

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4590-PK

Financing Agreement

(Sindh Education Sector Project)

between

ISLAMIC REPUBLIC OF PAKISTAN

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Public Disclosure Authorized

Dated June 9, 2009

CREDIT NUMBER 4590-PK

FINANCING AGREEMENT

AGREEMENT dated June 9, 2009, entered into between ISLAMIC REPUBLIC OF PAKISTAN (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to two hundred million six hundred thousand Special Drawing Rights (SDR 200,600,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are June 1st and December 1st in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the applicable provisions of Article IV 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 Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) Sindh's Medium Term Education Sector Reform Program has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to achieve the objective of the Project and/or perform any of its obligations under the Project Agreement.
 - (b) A situation has arisen which shall make it improbable that the Sindh's Medium Term Education Sector Reform Program, or a significant part of it, will be carried out.
 - (c) The Recipient or Sindh has taken any action that would have the effect of materially reversing the objectives of Sindh's Medium Term Education Sector Reform Program, including any action and/or results specified in Schedule 4 to this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following: namely, that the events specified in Section 4.01(a) and/or (c) of this Agreement occur and are continuing for a period of ninety (90) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Secretary, Additional Secretary, Joint Secretary, Deputy Secretary or Section Officer of the Recipient's Economic Affairs Division, acting individually.

6.02. The Recipient's Address is:

Economic Affairs Division
Ministry of Economic Affairs and Statistics
Islamic Republic of Pakistan
Islamabad, Pakistan

Facsimile:

92-51-9218976

Phone:

92-51-9203815

6.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:

INDEVAS
Washington, D.C.

Telex:

248423 (MCI)

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

/s/ Farrakh Qayyum
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Said N. Al Habsy
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to support the implementation of Sindh's Medium Term Education Sector Reform Program ("SERP"), which is intended to increase school participation, reduce gender and rural-urban disparities, increase progression, and improve measurement of student learning.

The Project consists of the following Components:

Component 1: Financing of SERP

Provide financial support to Sindh in its implementation of the SERP through the following programs:

- (a) Program to improve the fiscal sustainability and effectiveness of public expenditures (including in education) including:
 - (i) improving budgetary processes to introduce medium term, results based budgeting; reduce vulnerability of provincial finances; and ensure adequate allocations to SERP and other priority sectors through the preparation of Medium Term Fiscal and Budget Frameworks ("MTFF" and "MTBF", respectively);
 - (ii) enhancing internal controls and financial accountability in the education sector through the resolution of audit paragraphs;
 - (iii) improving procurement management through the implementation of a new procurement regulatory framework, revised procurement rules, and standard bidding documents, a monitoring and evaluation system, and implementing regulations; and
 - (iv) improving procurement management and supervision of schools' civil works rehabilitation through third party construction supervision; and ex-post procurement reviews.
- (b) Program to improve education sector management and strengthen the functioning, capacity and accountability of provincial, district and school level management for education service delivery, including:
 - (i) strengthening provincial monitoring of education sector inputs, outputs and outcomes and evaluation of priority programs by implementing annual school census with defined improvements in quality, reliability, and use of data;

- (ii) strengthening district education management *via* gradual introduction of a new education management structure and a new inspection and advice/support system;
 - (iii) improving performance of districts in school rehabilitation and education service delivery *via* performance-based funding partnerships, and the completion of prioritized schools (based on needs) to meet minimum standards; and
 - (iv) strengthening School Management Committees (“SMCs”) and the effectiveness of school level management *via* development and implementation of capacity building programs to strengthen school improvement planning.
- (c) Program to improve access to quality schooling in rural areas and for girls, including:
- (i) improving the performance and effectiveness of Sindh’s existing programs such as the free textbooks program and the secondary school Girls’ Stipends program, to provide incentives to poor families to send their children to school and to reduce costs associated with attending public schools; and supporting the introduction, roll-out and impact evaluation of a geographically-targeted stipends program for girls (the differential stipends program);
 - (ii) supporting the introduction, rollout and impact evaluation of an innovative public-private partnership program (“PPP”) that uses public funds to leverage provision of schooling by private entrepreneurs in targeted under-served rural localities by offering a per student subsidy to private entrepreneurs; and
 - (iii) supporting the transition of the Sindh Education Foundation (“SEF”) into an autonomous institution to facilitate the effective implementation of PPPs in the education sector in Sindh.
- (d) Program to improve the quality of teaching and student learning, including:
- (i) recruiting teachers on merit and needs basis;
 - (ii) piloting a continuous professional development program based on competency, needs, and quality assurance; launching of a new teaching diploma; and
 - (iii) introducing provincial diagnostics learning assessment and improving classroom assessments.

