

Bangladesh

Developing a Risk-Reduction Strategy on Financial Management and Governance in PEDP2

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Developing a Risk-Reduction Strategy
on
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PEDP2

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Abbreviations

ADB	Asian Development Bank
AUEO	Assistant Upazila Education Officer
CAG	Controller and Auditor General
CAO	Chief Accounts Officer
CGA	Comptroller General of Accounts
DFID	Department for International Development UK
DG	Director General
DPE	Directorate of Primary Education
DPEO	District Primary Education Officer
EMIS	Electronic (or Education) Management Information System
ESTEEM	Effective Schools through Enhanced Education Management
FPD	Finance and Procurement Division (of DPE)
FMU	Financial Management Unit
GoB	Government of Bangladesh
IMED	Inspection Monitoring and Evaluation Division (of MoF)
M&E	Monitoring and Evaluation (also that Division of DPE)
MoF	Ministry of Finance
NCTB	National Curriculum and Textbook Board
OCAG	Office of the Comptroller and Auditor General
PD	Project Director
PEDP	Primary Education Development Programme
PLU	Programme Liaison Unit
PMED	Primary and Mass Education Division
PTI	Primary Teacher Institute
RIBEC	Reforms in Budget and Expenditure Control (Project)
RNGPS	Registered Non-Government Primary School
SMC	School Management Committee
SOE	Statement of Expenditure
TST	Technical Support Team
UAO	Upazila Accounts Officer
UEO	Upazila Education Officer
UPE	Universal Primary Education
URC	Upazila Resource Centre

Executive Summary

1. This is the report of a consultancy mission to Bangladesh in September 2003 supported by the Development Partners (DPs) that are involved in the GoB's Second Primary Education Development Programme (PEDP 2). The purpose of the mission was to progress preparation of a strategy over PEDP 2 to reduce the risks to proper financial management, transparency and accountability. Terms of Reference are at Annex 1.
2. The report considers the policy commitments and actions included in PEDP 2 that are explicitly intended to reduce the risk of mismanagement and leakage, alongside some country-wide developments, such as the 2003 procurement regulations and guidelines, that will be incorporated into PEDP 2 procedures. The study concludes that PEDP 2 has incorporated significant mechanisms and structures, including provision for external performance and financial auditing, capacity building, and support for increased delegation of financial and managerial responsibility to field level offices and schools. The latter is to be driven by the outcomes of and Organisational Analysis in the first 9 months of PEDP 2.
3. The study recognises the potential of the support modality: "pooled funding" of development support to a coherent programme approach, with joint monitoring, should simplify the financial administration of PEDP 2 and bring more resources to monitoring and audit functions.
4. However, the report identifies risks to the effectiveness of these measures, including: the urgency of establishing an effective Finance and Procurement Division in DPE, the need for coordination with other actions, including the Organisational Analysis, FMRP and the ADB's proposed multi-sector Anti-Corruption TA. Other areas in which it is suggested that PEDP 2 might strengthen the accountability and transparency framework around new actions include those concerning the creation of a new primary education cadre, stipends programme and block grants to schools.
5. The study assesses the risk, and its potential impact, in other activities of PEDP 2, including: procurement of civil works, procurement of textbooks and human-resource management. The issue of school-fees is considered, as a risk both to equitable access and the transparency of school financing.
6. Wherever possible the study has identified ways in which the risk associated with each of these areas may be reduced. These include: technical improvement to control procedures (e.g. regulations, guidelines/manuals and computerisation); capacity-building; pro-active approaches to increasing accountability, transparency and redress; and external audits, supervision and quality assurance, including random-testing, of textbooks and other procured items.
7. The report emphasises the importance of measures to improve transparency across the implementation of PEDP 2 and suggests a pro-active strategy whereby all documentation is considered public, and made available physically or electronically to interested parties.
8. Section 3 considers how these options might be developed, prioritised and built into an over-arching risk-reduction strategy for PEDP 2. Critical dependencies on other PEDP 2 actions, such as the Organisational Analysis, and on cooperation with other agencies of projects have been identified to the extent possible.
9. The report suggests processes for planning and producing the strategy on the basis of stakeholder consultation and more detailed fact-finding. It also suggests the need for a pro-active approach to information dissemination and awareness raising about the strategy. An indicative timeline for planning the risk-reduction strategy over the first 9 months of PEDP 2 is included.

