Project Agreement

(Second Punjab Education Sector Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

PROVINCE OF PUNJAB

Dated May 25, 2012
PROJECT AGREEMENT

AGREEMENT dated May 25, 2012, entered into between the INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the PROVINCE OF PUNJAB ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the ISLAMIC REPUBLIC OF PAKISTAN ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly, as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is the Secretary to the Government of Punjab for SED.

4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America
4.03. The Project Implementing Entity’s Address is:

School Education Department,
Civil Secretariat
Government of Punjab
Lahore, Punjab
Islamic Republic of Pakistan

Facsimile:

92-42-99211285

AGREED at Islamabad, Islamic Republic of Pakistan, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

PROVINCE OF PUNJAB

By

Authorized Representative
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

For purposes of implementing the Project, Punjab shall:

(a) maintain throughout the period of implementation of the Project, a provincial steering committee headed by the Chairman of Punjab's Planning and Development Department, and comprised of representatives from, inter alia, Punjab's Planning and Development Department, Finance Department, School Education Department and the Program Monitoring and Implementation Unit (PMIU), as well as development partners (as observers); which committee shall meet at least once per quarter and shall be assigned with functions and responsibilities satisfactory to the Association, as shall be required for the overall strategic policy guidance and planning, oversight, support and review of implementation of progress and performance Project activities;

(b) (1) maintain throughout the period of implementation of the Project, a program monitoring and implementation unit ("PMIU") headed by a Program Director, and provided with sufficient resources and competent and appropriately qualified staff in adequate numbers, under terms of reference satisfactory to the Association, as shall be required for: (i) the planning and management of Project activities, including compliance with the financial management, procurement, environmental and social safeguards, monitoring and evaluation, and reporting requirements under the Project; (ii) the development of guidelines, regulations and operations resource manuals as may be deemed necessary for Project implementation; and (iii) the liaison and coordination of activities with Punjab's District governments, the Finance Department, the Planning and Development Department, SED's sub-departments, and other key stakeholders;

(2) notwithstanding the provisions of subparagraph (b) (1) above:

(i) hire for/second to the PMIU, by no later than August 31, 2012, a finance officer, whose qualifications, experience and terms and conditions of employment shall be acceptable to the Association;

(ii) prepare and furnish to the Association, by no later than August 31, 2012, a plan to reorganize and restructure the PMIU, through, inter alia, staff recruitment from the private sector, the establishment of a research and analysis unit, and the establishment of an information and communications unit; and
(iii) implement said plan, by no later than March 31, 2013; and

(c) maintain in each provincial district, throughout the period of implementation of the Project, District Review Committees, chaired by a District Coordination Officer, and provided with sufficient resources and competent staff in adequate numbers, under terms of reference satisfactory to the Association, comprising inter alia, executive officers responsible for finance and planning, education, works and services, and monitoring and evaluation, which committees shall be assigned with such functions and responsibilities, satisfactory to the Association, as shall be required for: (i) providing guidance, oversight and support for Project activities, and managing their monitoring and implementation at district level; (ii) carrying out district review of program implementation, progress and performance; and (iii) liaising with the PMIU and the School Education Department and its sub-departments.

B. Anti-Corruption

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

C. Safeguards

1. The Project Implementing Entity shall ensure that:

   (a) all civil works carried out under the Project shall be implemented in accordance with the Environmental and Social Management Framework, the objectives, policies and procedures thereof, and the social and environmental mitigation measures and monitoring requirements provided therein, including in accordance with any environmental plan, acceptable to the Association, developed thereunder,

   (b) no activities involving land taking shall be carried out under the Project. In the event that any land acquisition shall be required for the Project, the Project Implementing Entity shall, in consultation with the Association, ensure that such land be obtained under a willing-buyer willing seller basis, or as a voluntary donation or bequest; and

   (c) no activities under the Project shall give rise to Displaced Persons.