Component 2: Technical Assistance for Implementation of SERP

- (a) Provide technical assistance to Sindh's Finance and Planning & Development Departments for the preparation of Sindh's MTFE and MTBF; build institutional capacity in the areas of expenditures tracking, financial management and procurement implementation and supervision at provincial, district, sub-district and SMCs level.
- (b) Strengthen the institutional capacity of the RSU for Project implementation, including supporting additional staffing needs; support monitoring and evaluation including through third-party validations; assist the Sindh's Education and Literacy Department ("SED") with the development of strategies for reform in related/complementary areas; enhance the social and environmental management capacity in Sindh's education sector and improve current standards/practices in schools' design and rehabilitation/construction works; and strengthen education management skills at school and district levels.
- (c) Provide technical assistance to develop or refine strategies to enhance the performance of incentive programs for public schools; improve transparency, and gradually introduce competition and transparent practices in textbook development and printing/publishing; develop and/or pilot innovative programs to mainstream out-of-school children; and strengthen the management information system of the Sindh Education Foundation ("SEF").
- (d) Build Sindh's education sector capacity for the development of specialized skills needed for competency-based testing of teachers and the implementation of teacher education and development programs; develop a strategy to introduce active learning pedagogy in multi-grade settings; and develop a medium term program for assessment and examination of students.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Financing and Implementation Arrangements

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity in accordance with the provisions of this Agreement and the Recipient's on-lending policies and budgetary procedures, and under the same terms and conditions as shall have been received from the Association.
2. Notwithstanding paragraph (1) above, in the event that any of the provisions of this Agreement, including the instructions that the Association shall have specified by notice to the Recipient pursuant to Section IV.A.1 of this Schedule, are inconsistent with the on-lending policies and/or budgetary procedures of the Recipient, the provisions of this Agreement shall govern.

B. Anti-Corruption

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

C. Safeguards

The Recipient shall cause the Project Implementing Entity to ensure that the activities under the Project: (i) are carried out in accordance with the Environmental and Social Management Framework; and (ii) do not entail land acquisition or involuntary resettlement of persons and/or businesses. In the event that any land is required for the Project, the Recipient, in consultation with the Association, shall cause the Project Implementing Entity to ensure that such land be obtained under the Land Acquisition Act (1894) without resorting to the use of clause 17(4) thereof (urgency/emergency clause), or as a donation or bequest.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate, and/or shall cause the Project Implementing Entity to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. The Project Reports shall be submitted to the Association twice a year, on or about March 15 and September 15 of each year, covering the

immediately preceding semester of activities (i.e. September through February and March through August, respectively).

2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain and/or shall cause the Project Implementing Entity to maintain, a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish, or shall cause the Project Implementing Entity to prepare and furnish, to the Association the following interim unaudited financial reports (“IUFR”):
 - (a) by no later than January 15 of each year, an IUFR for the Project, in form and substance satisfactory to the Association, covering:
 - (A) the immediately preceding six-month period (i.e. July through December) of Project activities under Component 1; and
 - (B) the immediately preceding seven-month period (i.e. June through December) of Project activities under Component 2; and
 - (b) by no later than June 15 of each year, an IUFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding five-month period (i.e. January through May) of Project activities under both Components.
3. The Recipient shall have, or shall cause the Project Implementing Entity to have, the Financial Statements (covering the operations, resources and expenditures related to the Project) audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing 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 Financing 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 Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method	
(a)	National Competitive Bidding in accordance with the procedures set out in paragraph 3 below.
(b)	Shopping
(c)	Direct Contracting

3. **Procedures for National Competitive Bidding.** The procedures for procuring goods and works under National Competitive Bidding shall be subject to the following additional provisions for compliance with the Procurement Guidelines:
 - (i) Invitations to bid shall be advertised in at least one (1) national newspaper with wide circulation, at least thirty (30) days prior to the deadline for the submission of bids.
 - (ii) Bid documents shall be made available, by mail or in person, to all who

are willing to pay the required fee.

