SECOND PUNJAB EDUCATION SECTOR PROJECT (PESP II)  
IMPLEMENTATION REVIEW AND SUPPORT MISSION  

June 4–11, 2013  

AIDE MEMOIRE  

I. INTRODUCTION  

1. **Aim:** A joint World Bank and UK Department of International Development (DfID) team visited Lahore between June 4–11, 2013. The main objective of the mission was to review the Punjab government’s implementation performance and progress in the Second Punjab Education Sector Reform Program (PESRP II) against the project covenants and FY2012/13 Disbursement Linked Indicators (DLIs) for the Bank’s Second Punjab Education Sector Project and DfID’s Second Punjab Education Sector Program.  

2. **Meetings:** The mission held extensive discussions with the School Education Department (SED) and its sub-departments, namely the Program Monitoring and Implementation Unit (PMIU), the Chief Minister’s Monitoring Force (CMMF), Directorate for Staff Development (DSD), Punjab Examination Commission (PEC), Punjab Education Assessment System (PEAS), and the Punjab Education Foundation (PEF). The mission also held meetings with the Chief Secretary, the Chairman and the Planning and Development Board (P&D), and the Finance Secretary and Finance Department (FD), and thanks them for the productive discussions and their guidance and facilitation of the design and implementation of the Second Punjab Education Sector Reform Program (PESRP II). The mission also thanks the Program Director (PD) and the PMIU staff for excellent facilitation and organization of mission meetings.  

3. **Summary of main findings from the review of implementation progress and performance related to project covenants and FY2012/13 Disbursement Linked Indicators:** The development partners have reviewed the Punjab government's progress and performance with respect to compliance with project covenants and achievement of DLIs for FY2012/13. Overall, the Punjab government has made commendable progress under PESRP II, taking forward ambitious, politically-difficult, and complex reform activities with an aim to markedly improving education service delivery. Implementation progress and performance have however fallen short in certain important activities. At this time, greater attention and concerted effort
are required to put implementation back on track. Moving forward, sustained attention and effort throughout the year is required to meet the future rounds of agreed covenants and DLIs in full and in substance.

4. **Covenants:** There are multiple covenants that have shown partial progress against agreed targets; these progress shortfalls need urgent, priority attention and corrective action from the Punjab government. The covenants where progress and performance shortfalls are largest include (1) PMIU restructuring and strengthening against an agreed timetable (a plan has been developed and approved) (2) CMMF reorganization and strengthening in line with an agreed actionplan and timetable (to be developed), and (3) PEC and PEAS restructuring and strengthening in line with an agreed actionplan and timetable (to be developed).

**Disbursement Linked Indicators:** At the present time, the Punjab government has met six (6) (DLIs #1, #4, #5, #6, #7, and #9) out of the ten (10) agreed DLIs for FY2012/13. The full set of evidentiary data and documentation has been provided by SED/PMIU. Note that the clearance of the achievement of DLI #5 (decentralized resource management) will follow Pakistan government’s acceptance of the *Letter of Amendment to the Financing Agreement-Amendment to DLI #5* signed by the Bank on June 7, 2013 (see Paragraph 8 for details). The four pending DLIs are related to the following PESRP-II activities: (1) test- and needs-based teacher recruitment (DLI #2); (2) phased reallocation of teaching posts and teachers (DLI #3); (3) provision of performance score cards to districts and schools (DLI #8); and (4) piloting a supplemental stipends program and the distribution by stipends through branchless banking technologies (DLI #10).

5. The pending DLIs (#2, #3, #8, and #10) require the following actions:

i. DLI #2 and #3: Approval of the policies and summaries by the Punjab government on a priority basis;

ii. DLI #8: Distribution of the second round of performance score cards to middle and high government schools in August 2013, at the start of the post-summer term in the 2013/14 academic year.

iii. DLI #10: (a) Completion of the distribution of the stipends for the third quarter of FY2012/13 in pilot schools under the Supplemental Stipends Program approved by the Punjab government by end June 2013 and (b) distribution of the stipends for the fourth quarter of FY2012/13 in pilot schools via contracted branchless banking services at the start of the post-summer term in the 2013/14 academic year.

6. The Chief Secretary; the Chairman, P&D; and the Secretary, SED under the new government assured the mission that the implementation shortfalls in the noted covenants will be corrected on an immediate basis. They also assured the mission that (1) the summaries for the test-based teacher recruitment and reallocation of teaching posts activities will be approved in a matter of days and (2) the actions related to performance score cards for government schools and the girls’ stipends activities will be completed consistent with the agreed timetable. The last
update provided by SED/PMIU indicates that the summaries have been submitted to the Chief Minister of Punjab for his approval.

7. **Meeting with Chief Secretary:** The mission met with the Chief Secretary. The restructured DLI (decentralized resource management), key covenants with significant implementation shortfalls (specifically, restructuring and strengthening PMIU, CMMF, PEC, and PEAS), and unmet DLIs for FY2012/13 were discussed. The Chief Secretary assured the mission that necessary actions will be taken by the Punjab government on an immediate basis. The mission also discussed selected key overarching issues including (1) the next meeting of the PSC; (2) District Education Authorities; (3) project allowances for government officials associated with PESRP II; (4) pending, urgent goods and minor works procurement by SED/PMIU under PESP-II Eligible Expenditures Programs (EEPs) and TA funds; and (5) shortfalls in expenditures against allocations in the development budget for education. The Chief Secretary informed the mission that (1) the Punjab government will hold the next PSC in the first quarter of FY2013/14; (2) the draft proposal/plan for District Education Authorities will be shared with the development partners for their comments and views; (3) the Punjab government's position is favorable for the restoration of the project allowances to those associated with PESRP II; (4) the application for consolidated, rationalized goods and minor works procurement under Eligible Expenditures and TA funds will be considered favorably; and (5) FY2013/14 expenditures under the development budget for education should see a major increase and that shortfalls in FY2012/13 was primarily due to it being an election year.

8. **Restructuring of DLI #5 (decentralized resource management):** The FY2012/13 DLI can be only be deemed as met after the Pakistan government formally agrees to the changes by countersigning the amendment letter. Subsequent to discussions with the Punjab government during the last review mission (February 19–22, 2013) on changes to DLI #5 under PESP II, the Economic Affairs Division (EAD) forwarded a request to the Bank to amend the DLIs on May 23, 2013. A letter formally amending the wording of the DLIs was forwarded to EAD on June 7, 2013 for countersignature to formalize the changes to the DLIs. The Bank is yet to receive the countersigned amendment. Notwithstanding, the evidentiary data and documentationsupporting the achievement of the restructured DLI for FY2012/13 have been submitted by SED/PMIU to the development partners.

9. **Key data on PESP II** are provided in the table below.

<table>
<thead>
<tr>
<th>Project Data</th>
<th>Project Performance Ratings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Summary ratings</td>
</tr>
<tr>
<td>Board approval</td>
<td>April 26, 2012</td>
</tr>
<tr>
<td>Effectiveness date</td>
<td>June 6, 2012</td>
</tr>
<tr>
<td>Closing date</td>
<td>December 31, 2015</td>
</tr>
<tr>
<td>Original loan amount</td>
<td>US$350 million</td>
</tr>
<tr>
<td>Amount disbursed</td>
<td>US$45.4 million</td>
</tr>
<tr>
<td></td>
<td>Procurement</td>
</tr>
<tr>
<td></td>
<td>Monitoring and Evaluation</td>
</tr>
</tbody>
</table>
II.  PROJECT DEVELOPMENT OBJECTIVE

10. The Project Development Objective (PDO) of PESP II is to support the education sector reform program of the Punjab government to increase child school participation (at multiple levels) and student achievement.

11. The table below provides updated information on the PDO-level results indicators.

<table>
<thead>
<tr>
<th>Outcome indicator</th>
<th>Baseline in PESP-II PAD</th>
<th>Current status</th>
<th>Target, 2014/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Enrollment Rate (NER), primary level, ages 6–10 years</td>
<td>70</td>
<td>74</td>
<td>75</td>
</tr>
<tr>
<td>NER, middle level, ages 11–13 years</td>
<td>37</td>
<td>40</td>
<td>44</td>
</tr>
<tr>
<td>NER, matriculate level, ages 14–15 years</td>
<td>25</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>Average share of correct answers, English, Urdu, and mathematics tests, grades-4 and grade-5 students, sample schools</td>
<td>To be established in academic year 2012–13</td>
<td>To be established in academic year 2013–14</td>
<td>+5 ppts from baseline level</td>
</tr>
</tbody>
</table>

12. The baseline data on the school participation indicators come from the 2010/11 PSLM survey, a national, district-representative household sample survey. The updated information for these indicators comes from the 2011/12 PSLM survey report released by the Pakistan Bureau of Statistics (PBS) in June 2013. The 2011/12 PSLM survey was a national, province-representative household sample survey. The one-year trend shows an uptick from the trend line over the last few years. Other statistics presented in the 2011/12 PSLM survey report suggest that the growth in total school participation is driven by private school participation. Confidence intervals which take into account sampling error suggest that the growth in school participation may not be statistically significant. The statistics suggest a decline in the government school participation rate. Further investigation is required using the primary data (expected to be released) to diagnose and confirm trends and patterns. Notwithstanding, keeping the caveats in mind, the 2011/12 values slightly exceed the 2012/13 targets stated in the Bank’s PESP-II Project Appraisal Document (PAD).

13. As noted in the PESP-II PAD, the PDO-level result indicator on student achievement will be measured using annual student tests designed and administered independently and supported under the TA component of PESP II. The tests will be administered to grade-4 and grade-5 students in a reasonably-sized, representative sample of government schools and publicly-supported low-cost private schools. Careful test design and implementation are instrumental for producing credible student achievement data. To allow for this, the baseline test has been shifted to the 2013/14 academic year. The proposed timetable for the development and administration of the test is provided as an Annex to the Aide Memoire. Test design and test administration will require the services of specialized firms contracted by PMIU through a competitive process. PMIU and the Bank team are jointly working on assessing the international and local markets for such services and framing the Terms of Reference.
14. The table below provides statistics from Annual School Censuses (ASCs) conducted by SED/PMIU over the last four academic years (2009/10-2012/13). These data reflect the status of schools as of October 31 in each academic year. Data collection and entry are managed at the district level by District Monitoring Officers (DMOs) and Monitoring and Evaluation Assistants (MEAs).

