

**Activity Agreement
for the Sindh Basic Education Program**

by and between

the Government of Sindh (the Grantee)

and

the U.S. Agency for International Development (USAID)

as of September 21, 2011

**Activity Agreement
for the
Sindh Basic Education Program**

This agreement (this "Activity Agreement") is entered into by and between the U.S. Government, acting through the U.S. Agency for International Development ("USAID") and the Government of Sindh (the "Grantee," and together with USAID, collectively the "Parties" and each individually a "Party") as of the date indicated on the cover page of this Activity Agreement.

WHEREAS, the Islamic Republic of Pakistan, acting through the Economic Affairs Division of the Ministry of Economic Affairs and Statistics, and USAID entered into Assistance Agreement No. 391-003 dated August 9, 2002 as last amended as G-00-02-00001-08 dated September 30, 2009, (hereinafter referred to as the "Assistance Agreements") to provide information and procedures concerning the implementation of certain assistance described herein for the Sindh Basic Education Program;

NOW, THEREFORE, the Parties agree as follows:

Article 1. The Activity

Section 1.01 Purpose

In furtherance of the purposes specified in the Assistance Agreements, the Government of Pakistan, acting through the Grantee, shall carry out a number of projects that seek to implement the Sindh Education Program as outlined in this Activity Agreement. This Activity Agreement establishes the basis for a working relationship between USAID and the Grantee for the sole purpose of implementing the Sindh Basic Education Program.

Section 1.02 Program Description

The Parties mutually understand and agree to carry out the activities outlined in this Activity Agreement and further described in Attachment 1, Program Description (the "Activity"). The Activity will be implemented through various projects. Each project and specific project terms and conditions for financing will be detailed in a specific Project Implementation Letter ("PIL") related to the project.

Section 1.03 Implementation

The Parties will jointly program specific activities to be financed under this Activity Agreement through a Project Implementation Letter ("PIL") which will detail specific project terms and conditions for financing for the project and detail the design and specifications, funding and payment arrangements. Funding will be managed by results, with funding approvals for projects tied to the achievement of milestones and indicators.

Article 2. USAID Contributions

Section 2.01 Program Funding

Pursuant to the Foreign Assistance Act ("FAA") of 1961, as amended, USAID hereby sub-obligates U.S. \$19 million (the "Grant") to finance the projects described in the corresponding Budget Table and Project Descriptions in Attachment 2. Project funding will be carried out in accordance with the terms and conditions set forth in this Activity Agreement and the respective PIL related to each project.

Section 2.02 Total Estimated USAID Contribution

USAID's total estimated contribution to the Grantee in support of the Activity will not exceed U.S. \$81,000,000, which shall be provided in increments subject to program performance and the terms and

conditions in the Assistance Agreements, this Activity Agreement, and relevant PILs. In addition USAID intends to contribute an additional \$74 million outside of this Activity Agreement that will support this Activity through separate arrangements with third parties, as described in Attachment 1, Program Description. USAID's total estimated contribution is subject to the availability of funds to USAID for the Activity and the mutual agreement of the Parties to proceed.

Section 2.03 Disbursements

Upon satisfaction of the conditions precedent set forth in Article 5 of this Activity Agreement and the execution of a PIL, USAID will disburse funds to the Grantee in increments for specified projects in accordance with the terms of this Activity Agreement and the applicable PIL. The illustrative financial plan for the Activity is set forth in Table 1, included with Attachment 1, Program Description. As needed, subsequent PILs will be used to provide additional detail regarding the implementation of the Activity and the specific projects.

Article 3. Grantee Contribution

The success of the Activity depends on the joint contributions of the Grantee and USAID. Unless otherwise agreed in writing, the Grantee is responsible for the implementation of this Activity, including, without limitation, all procurements necessary to implement the Activity, the management and supervision of all such procurements, and adequate staffing of human resources to ensure uniform and continuous progress towards completion of the Activity. The Grantee is also responsible for any and all costs in excess of the Grant.

Article 4. Activity Completion Date

September 30, 2016 is the date by which the Parties estimate that all actions and undertakings necessary to achieve the Activity will be completed, or such other date as the Parties may agree to in writing (the "Activity Completion Date"). Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation that would authorize disbursements for costs incurred or for goods and services to be delivered subsequent to the Activity Completion Date.

Article 5. Conditions Precedent

Section 5.01 First Disbursement

Prior to the first disbursement of funds for the Projects under this Activity Agreement, or to the issuance by USAID of documentation pursuant to which any such disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, complete the following actions:

(a) Economics Affairs Division ("EAD") Letter Agreement

EAD will provide to USAID, in form and substance satisfactory to USAID, a written letter of assurance regarding the funds flow, the conversion of U.S. dollars to Pakistani rupees, exchange rate and other items, as further detailed in a letter from USAID included herewith as Attachment 3, EAD Letter.

(b) Special Assignment Account

The Grantee will provide to USAID, in form and substance satisfactory to USAID, evidence that the Grantee has established, or caused to be established, the Special Assignment Account described under Section 8.02 of this Activity Agreement.

Section 5.02 Terminal Date for Conditions Precedent to First Disbursement

The terminal date for meeting the conditions precedent specified in Section 5.01 is 30 days from signing of this Activity Agreement or such later date as USAID may agree to in writing before or after the above terminal date. If the conditions precedent in Section 5.01 have not been met by the agreed upon terminal date, USAID may, at any time thereafter, terminate this Activity Agreement by written notice to the Grantee.

Section 5.03 All Disbursements

Prior to any disbursement of funds for the Activity, or to the issuance by USAID of documentation pursuant to which any such disbursement will be made, the Grantee shall, except as the Parties may otherwise agree in writing, complete the following conditions precedent:

(a) Project Information

The Grantee shall provide to USAID, in form and substance satisfactory to USAID, appropriate Government approval for project implementation (such as Government of Pakistan pro-forma planning document – PC-1) and enter into a PIL that stipulates the following: project technical specifications; project budget/cost/price estimates; Government of Pakistan budget details (debit head of account including demand number) disbursement mechanism(s); if needed, necessary environmental assessment; and such technical information as needed to adequately price and complete the project.