D. Communications and Complaints Redressal System

The Project Implementing Entity shall:

(a) carry out, by no later than December 31, 2012, a stakeholder information and communications needs assessment in form and substance satisfactory to the Association;
(b) develop, by no later than June 30, 2013, an information and communication strategy, taking into account the outcomes of the above-mentioned needs assessment in a manner and substance satisfactory to the Association, and, thereafter, execute said strategy, throughout the period of implementation of the Project, in accordance with an agreed timetable and in a manner and substance satisfactory to the Association; and

(c) strengthen and update, by no later than June 30, 2013, in a form and substance satisfactory to the Association, and thereafter maintain throughout the period of implementation of the Project, the Complaints Redressal System currently operating within the School Education Department.

E. School Inspections

The Project Implementing Entity shall ensure that:

(a) by no later than December 31, 2012, SED shall have prepared an institutional plan for strengthening the capacity of the Chief’s Minister’s Monitoring Force in order to carry out school inspections, in a form and substance satisfactory to the Association. SED shall thereafter implement said plan in conformity with an agreed timetable, in a manner acceptable to the Association;

(b) all government schools, throughout the period of implementation of the Project, are surveyed by the Chief Minister’s Monitoring Force, at least once in each calendar quarter, in order to, inter alia, gather school-level information on program initiatives, teacher and student attendance and teaching activities;

(c) the information collected through the aforementioned surveys is made publically available on SED’s website not later than sixty (60) days after the end of each calendar quarter; and

(d) throughout the period of implementation of the Project, SED prepare semiannual district reports, in a manner and substance satisfactory to the Association, detailing the disciplinary actions taken against teachers and/or officials of the district education departments.

F. Testing and Examination Agencies

The Project Implementing Entity shall:

(a) by no later than December 31, 2012, prepare a plan for strengthening the Punjab Examination Commission and the Punjab Education Assessment System, in a form and substance satisfactory to the Association; and thereafter implement such plan in conformity with an agreed timetable, in a manner acceptable to the Association; and

(b) prepare and carry out, on an annual basis, province-wide examinations of students in grades 5 and 8 and district-representative diagnostic assessment, in
accordance with test design and administration arrangements satisfactory to the Association.

G. **Teacher certification**

The Project Implementing Entity shall:

(a) by no later than May 15, 2013, prepare a policy framework for the introduction of a new teacher certification and licensing regime, in a manner and substance satisfactory to the Association;

(b) by no later than May 15, 2014, prepare an implementation plan for the teacher certification and licensing regime referred to in sub-paragraph (a) above, in a manner and substance satisfactory to the Association; and

(c) by no later than May 15, 2015, submit to Punjab’s Provincial Assembly, for its consideration, a draft law for the establishment of a teachers certification and licensing body, in form and substance acceptable to the Association.

H. **Punjab Education Foundation & PEF Grants**

The Project Implementing Entity shall, by no later than March 31, 2013, enter into a memorandum of understanding with the Punjab Education Foundation, under terms and conditions acceptable to the Association, detailing the responsibilities of SED and PEF in the financing and implementation of PEF’s private schools subsidies and student vouchers program, including *inter alia*: (i) PEF’s compliance with the the Procurement Guidelines, the Consultant Guidelines, the Anti-corruption Guidelines and financial management standards and reporting/audit requirements acceptable to the Association; (ii) PEF’s undertaking to ensure that the private schools receiving PEF’s tuition replacement financial assistance comply with the Financial Management and Procurement Guidelines for School Councils; (iii) PEF’s monitoring and reporting responsibilities; and (iv) SED’s undertaking to timely defray the PEF Grants and the protocols therefor.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Program Implementation Progress Reports**

The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Program Implementation Progress Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each such Program Implementation Progress Report to be submitted to the Recipient and the Association twice a year. on or about April 15 and October 15 of each year, covering the immediately preceding semester of activities (i.e. October through March, and April through September, respectively).
B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. Without limitation on the provisions of Part A of this Section II, the Project Implementing Entity shall prepare and furnish, to the Association interim financial reports ("IFR"):