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2012/13 ASC</th>
<th>2011/12 ASC</th>
<th>2010/11 ASC</th>
<th>2009/10 ASC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schools</td>
<td>57,425</td>
<td>59,461</td>
<td>60,494</td>
<td>61,474</td>
</tr>
<tr>
<td>Functional schools</td>
<td>54,392</td>
<td>56,867</td>
<td>58,187</td>
<td>59,029</td>
</tr>
<tr>
<td>Teachers</td>
<td>331,837</td>
<td>309,345</td>
<td>313,005</td>
<td>313,341</td>
</tr>
<tr>
<td>Male teachers</td>
<td>165,600</td>
<td>158,386</td>
<td>161,947</td>
<td>165,086</td>
</tr>
<tr>
<td>Female teachers</td>
<td>166,237</td>
<td>150,959</td>
<td>151,047</td>
<td>148,255</td>
</tr>
<tr>
<td>Total enrollment</td>
<td>10,640,159</td>
<td>10,632,546</td>
<td>10,619,575</td>
<td>10,644,408</td>
</tr>
<tr>
<td>Enrollment, grade 1+</td>
<td>8,300,416</td>
<td>8,298,371</td>
<td>8,476,681</td>
<td>8,631,384</td>
</tr>
</tbody>
</table>

15. Total student enrollment (grades katchi to twelve) has stayed roughly steady over the four-year period. Student enrollment in grades 1+ has shown a decline over the period.

16. The reduction in the number of schools over the period is roughly in line with the number of schools that PMIU reports have been consolidated and merged, per Punjab Government’s Merger of Two or More Schools Functional in the same Premises (dated January 2010) and Provision of One Teacher, One Room for Every Class and Other Facilities Through Consolidation of Schools (dated May 2010) policies. The policies essentially target the merging of multiple functional schools within the same premisesor vicinity. Hence, it is likely the main contributor to the decline in functional schools over the period.

17. PMIU reports that 20,145 new female and 16,114 new male teachers were hired by SED in 2011-12. The increase in the female teaching force of roughly 17,000 is consistent with the number provided by PMIU (net of teachers exiting from the teaching force every year due to retirement, disability, death, etc.). For male teachers, the increase is roughly 50% of the new teachers hired and is unlikely to be offset by the exit of teachers; the finding related to male teachers requires further investigation.

III. OVERARCHING ISSUES

18. Program Steering Committee meetings: An active Program Steering Committee (PSC) is vital for inter-departmental coordination, joint ownership, and effective and timely resolution of issues that stall implementation progress and impair performance. SED/PMIU informed the mission that they plan to request a meeting of the PSC in the first quarter of FY2013/14 to review implementation progress, follow up on decisions made at past PSC meetings, recommend actions, and assist with the resolution of key issues, including on steps and measures to strengthen institutional and implementation arrangements, staffing, and resourcing for the reform agenda. The mission looks forward to the Punjab government holding a meeting of the PSC in the first quarter (Q1) of FY2013/14.

19. Acceleration of restructuring and strengthening of PMIU for greater program management effectiveness: SED/PMIU has developed a comprehensive restructuring plan for
PMIU. The plan (including the new organizational chart) has been discussed and endorsed at the PSC meeting in February 2013, shared with development partners for review and feedback, and approved. Terms of Reference for the agreed cells within PMIU have been prepared. The next steps to move from proposal to implementation need to be accelerated as PESRP II has been under implementation for over a year but PMIU’s structure, staffing, and other resourcing have yet to be strengthened and oriented towards the requirements and demands of PESRP II. The mission requests SED/PMIU to accelerate progress in line with an agreed timetable and action plan. Note that the above is a covenant under PESP II; this matter is discussed in more detail in Section III of the Aide Memoire.

20. **Cancellation of project allowances and its negative effects**: The cancellation of project allowances for PMIU officials, DMOs, and officials in other organizations and arrangements (at the provincial and district levels) closely associated with PESRP II has reduced the attractiveness of posts and assignments. The consequence has been a decline in implementation progress and performance, measured against timelines, quantity and quality indicators. Capable officers are not applying/considering these posts and assignments, and the quality of intake (incoming officers) has dropped. The motivation and morale of existing officers in these posts and assignments have fallen markedly. Officers are seeking to leave these posts and assignments (turnover has increased; posts are remaining vacant for excessively long periods). The mission requests the Punjab government to urgently review this matter and reexamine the decision in effect on project allowances for officers associated with PESRP II.

21. **Reorganization of CMMF for ensuring independence and effectiveness**: The Chief Minister’s Monitoring Force (CMMF) is the main arrangement for the collection of data from government schools on a regular basis. The coverage, timeliness, completeness, and reliability of the data rely on the performance of DMOs and MEAs. At present, the current arrangements potentially undermine the performance of these officers in this regard. To raise performance, there is a need to revisit the current arrangements for CMMF to ensure the independence of the unit and consolidate multiple lines of authority which conflict in principle and practice (transfer and posting authority of DMOs with the Services and General Administration Department; PER (performance evaluation) management authority with the District Coordination Officer (DCO); financial authority of DMOs with PMIU; administrative and financial authority of MEAs with CMMF). Providing effective independence will require that the full set of authorities over DMOs and MEAs (who operate at the district level) is consolidated at the provincial level. The mission requests SED/PMIU to prepare a proposal for the reorganization of CMMF consistent with the objective of improving its independence and clarity on reporting lines, to be submitted for discussion and decision by the Program Steering Committee in the next meeting. Note that strengthening CMMF is a covenant under the Bank’s project, and the above request for its reorganization would be instrumental for a more effective CMMF.

22. **Formal and effective regulation and rationalization of duties and responsibilities of DMOs and MEAs**: DMOs and MEAs are the main human resources available at the district level for monitoring and supporting the management of PESRP II and other education sector activities. However, DMOs and MEAs have been used for ad-hoc assignments (within and outside the education sector) by different authorities at the provincial and district levels, impairing the performance of these officers with respect to their intended roles and
responsibilities. The mission requests the Punjab government to (1) review the official job descriptions of DMOs and MEAs and streamline and ensure the consistency of their roles and responsibilities with the requirements of the various priority reform activities, (2) communicate the agreed roles and responsibilities across relevant authorities, and (3) enforce compliance with the agreed job descriptions.

23. Smooth, full, and effective use of PESP-II Technical Assistance (TA) funds for essential procurement: US$10 million has been allocated under PESP II for TA requirements for PESRP II. These funds are to be used by SED/PMIU for essential advisory, technical, and capacity-building support, and entail the procurement of goods, minor works, and services agreed with the Bank. SED/PMIU is also to make PESP-II TA funds available for agreed, rationalized TA applications submitted by SED sub-departments/entities closely associated with PESRP II. The Bank looks forward to the smooth and full use of PESP-II TA funds for agreed activities, following Bank procurement guidelines, as agreed by the federal and Punjab governments, and requests the Punjab government to facilitate this critical component of the project for the success of its efforts under PESRP II.

24. Sound and effective education sector budget and expenditure management: The development partners encourage a careful and critical review of government spending for education, in particular, via the development budget. There are significant shortfalls in expenditures against allocations in the development budget for education. Discussions with SED/PMIU indicate that there is a pressing need to rationalize development budget allocations (including limiting the inclusion of non-priority allocations/projects), ensure the realism of allocations, and fix and measure criteria and targets for ensuring the pace, quality, and integrity of development budget expenditures.

25. With respect to education expenditures through the recurrent (regular) budget, there is a need to ensure the timely release of funds agreed to by FD in line with agreed timetables as well as on-release by district education administrations as relevant. Expenditure integrity is also critical and the development partners look forward to the design and implementation of measures to effectively manage fiduciary risks. The mission requests the Punjab government to (1) carry out a critical review of government spending for education, in particular, via the development budget and (2) effectively manage the recurrent budget for education, including ensuring the timely release of funds, in particular, for PESRP-II activities.

26. District Education Authorities and planning and preparation for continued reform implementation progress and performance: The mission seeks information on the possible change in the administrative architecture in the districts to District Education Authorities. The mission also notes that advanced planning, preparation, and action by Punjab government, in particular SED/PMIU, would be requested to (1) preempt/prevent any potential negative effects (e.g., fund flow, district education management and operations) to the progress and performance in the implementation of PESRP-II activities as well as (2) strengthen the potential of the new architecture to raise program implementation progress and performance from current levels under the existing architecture. Importantly, the existing institutional and implementation arrangements for PESRP II may also need to be reviewed in order to ensure that they are fully consistent with the new architecture and their effectiveness is ensured. The mission looks
forward to a communication from SED on this matter and its thinking and efforts to ensure continued progress and performance in the event that the district education administrative architecture is altered.

27. **Review and decision on non-release of school council grants by few districts:** Delays were noted in the transfer of annual grants to school councils in 6 districts. The mission was informed that the funds have been transferred to the SDA for each of these districts. As per the applicable rules for SDA, "vouched account" is to be submitted for expenditures incurred from the account. In the concerned 6 districts, the accounting offices were interpreting the rules to require the details of eventual expenditures incurred by the school councils as a prerequisite for further releases whereas the amounts transferred from the SDA are grants and to be accounted as such in the government books. Evidence of transfer to valid school council accounts after due verification constitutes the "vouched account" for fund transfers from the SDA and had been accepted as such historically. The mission discussed this matter during a meeting with FD. While taking cognizance of the issue, FD agreed to look into the matter. If it was found that the six districts were indeed raising unnecessary requirements, FD will issue required clarification/instructions to resolve the difference. The mission emphasized that funds flow and transparency considerations are not to be inter-mingled. It was also brought to the attention of FD that vouched accounts are required for transparency purposes but they should not be affecting funds flow to the districts.

28. **Contracted professional data entry and management services to meet increasing data entry demands:** Several activities under PESRP II will require data collection from districts and schools using paper forms. As a result, data entry demands are likely to increase. The development partners have requested PMIU to enter into a service contract with a data entry firm as soon as possible. The firm is to be hired competitively, following Bank procurement guidelines. The contract can be financed via PESP-II TA funds.

IV. **PROJECT COVENANTS**

29. **Punjab government to maintain a Provincial Steering Committee (PSC), a Program Monitoring and Implementation Unit (PMIU), and District Review Committees (DRCs) in all provincial districts.** This covenant is complied with. The Punjab government has maintained a PSC, PMIU, and DRCs in all districts. The PSC has met once in FY2012/13, in February 2013. DRCs have met on a regular basis and PMIU has shared the minutes of these meetings with the development partners. *Next step:* SED/PMIU to request the next PSC meeting to be held in the first quarter (Q1) of FY2013/14.