Section 5.04 Additional Conditions

USAID reserves the right to require additional conditions precedent prior to any disbursement of funds under this Activity Agreement, or to the issuance by USAID of documentation pursuant to which any such disbursement will be made. Such additional conditions precedent will be stipulated in subsequent PILs as needed.

Article 6. Special Covenants

Section 6.01 Pre-Award Assessment

USAID has conducted an assessment of the administrative and financial management systems and the procurement procedures employed by the Grantee. The assessments included, but were not limited to, a test of the application of prevailing procurement procedures, a review of the procurement system's compatibility with USAID transparency and accountability principles and the Grantee's capacity to adapt these procedures, as necessary, to comply with USAID and Government of Pakistan requirements. The Grantee agrees to take necessary action to address the recommendations of the assessment as agreed in writing with USAID in accordance with the action plan developed to address such recommendations. Action steps taken may include building risk mitigating factors into the capacity building program for the grantee or retaining contractors and other USAID programs to assist the grantee in mitigating such matters.

Section 6.02 Notification

The Grantee shall make written notification of the prohibitions described in Section 10.05 to each governmental entity and contractor/grantee of this Activity Agreement and provide written confirmation to USAID of such notification.

Section 6.03 Procurement

All procurement actions undertaken by the Grantee pursuant to this Activity Agreement must be consistent with Government of Pakistan laws, regulations, rules, policies and procedures. The Grantee will immediately inform USAID in writing, within a reasonable period in advance, prior to deviating

from, not following or not implementing any of these contracting policies and procedures in connection with the Activity.

Section 6.04 Suspension

USAID reserves the unconditional right to suspend any and all disbursements of Grants should it deem, at its sole discretion, that (1) the Grantee has not fully cooperated with the terms and conditions of this Activity Agreement; (2) the Grantee has not established or implemented or subsequently followed the recommendations set forth in the work plan described in Section 6.01 of this Activity Agreement; (3) an event occurs that USAID determines makes it improbable that the result or related objective of this Activity Agreement will be obtained; or (4) any disbursement or use of the funds for the Activity would violate U.S. law, regulation or policy; provided that, USAID will notify the Grantee detailing the deficiencies and the proposed remedies, when applicable, in writing at least 15 calendar days prior to suspension, which will allow the Grantee to remedy the listed deficiencies, if possible. In addition, assistance to the Grantee will also be subject to the suspension and termination and refund provisions set forth in the Assistance Agreements.

Section 6.05 Environmental Compliance

The Parties mutually agree to implement the Activity in conformance with the applicable environmental regulatory and legal requirements of Pakistan and USAID. In particular, every project under the Activity will be implemented in conformity with the USAID Initial Environmental Examination, attached hereto as Attachment 4. No funds will be disbursed for projects that require an Environmental Assessment, until such assessment is approved by USAID.

Section 6.06 Operation, Maintenance and Repairs

The Grantee agrees to ensure the proper operation, maintenance and repair of all physical assets funded under the Activity, including, without limitation, the provision of training to operation and maintenance staff. In view of this covenant, the Parties will include operation, maintenance and repair in appropriate budget allocations. Such recurrent financing will be tracked and accounted for under the annual report of Grantee contributions report to USAID.

Article 7. Management of the Activity

Section 7.01 Monitoring and Access

The Parties will undertake rigorous monitoring and evaluation of the Activity. The Grantee will be responsible for monitoring and evaluation actions according to processes and procedures agreed upon. However, additional staff and resources may be required to implement a thorough monitoring and evaluation effort. As a consequence, USAID or its designee may also undertake monitoring and evaluation of the Activity. The Grantee shall ensure reasonable access to USAID or its designee to all necessary sites, documentation, individuals and information to monitor, evaluate and verify the Activity and their funding under this Activity Agreement, and will require a provision to this effect in all sub-awards or contracts financed by funds under this Activity Agreement. The Grantee may use PC-III form for quarterly reports, if jointly agreed upon by the Parties, to fulfill its monitoring and evaluation requirements.

Section 7.02 Notice

The Grantee shall itself, and the Grantee shall cause its contractor(s) to promptly notify USAID and its designee(s) prior to any completion of any project or subproject or a quantifiable element of work within the project. USAID shall make a determination of acceptable quality of the Activity. Any deficiencies shall be notified promptly. The Grantee's contractor(s) shall then promptly make good the defect to implement the Activity.

Section 7.03 Program Management

(a) Establishment of the Steering Committee

The Parties will establish a Steering Committee under the chairmanship of Secretary Education or the Additional Chief Secretary (Development). The Grantee will share draft terms of reference of the Steering Committee with USAID. Once agreed, the committee will be notified by the Grantee. The Steering Committee will act as the overall overseeing body for the Activity.

(b) Establishment of the Project Management and Implementation Unit (PMIU)

The Grantee agrees to establish a Project Management and Implementation Unit (PMIU) to manage project activities. The Grantee will appoint appropriate personnel with extensive experience to manage the project activities. USAID will enter into separate direct-managed contracts to provide technical support for the PMIU. These funds can be used for non-salary costs of establishing the unit.

Article 8. Funding Mechanisms

Section 8.01 Separate Dollar Account

USAID will deposit all funds for the Activity into the Separate Dollar Account, described in the EAD Letter Agreement set forth in Attachment 3, for the purpose of receiving and accounting for receipt of the Grant.

Section 8.02 Special Assignment Account

(a) Purpose of Account

All disbursements made by USAID under this Activity Agreement, and initially disbursed into the Dollar Account, shall be subsequently converted into Pakistani rupees, which will then be deposited into a separate, non-commingled, non-interest bearing account established by the Grantee to receive the amounts authorized by USAID (the "Special Assignment Account").