Main Recommendations

For the Strategy

10. Take a pro-active approach to increasing transparency and information to support public accountability, at all levels.
11. Increase use of mass media to generate awareness about the organisation and financing of the primary education system, the regulations concerning the stipend programme, the charging of school fees and the transparency of school finances.
12. Develop procedures and regulations to improve the objectivity of staff appointments, promotions and transfers, including open marking and an appeals procedure,
13. Consider more radical approaches to textbook procurement that could undermine the stranglehold exerted by the printers' cartel, and technical steps to allow better stock control of textbooks.
14. Assist LGED to become actively involved in risk-reduction, using its information base, outreach and authority to improve its own procedures for identification of malpractice and enforcement of regulations.
15. Prioritise a review of stipend programme after one or two years to confirm its proper use of funds.
16. Consider options by which school "fees" may be legitimised in some circumstances, with a social safety net, so as to ensure such funds are properly accountable.
17. Look beyond the SMCs for school level accountability, by improving formal inspection of accounts and involving community and Union Parishad in accountability.

For the planning

18. Explicitly address risk-reduction measures through the Organisational Analysis and identify the areas in the TORS. Planning requires active coordination with OA on accountability and lines of communications in the delegation of responsibility to the field level offices of DPE.
19. Active coordination with FMRP, on procedures for the FPD.
20. Planning may need specialist, independent consultants to help identify the technical steps forward in HR management, textbooks, civil works and use of mass media for awareness raising.

Introduction

About the report

21. This is the report on a consultancy mission to Bangladesh from 6 to 21 September, 2003 to identify a process and time line for the Ministry of Primary and Mass Education (MoPME) and the Directorate of Primary Education (DPE) to develop an action plan for strengthening financial management and improving governance in the second Primary Education Development Programme (PEDP 2)¹. Terms of reference for the mission are at Annex 1. The consultancy team consisted of: Mr John Wood, Education for Change Ltd., UK; Mr. Hasnat Abdul Hye, consultant, Bangladesh; and Mr Amit Kumar Shrivastava, Norwegian Institute of International Affairs (NUPI), Norway.

22. The main findings of this report were presented to a meeting of development partners (DPs) on September 18, 2003. Comments received at that meeting have been incorporated into this report but the report reflects the team's findings and recommendations which do not necessarily reflect those of any other agency or individual. Comments on the draft were received subsequently and have also been incorporated where possible. Those that have not been incorporated are discussed in Annex 4.

23. The purpose of this report is to assist in defining actions within PEDP2 and the target audience is of people involved in that process. The report does not, therefore, include comprehensive background on PEDP2, which is available elsewhere, notably in the *Final Plan* of the programme preparation team and the *Project Concept Paper (PCP)*.

Structure of the report

24. The report has three main sections:

- a. **Section A** considers the context of financial management and governance in Bangladesh and in PEDP2. It includes a review of those proposals within PEDP 2 that are explicitly concerned with reducing the risks to financial management and those parts of PEDP 2 that provide opportunities upon which the strategic plan may build.
- b. **Section B** identifies areas of activity under PEDP 2 in which there are risks of mismanagement, leakages and the use of influence; it considers the level of risk, the possible impact and some of the options for reducing that risk.
- c. **Section C** outlines an approach to preparing a risk reduction strategy to guide further actions under PEDP 2, and the steps to be taken in the first nine months of PEDP 2 to inform production and stakeholder confidence in the strategy.

Acknowledgements

25. The team acknowledges the help it has received from officials of MoPME and DPE, representatives of other agencies and individuals. A list of persons met and places visited is at Annex 2.

¹ PEDP 2 is a 6 year programme to develop primary education in Bangladesh supported by the Government and its development partners with a total budget of approximately US\$1.8billion. The programme is planned to commence in January 2004.

SECTION A: Context

Country context

26. Bangladesh is a developing country in which public sector service conditions lack financial or professional incentives and the associated administrative and financial systems have struggled to keep pace with the needs of a democratic country. A bipartisan political system permeates deeply into the workings of society. The country has a tradition of societal organisation which includes established “patron-client” relationships and, to the extent this persists, it increases the perceived risk of favouritism and nepotism in the workings of the developing elective democracy.