30. **Punjab to hire a finance officer for PMIU.** The covenant has been complied with. A finance officer has been hired and is in place at the PMIU. The performance of the officer is at the expected level.

31. **Punjab government to prepare an action plan to reorganize and restructure PMIU, and thereafter implement it.** The elements of the reorganization and restructuring include (1) strengthening the PMIU and aligning its staffing with PESRP-II activities and providing an empowered mandate, including on program implementation, coordination, and monitoring and
evaluation; (2) introducing and hiring individuals for new cells (including a Communications and Data Integration and Management Cells) within PMIU; (3) staffing PMIU in line with needs (which are larger given the new priorities and demands) and with qualified, experienced officials; and (4) supplementing staffing of officers with additional technical and support staff recruited from the open market via a competitive, transparent, and objective process.

32. The first part of this covenant has been met. The second part of the covenant is delayed. PMIU developed a restructuring plan which has been discussed and endorsed at the February 2013 PSC meeting, shared with development partners, and approved. Terms of Reference for the proposed cells within PMIU have also been prepared. Implementation is yet to be initiated. The development partners request the Punjab government to complete the first phase of restructuring and strengthening of PMIU, including the reorganization of positions and staffing.

33. Two working groups were set up by SED to strengthen cooperation between PMIU and the various subdepartments of SED for data sharing and integration, including the introduction of the next generation of a Management Information System (MIS) for education sector data and statistics, but little progress has been made by the working groups. The recommendations of these working groups should inform the mission, structure, and the powers, roles, and responsibilities and resourcing (human, physical, and financial resources) of the Data Integration and Management Cell in PMIU. A Communications Manager has been hired by PMIU but further work is required to turn the initial work on developing a vision for information and communications into a concrete strategy and a time-bound action-plan, again, informing the mission, structure, and powers, roles, and responsibilities, and resourcing (human, physical, and financial resources) of the Communications Cell within PMIU.

34. **Punjab government to carry out a stakeholder information and communications needs assessment, and thereafter develop an information and communications strategy.** The covenant is complied with. Under this activity, the Punjab government plans to develop a comprehensive and systematic communications strategy to regularly and effectively deliver information on PESRP II (and the education sector broadly) and receive feedback from both internal and external stakeholders. A stakeholder needs assessment was completed by SED/PMIU in December 2012. SED/PMIU has developed a vision document which forms the basis for the development of a communications strategy for PESRP II (and the education sector broadly), followed by an implementation plan with time-bound, prioritized activities/actions. The vision was presented to the development partners during the mission for early feedback. The mission commends the Punjab government on the preparation of the vision document which aims to formalize and intensify the use of information and communications as a mechanism to improve decision-making, transparency, and accountability in the sector. *Next step:* Finalization of the vision and the development of a strategy and associated implementation plan by September 15.

35. **Punjab government to strengthen and update the Complaints Redressal System currently operating under SED.** The covenant is partially complied with. The Chief Minister’s Monitoring Force (CMMF), SED has developed a proposal to strengthen the existing complaints redressal system housed on SED’s website (e-Complaints). The proposal has identified, the following areas, among others, for improvement: (1) increased accessibility to the complaints
system apart from via the website, (2) reduction in complaint redressal times, (3) and increased transparency of the redressal process and outcome. The possibility of linking the e-Complaints system with other appropriate complaints systems is also being explored by SED/PMIU. **Next step:** Hiring of a specialist consultant by PMIU by July 30 to examine the existing system and propose appropriate steps and actions to improve the system's functioning and performance.

36. **Punjab government to ensure that SED prepares and implements an institutional plan for strengthening the capacity of the Chief Minister’s Monitoring Force (CMMF).** This covenant has been partially complied with. Implementation requires accelerated actions by PMIU. The development partners request the Punjab government to review the structure and operations of CMMF and take any necessary actions to ensure the independence and effectiveness of CMMF, with the ultimate objective of strengthening the performance of DMOs and MEAs.

37. Notwithstanding the above, SED/PMIU has initiated some preliminary reviews of CMMF processes and performance. The early findings suggest the need for (1) detailed documentation and manuals for carrying out inspections and entering data in the districts, including quality controls, and (2) extensive and intensive training of all relevant officials in line with agreed rules and procedures for data collection and entry. The findings from the ongoing reviews will also inform the design of a systematic third-party validation (TPV) of the monthly inspection data in a district-representative sample of schools across the province. The Terms of Reference for this activity has already been prepared by SED/PMIU and the procurement process for hiring a specialized survey firm to collect monitoring data in close succession after a given round of inspection (September 2013) needs to be expedited by SED/PMIU. The findings from the reviews and TPV would help identify the extent and nature of any shortcomings (and potential reasons behind them) in the coverage, quality, integrity, and regularity of the monthly inspection data. System-based strengthening of CMMF will be implemented in accordance with the findings of this exercise.

38. **Computer-Assisted Personal Interviewing (CAPI) via smartphones by MEAs for the collection of monthly inspection data, with web-based data management and reporting is being tested in the field; this testing has to be evaluated by SED/PMIU and the outcome of this activity decided upon for the future.** **Next steps:** (1) Diagnostic report on data validation to be finalized by July 15. (2) Procurement of a specialized survey firm for field-based validation to be completed by July 30. (3) Contracted survey firm to submit the inception report by August 15 and the field activity to be completed in six-to-eight weeks. Following this, SED/PMIU to present a CMMF strengthening plan by November 15.

39. **Punjab government to (i) ensure that all government schools are surveyed by CMMF, at least once in each calendar quarter; and, (ii) make the information so collected publicly available within 60 days of the end of the quarter.** The covenant has been partially complied with. Full compliance requires immediate action. On average, MEAs have visited between 83% and 97% of government schools. However, to date, the full set of information collected by MEAs has not been made publicly available. **Next step:** Summary statistics and school-level data on core variables captured in the April and May 2013 visits to be made
available on PMIU's website by August 30. Thereafter, the public release of statistics and data is to follow the agreed schedule.

40. **Punjab government to ensure that SED prepares semiannual district reports; detailing the disciplinary actions taken against teachers and/or officials of the district education departments.** The covenant is complied with. SED/PMIU has submitted reports with disciplinary actions taken over the period September–December 2012 and January–March 2013.

41. **Punjab government to prepare a plan for strengthening the Punjab Examination Commission (PEC) and the Punjab Education Assessment System (PEAS).** This covenant has been partially complied with. The full implementation of the covenant is off-track. As part of the Punjab government’s commitment to improving the quality of examination and assessment systems under PESRP II, at the request of PEC, the Australian Council for Educational Research (ACER) was brought in to conduct a capacity assessment of both organizations. A joint PMIU, PEC, PEAS and SED study visit was undertaken to ACER in Australia. The capacity development plan that was expected to support management and technical functions at PEC and PEAS by ACER was put on hold due to weak staffing in both organizations.

42. **The Punjab government needs to assess its assessment and examination needs and develop a multi-year plan of assessment and examination functions, ensuring that it covers test design, test administration, and test data analysis and use.** Next steps: (1) Review of staffing and resource requirements at PEAS and PEC in light of their functions and developing a human resource and financial management plan for both organizations. (2) Development of a broad plan of assessment activities to be conducted by PEAS, and their frequency. (3) Organization by PEC of a Board meeting to discuss its staffing plan and seek approvals for strengthening PEC’s technical capacity for test development, analysis, and reporting. (4) Review of financing needs of PEC and PEAS.

43. **Punjab government to carry out annual province-wide examinations of students in grades 5 and 8 and district representative diagnostic assessments.** The covenant is partially complied with. PEC administered its grade-5 and grade-8 examinations between February 1–13, 2013. District representative diagnostic assessments were not implemented by PEAS in 2013. The framework for sample assessments including the frequency of the sample assessments are yet to be finalized and remain pending due to a possible merger of PEC and PEAS.

44. **Punjab government to: (i) prepare a policy framework for the introduction of a new teacher certification and licensing regime; (ii) prepare an implementation plan for the introduction of such regime; and (iii) submit to Punjab’s Provincial Assembly, for its consideration, a draft law for the establishment of a teacher certification and licensing body.** Part (i) of the covenant, due on May 15, 2013, has been complied with. A draft bill has been prepared by the Directorate of Staff Development (DSD), with technical support from the Institute of Education, University of London. The bill proposes the establishment of a Punjab Teachers’ Standards and Development Authority (PTSDA). The authority will be primarily responsible for teacher management functions including licensing, standards development, quality assurance tasks and research and policy advice on teacher education. The bill is yet to be discussed internally in SED and with external stakeholders. DSD has prepared a plan with
timelines for stakeholder engagements on this initiative. A Steering Committee has been proposed for leading this work; this proposal is yet to be notified by SED. It is important that SED/DSD/PMIU hold extensive consultations both internally and with other stakeholders on the bill.

45. Punjab government to cause SED to enter into a Memorandum of Understanding with the Punjab Education Foundation (PEF) detailing the responsibilities of SED and PEF in the financing and implementation of PEF’s private school subsidy and student vouchers programs. The covenant is complied with. The Memorandum between PEF and SED delineating the fiduciary responsibilities and obligations of PEF was signed by both parties on February 19, 2013. A copy of the Memorandum has been shared with the development partners. The Memorandum stipulates that SED will provide adequate funds in a timely manner for PEF’s programs and will provide support and funding for the implementation of technical assistance activities. PEF will be responsible for managing its programs as per the administrative and financial rules and regulations of PEF, following Bank procurement guidelines as required for eligible expenditures and PESP-II TA funds use, and for sharing the administrative, financial and operational data as required by SED. SED/PMIU and PEF assured the development partners that the Memorandum would be fully complied with, and information will be shared with the development partners after PEF’s experience in Q1 of FY2013/14.

46. Punjab government to submit the audit reports covering the overall budgetary expenditures of Punjab for said Fiscal Year, as well as the individual audits corresponding to each of its district governments. This covenant has been complied with. See the Finance Management section of the Aide Memoire (Section VII) for details.