(b) Account Management

No other funds can be deposited into the Special Assignment Account. All reimbursements reported under this Activity Agreement for the Activity shall be disbursed from the Special Assignment Account. All receipts and payments from the Special Assignment Account shall be recorded in such a manner that it will be possible to ascertain the balance in the Special Assignment Account at any time. Separate accounting ledgers and files for supporting original paid vouchers shall be maintained for financial reviews and audit in accordance with Section 9.01 of this Activity Agreement.

(c) Verification of Expenses

An independent entity may be utilized by USAID for verification, and hired by USAID to scrutinize all voucher submissions from the Grantee to USAID for final review and payment. Following a successful verification of requests for reimbursement of expenses, USAID will release the funds. However, USAID may withhold disbursements if the Grantee fails to comply with the terms and conditions of this Activity Agreement, subsequent PILs or agreed reporting requirements.

Section 8.03 Methods of Implementation and Payment

Funding under this Activity Agreement will be provided to the Grantee under one or more different payment mechanisms to be stipulated with each subsequent project specific PIL that authorizes disbursements. Such payment mechanisms include, without limitation, direct payments by USAID, cost reimbursement upon submission of vouchers, performance-based payments, and fixed-amount reimbursements, as outlined below. The type of implementation and payment method will depend on a

number of factors, including, without limitation, the nature of the goods and services to be funded, their value, the Grantee's capacity to meet financial and procurement requirements, and past performance.

(a) Direct Payments

USAID may make direct payments on behalf of the Grantee for goods and services received under the terms and conditions of this Activity Agreement, as to be further specified in subsequent PILs. Under this method, the Grantee shall submit an official request to USAID requesting payments to a contractor and certifying that the amount claimed or billed by the contractor is proper for payment; that the goods or services were accepted and received in a satisfactory manner and that they were procured for authorized purposes as per the terms and conditions of this Activity Agreement.

(b) Cost Reimbursement

USAID may reimburse the Grantee for the reasonable, allowable and allocable cost of goods and services under the terms and conditions of this Activity Agreement, as to be further specified in subsequent PILs. Under this method, the Grantee shall make payments from its funds (including its working capital reserve) and then request reimbursement from USAID. Each request would include a voucher that indicates the total costs for which reimbursement is being requested. Each contractor would also be required to acknowledge, by signature or an acceptable equivalent, receipt of such payment for services performed or goods delivered during this period. When necessary and appropriate, USAID may also issue advance payments in accordance with USAID regulations.

(c) Fixed-Amount Reimbursement

USAID may reimburse the Grantee at a fixed, predetermined amount for goods and services under the terms and conditions of this Activity Agreement, as to be further specified in subsequent PILs. Under this method, USAID will approve a fixed reimbursable value for the successful completion of specified activities in accordance with previously agreed-upon specifications and standards. The amount of reimbursement is based on reasonable costs estimates reviewed and approved by USAID. The Grantee shall bear the risk if the actual cost of the goods and services exceeds the fixed amount, and shall bear the benefit if the actual cost is less than the fixed amount. Payment by USAID is always conditioned upon successful completion of the goods and services in accordance with the agreed upon specifications and standards.

Article 9. Monitoring and Reporting

Section 9.01 Accounting Books, Records and Audits

The Grantee shall maintain, or cause to be maintained, in accordance with its laws and regulations, and generally accepted international accounting principles and practices, supporting documents of deposits to, withdrawals from, and uses of the account or accounts set forth in this Activity Agreement. Such documents shall be available for review and audit by USAID or its designees at the end of each fiscal year of the Grantee and at other such times as USAID may request, and for up to three years following the last withdrawal from the applicable separate accounts made in accordance with the provisions of this Activity Agreement. Additional review and audit requirements may be established in subsequent PILs. In addition, the Auditor General of Pakistan will audit the accounts set forth in this Activity Agreement and its use in accordance with U.S. Government auditing standards, or other internationally accepted standards, as provided under the Memorandum of Understanding, dated April 26, 2007, and executed by USAID/Pakistan, the USAID Regional Inspector General, Manila and the Auditor General of Pakistan.

Section 9.02 Monitoring and Reporting

Except as the Parties may otherwise agree in writing, the Grantee shall provide USAID with a minimum of quarterly reports on the uses of the funds in and the status of the accounts set forth in this Activity

Agreement until the funds are fully withdrawn from such accounts and such funds, are applied to the agreed upon uses specified in this Activity Agreement and in any related PILs. Each such report will include information acceptable to USAID regarding all deposits into and withdrawals from the Separate Dollar Account and the Special Assignment Account, and the uses of such withdrawals, including deposits into the Separate Dollar Account and the Special Assignment Account and the prompt application of funds for the Activity, as set forth in this Activity Agreement and in any subsequent PILs regarding the use of these funds. The quarterly report will include copies of the corresponding bank statement(s) pertaining to the period covered by the report. Additional reporting requirements, frequency and formats may be established in subsequent PILs. The Grantee shall also report annually to USAID on the level of own source contributions (cash or in kind) applied to the implementation of the Activity.

Article 10. Other Provisions

Section 10.01 Communications

Any notice, request, document or other communication submitted by either Party under this Activity Agreement will be in writing sent by letter, telefax or electronic mail (“e-mail”) and will be deemed duly given or sent when delivered to such party at the following address:

To Grantee: Additional Chief Secretary,
Planning & Development Dept.
Government of Sindh,
2nd Floor, Tughlaq House Building # 2
Karachi, Pakistan
Tel. +(922199211405, 922199211921)
Fax: +(922199211251)

To USAID: Deputy Mission Director, Sindh/Balochistan
USAID Sindh Regional Office, Karachi
C/O US Consulate
Karachi
Tel: 021 3527 5000
Fax: 021 3561 2420

with a copy to: Supervisory Program Officer
USAID/Pakistan
C/O US Embassy
Islamabad
Tel: 051 208 0000:
Fax: 051 287 0310

All such communication will be in English. Other addresses may be substituted for the above upon giving written notice to the other Party, without constituting an amendment to this Activity Agreement.