   (a) by no later than November 30 of each year, commencing on November 30, 2012, an IFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding six-month period (i.e. May through October) of Project activities; except that the first IFR, due on November 30, 2012, shall cover a shorter period of time commencing on July 1, 2012 and up to October 31, 2012; and

   (b) by no later than May 31 of each year, commencing on May 31, 2013, an IFR for the Project, in form and substance satisfactory to the Association, covering the immediately preceding six-month (6) period (i.e. November through April) of Project activities.

3. The Project Implementing Entity shall have its Financial Statements referred to in paragraph (1) above (covering the operations, resources and expenditures related to the Project) audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) Fiscal Year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Association not later than six (6) months after the end of the period.

4. Notwithstanding the foregoing, the Project Implementing Entity shall further 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, within one (1) month as of their receipt from the Auditor General Office; which audits shall have been prepared in accordance with consistently applied auditing standards acceptable to the Association.

C. Budget Execution Reports

Notwithstanding the reporting requirements set forth in Section II.B of this Schedule, for purposes of supporting any withdrawal applications under Component 1 of the Project, the Project Implementing Entity shall prepare quarterly consolidated budget execution reports ("BER"), in form and substance satisfactory to the Association, setting out values of budgets, actual expenditures incurred and balances thereof, if any, per month, per budget line, for the whole education sector. The BERs shall be prepared in each calendar quarter, and be submitted to the Recipient and the Association no later than thirty (30)
days after the end of such quarter, jointly with an executive summary cover note updating on EEPs defrayment. Each such BER shall cover the period spanning from the first day of the Project Implementing Entity’s Fiscal Year in which the report is prepared, up to the final date of the additional calendar quarter covered by each individual report.

D. School Councils’ Compliance with Fiduciary Requirements

1. (a) In order to comply with its fiduciary responsibilities under the Project, the Project Implementing Entity shall ensure that each School Council carries out its respective activities under the Project in conformity with the Financial Management & Procurement Guidelines for School Councils; and

(b) refrain, and cause each of the School Councils to refrain, from amending, waiving, terminating, suspending and/or abrogating the Financial Management & Procurement Guidelines for School Councils, whether in whole or in part, without the prior concurrence (no-objection) of the Association, if, in the opinion of the Association, such waiver, amendment, termination, suspension and/or abrogation may materially or adversely compromise the successful implementation of School Council activities in accordance with the fiduciary arrangements (procurement and financial management) undertaken under this Agreement.

E. Project Staff Allowance

The Project Implementing Entity shall ensure that, except the Association may otherwise agree in writing: (i) the project staff allowances eligible for financing under Incremental Operating Costs in Section 1, definition No.34 of the Appendix to the Financing Agreement, shall not be financed out of the proceeds of the Credit after a period of twenty-four (24) months as of the Effective Date of this Agreement (or any other period that the Association may otherwise agree); and (ii) the resources necessary for this purpose after such time are made available as agreed with the Recipient.

Section III. Procurement

1. All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

2. The Project Implementing Entity shall:

(a) establish, by no later than June 30, 2012, a system for the handling of procurement complaints, in a manner and substance acceptable to the Association, which system shall include, inter alia, the maintenance of a complaint database, a standard protocol setting forth triggers for carrying out investigations, and a sanctions regime. Notwithstanding the foregoing, for any procurement done through International Competitive Bidding, the Association’s prescribed complaint redress mechanism shall apply; and
(b) maintain throughout the period of implementation of the Project, a procurement documentation and record keeping system, including a publicly accessible website, in a format agreed with the Association, showing, inter alia, the Project procurement plans and official estimates (i.e. unit prices based on market values), complete bidding documents, the status of procurement of various contracts (the summary of proposals/bid evaluations and awards), contract performance and payment delays, and a list of procurement complaints and status thereof.