47. Punjab government to prepare quarterly consolidated budget execution reports (“BERs”) setting out values of budgets, actual expenditures incurred, per month, per budget line, for the whole education sector, with a cover note summarizing budget allocations and utilization in the Eligible Expenditure Programs (EEPs) for monitoring project implementation progress. The covenant has been complied with. PMIU has met all currently due financial reporting requirements. See the Finance Management section of the Aide Memoire (Section VII) for details.

48. Punjab government to ensure that school councils abide by the simplified financial management and procurement guidelines for school councils. This covenant has been complied with. Simplified financial management and procurement guidelines have been circulated to all 36 districts during the 2010/11 academic year. However, SED/PMIU has found that the guidelines are not available in every school. Therefore, PMIU has begun redistributing the guidelines starting with the five districts selected for the implementation of the 2013 School Council Policy. In FY2013/14, when the 2013 School Council Policy is implemented in 10 additional districts, the guidelines will be delivered to schools in these districts. Similarly, in FY2014/15, when the 2013 School Council Policy is implemented in the remaining 21 districts, the guidelines will be distributed to schools in these districts. The extent of availability of the guidelines in schools and with school councils and the use of school council funds in line with the guidelines is to be assessed by the firm contracted by SED/PMIU for providing implementation support and monitoring for the school nonsalary budget activity and the firm to
be contracted by SED/PMIU to review the implementation of the 2013 School Council Policy and the school council mobilization activity.

49. **Punjab government to (i) establish a system for the handling of procurement complaints; and (ii) maintain a procurement documentation and recordkeeping system, including a publicly-accessible website.** This covenant has been complied with. The mission reviewed procurement recordkeeping and found that the documents are filed properly by PMIU. There is a need to store the procurement documents in secure and fireproof cabinets. A tracking sheet should also be maintained with each file, in order to track the movement of files between teams/staff. Proper recordkeeping steps should be included in Standard Operating Procedures to be developed by PMIU for guidance and continuity of the process with any new staff.

50. PMIU’s website is currently being redeveloped. PMIU is requested to continue the process of disclosure of procurement information on its website, and to include this important element in the Standard Operating Procedures for procurement.

51. SED has an e-complaint management system, under the Chief Secretary's Petition Cell, which is reported to be functional. SED/PMIU also has a similar e-compliant management system under SED; SED/PMIU has submitted a proposal to strengthen the system under SED to the development partners (see earlier Covenant on Complaints Redressal System for more details). These existing systems are adequate to fulfill the need of a procurement complaint management system for SED/PMIU. PMIU should reference these systems in the Standard Operating Procedures (SOPs) and maintain links to the systems from the procurement-related pages on its website.

52. **Punjab government to ensure that the activities under the project are carried out in accordance with the Environmental and Social Management Framework:** This covenant is complied with. Key agreed tasks are expected to be completed by SED/PMIU in June and July 2013. See Environmental Management section of the Aide Memoire for details (Section VII).

V. **DISBURSEMENT LINKED INDICATORS**

53. **Field-based professional development (DLI #1):** The FY2012/13 DLI has been met. The field-based Continuous Professional Development (CPD) exceeds the target of covering 30% of low-achievement schools in all 36 districts (to be confirmed shortly). The Directorate of Staff Development (DSD) has made several improvements in the mentoring program at schools. District Teacher Educators (DTEs) are receiving training to improve their mentoring capabilities. DSD has developed an extensive database, tracking the information collected on student achievement through regular assessment tests administered by DTEs. Based on the analysis of this information, DSD can plan focused teacher training for weak areas identified in the analysis. DSD is reviewing the indicators tracked by the CPD program to make them more focused and targeted. DSD undertook a clustering exercise to ensure equitable and efficient distribution of schools to DTEs.
54. DSD is planning to involve headteachers in the mentoring program. This has several positive long-term implications, as it will help in initiating a school-based mentoring support through headteachers and reassigning DTEs only to the lowest-achievement schools/teachers.

55. Several management and administrative issues require special attention of SED to ensure efficient implementation of the activities with DSD. Key among them is the appropriate resourcing of the district mentoring setup, which includes the procurement of IT equipment for DTEs, where required, and the provision of vehicles for the Regional Program Managers (RPMs) to ensure effective supervision of tasks. DSD has submitted a procurement plan to PMIU, and the plan is under review. The removal of incentives for DTEs and Teacher Educators (TEs) remains a major impediment to attracting, retaining, and motivating them to perform their duties effectively. The development partners have requested the Punjab government to review this matter and the response is positive.

56. SED should review the functions performed by DSD and include sufficient allocations in the education budget for DSD to ensure effective implementation of tasks and activities by DSD.

57. Next step: A careful review of the CPD program implementation and resourcing needs for the next two-three years as well as planning an efficient field-based support that includes school-based support through headteachers and targeted focus of mentoring program to low-achievement schools.

6. Teacher recruitment (DLI #2): The FY2012/13 DLI is unmet. Evidence that the Recruitment of Educators Policy 2013 has been approved by the Punjab government is pending. In a major step forward, SED/PMIU has developed a policy that further strengthens merit- and needs-based teacher recruitment. The policy requires that candidates with stipulated academic and professional qualification levels pass a subject and pedagogical knowledge test in order to be considered for appointment. An independent authority/party will design the test based on national teaching standards and administer it with strong quality controls in all stages of the process. Upon development of the test, the test will be subject to a third-party quality assurance review agreed with the development partners. Only the quality-assured test will be administered. Induction training will be developed and offered to hired teachers at the start of their appointment, and teachers who fail the induction training program may not be eligible for a teaching position. Complaints management cells for the teacher recruitment process are to be established at the divisional levels. A third-party validation of the recruitment process and outcomes is to be conducted after the completion of the activity.

Next steps: The mission stressed that there are several important aspects of implementation that need to be finalized on an urgent basis for effective implementation of the policy. These steps include the following:

a. Review of the existing timeline and making it more realistic for the sound implementation of the policy;

b. Field-based verification of vacancies in schools to ensure school-level need;

c. Procurement of third-party specialized testing firm and test quality assurance firm;
d. Development of guidelines, procedures, and informational handbooks for district education administrations and district recruitment committees to ensure a clear understanding of the process, especially the roles and tasks of the testing authority/agency, by all concerned; and

e. Advance, systematic, and wide communication of the test- and need-based recruitment process, to inform prospective applicants, district education administrations, district recruitment committees, and the public at large.

58. The implementation steps as outlined at this time need to be reviewed urgently. The mission agreed to assist the focalpoint in SED/PMIU to have discussions with counterparts in Sindh who have implemented test- and needs-based recruitment in the province through third-party testing agencies.

59. **Teacher rationalization (DLI #3):** The **FY2012/13 DLI is unmet.** Evidence that the **Reallocation of Teaching Posts Policy 2013** has been approved by the Punjab government is pending. SED/PMIU has developed a policy for reallocated teaching posts and teachers to reallocated posts in primary, elementary, high, and higher secondary government schools. The reallocation of teaching posts is based on objective, transparent criteria developed by SED/PMIU that takes into account school-wise needs based on enrollment, subject, and teaching load. Enrollment data from the 2012 Annual School Census (reference date: October 31) are used in applying the criteria for the first round of reallocation of teaching posts. The relocation criteria are also adjusted to take into account ground realities and constraints that may hamper effective implementation of the policy.

60. The reallocation of teaching posts and teachers to reallocated posts are to be initiated in Attock, Khushab and Lodhran districts. SED/PMIU informed the mission that the ban on transfers and postings is in effect in these three districts over the summer break; the ban is however relaxed in the other districts, and any transfers and posting in these other districts is to be carried out consistent with the approved Transfer Policy 2013. The reallocation of teaching posts and the assignment of teachers against the reallocated posts will be completed in the three districts before the start of the post-summer term in the 2013/14 academic year. A third-party validation of the reallocation of teaching posts and teachers against reallocated posts is to be carried out after completion of implementation in these three districts. Complaints cells for this activity are to be established at both the provincial and district levels.

61. The mission requests SED/PMIU to closely monitor the implementation of the policy in the field to ensure implementation integrity and systematically document the process, problems that arose and lessons learned during implementation, and preventive and corrective actions followed by officers at various levels. This documentation is likely to be useful for other district education administrations when the policy is rolled out.

62. **Next steps:** (1) Approval of **Reallocation of Teaching Posts Policy 2013** by the Chief Minister and notification of the policy for the three districts implementing the policy in the first phase before June 30. (2) PMIU to calculate (based on the October 2012 ASC data) and share school-level teacher allocations with the three districts by June 30. (3) The three districts to
implement the policy by August 15. (4) Firm for third-party verification of implementation to be contracted and mobilized by August 15.

63. **School nonsalary budgets (DLI #4):** The FY2012/13 DLI has been satisfactorily met. The evidentiary data and documentation have been submitted by SED/PMIU to the development partners. The development partners commend the strong commitment and effort of SED/PMIU and FD in this activity.

64. Providing adequate and timely financial resources to schools for critical nonsalary expenditures for basic operational and maintenance needs is viewed as essential for improving the functioning and performance of schools. In the past, nonsalary allocations to schools have been acutely deficient and subject to adjustments over time that are unrelated to the needs in schools and arbitrariness and influence (what the government refers to in its school nonsalary budget summary as "bidding and bargaining") in decisionmaking in the allocation of funds across schools. SED/PMIU have developed a formula to determine school-specific nonsalary allocations in relation to the school's level, overall enrollment and enrollment in selected grades, and extent of deficiency in furniture. The allocations are tied to schools satisfactorily meeting stipulated targets related to furniture, amenities, school functionality and environmental conditions, and teacher attendance. Using the agreed formula, school-specific nonsalary budgets have been prepared for 9 districts, and incorporated into the education budget for FY2013/14 (included as an Annex to the provincial budget book). The allocation that has been agreed by the Punjab government for these 9 districts for FY2013/14 is PKR 3.4 billion (+PKR 100 million held in reserve for contingencies), approximately a four-fold increase from the current fiscal year's allocation (FY2012/13), demonstrating the importance being placed by the Punjab government on adequately resourcing schools to enable their performance.

65. PMIU has developed a set of guides and manuals for different relevant audiences and users. A firm has been contracted by SED/PMIU to provide training and support to district education administration officials and school teachers on the management of the nonsalary budgets in line with the summary, accompanying guidelines, and applicable rules and regulations, including on transparency, recordkeeping, and reporting. This firm is also expected to carry out biannual sample-based reviews of the performance of schools in managing and implementing school nonsalary budgets consistent with the applicable rules and guidelines. In addition, the development partners have initiated a discussion with SED/PMIU on the introduction of an electronic procurement planning tool to be used at the subdistrict level to record school procurement needs for goods and works to be funded via their school nonsalary budgets. If agreed, the tool will be developed through contracting the needed services financed using PESP-II TA funds and piloted and tested in the field.