Section 10.02 Representatives

(a) Grantee Representative

For the purposes relevant to the implementation of the Activity, the Government of Pakistan designated the person holding the office of the Additional Chief Secretary (Development) as the “Additional Representative,” in the letter set forth in Attachment 3, EAD Letter Agreement. For implementation of the Activity pursuant to Section 7.2 of the Assistance Agreement[s].

(b) USAID Representative

USAID shall be represented by the USAID Mission Director or Acting Mission Director as the “Authorized Representative” for implementation of the Activity pursuant to Section 7.2 of the Assistance Agreements. In addition, USAID designates the person holding the office of Deputy Mission Director of the USAID regional office in Karachi as the “Additional Representative” for this Activity to (1) be the primary liaison with the Grantee and its implementing agents in the day-to-day implementation, and (2) enter into and execute project-specific PILs for the implementation of projects for the Activity; provided that, only the USAID Mission Director or Acting Mission Director can take action to enter into, change or terminate this Activity Agreement on behalf of USAID.

(c) Grantee Program Manager

The Grantee may designate, in a separate letter to USAID, an individual and an alternate responsible for technical and administrative management of the Activity (the “Grantee Program Manager”). The Grantee Program Manager will work with USAID to ensure joint administration of the Activity, prudent management of the Grant, compliance with the terms and conditions of this Activity Agreement, and maintenance of proper documentation. Further, the Grantee Program Manager will be the primary liaison with USAID in the day-to-day implementation of the Activity.

(d) USAID Program Manager

USAID may designate, in a separate letter to the Grantee, an individual and an alternate responsible for technical and administrative management of the Activity (the “USAID Program Manager”). The USAID Program Manager will work with the Grantee to ensure joint administration of the Activity, prudent management of the Grant, compliance with the terms and conditions of this Activity Agreement, and maintenance of proper documentation. Further, the USAID Program Manager will be the primary liaison with the Grantee in the day-to-day implementation of the Activity.

Section 10.03 Public Recognition

The Parties will work together to maximize, to the extent possible, broad public awareness of the programs and activities funded by USAID under this Activity Agreement, including by making this Activity Agreement publicly available through appropriate Government of Pakistan internet web sites. The Grantee will use appropriate print and electronic media to publicize the programs and activities, and organize appropriate public ceremonies and events to highlight major milestones and accomplishments. The parties will work together to develop a branding, marking and communications plan that seeks to maximize public recognition of the objectives of this Activity and the cooperation of the Governments of Pakistan and the United States of America with funding provided by the People of the United States. The branding, marking and communications plan shall be in accordance with USAID’s communications policy as provided by the USAID Program Manager.

Section 10.04 Standard Provisions

The Standard Provisions of this Activity Agreement are the same, without exception, as those contained in Annex 2 of the Assistance Agreements, and shall be read as part of this Activity Agreement. These Standard Provisions are available from the USAID Program Manager upon request.

Section 10.05 Restrictions on Use of Funds

(a) Funds for Activity Only

This Activity Agreement relates solely to the funding of, or reimbursement of funds, for the Activity as described herein. Unless otherwise agreed in writing, no funds may be disbursed by USAID for any other purpose. As described in this Activity Agreement, no funds shall be disbursed or expended for, furnished to, used to finance, reimburse or service debts related to, or used for, any ineligible

individual or organization or any ineligible use. Commodities financed under, or the cost of commodities reimbursed by, this Activity Agreement shall not be used for any purpose other than the Activity.

(b) Restrictions on Funds for Government Officials

None of the funding made available under this Activity Agreement may be provided to any official of the Government of Pakistan, including, without limitation, the Grantee, or any other level of government for uses prohibited either in this Activity Agreement or in the Assistance Agreements and in connection with the procurement of goods and services relating to the Activity, nor will any Government of Pakistan employee or agent solicit or accept gratuities, favors or anything of monetary value from contractors or parties to sub-agreements, except for service fees or similar payments legally established in Pakistan. In addition, no funds under this Activity Agreement will be used for the payment of salary supplements for government employees, except as otherwise approved in writing by USAID.

(c) Anti-Terrorism

The Parties are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. It is the policy of USAID and the Grantee to seek to ensure that none of its funds are used, directly or indirectly, to provide support to individuals or entities associated with terrorism. In accordance with this policy, the Grantee undertakes to use reasonable efforts to ensure that none of the funds under this Activity Agreement are used to provide support to individuals or entities associated with terrorism.

(d) Other Restricted Purposes

The funds under this Activity Agreement may not be used to finance the purchase of services, commodities or equipment (i) for the use or benefit of any military, paramilitary, police, prison or law enforcement force or for any military or paramilitary purpose or (ii) from any country identified as a foreign policy restricted country in Section 228.03(b) of Part 228, Rules on Source, Origin and Nationality for Commodities and Services Financed by USAID, as may be amended by USAID from time-to-time. The funds under this Activity Agreement may not be used to finance the purchase of surveillance equipment, abortion equipment, luxury goods and gambling equipment, or weather modification equipment. The funds under this Activity Agreement may not be used to finance (1) any activity that involves investment promotion, unless specifically authorized by USAID, or which would contribute to a violation of internationally recognized rights of workers, or (2) any purposes other than those authorized pursuant to this Activity Agreement or subsequent PILs.

Section 10.06 Amendments and Modifications

This Activity Agreement may be supplemented or modified by written amendment signed by the Parties. The Parties may also issue PILs to provide project-specific or other implementation information as necessary to meet special situations which may arise with the understanding that such PILs must be consistent with the terms of the Assistance Agreement[s] and this Activity Agreement. Each such PIL will be considered part of this Activity Agreement. PILs may not be used to increase the USAID contribution or sub-obligation of funds for the Activity without formal amendment to the Activity Agreement.

Section 10.07 Assistance Agreements

This Activity Agreement is submitted pursuant to Section A.2 of Annex 2 of the Assistance Agreements. Nothing in this Activity Agreement should be construed as modifying or altering the Assistance Agreements or any of its provisions herein referred to and explained.