27. Perceptions of risks of poor financial management and leakage are high and recent analyses of procurement, disbursement, financial control and auditing capacity have identified structural and capacity weaknesses.

28. Concerns over the perceived risks to proper financial management have encouraged the Government to take a number of actions recently.

29. With the support of the World Bank’s Public Procurement Reform Project, the GOB has introduced a national reform of procurement that includes the establishment of policy, monitoring and training capacity and the approval of a standard form of public procurement regulations and bidding documents. The new regulations assist transparency, reduce the risk of interference, provide an independent appeals procedure and provide a better framework for probity in procurement. The new procedures were legislated in the Procurement Procedures Act (2003).

30. The GOB is in the process of establishing an Anti-Corruption Commission. To further support the anti-corruption commitments of the government, the ADB is funding a technical assistance project, to start early in 2004.² The TA will help to operationalise the Anti-Corruption Commission and will include, amongst other actions, governance audits of line-ministries.

31. The Finance and Management Reform Project (FMRP) is a five-year project, which started in April 2003 and is working cross-sectorally to improve and harmonise mechanisms for financial reporting, control, budget preparation and audit. FMRP will address these issues at national level but the scope does not extend to supporting improved expenditure management at field level. Its impact on the risks associated with poor information flows between the centre and the decentralised units will be limited.

32. Despite these actions there is a widespread perception that the political will is inadequate, or that the necessary steps are compromised by political and social realities.

PEDP 2 context and actions to improve management and governance

Human Resource Management

33. PEDP 2 has a number of proposals to improve the management of human resources, particularly teachers, headteachers and AUEOs, by providing a better career structure and some incentives for qualifications. The stated aim is to reduce the loss to the system and risks associated with professional disengagement and disenchantment arising from the current lack of a career structure for primary education professionals.

34. The establishment of a Primary Education Cadre is a policy of PEDP 2 and allows MoPME to be more directly responsible, and hence accountable, for staffing Primary

² TA BAN 37017: Supporting Good Governance Initiatives

Education posts. A cadre service for Primary Education will allow for continuity and sustainability within DPE, which now suffers from quick turnover of officials coming from different cadres. If the cadre is introduced alongside clearer guidelines and regulations concerning promotions and transfer, it may contribute to changing those HR management practices that undermine the career structure and contribute to the risks of its mismanagement through influence or rent-seeking³.

Financial Management

35. The five year Financial Management and Reform Programme (FMRP) will extend the work of RIBEC/ESTEEM so as to cover a larger number of Ministries and within selected Ministries, including MoPME, it will deepen the impact so that the improved records of expenditure systems are complemented by improved budgeting and audit systems.

36. FMRP started in Spring 2003 and there is still some lack of clarity as to how the support will articulate with that to be provided under PEDP2 (TST - 1) to the establishment of DPE's new Finance and Procurement Division (FPD). It seems most logical that FMRP will take responsibility for the work in MoPME, extending the expenditure-reporting achievements to budget planning and internal auditing. However, the responsibilities need to be clarified and a formal mechanism for coordination and technical coherence established.

37. There is a proposal, to be supported under FMRP, for restructuring the audit committee in MoPME as part of the financial management improvement plan. Current audit capacity in MoPME is effectively non-existent. MoPME will engage an audit firm, with TOR satisfactory to the DPs, to carry out internal audit for the programme. The firm of auditors is expected to be in place within six months of the commencement and MoPME will share internal audit reports with DP, including their actions on audit findings, within three months after the completion of the audit.

38. Significant attention has been paid by the GOB and its DPs to the financial management procedures, to ensure proper use of the pooled fund and to realise the hoped-for gains of the pooled funding modalities, for example of efficiency and increased transparency. A *Financial Management Assessment* undertaken by the World Bank, which includes the fund flows, SOE and bank reconciliation and the auditing procedures, also includes a risk-analysis and identifies current weaknesses at MoPME and DPE. Its recommendations for addressing risk and weaknesses have been included in the PEDP 2 planning but raise some concerns, including the ability of MoPME to strengthen budgeting and auditing capacity, even with the support of FMRP.

39. However, the first concern for PEDP 2 is whether the FPD can be established, institutionalised and put to work in a timely manner and with the capacity to manage all the activities of the pool-funded programme. PEDP 2 provides sufficient numbers of posts and support but experience under PEDP 1 suggests that DPE faces a challenge to appoint, manage and retain staff in such posts.