66. School-specific nonsalary budget, the allocation formula, the performance targets for schools, and the use of a contracted firm to support and review the implementation of school-specific nonsalary budgets in the districts, among other things, was approved by the Chief Minister (Summary-School Non Salary Budget: Transition from Normative Financing to Per Capita Financing (PCF) in Punjab’s Schools), and endorsed by the Chief Secretary, the Planning and Development Board, and Finance and Education Departments.
67. **Next steps:** (1) PMIU to send school-specific nonsalary budget allocations (EMIS codes to be included in all lists sent to the districts) to the 9 districts selected for the first phase with instructions for sharing the allocated amounts with all schools at the earliest. (2) Implementation plan for providing capacity-building and monitoring support to district education administrations, district account offices, and schools for the implementation of school nonsalary budgets to be agreed with the contracted firm and shared with development partners by June 30. (3) PMIU to ensure that the contracted firm helps support the preparation of school improvement and procurement plans by schools as well as guides and trains officers and headteachers on appropriate procedures for implementation integrity and fiduciary risk management. (4) PMIU to complete discussions with the development partners on the proposal for the introduction of an online procurement planning tool at the subdistrict level by June 30. (5) PMIU and district education administrations to compile baseline values for agreed indicators against which school functioning and performance will be measured and reported.

68. **Decentralized resource management (DLI #5):** The FY2012/13 DLI can only be deemed as met after the Pakistan government formally agrees to the changes by countersigning the amendment letter. Subsequent to discussions with the Punjab government during the last review mission (February 19–22, 2013) on changes to DLI #5 under PESP II, the Economic Affairs Division (EAD) forwarded a request to the Bank to amend the DLIs on May 23, 2013. A letter formally amending the wording of the DLIs was forwarded to EAD on June 7, 2013 for countersignature to formalize the changes to the DLIs. The Bank is yet to receive the countersigned amendment. Notwithstanding, the evidentiary data and documentation that the restructured DLI for FY2012/13 is met have been submitted by SED/PMIU to the development partners.

69. The original set of DLIs under decentralized resource management related to devolving financial management powers to lower-level education officers who would manage the funds for clusters of primary and elementary schools. The new proposal of fund transfer and management of school-specific nonsalary budgets by the schools themselves is superior to the original proposal. For high and higher secondary schools, given that headteachers hold Drawing and Disbursing Officer (DDO) powers (hold financial management powers), school nonsalary funds are to be transferred from the province to the district (Account IV) and then made available to the school-level DDO. For primary and elementary schools, the funds are to be transferred from the province to the district (Special Drawing Accounts jointly held by the EDO–Finance and EDO–Education) and then transferred to the bank account of the school council of the school. The nonsalary budget allocation into the school council account will be managed by the school’s headteacher. The funds transferred to the school council accounts are nonlapsable. The annual nonsalary budgets are expected to be released by the province and the districts to schools in quarterly installments of equal amounts, at the beginning of each quarter.

70. There are several potential benefits to the proposed alternative transfer mechanism for primary and elementary schools. The nonsalary budget funds are transferred from the province to the district to the school (two-step transfer); this method would potentially reduce time lags and the risk of leakage in the transfer process. Funds are made available at the school level, and the teacher at the school (collectively with the school council) makes decisions on its use in line with what the needs at the school are, potentially improving relevance, responsiveness, and
transparency in the use of the funds, empowering teachers and school councils, and strengthening school autonomy and local accountability.

71. At the request of the Punjab government, the Bank has restructured these DLIs to reflect the new proposal. The new proposal is also reflected in the approved summary on school nonsalary budgets. The new wording of these DLIs is provided in the table below. Note that the phasing trajectory of nonsalary budget fund management by primary and elementary schools in nine districts in FY2013/14 and 18 districts in FY2014/15, which matches with the phasing trajectory for the allocation and provision of school-specific nonsalary budgets (DLI #4).

<table>
<thead>
<tr>
<th>Subprogram</th>
<th>Baseline FY2011/12</th>
<th>Year 1 FY2012/13</th>
<th>Year 2 FY2013/14</th>
<th>Year 3 FY2014/15</th>
<th>Definitions and Verification Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLI 5: Decentralized resource management: Decentralizing resource management powers to schools</td>
<td>Budgets operated at a higher level than the school, potentially impairing decision making related to expenditures in line with school needs and responsiveness.</td>
<td>Punjab has notified the mechanism for transfer of non-salary component of the education recurrent budget for primary and elementary schools in at least nine (9) districts to the accounts of the respective School Councils.</td>
<td>Punjab has transferred the non-salary component of the education recurrent budget for primary and elementary schools in at least eighteen (18) districts to the accounts of the respective School Councils within the first month of each calendar quarter.</td>
<td>Punjab has transferred the non-salary component of the education recurrent budget for primary and elementary schools in at least eighteen (18) districts to the accounts of the respective School Councils within the first month of each calendar quarter.</td>
<td>Definitions/details: (1) School Council accounts to be operated as per approved School Council Policy with head teacher and chairperson of School Council with co-signing powers to operate the account. (2) The selection of districts will be aligned with districts selected under DLI 4. Sources: (1) Individual school budgets attached as annex to district budget documents with nonsalary allocations against unique school identifiers which include school EMIS codes. (2) Notification of transfer mechanism for non-salary budgets with respect to primary and elementary schools. (3) Budget execution reports to show transfers from the provincial level to School Council accounts based on approved budgets.</td>
</tr>
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</table>

Next steps: (1) Punjab government to transfer the first tranche of school nonsalary funds to high and higher secondary schools and the school council accounts of primary and elementary schools (in 9 districts) by July 30. (2) SED/PMIU to prepare and provide reports with school-level information confirming the transfer of nonsalary budgets to schools by October 30.

72. Improvers bonus program (DLI #6-teacher performance incentives). The FY2012/13 DLI has been satisfactorily met. The evidentiary data and documentation have been provided by SED/PMIU to the development partners.

73. Background: Improving the motivation and effort levels of teachers in relevant directions are instrumental for improving student learning. To promote this, the Punjab government initiated a pilot program – called the improvers bonus program – under PESRP to provide variants of group-based cash bonuses on an annual basis to teachers in selected poor-achievement government primary schools in the three districts with the lowest student
achievement scores (Attock, MandiBahauddin, and Rahim Yar Khan). These cash bonuses were linked to absolute gains in average student test scores in selected subjects (measured using PEC test score data), absolute gains in student enrollment in primary grades (measured using ASC data), and the level of participation in the PEC test by grade-5 students (measured using ASC and PEC test score data). The pilot program is accompanied by a rigorous impact evaluation being carried out by the Bank to assess the average causal impacts of the program on student achievement, student enrollment, and other measures (e.g., teacher behavior and teaching). The design, implementation, and evaluation of the improvers bonus program are being promoted via DLIs and supported via TA under PESP II.

74. **Progress and status:** Under PESRP II, the agreed FY2012/13 DLI required that the Punjab government fully finance and continue to effectively administer, support, and monitor the improvers bonus program. Scores and bonuses were calculated by PMIU and the Bank following the agreed formula and using ASC and PEC test score data from 2011/12 and 2012/13. The teacher lists and bonus amounts were provided to the District Coordination Officers of the relevant districts on May 28. Funds for the bonuses were transferred by FD into the Special Drawing Accounts of the relevant districts on May 31. The bonus amounts are being electronically transferred by the district education administrations into the personal bank accounts of the beneficiary teachers. Score cards for schools were printed and transported to the districts.

75. An information and communications activity targeting district officials, (EDOs—Education, DOs—Education and DMOs) and headteachers and the distribution of updated score cards to schools were completed on June 4. During the registration stage for the FY2012/13 bonus round, PMIU provided guidance to teachers on how to be an effective teacher and preparing for and taking the PEC tests; teachers noted that such guidance was not provided by SED and expressed their appreciation. Looking ahead, it would be important for the evaluation to identify the separate impacts of the provision of such guidance, the provision of score cards, and cash bonuses; the scaling up of the program and the associated evaluation will attempt to do this.

76. Of the FY2012/13 allocation of PKR30 million for the improvers bonus program, PKR25 million has been spent (83%). SED/PMIU has requested FD to include PKR100 million in the FY2013/14 budget, to allow for the incremental, controlled expansion of an adapted improvers bonus program to additional schools and additional districts.

77. **Next steps:** (1) Contracting of a specialized survey research firm via Quality and Cost Based Selection (QCBS) and financed via PESP-II TA funds to administer the second follow-up (current program) and baseline (adapted program) school, teacher, and student survey in FY2013/14 for the impact evaluation by September 30. (2) Development and approval of a design for adapting the improvers bonus program to take into account implementation experience and international knowledge and evidence and the expansion of the pilot program to additional government schools in additional districts by September 30. The adapted program would test alternative monetary as well as nonmonetary incentives to motivate and orient teacher effort. (3) Systematic, enhanced campaign to raise awareness in program government schools on the design and implementation of the program by October 30; preparation and submission of report on communications activity by November 30.
School councils (DLI #7): The FY2012/13 DLI has been satisfactorily met, given the approval of the School Council Policy 2013 and the initial operations of a call-center providing support to school councils. The lag in these steps has pushed back implementation; the development partners look forward to SED/PMIU ensuring the pace and design integrity of implementation. All evidentiary data and documentation have been provided by SED/PMIU to the development partners.

A new School Council Policy 2013 was approved by the Punjab government in March 2013. Key changes from the previous policy include (1) a new compositional structure for school councils, (2) district education administrations are required to keep an accurate record of school council members and provide this information to SED/PMIU on a quarterly basis, general body meetings will be held twice a year, (3) a higher compensation level for temporary teachers hired via school council funds, and (4) use of funds up to a limit for refreshments for school council meetings. District education administrations were required to reconstitute school councils in line with the approved policy by the middle of April in five districts (Attock, Chiniot, Jehlum, Lodhran, and Sargodha) in the first stage of the rollout of the policy.