[Signature Page Follows]

Our signatures in the spaces below will formally record our joint agreement and acceptance of the terms and conditions of this Activity Agreement as of the date first indicated on the cover page of this Activity Agreement.

Agreed to and Accepted by:



Malik Asrar Hussain
Additional Chief Secretary (Development)
Government of Sindh

Agreed to and Accepted by:



Andrew B. Sisson
Director
USAID Mission to Pakistan

USAID Funds Stamp:

FUNDS AVAILABLE

Doc No 3915 02-02-0001-AA-SND01
Fund/BFY ES 2009/10
ECC 4100100
PA/PE A11/A035 Doc Type Sc
Amount \$ 19,000,000.00
Posted by W.H Date 08/26/11
Cleared by _____ Date _____

Attachments

- 1 Program Description
- 2 Budget Table and Project Descriptions
- 3 EAD Letter
- 4 Initial Environmental Examination

Attachment 1
Program Description

The goal of the Sindh Basic Education Program is to increase and sustain student enrollment in primary, middle and secondary schools in targeted geographic locations in Sindh by developing a school environment conducive to teaching and learning. This transformation will be achieved through the following components: (1) construction of schools affected by 2010 floods; (2) support to Government of Sindh (GOS) policy reforms to merge, consolidate and upgrade schools through construction of schools; (3) improvement in early grade reading in primary schools; (4) community mobilization, with a focus on increasing girls enrollment and improving nutritional status of children; and (5) technical assistance to the Department of Education.

Development Framework

The long-term sustainability of an effective education system that promotes child-centered learning will depend largely on the capacity of the public sector to introduce measures that promote high-quality, accessible and child-focused learning in schools, both public and private.

The challenge for USAID and the GOS is to support key policy reforms that improve the education system and learning environment. In order to effectively support the GOS through technical support to promote education reforms, USAID assistance will facilitate optimizing provincial and district government roles to ensure that both levels of government capitalize on their comparative advantages and are able to deliver on their commitments. USAID support for the construction of schools in flood-affected regions will be critical for the continued implementation of reforms and provide opportunities for children to have access to higher quality education in the province.

Key Components – Government to Government Activities

1. Construction of schools affected by floods (Sub-obligation \$10,500,000; Total Estimated Costs \$51 million)

The 2010 floods affected approximately 5,000 schools in Sindh of which approximately 2,500 schools were completely destroyed. Many of these schools were in the river bed of the Indus River and cannot be rebuilt in the flood plain. This natural catastrophe hindered the education of thousands of children in Sindh and other parts of Pakistan. The GOS, in partnership with international organizations such as UNICEF, has made efforts to continue the education of children in affected districts through the provision of temporary shelters and school supplies. However, there is an urgent need to rapidly initiate the construction of schools to replace the lost classroom space.

Subject to the availability of funds, it is estimated that USAID support will include the following:

High/large schools (Grades 1 – 10)	75
Approximate # of Classrooms	1125

The USAID-supported construction will ensure that all newly constructed flood-affected schools are equipped with furniture, are child friendly and meet minimum education and construction standards.

2. Support to GOS policy reforms to merge, consolidate and upgrade schools through construction of schools (Sub-obligation \$8,500,000; Total Estimated Cost \$30 million)

Although the proliferation of small basic education facilities throughout the province is the result, in part, of decades-old donor guidance, it has rendered the Sindh education system nearly impossible to manage. There are nearly 49,000 schools in the GOS's current inventory, most of which are non-functional, poorly located, undersized (one or two-rooms), understaffed, and/or poorly constructed. Further teacher absenteeism is chronic. In addition, it is now common to have several "schools" situated on the same premises, each with separate administrative personnel. This has created inefficiencies that the GOS can ill afford. Finally, there has been an under-investment in school facilities serving students past Grade 5, which has left few options for children to continue their education beyond the primary level, particularly for girls. Fortunately, the GOS has now taken on a series of education sector reforms to correct these problems. The first policy reform is to *consolidate* several small schools that exist in a village or neighborhood into a single, properly managed facility. The second policy reform is to support the *merging* of several schools that are operating in a single location into a single school operating under a streamlined administrative structure. The third policy initiative is to *upgrade* primary schools to include facilities and teachers for middle and high school-age students. The fourth policy reform is to hire additional female teachers based on merit and qualifications. The fifth policy reform is the adoption of school-specific budgets and the placement of school-specific teachers, which will provide resources for maintenance and supplies and reduce teacher absenteeism.

Subject to the availability of funds, it is estimated that USAID support will include the following:

High/large schools (Grades 1 – 10)	45
Approximate # of Classrooms	675

USAID assistance will support these important policy initiatives by constructing, furnishing and equipping approximately 45 schools in carefully selected locations in the six focus districts in Northern Sindh and selected towns in Karachi. This will be accomplished in concert with the Department of Education through a process that identifies dangerous school buildings that need to be demolished. In their place will be built larger facilities that encompass a broader catchment area, administratively merge "schools" operating in a single location, and include facilities for Grades 1-10.

This strategy is being adopted to ensure that all facilities that bear the "USAID" logo adhere to seismic and other quality standards. This strategy supersedes the previously considered strategy to "upgrade" existing facilities or to add latrines and boundary walls to facilities of questionable structural integrity.

Key Components – USAID Direct Activities

3. Improved early grade reading in primary schools (Estimated Costs \$14 million; Total Estimated Costs \$30 million)

Studies have shown that learning outcomes have a direct correlation to a country's economic growth. Key to learning is the ability to read. A ten percent increase in the number of students achieving basic literacy translates into a 0.3 percentage point increase in the annual growth rate for that country. Other research has shown that early grade reading competency is critical for continued retention and success in future grades. Unfortunately, more than 70% of children in Pakistan in primary school cannot read at grade level.

