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CREDIT NUMBER 4046-PAK

# Program Agreement

(Second Punjab Education Development Policy Credit)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated July 16, 2005

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## **CREDIT NUMBER 4046-PAK**

### **PROGRAM AGREEMENT**

AGREEMENT, dated July 16, 2005, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and PROVINCE OF PUNJAB acting by its Governor (Punjab).

WHEREAS (A) the Association has received from the Islamic Republic of Pakistan (the Borrower) a letter dated February 18, 2005, transmitting to the Association a letter from Punjab dated January 25, 2005, describing a program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty (hereinafter called the Program), declaring Punjab's commitment to the execution of the Program and the Borrower's support thereto, and requesting assistance from the Association in support of the Program during the execution thereof;

(B) Punjab has carried out the measures and taken the actions described in the Schedule to this Agreement to the satisfaction of the Association and has maintained a macroeconomic policy framework consistent with the Borrower's macroeconomic framework satisfactory to the Association;

(C) by the Development Credit Agreement of even date herewith between the Borrower and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to sixty-five million eight hundred thousand Special Drawing Rights (SDR65,800,000) on the terms and conditions set forth in the Development Credit Agreement, but only on condition that Punjab agrees to undertake such obligations toward the Association as are set forth in this Agreement;

(D) the Program will be carried out by Punjab with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Punjab the local currency equivalent of the proceeds of the Credit as provided in the Development Credit Agreement; and

WHEREAS Punjab, in consideration of the Association entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

## **ARTICLE I**

### **Definition**

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

## **ARTICLE II**

### **Execution of the Program**

Section 2.01. (a) Punjab declares its commitment to the objectives of the Program and, to this end, shall carry out the Program with due diligence and efficiency, and shall provide or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Program.

(b) Punjab shall make available to each District Government its duly allocated share of the proceeds of the Credit on a non-reimbursable basis in a timely manner.

Section 2.02. (a) Punjab shall from time to time, at the request of the Association, and with the participation of the Borrower, exchange views with the Association with regard to the progress of the Program, the actions specified in the Schedule to this Agreement, the performance of its obligations under this Agreement and other matters relating to the purposes of the Credit.

(b) Prior to each such exchange of views, Punjab shall furnish to the Association and the Borrower for their review and comments a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request.

(c) Punjab shall promptly inform the Association and the Borrower of any condition, which interferes or threatens to interfere with the progress of the Program, the accomplishment of the purposes of the Credit, or the performance by Punjab of its obligations under this Agreement.

(d) Without limitation upon the provisions of paragraphs (a), (b) and (c) of this Section, Punjab shall exchange views with the Association on any proposed action to be taken after the disbursement of the Credit which would have the effect of materially reversing the objectives of the Program, or any action taken under the Program, including any action specified in the Schedule to this Agreement.

Section 2.03. (a) For the purpose of assisting in the implementation and monitoring of the Program, Punjab shall maintain the PMIU in a form and with powers, functions, structures, staff and resources satisfactory to the Association.

(b) Subject to the provisions of Section 2.04 of this Agreement, Punjab shall, through PMIU, acting in coordination with all agencies implementing the Program, produce quarterly progress reports on: (i) the achievement of fiscal and financial management targets; and (ii) the implementation of specific measures agreed under the medium-term reform program, and including data on outcomes from surveys and other sources when available.

Section 2.04. Punjab shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Program and the achievement of the objectives thereof, including the impact of implementation of the Program on the poor;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, not later than six (6) months after the Closing Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in carrying out the Program and setting out the measures recommended to ensure the efficient carrying out of the Program and the achievement of the objectives thereof; and

(c) review with the Association the report referred to in paragraph (b) of this Section, within forty-five (45) days of the receipt of the report and thereafter, take all measures required to ensure the efficient implementation of the Program and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

Section 2.05. (a) Punjab shall use the amounts transferred to it by the Borrower pursuant to Section 2.02(c) of the Development Credit Agreement in support of the Program. Punjab undertakes that no proceeds of any such amounts shall be used to finance expenditures under a contract in respect of which the Association determines that corrupt or fraudulent practices were engaged in by representatives of Punjab during the procurement or execution of such contract, unless and until Punjab shall have taken timely and appropriate action satisfactory to the Association to remedy the situation.

(b) If the Association shall have determined at any time that any such amount shall have been used to make a payment for any expenditure not consistent with paragraph (a) above, Punjab shall, promptly upon request from the Association, refund such amount to the Association. Amounts refunded to the Association upon such request shall be cancelled.

### **ARTICLE III**

#### **Financial Covenants**

Section 3.01. Punjab shall:

- (a) within thirty (30) days of the receipt of the Rupee amount transferred to it by the Borrower pursuant to Section 2.02(c) of the Development Credit Agreement, confirm to the Association the amount so transferred and the date on which it was credited to the Consolidated Fund Account; and
- (b) within forty-five (45) days of the Association's request, furnish to the Association a certificate of independent auditors acceptable to the Association confirming said Rupee amount and date.

### **ARTICLE IV**

#### **Effective Date; Termination; Cancellation and Suspension**

Section 4.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 4.02. (a) This Agreement and all obligations of the Association and of Punjab thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
  - (ii) the date twenty (20) years after the date of this Agreement.
- (b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a)(ii) of this Section, the Association shall promptly notify Punjab of this event.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

## ARTICLE V

### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

For the Association:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

For Punjab:

Planning and Development Board  
Government of Punjab  
Lahore, Pakistan

Facsimile:  
92-42-9210110

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Punjab may be taken or executed by the Chairman, Planning and Development Board, Government of Punjab, or such other person or persons as Punjab shall designate in writing, and Punjab shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Islamabad, Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ John Wall

Country Director  
Pakistan

PROVINCE OF PUNJAB

By /s/ Javed Islam

Authorized Representative

## **SCHEDULE**

### **Actions Referred to in Recital (B) of the Preamble to the Development Credit Agreement, and in Recital (B) of the Preamble to the Program Agreement**

#### Improving Public Sector Financing

1. An education budget has been approved for Fiscal Year 2004-2005 consistent with the medium-term budget framework showing at least a fifteen percent (15%) increase.

#### Support for Devolution and Public Sector Management Reforms

2. The non-salary recurrent budget for education of fifty percent (50%) of the District Governments has been increased.

3. For FY 2004-2005, TOP Agreements have been signed with at least 20 District Governments, setting out agreed annual performance targets, and PESRP funds for those Districts have been transferred to Account No. 4.

4. Fortnightly DAC meetings have been initiated to review and settle all arising audit observations (paras) on the Consolidated Fund Account, and to progressively clear backlogs.

5. An independent ex-post procurement review on a sample basis has been commissioned.

#### Improving Quality, Access and Governance in the Education Sector

6. At least 13,000 additional teachers have been recruited under site-specific contracts.

7. Independent third party surveys have been commissioned to assess availability of stipends and free text-books at the school level.

8. With a view to initiating an impact evaluation of girls' stipend program, a school census has been conducted and validated to document post-PESRP girls' middle-school enrolment.

9. The ED's Directorate of Staff Development has been reorganized for delivery of teacher professional development programs.

10. Textbook printing and publishing has been opened to competition, beginning with the primer.



11. A notification has been issued for the establishment of the PEF Board.