- (iii) Foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process.
- (iv) Bidding shall not be restricted to pre-registered firms.
- (v) Qualification criteria shall be stated in the bidding documents.
- (vi) Bids shall be opened in public, immediately after the deadline for submission of bids.
- (vii) Bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association.
- (viii) Before rejecting all bids and soliciting new bids, the Association's prior concurrence shall be obtained.
- (ix) Bids shall be solicited and works contracts shall be awarded on the basis of unit prices and not on the basis of a Composite Schedule of Rates.
- (x) Contracts shall not be awarded on the basis of nationally negotiated rates.
- (xi) Single bid shall also be considered for award.
- (xii) Contracts shall be awarded to the lowest evaluated and qualified bidder.
- (xiii) Post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.
- (xiv) Draft National Competitive Bidding contract would be reviewed by the Bank in accordance with the prior review procedures.
- (xv) A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
- (xvi) Each contract financed from the proceeds of a Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such

provision may amount to obstructive practice.

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 table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method	
(a)	Selection based on the Consultants' Qualifications
(b)	Single-Source Selection
(c)	Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d)	Quality-Based Selection
(e)	Least-Cost Selection
(f)	Fixed-Budget Selection

D. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts awarded/procured by each Procuring Agency shall be subject to Prior Review by the Association:

- (a) each contract for goods and works procured on the basis of International Competitive Bidding;
- (b) the first contract for goods irrespective of value, procured on the basis of National Competitive Bidding;
- (c) each contract for goods estimated to cost USD200,000 equivalent or more, procured on the basis of National Competitive Bidding;
- (d) the first contract for works, irrespective of value, procured on the basis of National Competitive Bidding;
- (e) each contract for works estimated to cost USD300,000 equivalent or more, procured on the basis of National Competitive Bidding;
- (f) the first contract for goods and works, procured through Shopping;

- (g) the first contract for consultants' services provided by a firm irrespective of value;
- (h) all contracts for consultants' services provided by a firm estimated to cost USD100,000 equivalent or more;
- (i) the first contract for consultants' services provided by an individual consultant irrespective of value;
- (j) all contracts for consultants' services provided by individual consultants estimated to cost USD50,000 equivalent or more;
- (k) the first public-private partnership contract to be awarded by SEF; and
- (l) all contracts awarded on Single-Source Selection or Direct Contracting.

All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association 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 Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
1. Learning Assessment/PEACE Costs, SEMIS Costs, Girls' Stipends, PPP Grants, SMC Grants, and Recurrent Costs under the Eligible Expenditures Program for the:		
(a) First scheduled disbursement (on or about June 15, 2009).	66,870,000	100%
(b) Second scheduled disbursement (on or about January 15, 2010).	11,370,000	100%
(c) Third scheduled disbursement (on or about June 15, 2010).	53,490,000	100%
(d) Fourth scheduled disbursement (on or about January 15, 2011).	11,370,000	100%
(e) Fifth scheduled disbursement (on or about June 15, 2011).	53,490,000	100%
2. Goods, consultants' services, Training and Workshops, and Incremental Operating Costs under Component 2 of the Project.	4,010,000	100%
TOTAL AMOUNT	200,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section:

- (a) No withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed USD58,984,500 equivalent may be made for payments made

prior to this date but on or after July 1, 2008, from the following Category and Sub-Category, as the case may be:

- (i) an amount not to exceed USD58,800,000 equivalent from Sub-Category (1)(a) for the retroactive financing of Recurrent Costs and Girls' Stipends, subject to compliance with the provisions of subparagraph (b) below; and
 - (ii) an amount not to exceed USD184,500 equivalent from Category (2).
- (b) No withdrawal shall be made under Sub-Category (1)(a) until and unless the Recipient shall have:
- (i) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IUFRR and the forecasted expenditures under the EEP for the period July 1, 2009, through December 31, 2009; and
 - (ii) by no later than May 6, 2009, furnished evidence satisfactory to the Association of Sindh's achievement of the following:
 - 1. the Global DLI for Actions to be completed in FY2008/09 (Year 1), which actions are set out in Schedule 4 to this Agreement; and
 - 2. the Other DLIs for Actions to be completed in FY2008/09 (Year 1), which actions are set out in Schedule 4 to this Agreement.
- (c) No withdrawal shall be made under Sub-Category (1)(b) until January 1, 2010, and unless the Recipient shall have:
- (i) achieved the Global DLI for Actions to be Completed in FY2008/09 (Year 1), which actions are set out in Schedule 4 to this Agreement; and
 - (ii) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IUFRR and the forecasted expenditures under the EEP for the period January 1, 2010, through May 31, 2010.
- (d) No withdrawal shall be made under Sub-Category (1)(c) until June 1, 2010, and unless the Recipient shall have:

- (i) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IUFRR and the forecasted expenditures under the EEP for the period July 1, 2010, through December 31, 2010; and
 - (ii) by no later than April 30, 2010, furnished evidence satisfactory to the Association of Sindh's achievement of the following:
 - (A) the Global DLI for Actions to be completed in FY2009/10 (Year 2), which actions are set out in Schedule 4 to this Agreement; and
 - (B) the Other DLIs for Actions to be completed in FY2009/10 (Year 2), which actions are set out in Schedule 4 to this Agreement.
- (e) No withdrawal shall be made under Sub-Category (1)(d) until January 1, 2011, and unless the Recipient shall have:
- (i) achieved the Global DLI for Actions to be completed in FY2009/10 (Year 2), which actions are set out in Schedule 4 to this Agreement; and
 - (ii) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IUFRR and the forecasted expenditures under the EEP for the period January 1, 2011 through May 31, 2011.
- (f) No withdrawal shall be made under Sub-Category (1)(e) until June 1, 2011 and unless, the Recipient shall have:
- (i) complied with the additional instructions referred to in Section IV.A.1 of this Schedule, including the submission to the Association of the applicable IUFRR and the forecasted expenditures under the EEP for the period July 1, 2011, through December 31, 2011; and
 - (ii) by no later than April 30, 2011, furnished evidence satisfactory to the Association of Sindh's achievement of the following:
 - (A) the Global DLI for Actions to be completed in FY2010/11 (Year 3), which actions are set out in Schedule 4 to this Agreement; and

- (B) the Other DLIs for Actions to be completed in FY2010/11 (Year 3), which actions are set out in Schedule 4 to this Agreement.

2. Notwithstanding the foregoing, if the Association has:

- (a) Not been satisfied that the Global DLI was achieved for purposes of disbursement of Credit proceeds under Sub-Categories (1)(a), (1)(b), (1)(c), (1)(d) or (1)(e), as the case may be, the Association, at its sole discretion, may:
 - (i) at a later date when the Association is satisfied that the Global DLI has been achieved, authorize withdrawal of the Credit proceeds withheld; and
 - (ii) at any time, by notice to the Recipient and Sindh, cancel the amount of the Credit withheld or, in the case of Sub-Categories (1)(a), (1)(b), (1)(c) and (1)(d), reallocate said amount to other undisbursed Category or Sub-Categories.
- (b) Been satisfied that the Global DLI was achieved for purposes of disbursement of Credit proceeds under Sub-Categories (1)(a), (1)(c) or (1)(e), as the case may be, but one or more of the Other DLIs for the Sub-Category concerned has not been achieved, the Association, at its sole discretion, may:
 - (i) (A) with respect to Sub-Category (1)(a), withhold an amount of the Credit equivalent to one-tenth (1/10th) of the Credit amount allocated to the said Sub-Category per each Other DLI that has not been achieved;
 - (B) with respect to Sub-Category (1)(c), withhold an amount of the Credit equivalent to one-tenth (1/10th) of the aggregated amounts of the Credit allocated to Sub-Categories (1)(b) and (1)(c), per each Other DLI that has not been achieved; and
 - (C) with respect to Sub-Category (1)(e), withhold an amount of the Credit equivalent to one-tenth (1/10th) of the aggregated amounts of the Credit allocated to Sub-Categories (1)(d) and (1)(e), per each Other DLI that has not been achieved; and

- (ii) at a later date when the Association is satisfied that the Other DLI/s referred to in sub-paragraph (b)(i) above have been achieved, authorize withdrawal of the Credit proceeds so withheld; and
- (iii) at any time, by notice to the Recipient and Sindh, cancel the corresponding amount of the Credit withheld pursuant to sub-paragraph (b)(i) above or, in the case of Sub-Categories (1)(a) and (1)(c), reallocate said amount to other undisbursed Category or Sub-Categories.