Implementing a key goal of the new worldwide USAID Education Strategy, the program will improve reading by focusing on three areas: a) improving reading instruction; b) improving reading delivery systems; and c) increasing community engagement and mobilization.

4. **Community Mobilization** (Estimated Cost: \$10 million; Total Estimated Costs \$20 million)

Community engagement and mobilization will form a cornerstone of the Sindh Basic Education Program and will focus on three key areas: engaging communities in the design and building of the new schools, increasing girls' enrollment, and improving the nutrition status of children. Engaging communities in school construction has proven to be an effective model in AJK, leading to increased enrollment in schools, minimizing delays in construction, and the provision of materials, such as books, for the schools.

As a means to increase girls' enrollment, increasing community participation in schools is a key component in bringing larger numbers of girls to school. In Sindh, low participation of girls in the formal schooling system is a key challenge in the education sector. The Gender Parity Index (GPI) in primary education shows enrollment of 77 girls in primary schools for every 100 boys. Gender disparities vary across regions and become extremely high in rural parts of the province. For example, in Jacobabad, the GPI shows enrollment of 39 girls in primary schools against 100 boys. Low social value is placed on educating girls; preference is given to educating boys. Some of the key barriers to female participation in the formal schooling system include: poverty (which puts children into the work force rather than schools); long distances between home and school; and lack of girl-friendly facilities, such as separate latrines, boundary walls, and female teachers.

The community mobilization component of the Sindh Basic Education Program will work to engage parents and help to provide solutions to problems that prevent sending girls to school. Part of the program will be to allow communities that do not benefit from newly built Sindh Basic Education Program schools to apply for small grants. These funds may be used by School Management Committees (SMCs) or the local civil society organizations for the construction of latrines, provision of clean water, child friendly furniture, temporary teachers, school supplies, and minor school repairs.

Another key component of the community mobilization program will be a focus on nutrition. Currently, Sindh province is experiencing high malnutrition levels among children and women. The situation is the worst in districts affected by 2010 floods. As per the Government of Sindh / World Health Organization, districts in Northern Sindh are experiencing Global Acute Malnutrition (GAM) at a rate of 23.1 percent in children aged 6 -59 months. Various studies and reports have linked the high level of malnutrition with the high incidence of poverty, low levels of education (especially of mothers), poor access to health services, poor hygiene practices, and the non-availability of clean drinking water. Additionally, statistics have shown that malnourished or undernourished children often miss school. Those who attend school are often not able to concentrate on their studies, suffer learning disabilities, and drop-out at an early age. The situation is usually worse for young girls.

Programs have been implemented in Sindh to improve the nutrition of children in schools. However, these programs were discontinued due to various reasons, such as heavy engagement of teachers in cooking, and high levels of corruption. In addition, these programs often failed to address the preventive side of the issue such as widespread diarrheal cases due to poor hygiene practices, low levels of education among mothers, etc.

This component of the program attempts to address some of these issues from the school perspective, but will need to be linked with interventions in other areas. The following are key broad areas that this program will address:

- Education of families on nutritional needs of young children
- Ensuring the availability of clean drinking water, and adequate sanitation facilities both at school and home

- Increasing the availability of micronutrients such as iodine, iron, vitamin A for children (in collaboration with the USAID Health & Nutrition Office)
- Increasing the availability of adequate health care facilities for children (in collaboration with the USAID Health & Nutrition Office)

The Sindh Basic Education Program will promote school sanitation and hygiene education as a cross-sectoral theme. Special emphasis will be given to the availability of clean water and the construction of child-friendly toilets in newly constructed schools. In other schools, communities can apply for grants to construct these facilities. Community training will include modules on health and nutrition, and community mobilizers will seek to increase links between the school and the local basic health units (BHUs.) Teachers will be specifically trained in school sanitation and hygiene practices. In addition, the Sindh Basic Education Program will explore the possibility of working with the USAID/Health & Nutrition office to provide micronutrients and sanitation and hygiene kits to children.

5. Technical Assistance to the Department of Education (Estimated Cost: \$4 million; Total Estimated Costs \$6 million)

The Sindh Basic Education Program will provide technical assistance in three broad areas: financial, procurement and administrative management, engineering oversight and design, and education administration.

- Financial, Procurement and Administrative Management:** Through the Assessment and Strengthening Program (ASP), USAID will strengthen the procurement system in the Education Department and will mitigate other agreed-upon institutional weaknesses identified through the pre-award survey of the Department of Education and recorded on the risk mitigation framework.
- Education Reform and Administration:** The Sindh Basic Education Program will support the Department of Education to continue with the education reforms started under World Bank and European Union funding. The technical assistance will include, but will not be limited to the following areas:
 - Consulting to assist with the coordination and synchronization of reform implementation
 - Developing District Education Plans
 - Establishing the Teacher Licensing and Certification System
 - Strengthening the Provincial Education Assessment System
 - Strengthening the Education Management Information System including GIS
 - Strengthening education budgeting systems at the provincial and district level
 - Strengthening school management and administration

The GOS and USAID will mutually identify additional areas of technical assistance, which will be provided through a direct USAID contract/grant.

6. Monitoring and Evaluation (Estimated Cost: \$ 3 million; Total Estimated Costs \$3 million)

The program will incorporate a strong monitoring and evaluation (M&E) component to ensure the rapid and efficient implementation of activities as outlined in the program description. A Pakistan third-party contractor/s and/or organization will be hired to monitor program activities in the field and submit reports to both GOS and USAID. The M&E system will maximize community participation through the capacity building of communities in monitoring and reporting. It is expected that valuable lessons learned from the Sindh Basic Education Program will be derived through the M&E component and that the potential impact of different variables on program success will be tracked (rural/urban settings, degree of community involvement and local authority commitment to reforms, commitment to girls education, etc.).

7. Office of Infrastructure and Engineering (OIE) (Estimated Cost: \$15 million; Total Estimated Costs: \$15 million)

USAID/Pakistan's OIE will provide engineering design and construction supervision and management services.