The mission expressed concern that the speed at which the reconstitution was apparently undertaken may have undermined the spirit of the reconstitution: getting the right people to serve as members to increase the likelihood that the school council is effective in school monitoring and support. Moving forward, school council reconstitution activities should be carried out allowing for sufficient time. The mission also requested SED/PMIU to ensure that district education administrations carefully collect all required information and maintain complete, proper, and up-to-date records of school council members following guidelines and templates provided by SED/PMIU and submit them to SED/PMIU per the agreed schedule.

Using the 2012 Annual School Census, PMIU identified 2,846 government schools in the same five districts for the School Council Mobilization (SCM) program; as a result of the ongoing school consolidation process, the number fell to 2,600 schools. To date, 2,315 schools have been reached by the SCM program via a call center contracted by PMIU in April. The service entails interactions with school council members via phone by call center agents trained to provide support. An important issue that the call center has encountered is the large rate of unsuccessful contact attempts, which could be creating a large, systematic bias in what types of members are successfully reached. The mission noted that it would be important for the call center operations to structure their service towards the provision of information to school councils to address service delivery issues by themselves or referring them to the appropriate authorities, and take preventive and corrective steps to keep the service from turning into a complaints receipt system. The mission also recognized that the service does not solve the problem of information processing by members (though audiovisual communications should facilitate comprehension) and the power of members to turn information into effective action; these two aspects are necessary for members to influence the service delivery performance of their schools. SED/PMIU was urged to (1) ensure that school councils are sufficiently enabled to perform their roles and responsibilities and (2) that they respond to the concerns and issues raised by school councils that are potentially more effectively handled outside of the school council mechanism.
Next steps:

(1) SED/PMIU to contract a professional firm to carry out an independent sample-based review of the implementation of the new school council policy and the SCM program in October 2013; this review is expected to examine the extent and nature of expenditures made by school councils and compliance with recordkeeping and reporting requirements. For this activity, procurement needs to be immediately initiated by PMIU, with the contract financed via PESP-II TA funds. (2) SED/PMIU to document problems faced in the school council reconstitution process. This will include a matrix of actions to address identified problems for ensuring effective school council reconstitution in the future. The development partners request SED/PMIU to take immediate steps to improve the accuracy of the school council member data collected for the SCM program.

System and school performance measurement (DLI #8): The FY2012/13 DLI is unmet. The target of two rounds of distribution of performance report cards (hereafter, cards) to district education administrations is likely to be met by the end of FY2012/13. SED/PMIU has distributed one round of cards to elementary and high schools; a required second round of distribution of cards to government schools is pending. Given the delay, the development partners request SED/PMIU to distribute the cards to schools at the start of the post-summer term in the 2013/14 academic year to increase the likelihood of the effectiveness of the cards. A portion of the evidentiary data and documentation has been provided by SED/PMIU; the remaining evidence is expected by the end of the first quarter of FY2013/14.

Performance report cards to district education administrations: Dataset preparation and compilation for the cards for district education administrations has been undertaken in-house at the PMIU. Evidence of the first round of distribution of the cards to district education departments in May has been collected from the districts and submitted by PMIU to the development partners. Collection of evidence for the second round of distribution of cards undertaken in June is underway.

Next steps:

(1) SED/PMIU to gather feedback on the district performance cards from selected districts (agreed with the development partners) by June 28, as part of the process to revisit the design of the cards for districts for the next round. (2) The next version of the district performance card to be finalized by SED/PMIU by July 15. (3) SED/PMIU agreed that the distribution of cards for districts, which will now be produced and distributed quarterly, will be completed by the middle of each quarter and provide up-to-date information and data as of the preceding quarter.

Performance report cards for government schools: Since the last implementation review and support mission in February 2013, the PMIU has contracted separate firms for card compilation/production and printing using PESP-II TA funds, with datasets for the cards prepared in-house at the PMIU. To aid the understanding and effective use of the cards, a glossary of indicators used has been prepared by PMIU, and will accompany each card; this glossary provides simple explanations of the indicators and can serve both as a briefing and reference guide. Dissemination of the first round of the cards started in early May, district-wise, and evidence collection (comprising of tehsil-level lists with the signature and stamp of headteachers indicating receipt of the cards) is not yet complete. The distribution of the second
round of cards to government schools has been delayed. As agreed during the mission, the pending second round of distribution of the cards will be undertaken at the start of the post-summer term in the 2013/14 academic year.

87. **Next steps:** (1) Workshop (with the participation of DMOs and EDOs–Education) from all districts to brief officials on the use of the card and glossary to be conducted by SED/PMIU by July 8. (2) The second round of cards for schools to be distributed between August 19–September 2, and stakeholder feedback collection at the school level in selected districts to be completed by SED/PMIU/district education departments by September 22. The collected feedback will be used to inform the redesign of the card for schools for the next distribution round in February 2014. A small-scale test of the distribution of cards to rural primary schools and parents in rural communities, accompanied by an evaluation of the effectiveness of this distribution, is to be discussed with SED/PMIU, led and supported by DfID.

88. The timing for the distribution of cards to government schools was discussed during the mission, and it was agreed that the two rounds of distribution will now be undertaken in August (coinciding with the enrollment drives expected during this time) and February (before the final examinations for the academic year takes place). The FY2013/14 DLI will require the distribution of the upcoming August and February rounds of cards to government schools (urban primary, elementary, and high schools), and four rounds of distribution of cards to district education administrations (with the last round in mid-May).

89. The table below provides next steps and associated timelines to ensure the completion of the FY2012/13 DLI as soon as possible, as well as the timely completion of subsequent targets.

<table>
<thead>
<tr>
<th>Action</th>
<th>Due Date</th>
</tr>
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<tbody>
<tr>
<td>Prepare ToR for TPV (Year 2)</td>
<td>Sep 9</td>
</tr>
<tr>
<td>Firm commences TPV</td>
<td>Feb 3</td>
</tr>
<tr>
<td><strong>Cards for schools</strong></td>
<td></td>
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<tr>
<td>Training session/workshop on School Report Card and glossary (DMOs, EDOs–Education)</td>
<td>week of Jul 1</td>
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<tr>
<td>Dissemination of 2nd round of School Report Cards and glossary</td>
<td>Aug 19 – Sep 2</td>
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<tr>
<td>Collection of stakeholder feedback</td>
<td>Sep 16 – 22 (Report no later than Sep 28)</td>
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<tr>
<td>Completion of dataset for 3rd round (Apr – Oct)</td>
<td>Dec 13</td>
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<tr>
<td>Completion of production and printing of Cards</td>
<td>Jan 31, 2014</td>
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<tr>
<td>Completion of dissemination of 3rd round</td>
<td>Feb 15, 2014</td>
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<tr>
<td>Completion of dataset for 4th round (Nov – Mar)</td>
<td>May 2014</td>
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<tr>
<td>Completion of production and printing of Cards</td>
<td>Jun 2014</td>
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<tr>
<td>Completion of dissemination of 4th round</td>
<td>Aug 2014</td>
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<tr>
<td><strong>Cards for district education departments</strong></td>
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<tr>
<td>Collection of stakeholder feedback</td>
<td>Jun 28</td>
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<tr>
<td>Revisit District Report Card design for 3rd round</td>
<td>Jul 15</td>
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<tr>
<td>Completion of dataset for 3rd round (Apr – Jun)</td>
<td>Jul 29</td>
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<tr>
<td>Completion of production and printing of Cards</td>
<td>Aug 12</td>
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<tr>
<td>Dissemination – 3rd round</td>
<td>Aug 16</td>
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<tr>
<td>Completion of dataset for 4th round (Jul – Sep)</td>
<td>Oct 28</td>
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90. **Private school vouchers (DLI #9):** *The FY2012/13 DLI has been satisfactorily met.* The evidentiary data and documentation have been submitted by PEF and PMIU to the development partners.

91. The vouchers program (called the Education Vouchers Scheme) under PEF presently provides tuition-replacement vouchers to economically-disadvantaged children in urban slum areas to access private schools partnering with PEF. The partnering schools are subject to a test-based quality-assurance system. Entering into FY2012/13, PEF had distributed 140,000 vouchers to beneficiary children in 235 areas in 35 districts; over 80% of the vouchers have been redeemed. As part of this fiscal year's expansion, PEF added 250 voucher program partner schools in 132 target areas in 28 districts and distributed an additional 12,000 vouchers to beneficiary children (with the expectation that roughly 10,000 vouchers will be redeemed by beneficiary children). PEF has relaxed the distance criterion for school participation in the vouchers program and granted partner schools a one-year grace period to meet stipulated school infrastructural and environmental conditions. The security features on the vouchers have been improved to help prevent counterfeiting. The Quality Assurance Test (QAT) to be applied in voucher program schools may be adapted to capture information on physical, cognitive, social and emotional capabilities of children entering schools from disadvantaged backgrounds. A new survey instrument was used to interview households for participation in the vouchers program; starting from the next round of distribution in FY2013/14, the data collected via the new survey will be used as a basis for determining household and child participation in the vouchers program. PEF has also agreed to shift its attention from at-risk children to out-of-school children as well as target children ages 5–16 years instead of ages 4–17 years; *this decision is pending PEF’s Board of Directors approval.* Terms of Reference for a software developer to develop an integrated Management Information System (MIS) for the vouchers program has been prepared by PEF and shared with PMIU. PEF has developed a plan for the procurement of goods and services to be financed via TA funds; the plan is under review by PMIU.

92. Moving forward, area selection for the vouchers program must be initiated well in advance (preferably at the beginning of FY2013/14) to provide PEF sufficient time to meet voucher distribution targets. The Bank will carry out a rigorous impact evaluation of the vouchers program starting from the next round of distribution of vouchers (with a subset of the total vouchers reserved for distribution as part of the evaluation). SED/PMIU will carry out the procurement of a specialized survey firm to administer the baseline and follow-up surveys of households and schools for the evaluation, with the baseline survey to be conducted prior to the distribution of vouchers in evaluation areas. The baseline survey will be conducted in April/May 2014. Additional training on the new screening survey and methods to sample households within target communities will be provided by the Bank, at the request of PEF. The monitoring and
evaluation unit in PEF is expected to collaborate closely with the vouchers program team, and
design and implement technologies and activities to closely and regularly monitor voucher
program schools and students, including student attendance and school functioning and
performance using agreed well-defined indicators.

