holding graduate degrees</p>
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Annex 2

Baseline¹⁷ and Targets of PESRP

Outcome Indicator	Baseline 2003	Actual 2005 (Target in Parenthesis)	
Net Primary Enrollment Rates by Gender (excluding katchi)	Overall: 45 Girls: 43	Overall: 58 (48) Girls: 55 (46)	
Net Middle Enrollment Rate by Gender <i>(Source: PSLSMS)</i>	Boys: 47 Overall: 18 Girls: 18 Boys: 18	Boys: 60 (50) Overall: 20 (22) Girls: 19 (24) Boys: 21 (20)	
Annual Program Indicators under Terms of Partnership (ToP) Agreements Baseline and Achievements			
Indicator	Baseline Data District Profiles	October 2005 School Census	Change
Primary Completion rate in Government schools ¹⁸	58%	61%	3%
Enrolment Grade Katchi to V (Male)	3,487,400	4,151,992	19%
Enrolment Grade Katchi to V (Female)	2,897,006	3,595,466	24%
Enrolment Grade VI to VIII (Male)	1,025,997	1,162,641	13%
Enrolment Grade VI to VIII (Female)	692,176	840,765	21%
No. of school councils operationalized as per circulated guidelines	New initiative	85%	
No. of closed schools	2031	680	66% reduction
District Government's total allocation for elementary education	20,455	24,533	20%
Total districts' non-salary budget	661	1,267	100%
Reduction in missing facilities	Data as per District Profile on type of missing facility	60% overall reduction	

¹⁷ Baseline data for 2003 are from a special Punjab EMIS survey carried out in Spring 2003 to develop district baselines, and covers Government schools.

¹⁸ 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.