2. The Closing Date is June 30, 2012.

C. Deposits of Financing Amounts

Except as the Association may otherwise agree:

- (a) all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
- (b) the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount in Rupees is accounted for, within two (2) working days, in the Sindh's Consolidated Fund – Account No. 1 (Non-Food), in a manner acceptable to the Association.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 1 st and December 1 st :	
commencing on December 1, 2019, to and including June 1, 2029	1.25%
commencing on December 1, 2029, to and including June 1, 2044	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

SCHEDULE 4
Disbursement-Linked Indicators

SUB-PROGRAM	ACTIONS TO BE COMPLETED IN FY2008/09 (YEAR 1)	ACTIONS TO BE COMPLETED IN FY2009/10 (YEAR 2)	ACTIONS TO BE COMPLETED IN FY2010/11 (YEAR 3)
1. Fiscal and Budget Management.	Sindh's Medium Term Fiscal Framework covering FY2009/10 through FY2011/12 (MTFF) integrates the education sector strategy (SERP) and a results-based financing framework.	Sindh has executed the education sector budgets for FY2009/10 in alignment with the MTFF for FY2009/10 through FY2011/12 MTFF.	Sindh has executed the education sector budgets for FY2010/11 in alignment with the revised Medium-Term Budget Framework covering FY2011/11 through FY2012/13.
2. District Terms of Partnerships (TOPs).	SED has contracted the services of a firm to validate the priority lists from districts for FY2008/09 TOP, supervise FY2008/09 TOP works and ensure that they meet minimum standards for school design, construction quality and functionality.	At least forty percent (40%) of the public primary and secondary schools in validated priority lists for FY2008/09 TOP have been completed/met the minimum standards for school design, construction quality and functionality, as validated by a third party.	At least sixty percent (60%) of the public primary and secondary schools in validated priority lists for FY2008/09 and FY2009/10 TOP have been completed/met the minimum standards for school design, construction quality and functionality, as validated by a third party
3. Monitoring and evaluation.	(i) SED has completed the 2008/09 annual school census in a five (5) month period; and (ii) At least fifty percent (50%) of schools in validated sample have the 2008/09 annual school census data within 10% deviation of the validation data based on sample validation.	(i) SED has completed the 2009/10 annual school census in a four (4) month period; and (ii) At least fifty percent (50%) of schools in validated sample have the 2008/09 annual school census data within ten percent 10% deviation of the validation data based on sample validation by a third party.	(i) SED has completed the 2010/11 annual school census in a four (4) month period; and (ii) At least seventy-five percent (75%) of schools in validated sample have the 2008/09 annual school census data within ten (10%) deviation of the validation data based on sample validation by a third party.
4. District and Sub-District Education Management.	SED has completed a survey to assess district education management and has adopted a roadmap for the implementation of Education Management Reforms (EMRs).	SED has implemented EMRs in at least two (2) provincial districts including: (a) revision of the education management structure, posts, job descriptions and responsibilities, (b) provision of training; and (c) development of district education development plans.	(i) SED has continued with implementation of EMRs in at least two (2) provincial districts including the introduction of an inspection and advice/support system; and (ii) SED has adopted a rollout plan for the expansion of EMR to additional districts based on the results of the process evaluation.

SUB-PROGRAM	ACTIONS TO BE COMPLETED IN FY2008/09 (YEAR 1)	ACTIONS TO BE COMPLETED IN FY2009/10 (YEAR 2)	ACTIONS TO BE COMPLETED IN FY2010/11 (YEAR 3)
5. School Management Committees (SMCs).	<p>(i) At least fifty percent (50%) of the SMCs ready for activation (i.e. with verification of SMC information, and receipt of SMC guidelines; and</p> <p>(ii) The RSU has designed a pilot program for the mobilization of SMCs for the planning of school improvements.</p>	<p>(i) At least sixty percent (60%) of the SMCs have been activated (i.e. with verification of SMC information, receipt of SMC guidelines, and receipt of SMC Grants); and</p> <p>(ii) At least 2500 public primary and secondary schools supported under the mobilization pilot program, following impact evaluation design.</p>	<p>(i) At least seventy percent (70%) of the SMCs have been activated and SMC grants have been received and spent according to guidelines as validated by a third party; and</p> <p>(ii) At least 2500 additional public primary and secondary schools supported under the mobilization pilot program, following impact evaluation design.</p>
6. Stipends for Girls in public schools.	<p>(i) SED has delivered the Girls' Stipends for academic year 2008/09 to at least 90% of the intended beneficiaries in all districts, before the close of the 2008/09 academic year; and</p> <p>(ii) Intended beneficiaries in at least 15 low transition-rate talukas have received higher stipends amounts under a differential girl stipend program in academic year 2008/09.</p>	<p>(i) SED has delivered the Girls' Stipends for academic year 2009/10 to at least ninety (90%) of the intended beneficiaries in each district within the 2009/10 academic year; and</p> <p>(ii) Intended beneficiaries in at least 30 low transition-rate talukas have received higher stipends amounts under a differential girl stipend program in academic year 2009/10, following impact evaluation design.</p>	<p>(i) SED has delivered the Girls' Stipends for academic year 2010/11 to at least ninety (90%) of the intended beneficiaries in each district within the 2010/11 academic year, as validated by a third party; and</p> <p>(ii) Intended beneficiaries in at least 45 low transition-rate talukas have received higher stipends amounts under a differential girl stipend program in academic year 2010/11, following impact evaluation design.</p>
7. Public-private partnership in education (PPP).	<p>(i) Sindh's Finance Department has transferred to SEF the funds for the first year of the pilot public-private partnership (PPP) initiative (FY2008/09); and</p> <p>(ii) At least 150 qualifying schools are selected under the PPP initiative, following agreed program and impact evaluation designs.</p>	At least 300 qualifying schools are operational under the PPP initiative following agreed program and impact evaluation designs.	At least 450 qualifying schools are operational under the PPP initiative.
8. Merit-based school specific recruitment of teachers.	SED has recruited at least 5,000 teachers on a merit-based selection, as validated by a third party.	SED has continued implementation of teacher recruitment on merit-based criteria, as validated by a third party.	SED has continued implementation of teacher recruitment on merit-based criteria, as validated by a third party.