93. **Next steps:** (1) Hiring of a database/software developer to be completed by PMIU and
PEF by October. (2) The procurement plan to be financed using PESP-II TA funds submitted by
PEF to be reviewed, finalized, and initiated by PMIU by June 28. (3) Standard Operating
Procedures for conducting sample-based monitoring visits for the full set of PEF programs to be
shared with the Bank by June 30 (4) Procurement of a specialized survey firm via quality and
cost and quality based and financed via PESP-II TA funds for the impact evaluation of the
vouchers program to be initiated by PMIU by September. (5) Pilot of computer-aided personal
interviewing via smartphones for household screening and school/student monitoring (including
procurement of goods, development of needed software, and the development of standard
operating procedures) to be initiated by PMIU and PEF by December.

94. **Stipends for secondary school girls (DLI #10):** The FY2012/13 DLI is unmet. The
development partners request the Punjab government to (1) complete the distribution of the Q3
FY2012/13 stipends for the supplemental stipends program to pilot government schools and
beneficiaries girls by end June 2013 and (2) contract services and implement the distribution of
stipends through branchless banking technologies for the Q3 FY2012/13 stipends at the start of
the post-summer term of the 2013/14 academic year.

95. Under PESRP II, the Punjab government agreed to introduce changes in the girls stipends
program both in terms of the design of the stipend benefit structure and the mechanism for the
disbursement of stipend benefits to eligible girls, in order to improve the effectiveness and
efficiency of expenditures in the program.

96. **Branchless banking pilot:** Under the traditional system, stipend benefits are disbursed to
eligible girls through the Post Office under an agreement between the Postmaster General and
SED. This disbursement mechanism is reported to be effective but a number of procedural and
capacity constraints have been identified (e.g., disbursement delays, lack of verification and
payment reconciliation). For the Q3 FY2012/13 stipend benefits, now to be disbursed in Q1
FY2013/14, girls in grades 6–10 in 44 schools in urban localities of Okara, Khanewal, and
Muzaffargarh districts will receive their quarterly stipends via mobile phones as a part of a pilot
initiative. The pilot is subject to a rigorous impact evaluation design (experimental design).
PMIU has collected baseline data from the pilot schools and had initiated the procurement of a
firm to provide branchless banking services. Delays in contracting, followed by a breakdown in
contract negotiations, have pushed back the implementation of this component. PMIU is now in
contract negotiations with the firm ranked second in the procurement evaluation.

97. Several associated activities have been completed. The orientation of EDOs–Education
and DMOs were completed in March. The new stipends register was distributed to schools by
early April. The beneficiary lists prepared by headteachers were collected and digitized by the
DMO offices in April and May. Data validation by the Bank is underway. An introductory
message to be sent via bulk SMS has been developed and translated. A results-based monitoring plan was prepared and a stipends monitoring survey has been fielded in May by PMIU.

98. For the Q3 FY2012/13 stipend benefits, planned expenditures for this pilot are PKR 16.5 million, and corresponding to an estimated 26,390 beneficiaries.

99. **Next steps:** A new service provider has to be contracted by PMIU at the earliest. Communications activities already undertaken will have to be redone so district education administration officers, head teachers, and beneficiaries are aware that disbursements will be made by another provider as well as the process for collecting these payments. If the contracting of another provider is completed quickly, disbursement to branchless banking beneficiaries (for attendance in Q3 FY2012/13) will take place before the end of Q1 FY2013/14.

100. Other activities planned for the next quarter include the redesign of the stipend proforma; workshops with MEAs to instruct them on data checks at the time of beneficiary-level data collection from schools, as well as the development of data entry software and validation protocols—with in-house PMIU support or contracted data entry services—to enable more reliable data collection at the district levels. In addition, data collection for the next disbursement cycle will commence in the next quarter, after schools have reopened.

101. **Supplemental stipends:** Since 2004, girls in grades 6–10 in government schools in 16 districts in Punjab have been receiving a stipend benefit of PKR600 per quarter, conditional on maintaining an attendance rate of 80% in the past quarter. However, since its introduction in 2004, the stipend benefit has not been raised despite inflation, which means the incentive effect of the benefit has declined. Under PESRP II, the Punjab government plans to increase the stipends benefit but the increased benefit will be targeted to areas in the stipend districts with low female school participation rates, a substantial rural population, and a relatively high share of poor students.

102. Beginning with the Q4 FY2012/13 stipend benefits, girls in grades 6–10 in 68 rural schools in 6 tehsils in Kasur and Bhakkar districts will be offered higher stipend benefits under phase I of the supplemental stipends program. Specifically, girls in grades 6–8 will be eligible for a quarterly stipend of PKR900 while girls in grades 9–10 will be eligible for a quarterly stipend of PKR1,200, provided they maintain an attendance rate of at least 80%. The pilot is subject to a rigorous impact evaluation design (an experimental design).

103. Implementation of phase 1 of the supplemental stipends program has been delayed for several reasons. The supplemental stipends program is now approved by the Punjab government. There has also been acceleration in several steps to put implementation back on track, and significant progress has been made. In addition, a results-based monitoring plan has been prepared, and a stipends monitoring survey has been fielded in May by PMIU.

104. For the Q3FY2012/13 stipend benefits, planned expenditures are around PKR 11.6 million (PKR 11 million in stipends and PKR 0.6 million in service charges), and corresponding to an estimated 11,200 beneficiaries. Actual expenditures and beneficiary counts will be available once beneficiary lists are consolidated.
105. **Next steps:** The disbursement of stipends to beneficiaries (for attendance in Q3 FY2012/13) is expected to commence before June 30, which would constitute the completion of this DLI target. Other activities planned for Q1 FY2013/14 include: payment reconciliation for a random sample of MOs issued for the supplemental stipends program beneficiaries; development and distribution of a short instrument to capture total enrolled and total beneficiaries from all stipends schools in the 16 districts; initiation of the next disbursement cycle after schools have reopened; and procurement of a specialized survey firm via quality and cost based selection by the PMIU and financed via PESP-II TA funds for the impact evaluation of the supplemental stipends program.

106. In addition, with in-house PMIU support or contracted data entry services, a data entry program and validation protocols will be developed for the digitization of data from the stipends monitoring survey, implemented in 218 schools in May. In Q1 FY2013/14, steps will be taken to refine the stipends monitoring survey instrument; translate and print the instrument and instructions manual; integrate it with the school inspection proforma in consultation with DD (M&E); and train MEAs to implement the survey concurrent with the school inspection proforma once every two quarters. SED/PMIU has agreed to ensure that the e-Compliants system under the Chief Minister’s Petition Cell and the e-Complaints system under SED facilitate complaint management for the girls’ stipends program. SED/PMIU is also to take specific steps to address recurring issues (especially delays and potential integrity risks) identified in the past third-party validation and field observations/reports collected during the communications activities related to the supplemental stipends program.

VI. **TECHNICAL ASSISTANCE**

107. **TA services provided by Cambridge Education:** Cambridge Education (CE), the firm contracted by SED/PMIU to provide it with a wide range of TA services, presented its internal mid-term review of progress to SED/PMIU and the mission. Significant expert technical and advisory services as well as operational, monitoring, and outreach support services have been provided in the following areas: (1) teacher continuous professional development, (2) school nonsalary budgets, (3) reallocation of teaching posts and teachers, (4) PMIU restructuring and strengthening, (5) improvers bonus program, (6) student examinations/assessments, (7) information and communications, and (8) monitoring, operational validations, and operational reviews. At the request of PEC and DSD, CE brought in the Australian Council for Education Research and the Institute for Education, University of London to provide technical and advisory support to the student examination/assessment and teacher certification, licensing, and continuous professional development activities. SED/PMIU expressed satisfaction with the extent, quality, and timeliness of the services provided by the firm and the engagement and partnership, especially over their performance in the last year after the design for PESRP II had been finalized by the Punjab government. SED/PMIU also acknowledged the willingness and flexibility demonstrated by CE in adjusting their work program (including staffing arrangements) to meet the new demands of a more ambitious and complex reform agenda. The development partners requested SED/PMIU to carefully plan and program the extent and nature of services required from CE for the remainder of the contract period. Interrelatedly, the development
partners request SED/PMIU to decide on the contract options laid out by CE at the mid-term review meeting.

108. **PESP-II TA resources**: Apart from the TA services provided by CE to SED/PMIU for PESRP II activities, PESP-II TA funds are available with PMIU for use for essential technical, advisory, and capacity-building support initiatives. These additional TA resources are expected to be used to both complement and supplement the services provided by CE, and are available for priority initiatives carried out by PMIU as well as other entities at the provincial level associated with PESRP II and district education administrations and formations. The PESP-II TA funds are to be used primarily for consultancies (specialized and support firms and individuals) and goods (e.g., Information and Communications Technology hardware and software). Procuring additional consulting services, goods, and minor works following the agreed plan and timetable is a priority, and all procurement should follow Bank procurement guidelines. Key consulting services include the contracting of specialized firms for field-based support, monitoring, operational validations, and impact evaluation surveys.

109. **TA resources from other development partners**: Significant, additional TA funds are expected to be made available by DfID. The development partners emphasized during the mission the need for SED/PMIU to ensure coherency in the full set of TA support provided by the various development partners via effective coordination and stewardship. As a first step, SED/PMIU agreed to begin a planning exercise to assess the critical TA needs for PESRP II (emerging from provincial entities associated with PESRP II as well as district education administrations and formations) and other parallel activities and match TA funds available from development partners to the various needs, engaging in a discussion with the development partners at appropriate times during the planning process.

**VII. FINANCIAL MANAGEMENT, PROCUREMENT, AND ENVIRONMENTAL MANAGEMENT**

110. **Financial management**: The mission reviewed financial management (FM) arrangements in place for PESP II. The FM arrangements in place are considered adequate and acceptable and the performance rating is maintained as Satisfactory.

111. **Staffing**: All existing position related to Finance at PMIU are properly filled. These include the Finance Officer and Financial Reporting Assistant funded via PESP-II TA funds.

112. At PEF, the position of Director (Finance) has been vacant for nearly a year and the Additional Director (Finance) has also left, creating a staffing gap in the organization. Due to the ban on hiring imposed through a notification dated January 18, 2013 by the Punjab government Austerity Committee, recruitment has not been initiated. These are key positions and the vacancies need to be filled at the earliest.

113. While the staffing for FM at PMIU is considered adequate for immediate needs, PEF staffing is considered inadequate and needs to be augmented.
114. **Budgeting:** PMIU confirmed that adequate budget allocations remained in place during FY2012/13 and indicative allocations in the FY2013/14 budget are satisfactory. The final allocations will be known after the budget proposals are laid before and passed by the Punjab Assembly.