Expected Outcomes

Through the Sindh Basic Education Program interventions, every year 700,000 children will have an opportunity to receive higher quality education and better reading in six underserved districts of Sindh, plus Karachi. Approximately 120 new schools (1,800 classrooms) will be constructed.

Geographic Focus

USAID and the GOS jointly agreed that the Sindh Basic Education Program will target six districts in Sindh: Dadu, Jacobabad, Kashmore, Kamber Shahdadt, Larkana, and Sukkur. In addition to the focus in Northern Areas, the program will also support construction of schools and other activities in selected towns of the city of Karachi. These districts reflect a cross-section of districts with predominantly rural and urban populations, and that have heretofore shown varying levels of commitment to reform initiatives. In addition, the districts were selected that represent a range of commitment to girls' education, as reflected by GPIs varying from .39 to .87. All of the districts selected suffered flood damage, but Jacobabad, and Dadu suffered the most damage.

Illustrative Budget Table

Project	FY 2009	FY2010	FY2011	FY2012	FY2013	FY2014	Total
Reconstruction flood schools	10,500,000	20,000,000	20,500,000	-	-	-	51,000,000
Consolidation, upgrade and merge school construction	8,500,000	20,000,000	1,500,000	-	-	-	30,000,000
Subtotal G2G	19,000,000	40,000,000	22,000,000	-	-	-	81,000,000
Improved reading & reading instruction	4,000,000	10,000,000	16,000,000	-	-	-	30,000,000
Community Mobilization	4,000,000	6,000,000	10,000,000				20,000,000
Technical Assistance to DOE	2,000,000	2,000,000	2,000,000	-	-	-	6,000,000
M&E	1,500,000	1,500,000	-	-	-	-	3,000,000
OIE Construction Design and Supervision	4,500,000	10,500,000	-	-	-	-	15,000,000
Subtotal USAID Direct	16,000,000	30,000,000	28,000,000	-	-	-	74,000,000
Total G2G + USAID Direct							155,000,000

Attachment 2
Sub-Obligation Detail and Project Descriptions

Budget Table:

Project	Project Title	Dollar Amount
1	G2G: Construction of schools affected by floods	\$10,500,000
2	G2G: Support GOS reforms to consolidate, upgrade and merge schools through construction/renovation of schools	\$8,500,000
Total in US Dollars		\$19,000,000

Budget notes:

1. G2G: Construction of schools affected by flood

The majority of the anticipated funding will be contained under this budget category. USAID/Pakistan will sub-obligate funds from which the Government of Sindh (GoS) can request funding for construction and/or renovation schemes of schools impacted by the floods. The 2010 floods affected approximately 5,000 schools in Sindh of which approximately 2,500 schools were completely destroyed. Many of these schools were in the river bed of the Indus River and cannot be rebuilt in the flood plain. The GoS will be responsible for working with local officials and communities in the design and selection of school schemes and will ensure environmental compliance is met including baseline studies, Environmental Review and Assessment Checklists (ERAC) must be prepared for each school site during the site assessment, Environmental Mitigation and Monitoring Plans (EMMP) and Environmental Compliance Monitoring Reports (ECMR). While the final number of schools will depend upon the selected scheme and related construction costs it is estimated that 15 schools will be constructed.

- a) **Time/duration: September 30, 2014**
- b) **Purpose: Construction of an estimated 15 schools in six districts**
- c) **Amount: \$10.5 million**
- d) **Implementing instrument/mechanism: Fixed Amount Reimbursement**

2. G2G: Support to GOS Reforms to consolidate, upgrade and merge schools through construction of schools

In support of GOS education sector reforms to correct school inefficiencies, USAID will support GOS efforts to consolidate, upgrade and merge schools through constructing, furnishing and equipping approximately 13 schools in carefully selected locations in the six focus districts in Northern Sindh and selected towns in Karachi. This will be accomplished in concert with the Department of Education through a process that identifies dangerous school buildings that need to be demolished. In their place will be built larger facilities that encompass a broader catchment area, administratively merge "schools" operating in a single location, and include facilities for Grades 1-10. This strategy is being adopted to ensure that all facilities adhere to seismic and other quality standards. This strategy supersedes previously considered strategy to "upgrade" existing facilities or to add latrines and boundary walls to facilities of questionable structural integrity. The GOS will be responsible for working with local officials and communities in the design and selection of school schemes and will ensure environmental compliance is met

including base line studies Environmental Review and Assessment Checklists (ERAC) must be prepared for each school site during the site assessment, Environmental Mitigation and Monitoring Plans (EMMP) and Environmental Compliance Monitoring Reports (ECMR).

- a. **Time/duration: September 30, 2014**
- b. **Purpose: Construction/renovation of an estimated 13 schools in six districts**
- c. **Amount: \$8.5 million**
- d. **Implementing instrument/mechanism: Fixed Amount Reimbursement**

Attachment 3
EAD Letter

Attachment 4
Initial Environment Examination

A. Environmental Compliance

Based upon Title 22 of the U.S. Code of Federal Regulations (CFR) Section 2.16, USAID has prepared an initial environmental examination (IEE) of the reasonably foreseeable effects on the environment approved by the Bureau Environmental Office (BEO) on April 11, 2011 tracking number OAPA-11-APR-PAK-0023. Based upon consultations with the Government of Sindh (GoS) counterparts USAID education programming in Sindh will focus on the following interventions:

1. Construction of schools in areas affected by floods
2. Support to GoS reforms to consolidate, upgrade and merge schools through construction of schools.
3. Improved Reading and reading instruction in schools.
4. Community mobilization (e.g. nutrition and girls enrollment).
5. Technical Assistance to the Department of Education.
6. Monitoring and Evaluation and Construction Design and Supervision Assistance.

B. Evaluation of Project Issues with Respect to Environmental Impact

USAID has determined in the approved IEE that technical assistance (TA) related activities will have no significant effect on the environment resulting in a *Categorical Exclusion* and no further environmental action is required. These TA activities include the following:

1. Improved Reading and reading instruction in schools.
2. Community mobilization (e.g. nutrition and girls enrollment).
3. Technical Assistance to the Department of Education.
4. Monitoring and Evaluation and Construction Design and Supervision Assistance.