SUB-PROGRAM	ACTIONS TO BE COMPLETED IN FY2008/09 (YEAR 1)	ACTIONS TO BE COMPLETED IN FY2009/10 (YEAR 2)	ACTIONS TO BE COMPLETED IN FY2010/11 (YEAR 3)
9. Teacher Education Development (TED).	SED has completed a survey of Bureau of Curriculum, Provincial Institute for Teacher Education and governmental teacher education institutions, and developed a roadmap for teachers' education and professional development.	<p>(i) SED has adopted and piloted new standards and competencies for teachers; and</p> <p>(ii) SED has established a coordination and accreditation body for TED programs, and developed accreditation criteria for providers of continuous professional development training.</p>	<p>(i) SED has piloted a new program on continuous professional development in at least two (2) provincial districts;</p> <p>(ii) At least three (3) providers of continuous professional development have been accredited by coordination/accreditation body; and</p> <p>(iii) At least five (5) colleges have introduced a new "teaching diploma", based on the new teacher standards and competencies for the certification of future teachers.</p>
10. Learning assessment of students.	SED has implemented a province-wide diagnostic assessment on mathematics of students in grade 4 in a district-representative sample of public schools	<p>(i) SED has completed the analysis of the diagnostic assessment data on mathematics of students in grade 4; and</p> <p>(ii) SED has implemented a province-wide diagnostic assessment on language of students in grade 4 in a district-representative sample of public schools.</p>	<p>(i) SED has completed the analysis of the diagnostic assessment data on language of students in grade 4; and</p> <p>(ii) SED has implemented a province-wide diagnostic assessment on mathematics and science of students in grade 4, and diagnostic assessment on mathematics subjects of students in grade 8, in a district-representative sample of public schools.</p>

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Budget Execution Report” means the consolidated budget execution report to be prepared by Sindh and furnished to the Association in accordance with the requirement set out in Section II.C of the Schedule to the Project Agreement.
3. “Bureau of Curriculum” means the attached department of the SED, and responsible for the review of curricula in consultation with the Recipient’s Ministry of Education.
4. “Cabinet” means the Recipient’s Cabinet of Ministers, i.e. the council of ministers chaired by the Recipient’s Prime Minister, representing the senior echelon of the executive branch of the Recipient’s government.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Chief Minister” means the Chief Minister of Sindh.
7. “Composite Schedule of Rates” or the acronym “CSR” means price schedules for various items, determined by the Rates Committee of the Finance Department of Sindh, for preparing cost estimates of contracts for civil works.
8. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
9. “DAC” means the Departmental Accounts Committee of the SED and/or any successor thereto.
10. “Disbursement-linked Indicators” and the acronym “DLIs” mean, collectively, the disbursement-linked targets set forth in the columns entitled “Actions to be Completed in FY2008/09 (Year 1)”, “Actions to be Completed in FY2009/10 (Year 2)”, and “Actions to be Completed in FY2010/11 (Year 3)” in Schedule 4 to this Agreement; and the acronym “DLI” means, individually, any one of such targets.
11. “Displaced Persons” means persons who, on account of the execution of the Project, have experienced or would experience direct economic and social

impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and a “Displaced Person” means any of such Displaced Persons.