Procurement

40. PEDP2 will require procurement of goods (including civil works and educational materials) and services (including international and local consultants). It includes measures to improve procurement efficiency. Most importantly, as a consequence of the pooled funding and management modality the intention is to consolidate all procurement in a single Division of DPE, working to common regulation and supported by international and national procurement specialists. Compared to the previous practice of procurement by individual projects, typically supported by an individual development partner and working to that partner's procurement procedures, the concentration of expertise and experience should increase efficiency and provide better internal validation and transparency.

41. International competitive bidding (ICB) procedures (to ADB guidelines) will be used to procure the services of international consultants in PEDP 2. The paper for textbook production is to be procured by ICB (using World Bank procedures).

³ Rent-seeking means asking for personal reward to undertake the responsibilities of one's position.

42. All local procurement including for textbooks, other teaching and learning materials, civil works and local consultancy will be procured using the new Public Procurement (2003) regulations, mentioned above. The regulations, and the concentrated expertise in FPD provide a basis to reduce the risk associated with non-standardised, poorly controlled procurement, but cannot protect against the risk of high-level collusion.

43. Procurement of Civil Works is to be undertaken using packages with minimum contract value of US\$100,000, compared to previous practice of packaging on a school-by-school basis with typical costs of US\$10,000 to US\$20,000. This is intended to attract larger, more reliable contractors, and facilitate supervision of these civil works contracts.

44. It has been noted in DP comments on the PCP that the “unit costs” used for budget preparations, in the Final Plan and the PCP, seem over-generous. This would not be a cause for concern in perfectly competitive procurement scenarios, but could be seen as providing a bigger envelope for collusion and overcharging, without activating the budget limit as a control. This risk is medium but the suggestion has been made that a “realistic” unit cost needs to be established for procurement items.

45. The Aide-Memoire of the August PEDP 2 Joint Appraisal/Pre-Appraisal (of ADB and WB) proposes packaging civil works contracts to provide for fewer, larger individual contracts; typically by contracting the works on several schools together. This is intended to attract larger, less ephemeral firms and to facilitate supervision and quality management of works.

46. Textbooks (i.e. the printing, binding and distribution of books on the basis of NCTB's masters and paper procured by ICB) and Civil Works (school and PTI building, maintenance etc.) will be procured by the NCTB and LGED respectively. These are major procurement categories in terms of cost and are each associated with high risks (of collusion and price-fixing) that the new procurement procedures alone do not significantly reduce. The situation in textbook procurement is particularly vulnerable.

47. PEDP 2 discusses “privatisation” of textbook supply, as a long-term aim, drawing on the experience in the Secondary sector. The issue is complicated, as the secondary sector only depends on the market for printing and distribution, whilst the Higher Secondary sector uses a more familiar publishing model in which authorship; editorial and design functions are left to the suppliers. Total dependence on the market for primary textbook supply may well be more cost-effective than the current system, but is a paradigm shift and would imply, for example, a much greater block (or capitation) grant for schools to buy books in the market. Experience of the school block grant accountability under PEDP 2 will inform decision-making on this matter. Evidence on utilisation and accountability procedures for block grants is therefore a priority for PEDP 2.

48. PEDP 2 has established the Project Liaison Unit (PLU) with responsibility that includes the specification and procurement of independent evaluation, monitoring and audit services, from the private sector. The option to use more, more focused and more independent performance audit services is intended to identify and address areas of risk.

Organisational Analysis

49. PEDP 2 proposes an Organisational Analysis of educational management and follow-up action to improve structures and communications so that bottlenecks and capacity constraints on management may be reduced. The analysis will also indicate the scope and structures for decentralisation of functions and delineation of job descriptions. The organisational analysis provides an opportunity to consider what further accountability procedures; improved communication and openness can be encouraged in the revised structures.

Decentralisation

50. PEDP 2 proposes delegation of functions from DPE to Division, District, Upazila and school level, this is in keeping with government policy and is intended to reduce the bureaucratic bottleneck associated with central responsibility for field level functions. Details of the scope of delegated powers are to be spelt out in the Organisational Analysis and implemented within one year.