For small-scale infrastructure construction and renovation USAID has determined that they may potentially significant effect on the environment resulting in a *Negative Determination with Conditions*, which are established in the approved IEE. These small-scale infrastructure construction and renovation activities include the following:

1. Construction and renovation of schools in areas affected by floods
2. Support to GoS reforms to consolidate, upgrade and merge schools through construction/renovation of schools.

Small-scale infrastructure construction and renovation activities will require mitigation and monitoring measures as defined in the Initial Environmental Examination attached to this Activity Agreement.

A full version of the Initial Environmental Examination #OAPA-11-APR-PAK-0023 is attached in a separate document.

GOVERNMENT OF PAKISTAN
ECONOMIC AFFAIRS DIVISION
(US SECTION)

No. 6(1)/USA/EAD/07

Islamabad 15th July, 2013

From: Section Officer (USA)
Ph: 9201629
Fax: 9205971

To: ✓ Ms Sara R. Walter
Director, Program Office,
USAID Mission to Pakistan,
U.S Embassy,
Islamabad

SUBJECT: AMENDMENT NUMBER FOUR TO THE ACTIVITY AGREEMENT FOR THE SINDH BASIC EDUCATION PROGRAM

Reference Activity Agreement No. 391-PEPA-SBEP

Dear Ms. Sara,

I am directed to refer to USAID's letter dated 9th August, 2015 on the subject captioned above.

4. Kindly find enclosed original documents (Two Sets) of subject Amendment Number Four for the said activity agreement, duly signed by Additional Secretary, Economic Affairs Division for your record and further necessary action.

With Regards

Sincerely,



(Muhammad Salman)



USAID | PAKISTAN

FROM THE AMERICAN PEOPLE

March 6, 2015

Mr. Muhammad Waseem
Additional Chief Secretary
Planning and Development Department
Government of Sindh
Karachi, Pakistan

Subject: Amendment Number Four to the Activity Agreement for the Sindh Basic Education Program

References: *Activity Agreement 391-PEPA-SBEP (former 391-013) and the Pakistan Enhanced Partnership Agreement*

Dear Additional Chief Secretary:

The purpose of this Amendment Number Four is to amend the USAID *Activity Agreement 391-PEPA-SBEP*, as amended (the "Activity Agreement") entered into on September 21, 2011 between the Government of Sindh (hereinafter referred to as the "Grantee") and the U.S. Agency for International Development ("USAID" and together with the Grantee, the "Parties"). The Activity Agreement was executed pursuant to Assistance Agreement No. 391-003, dated August 9, 2002, as amended, and the Pakistan Enhanced Partnership Agreement (the "PEPA") between the Government of the Islamic Republic of Pakistan and USAID, dated September 30, 2010, as amended (collectively, the "Assistance Agreements"). Both Agreements were signed between the Government of the Islamic Republic of Pakistan and USAID. This Amendment Number Four is submitted pursuant to Section 10.06 of the Activity Agreement which states that the Parties may agree to supplement or modify the Activity Agreement through a written amendment signed by the Parties.

WHEREAS, the Parties hereto wish to (a) extend the Activity Completion Date as stated in Article 4; (b) amend the Section 10.06, Article 10 "Other Provisions."

NOW, THEREFORE, the Parties agree to amend the Activity Agreement as follows:

1. Article 4 "Activity Completion Date" of the Activity Agreement is hereby deleted in its entirety and replaced with:

"September 30, 2018 is the date by which the Parties estimate that all actions and undertakings necessary to achieve the Activity will be completed, or such other date as the Parties may agree to in writing (the "Activity Completion Date"). Except as USAID may otherwise agree in writing, USAID will not issue or approve documentation that

would authorize disbursements for costs incurred or for goods and services to be delivered subsequent to the Activity Competition Date.”

2. Article 10 “Other Provisions” Section 10.06 “Amendments and Modifications” of the Activity Agreement is hereby deleted in its entirety and replaced with:

“This Activity Agreement may be supplemented or modified by written amendment signed by the Parties. The Parties may also issue PILs to provide project-specific or other implementation information as necessary to meet special situations which may arise with the understanding that such PILs must be consistent with the terms of the Assistance Agreement[s] and this Activity Agreement. Each such PIL will be considered part of this Activity Agreement. PILs may be used to increase the sub-obligation of funds for the Activity without formal amendment to the Activity Agreement but may not be used to increase the Total Estimated USAID Contribution.”

The signatures in the spaces below will formally record the parties’ joint agreement and acceptance of the terms and conditions of this IL amending Activity Agreement No. 391-PEPA-SBEP.

Agreed to and accepted by:

Agreed to and accepted by:

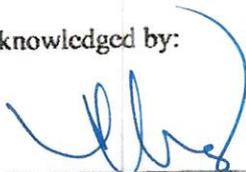


Muhammad Waseem
Additional Chief Secretary
Planning and Development Department
Government of Sindh



Gregory C. Gottlieb
Director
USAID Mission to Pakistan

Acknowledged by:



Anjum Assad Amin
Additional Secretary
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Government of Pakistan



USAID | PAKISTAN

FROM THE AMERICAN PEOPLE

March 6, 2015

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Additional Chief Secretary
Planning and Development Department
Government of Sindh
Karachi, Pakistan

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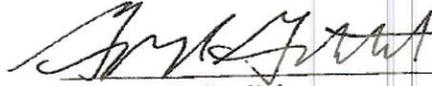
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Muhammad Waseem
Additional Chief Secretary
Planning and Development Department
Government of Sindh



Gregory C. Gottlieb
Director
USAID Mission to Pakistan

Acknowledged by:



Anjum Assad Amin
Additional Secretary
Economic Affairs Division
Ministry of Economic Affairs and Statistics
Government of Pakistan