12. “Education Management Reforms” and the acronym “EMRs” mean the reforms of district education management approved by the Chief Minister through Summary No. 1073, on April 20, 2009.
13. “Eligible Expenditure Program” and the acronym “EEP” mean, collectively, the Girls’ Stipends, Recurrent Costs, SMC Grants, PPP Grants, the Monitoring/SEMIS and Learning Assessment/PEACE, each of which are defined expenditures incurred by the Sindh under the Budget/Account Codes A03977, A01, A03975, A065, A03973, and A03981 respectively.
14. “Environmental and Social Management Framework” means the safeguards framework adopted by SED on April 18, 2009, as the same may be modified from time to time with the agreement of the Association.
15. “Fiscal Year” and the acronym “FY” means the fiscal year of Sindh which commences on July 1 and closes on June 31 of each year.
16. “GDP” means gross domestic product of Sindh.
17. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
18. “Girls’ Stipends” means, collectively: (a) the financial transfers made by the SED (through the General Post Office) to female students enrolled in grades 6 through 10 of public schools in the amount of approximately one thousand Rupees (Rs1,000) per girl, per academic year, under the province-wide program; (ii) the financial transfer made by the SED (through the General Post Office) to female students in talukas with low transition rates from grade 5 to 6, in the amount of approximately two thousand four hundred Rupees (Rs2,400) per girl per academic year; and (c) the costs of administering and monitoring said programs.
19. “Global DLI” means the Disbursement-Linked Indicator number 8 and entitled “Implementation of merit-based recruitment policy” set out in the table in Schedule 4 to this Agreement.

20. “Incremental Operating Costs” means the reasonable cost of offices consumables, vehicle operation and maintenance, in-country travel costs, lodging and per-diems for Project staff, salaries of contractual staff (other than consultants), and advertising expenses, incurred by the RSU in connection with the management and coordination of Project activities, which expenditures would not have been incurred absent the Project, but excluding salaries of civil servants.
21. “IUFRR” means each of the interim unaudited financial reports to be furnished to the Association by the Recipient pursuant to Section II.B.2 of Schedule 2 to this Agreement and by Sindh pursuant to Section II.B.2 of the Schedule to the Project Agreement.
22. “Learning Assessment/PEACE Costs” means the reasonable costs of administering tests and monitoring learning outcomes incurred by the Provincial Education Assessment Center (“PEACE”) (which center is housed in the Bureau of Curriculum) as well as the operating costs of PEACE associated with developing, piloting, and analyzing the provincial assessment program.
23. “Medium Term Education Sector Reform Program” and the acronym “SERP” mean the program of actions, objectives and policies designed to improve participation, retention and transition, reduce gender and regional disparities, and improve quality in elementary and secondary education and set forth in a letter dated April 27, 2007, signed by the Additional Chief Secretary (Development), Planning and Development Department of the Government of Sindh and which letter was transmitted under cover of a letter dated May 4, 2007, from the Recipient to the Association.
24. “MfDAC” means the Memorandum for Departmental Accounts Committees prepared by the Directors-General of the Provincial and District Audits of Sindh, for submission to the Office of the Auditor General of Pakistan.
25. “Monitoring/SEMIS” means the reasonable cost of monitoring and evaluation activities in Sindh’s education sector, including the cost of using the Sindh Education Management Information System to carry out annual censuses of schools.
26. “MTBF” means the Sindh’s Medium Budget Framework, to be approved by the Government of Sindh for FY2009/10 and FY2010/11 which shall include additional Departments of the Government of Sindh in the budgetary process.
27. “MTFF” means Sindh’s Medium-Term Fiscal Framework approved by the Chief Minister, pursuant to Summary No. FD/ERU/MTFF/4(1)/2008, dated April 21, 2009, as it may be amended from time to time.