51. It is argued that the impact of such delegation, *per se*, on the risks to financial management is not clear. According to some, such delegation increases opportunities and spreads the risk more widely so that formal accountability becomes more difficult to establish. Others argue that it allows for more public accountability by concerned persons, and reduces the risk of high-cost, systemic mismanagement. The balance of judgment appears to be that delegation improves efficiency in decision-making, increases local participation and allows for more transparency, with consequent lowering of the risk of irregularity.

52. The delegation of responsibilities in PEDP 2 therefore presents a challenge to ensure that risks are properly assessed and actions, which will include actions to develop and inform local accountability, are included in the strategic planning. These are discussed below

Block grants

53. PEDP 2 extends the use of block grants to all schools, for small maintenance and the purchase of equipment and materials. It is implicit in the PEDP 2 documents that this will support better local accountability, through the involvement of the SMC, and allow schools a little autonomy in decision-making on purchases. These are reasonable expectations, but measures to improve local accountability are included in the strategic planning outline below, and suggest that expectations that SMCs can fulfil the increased control and accountability functions expected of them, may be over-optimistic.

Monitoring and Evaluation

54. PEDP 2 has a common framework for monitoring project progress, performance, compliance and impact. The existing EMIS and M & E Divisions of DPE are to continue their work on quantitative system data and this will inform the semi-annual reviews by the GoB and the DPs. Their joint nature should provide an opportunity for more thorough and wide-ranging annual reviews able to assess critical interdependencies between different actions and provide a coherent overview. This has been a weakness of the monitoring of individual projects that constituted PEDP 1. In particular the joint review should be able to call upon wider range of professional expertise, and undertake more comprehensive field research to insure that findings reflect field realities.

55. PEDP 2 proposes to strengthen M&E capacity within DPE, and to shift the responsibility for overseeing textbook distribution, which sapped so much of its capacity during PEDP 1

56. PEDP 2 proposes the establishment of a Programme Liaison Unit (PLU) in the ADB Dhaka office, with budget to contract external performance audits throughout PEDP 2, so as to inform the reviews and monitor the progress of implementation. The PLU will be involved with policy, strategy, annual planning, and overall performance of the programme leaving micro management to the PCU.

57. PEDP 2 includes an action line to allow for external architect and engineering firms to review, on a sampling basis, the performance and cost-effectiveness of civil works.

58. Within PEDP 2, a number of Public Expenditure Tracking Survey (PETS) and Qualitative Service Delivery Survey (QSDS) studies will be done annually to cover central and local administrative unit, school block grant, stipend, construction, maintenance and repair work, recruitment of teachers, URC and schools (SMCs and PTAs). A study team with prior experience with surveys will be contracted for design and implementation of the PETS and QSDS. These are tools that will identify and quantify risks and shortfalls in financial management and performance. The results of these actions will inform the risk-reduction strategy.

Performance Related Disbursement

59. PEDP 2 includes a mechanism for performance related disbursement of the pooled funds, by which the DPs may link further financial support to activity, disbursement and policy targets. This provides an opportunity to encourage improved financial management and risk-reduction as an aspect of performance, and to guarantee the proper utilisation of the pooled fund.

SECTION B: Risks to Financial Management and Governance in PEDP 2

Human resources

60. Human resource management for primary education is carried out by DPE through its network. In the primary education sub-sector, human resources include teachers and officers at various levels. The recruitment, posting, transfer and promotion processes present risks of irregular practices having negative impact on quality of education and on the effective use of resources, human and financial. HR policies that lead to disaffection or career stagnation compound the risks of financial mismanagement as an alternative route to financial security.

Appointments

61. Primary school teachers are appointed through public examination followed, for those who pass the exam, by a *viva voce* (or “viva”, meaning interview). The qualifying mark in written examination is 40 per cent, which makes a large number of candidates eligible for interview. The scores allocated for written examination and for *viva* are 70 and 30 per cent respectively. The pass-marks and ratio of exam to *viva* have been changed over the last few years, with the result that more candidates take the *viva* and the relative weight of the *viva* has increased. These increase risk in the recruitment procedure, if the interview panel is subject to influence; the presence of two politically nominated persons increases this risk. Allegations of paying to buy a teaching post are widespread, with estimates that a typical payment may be as high as US\$2,000 and, consequently the selection of teachers with less than minimum qualification is also reported.