115. Budget Utilization Reports at PEF stood approved by its Board of Directors for the first three quarters of FY2012/13, during which 65% of the annual sanctioned budget has been utilized.

116. **Accounting and internal controls:** Accounting records are maintained in the government FMIS. The PIFRA terminal at PMIU is functional and being used for generation of Budget Execution Reports (BERs).

117. The mission held detailed discussions with PMIU on strengthening internal controls within the education sector. Payroll being the largest component of expenditure as well as an EEP under PESP II was chosen as the initial area of focus for this purpose. The AG Office has recently established a “data cleansing cell” to review and correct employee data in the SAP system. PMIU, with the support of the development partners, shall develop a concept note, including detailed implementation steps, for supporting this initiative so far as the education sector employees are concerned. The initial draft will be prepared by July 15 and after necessary consultations, it shall be finalized by July 31, so that implementation can be initiated after Ramazan. The concept note will also consider a mechanism for independent verification of data from personnel records on a sample basis and possible systems to embed employee data verification in regular processes. Use of the SAP HR module to enter sanctioned positions for SED may also be considered.

118. Cash disbursement of salaries was also considered. Through efforts of FD and the AG Office in the past year, the incidence has declined considerably for the entire Punjab payroll. The mission requested PMIU to provide the necessary information in this regard by July 20. Based on materiality, it may be considered or dropped for further follow-up.

119. At PEF, the accounting records are maintained in a Microsoft Access database. Procurement of specialized software is still under process. A proposal for procurement was prepared and submitted to the Austerity Committee. The Austerity Committee directed PEF to submit the proposal to the Punjab Information Technology Board (PITB) for technical vetting. A formal response from PITB is awaited. Once the review response is obtained, PEF plans to contract technical resources to handle the procurement and implementation. The target is to reach the tender stage in the first quarter of FY2013/14. The Standard Operating Procedures for all areas of operations have been finalized and approved by concerned committees. These are now to be presented to the Board of Directors for approval and formal adoption is anticipated from October 1.

120. Internal audit of PEF is outsourced to an accounting and auditing firm which conducts a review on a quarterly basis. The mission reviewed the report for the quarter ended December 31, 2012 and the draft report for the quarter ended March 31, 2013, which has been submitted for management comments. No significant observations were noted. Gaps in IT and the need for
streamlining legal procedures were raised. PEF is in the process of hiring a firm to conduct a gap analysis for IT. Timeliness is being maintained and the reports are issued within three months of the end of the quarter. Progress is regularly reported on issues highlighted in the reports which are submitted to the Finance Committee of the Board of Directors.

121. **Funds flow and disbursement:** The Special Drawing Account (SDA) remains functional for PESP II and sufficient funds have been released for PESP-II TA expenditures under normal government budgetary procedures in FY2012/13.

122. Since the start of 2012, FD has imposed restriction on bulk transfer of funds from the PLA operated by PEF to commercial bank accounts. Currently, disbursements are being made from the PLA. However, the process is resulting in delays in payments. PEF has requested permission to maintain a working balance of 8% of annual budget under a previous directive of FD. This would allow payment requirements to be met efficiently. The mission reviewed data on the actual funds releases during 2012/13 and observed that despite all steps being performed within a reasonable period, the time taken to release the quarterly allocation to the PLA consistently takes well above 30 days from the start of the quarter. Longer delays were experienced when certain additional procedural requirements were added by the AG office, which have now been resolved.

123. PESP II has documented expenditures against an advance of US$45.50 million, disbursed in June 2012. The advance was disbursed against potentially meeting FY2012/13 DLIs under verification presently. The current undisbursed balance of the Credit is SDR 194,412,670 and there is an exchange loss in US Dollars of US$ 8.3 million as of June 10, 2013.

124. **Financial reporting:** SED/PMIU has met all currently due financial reporting requirements. BERs have been received up to the quarter ended March 31, 2013. IFRs for the period November 2012 to April 30, 2013 have been drafted and detailed discussions were held with the mission to finalize these for submission at the earliest. The audited financial statements for PESP (which closed on June 30, 2012) and PESP II have been forwarded by the AG office on the required date of December 31, 2012. Withdrawal Applications (WAs) for FY2012/13 disbursements and the documentation of previous advances have also been prepared and need to be submitted by June 10, 2013 to ensure that disbursements are made by the end of FY2012/13 (June 30).

125. **Auditing:** Acceptable audited financial statements for the year ended June 30, 2012 were previously received without any significant observations from the auditors.

126. Audit reports of the province and all districts are due to be submitted to the Bank by the Punjab government within one month of receipt from the AG office. While these are now available to the government for FY2011/12, PMIU has requested concerned audit formations for copies and it is anticipated that the submission will be made no later than June 30, 2013.

127. Audited financial statements for PEF up to the year ended June 30, 2011 have been uploaded to PEF’s website: [http://www.pef.edu.pk/](http://www.pef.edu.pk/). The auditors have issued an unqualified opinion. New auditors were engaged for the audit of the year 2011/12. The audited financial
statements for FY2011/12 are in final stages of audit and will soon be signed and uploaded on the website thereafter.

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<td>1.</td>
<td>Submission of audit reports for the province and all 36 districts to the Bank</td>
<td>June 30, 2013</td>
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<td>2.</td>
<td>Submission of total number of Punjab education sector employees and those receiving salary in cash i.e. not through direct bank transfer as at June 30, 2013</td>
<td>July 20, 2013</td>
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<td>3.</td>
<td>Finalization of concept note for payroll data cleansing of education sector employees</td>
<td>July 31, 2013</td>
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<td>4.</td>
<td>Recruitment of Director and Additional Director (Finance) at PEF</td>
<td>August 31, 2013</td>
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<td>5.</td>
<td>Formal adoption and notification of SOPs in PEF for all operational areas</td>
<td>October 1, 2013</td>
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128. **Procurement**: Procurement performance is rated as *Satisfactory*. The mission reviewed the overall progress of the procurement plan with PMIU. Most firms are hired for assignments mentioned in the procurement plan, except for survey activities for which PMIU will reinitiate the procurement process using quality cost based selection process and with proper costing for the activities. There are some activities in the plan, such as the contracted firms for call center services center and branchless banking services, which are for short time periods. PMIU informed the mission that these activities will be continued after a review of firm performance and initiating a new procurement process. In the interest of time, the mission advised PMIU that they may hire firms for such services for longer periods and carry out a review of firm performance as planned.

129. The mission clarified that after the Bank issues its No Objection, PMIU should immediately sign the contract with recommended firm/supplier for avoiding any delays. In addition, any assignment/supply of items should be initiated after the signing of the contract.

130. **Standard operating procedures for procurement and program staff for procurement and contract management**: The mission noted that there needs to more interaction and partnership between the procurement and program staff in PMIU for planning and processing procurement activities. It is advised that program staff be engaged in every step of the procurement cycle (where needed). The mission also requested PMIU to prepare Standard Operating Procedures specifying the roles, responsibilities, and timelines for each procurement step, for both program and procurement staff. The SOPs should also specify procedures related to contract and complaint management, with respect to both program and procurement staff.

131. **Contract management documentation**: The mission requested PMIU to send complete information on the status of the contract with Cambridge Education. For all ongoing contracts, PMIU is requested to send a contract management sheet indicating the status of contract, deliverable submission dates vis-à-vis the dates in the signed contract, extent of payments made vis-à-vis the original contract value, and actual progress of the assignment.

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<tr>
<td>2.</td>
<td>Submission of contract management sheet for all ongoing contracts</td>
<td>June 30, 2013</td>
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132. Environmental management: *The covenant related to the ESMF is fully complied with.* Implementation of the Environmental and Social Management Framework (ESMF) has seen significant improvement since the recruitment of the Program Officer-Environment and is now rated as *Satisfactory*. The ESMF was developed to ensure compliance with safeguards policies and to mainstream environmental awareness into capacity building activities. The implementation plan for ESMF has three main components: capacity building at multiple levels, information dissemination and awareness building, and tree plantation in government schools. ESMF implementation will be documented through quarterly environmental management progress reports, submitted by the PMIU to the development partners. A Third Party Validation (TPV) is recommended to assess progress and performance at the end of the implementation period.

133. PMIU has prepared the first quarterly progress report for the period January-March 2013 and submitted it to the development partners. With respect to capacity building, training manuals, training content, and a plan for training at the provincial and district levels have been developed and are currently under implementation. The training manuals cover topics in basic environmental awareness and details of the ESMF as well as stakeholder responsibilities towards ESMF implementation. In the first phase, five training sessions shall be conducted at the provincial level and nine sessions shall be conducted at the district level. DMOs, Executive District Officers–Education (EDOs–Education) and Building Department District Officers (DOs) for each district shall participate in the province-level training sessions, while school headteachers, MEAs, and contractor representatives shall attend the district-level training sessions. *Next step:* The first round of training sessions to be completed by June 20.

134. The second component of the ESMF implementation plan involves the plantation of fifty thousand trees in government schools across the province. The PMIU will conduct this activity in partnership with District Officers (Dos)-Forest in each district. After consultations, a tree plantation plan will be developed with a framework for selecting locations, tree types, and timelines. *Next step:* The plan to be prepared and submitted by July 15.

135. The third component of the ESMF implementation plan includes the preparation of environmental awareness literature and distribution to government schools. To this end, posters shall be designed and published, and shall be distributed in conjunction with the tree plantation activity. ‘Champions’ shall be identified among school headteachers during the training sessions to lead the environmental awareness campaign and tree plantation activity. *Next step:* Content for the posters to be developed by July 30.
### ANNEX

**LONGITUDINAL SCHOOL ASSESSMENT - IMPLEMENTATION TIMELINE**

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<td><strong>Overall Study Design</strong></td>
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<td>Invite inputs on key outcomes/behaviors of interest from Bank team members/PMIU/RSU/others as appropriate</td>
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<td>Identify focalperson in PMIU and RSU for the exercise</td>
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<td>Travel to Pakistan to dialogue with stakeholders as appropriate on the purpose, scope and content of the exercise</td>
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<td>Draft methodology note and circulate to relevant key stakeholders for review</td>
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<td>Survey of test developer market in South Asia</td>
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<td>Draft TORs for procurement of international test development firm based on good practice examples</td>
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