28. “Operations Manual” means the manual adopted by the SED on April 27, 2009, in form and substance satisfactory to the Association, and referred to in Section I.A.2(a) of the Schedule to the Project Agreement.
29. “Other DLI” means, collectively, the Disbursement-Linked Indicators numbers 1 through 7, 9 and 10 (i.e. all other DLIs other than the Global DLI) set out in the table in Schedule 4 to this Agreement.
30. “PPP grants” means public-private partnership grants which are provided by the SED to the SEF (pursuant to document PC-1 for ADP Scheme No. 1148 for FY2008/09, or as amended from time to time), for purposes of financing program benefits provided to private schools (including subsidies per child enrolled of approximately Rs350 per boy and Rs450 per girl, per month) and related program administration costs.
31. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
32. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 27, 2009, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
33. “Procurement Rules” means the set of procurement rules to be adopted by SPPRA pursuant to Section I.D.2(c), as they may be amended from time to time.
34. “Procuring Agency” means any of the RSU, the SEF, the SPPRA, the PEACE and the Finance Department of Sindh.
35. “Project Implementing Entity” means the Recipient’s Province of Sindh.
36. “Provincial Institute for Teachers Education” means the attached department of the SED, responsible for in-service training of teachers in public schools.
37. “Recurrent Costs” means the reasonable costs of salaries of and allowances paid to teachers of public primary and secondary schools and district education managers.
38. “Reform Support Unit” and the acronym “RSU” mean the unit established within the SED, pursuant to Notifications No. SO (C-I)/SGA&CD/4-34/2005 dated January 5/6, 2006 and Order, issued by the Chief Secretary of Sindh, and Order No. SO (B&F)/EDU/SNE/RSU/05-06, issued by the Secretary of Education and Literacy of Sindh, and referred to in Section I.A.1(b) of the Schedule to the Project Agreement.

39. “Reform Steering Committee” means the committee established pursuant to Notification No. SO(C-1)/SGA&CD/4-34/2005, dated January 1, 2006, and referred to in Section IA.1(a) of the Schedule to the Project Agreement.
40. “Rupees” and the acronym “Rs” mean the currency of the Recipient.
41. “School Management Committees” and the acronym “SMCs” mean the committees established in public primary, middle and secondary school in Sindh pursuant to Notification No. (ACD-1)2-2/93, dated January 7, 2002, and April 4, 2006, and referred to in Section I.A.1(d) of Schedule to the Project Agreement.
42. “SED” means the Education and Literacy Department of Sindh, or any successor thereto.
43. “SEMIS Costs” means the reasonable costs of administering and maintaining the Sindh Education Management Information System, including the carrying out of annual school censuses and other monitoring activities, as well as procurement activities related to the strengthening of SEMIS’ institutional capacity at province and district levels.
44. “Sindh” means the Recipient’s Province of Sindh.
45. “Sindh Education Foundation” and the acronym “SEF” mean the entity established by the Sindh Education Foundation Act (1992), as a semi-autonomous organization to undertake educational initiatives in disadvantaged areas of Sindh.
46. “SMC Grants” means the funds transferred on a grant basis by **Error! No property name supplied.** SED directly to the qualifying School Management Committees (i.e. SMC information verified by the RSU against the SEMIS) in primary, middle and secondary public schools, in the amount of, approximately, Rs.25,000 (primary), Rs.50,000 (middle) and Rs.100,000 (secondary) per year, per school, respectively, which grants are intended to finance the reasonable costs of school improvements.
47. “SPPRA” means the Sindh Public Procurement Regulatory Agency, established pursuant to the Public Procurement Rules 2004 adopted by means of Notification No. SO(C-1)SGA&CD/4-80/06, dated November 1, 2006, issued by the Service General Administration & Coordination Department of Sindh.
48. “SPPRA Board” means the board of the Sindh Public Procurement Regulatory Agency.

49. “Sub-Category” means any of the Sub-categories set forth under Category (1) in the table in Section IV of Schedule 2 to this Agreement; and the term “Sub-Categories” means collectively two or more said sub-categories.
50. “Talukas” means an administrative subdivision of a provincial district of Sindh.
51. “Teacher Education and Development” and the acronym “TED” mean the teacher education policy and roadmap approved by the Chief Minister of Sindh pursuant to Summary No. 900, of April 23, 2009.
52. “Terms of Partnership Agreement” and the acronym “TOP” mean the annual agreements executed between the SED, on the one hand, and the district governments of Sindh, on the other hand, setting out, among other things, various matters relating to the implementation of the Program through Sindh’s district governments.
53. “Training and Workshops” means the reasonable costs of training, workshops and conferences conducted in the territory of the Recipient or attended overseas by RSU staff, including the purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005, (as amended through October 15, 2006) are as follows:

1. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”