62. The recruitment to administrative posts, such as that of Upazila Education Officers (UEOs) is also cumbersome and at risk in the same way: AUEOs and UEOs do not have a career-development path that is clearly delineated as in other cadres.

63. As part of PEDP 2 MoPME has taken a decision to establish a Primary Education cadre of the Civil Service which should be made effective within one year. It is hoped that the cadre will provide a career path and procedures that allow field level appointees to progress to higher level positions, and reduce the lack of continuity, particularly in DPE, associated with the secondment and movement of staff from other cadres. The establishment of a new cadre, *per se*, will have little impact on the risks associated with human resource management in Bangladesh, the new cadre will be large, competitive and subject to the normal pressures for appointment and promotion. However, the establishment of the cadre does provide an opportunity to establish regulations and practices to improve transparency, appeals and other good practices for appointments, promotions and transfers.

Risk and impact

64. The risk of influence and rent-seeking at appointment is high.

65. The impact is not only to undermine attempts to improve the quality of the teaching force (particularly in the personal and motivational qualities of candidates), but also of introducing new teachers to a culture of mismanagement, rent-seeking and influence. In some cases appointees incur a level of debt that might encourage them to immediately seek alternative sources of income. Women are in general less able to mobilise the funds that may be required to secure recruitment by rent-seeking officers, so there is potential impact on the recruitment of female teachers.

Ways forward

66. To reduce the risk at appointments the percentage of marks for *viva* interview could be reduced, say to 15. To reduce the number of candidates, qualifying marks could be raised so that overall the weight given to the objective testing at appointment procedure is increased.

67. The existing system of setting question papers by one person without moderation by others involves 'risks' of misuse. Instead of one person, questions could be set by several persons and the final question paper consolidated by a team of moderators sitting together in office. The examining of answer scripts of primary teachers using code numbers appears satisfactory. To make it fool-proof the tasks of separating out the names and roll numbers of candidates from answer scripts and assigning code numbers to these should be done by two separate persons. The written examination for class III staff of DPE could follow the same procedure.

68. The *viva* part of the exam needs to become more transparent and open for appeal. A standardised marking sheet for the *viva*, to be completed by all parties, would assist transparency and accuracy. The inclusion of a representative randomly chosen from a panel from civil society could also assist accountability.

69. The job descriptions at each level (Upazila, District, Division and DPE) need be prepared and disseminated through workshops/training courses. The job description of Upazila Primary Education Officer has already been prepared and needs to be acted upon within six months of PEDP 2's commencement; assistance may be needed with the task of preparing job descriptions of remaining posts under MoPME.

70. An appeals or tribunal system for appointments and promotions would give aggrieved candidates an opportunity to redress wrong-doing. It may be possible to build an appeals system into the regulations for the new Primary Education cadre.

Transfers and promotions

71. The authority to transfer Upazila Primary Education Officers should be delegated to the DPE leaving MoPME to concentrate on policy making and overall supervision. Posting and transfer, as well as promotion, should follow a guideline to avoid risks and the use of discretionary powers that breed corruption. Transparency International (TI) has reported⁴ instances in which authority over transfer has been used for rent-seeking, and the use of transfers in punitive ways. There is an additional risk, as women teachers, seeking to follow their husbands to new locations, need a transfer system able to take account of their family imperatives. The system lacks clear criteria or appeals procedures.

72. At present many senior officers who started their career as Upazila Primary Education Officer long ago are either awaiting promotion to the higher posts at the district level or holding current charges as District Primary Education Officers (even as Assistant DPEO).

73. The system of annual performance reviews is not transparent and a poor mark or adverse remark can blight a career, providing opportunities for rent-seeking by those undertaking the reviews.

Risks

74. The risks of influence and irregularities around transfer are high. The impact is on spreading the practice of rent-seeking, lower quality of appointments and de-motivation of teachers, particularly women teachers.

Ways forward

75. For justice and fair play and to raise the morale of these officers, senior posts at district and divisional levels should be filled from Upazila Education Officers having sufficient seniority and merit. Those holding current charge of senior positions should be regularized if their performance is satisfactory. For promotion during the interim period i.e. before the creation of cadre and preparation of service rules, a promotion policy, guidelines and procedures, should be drawn up in consultation with the Public Service Commission.

76. The annual review of performance needs to be an open document and subject to appeal to higher authorities and, in case of irreconcilable difference, to an independent tribunal.

⁴ *Corruption in Primary Education of Bangladesh*, Transparency International Bangladesh, May 2001.

77. To the extent possible, changes need to clear the way for open competition for posts.

Programme Financial management

Capacity and procedures

78. Financial management capacity of DPE is inadequate leading to risks of misuse and less than optimum use of financial resources. Though MoPME is now in a position to obtain up to date accounts of annual disbursement and actual expenditure shortly after the end of fiscal year, DPE does not have similar capacity. As a result there is an enormous lag between funds disbursed to the field officers and receipt of statement of expenditure and accounts, and little chance that statement of accounts are checked. In effect disbursements are made on the basis of budget lines, not on expenditures.

79. Financial Management under PEDP 2 envisages actions to be taken to deter and identify malpractices. The government has agreed to prepare a PEDP 2 Financial Management Manual outlining programme specific financial management policy and procedure within six months of effectiveness.

Risk and impact

80. Risk is addressed in PEDP 2 in coordination with FMRP. On this basis risk at central level of mismanagement of the pooled fund is low, albeit there remains a risk of administrative bottlenecks in processing and control whilst the FPD is established.

81. The impact of any mismanagement at central level is, potentially, high as there will be unprecedented levels of financial activity, and sums of money, involved.

Ways forward

82. The PEDP 2 Financial Management Implementation Plan addresses this shortcoming. It is, therefore, important that the new system is operationalised within six months of the implementation of PEDP 2.

83. Financial Management in the MoPME needs to be made fully operational through appointment of adequate permanent staff, reducing the dependence on consultants.

84. Financial procedures, at all levels, need a clear operational manual, consolidating and, if necessary, renewing the regulations. All book-keeping needs to move to double entry system. Such actions, and others, require coordination with FMRP.

85. Responsibility for recording and monitoring expenditure, and for reimbursement, should be delegated to field level to decrease the time-delays in reconciling accounts and increase local overview and control of expenditure.

Audit capacity

86. The internal audit committee of MoPME needs to be strengthened, integrating it with the Financial Management Unit as proposed under the Financial Management Improvement Plan.

87. While audit by CGA should be completed and responded to in a timely manner, the internal audit by MoPME should emphasize half yearly audit and compliance.

Risk and impact

88. The risks associated with inadequate auditing are medium to high. Inadequate auditing opens the doors to financial irregularities, although auditing needs to be combined with effective action if it is to become a tool for reducing risk substantially. It is also recognised that the auditors can only rely on available data.

89. The impact of a weak audit system is high as it leaves open opportunities for mismanagement.

Ways forward

90. Clarification of responsibilities and interoperation of PEDP 2 and FMRP in the development and delineation of audit functions, including the place of external audit or “commissioned” audits by CGA.

91. Public accountability, and awareness would be increased if programme plans; budgets and expenditure were to be published, perhaps electronically. Similarly audit reports need to be in the public domain.

92. Regular independent audits, by auditing firms with international standards are to be undertaken under PEDP 2. Where audits identify mismanagement then appropriate disciplinary procedures need to be applied, and the “scale” of disciplinary procedures needs to be clarified within the risk-reduction strategy.

93. The weakness of the systems for financial tracking and audit within MoPME, DPE and the field offices argues for ongoing attention, through studies and audit reports on their systems. This study recommends more detailed analysis, during the preparation of the risk-reduction strategy to prepare detailed recommendations on how the financial procedures can be regularised and strengthened. The work needs to be coordinated with FMRP and the consultancy inputs to PEDP 2.

Procurement of Goods and Services

Unit Costs

94. PEDP 2 formal documentation includes budget lines for procurement, typically based on estimated unit costs. In many cases these are too high. Whilst it may be assumed that competitive procurement will establish the market price for items, such as furniture, computers and vehicles, where those procedures are undermined, for example by collusion, then the inflated unit costs provide an adequate financial envelope in which leakage can be concealed.

Risk and impact

95. The risk is medium, applying only to those areas in which the unit costs have been set too high, and cases where the procurement processes break down to some extent.

96. The impact may be high, in the case of large scale procurement exercises, such as for furniture.

Ways forward

97. These costs are now fixed by the PCP, as an envelope but each procurement round could review the unit costs and make an assessment of market prices, to reset the envelope on a case-by-case basis.

Procurement of Civil Works

98. Infrastructures development in PEDP 2 aims to provide adequate facilities conducive to good quality education through increased access to schools with additional classrooms, facilities like toilets, furniture, blackboard and equipment. During PEDP 2, a total of 30,000 additional classrooms will be constructed, out of which 4,000 will be completed by the end of year 1 of effectiveness. The survey of the existing 37,000 government primary schools requiring additional rooms, repair and maintenance has already been completed by LGED. The Upazila Education Committee, headed by UNO with UEO as Member-Secretary and other officials and non-officials as members, is responsible for selection of schools for the purpose of constructing additional classes, toilets etc (as it was for construction of new schools under PEDP 1).

99. Every year the government (DPE) allocates Tk. 400 million to LGED for repair and maintenance of primary schools. The amount earmarked for primary schools at village level is Tk.10,000 (it is approximately Tk. 1,00,000 for PTI and Tk. 30,000 for urban schools). Out of the total expenditure for repair and maintenance 25% are required to be contributed by local

people through SMC. The survey of 37,000 government primary schools carried out by LGED should be the basis for taking up the repair and maintenance of existing schools, and being an independent agency LGED should be asked to prioritise the schools for this purpose.

100. The new Procurement Rules approved by the government in consultation with Development Partners provide for dropping of tenders at more than one place implying that the same procedure as under PEDP 1 will be followed in future. The present Upazila Tender Committee is headed by the UNO and has the Upazila LGED Engineer as the member-secretary, with other official and non-officials. Representatives of civil society, such as the chairman of the Union Parishad and a representative of SMC chairmen should be members of the tendering committee.

101. During construction the contractor usually submits a running bill when 30% of the total work is completed. The Upazila LGED Engineer in charge of supervision certifies completion of this work and the Upazila Accounts Office pays the bill. The time lag between the submission of bills to the Upazila Engineer and the payment of bills by the Upazila Accounts Officer should be clearly mentioned by the Upazila Tender Committee to avoid risks at either level. For a particular work, 4 to 5 running bills are submitted by the contractor on the completion of certain percentages of the total work (e.g. 30% for the first, 50% for the second, etc.). The same procedure for certification by Upazila LGED Engineer and payment by Upazila Accountant is followed in each case.

102. Supervision of construction work is mainly the responsibility of Upazila LGED Engineer. This is carried out through a Sub-Assistant Engineer and a Work Assistant for each school (under PEDP 2, this will be each contract package). The SMC is also involved in supervision, and under PEDP 1 floor casting and roof casting works were done in their presence. Before the final bill was submitted after completion of work the contractor obtains a certificate from the SMC chairman. The new schools constructed under PEDP 1 were handed over to SMC formally through an inauguration function. In PEDP 2 a similar procedure is to be followed to ensure accountability and transparency.

Risks and impact

103. The risks attached to civil works procurement are high. The system leaves many opportunities to influence tender committees, and supervision is not adequate to ensure quality standards are maintained.

104. The impact is also high: malpractice in contracting leads to significant leakage of programme funds and the provision of low quality buildings in need of expensive running repairs that disrupt the work of the schools.

Ways forward

105. Since pressure is likely to be applied from local level to have additional classes, irrespective of priority needs, the survey report by LGED needs to be, transparently, the main basis for selection of schools. Simultaneously, the percentage of boys and girls belonging to the primary school age cohort within the geographical jurisdiction of the school should also be taken into consideration to allow accommodation for increase in enrolment. The best way of avoiding pressure from different quarters for additional classrooms is to have objective criteria like (1) survey report of LGED, (2) annual increase of students for demographic reasons and (3) comprehensive coverage of boys and girls in the age-cohort for primary education. To ensure transparency, the selection of schools can be done by the Upazila School Committee on a particular day after giving due publicity and the results can be announced publicly with explanation given for the selection. The minutes of the meeting should be displayed on notice board at Upazila and copies of the same made available to interested persons.

106. The survey of 37,000 government primary schools carried out by LGED should be the basis for taking up the repair and maintenance of existing schools. The Upazila Education Committee should check on a random basis a few of the schools given high priority in the survey to avoid risk of 'mistakes'. Schools should be categorized as A, B; C in order of priority and selection for repair and maintenance should follow the criteria in a descending order. As in the case of additional classrooms, here also the same procedure of publicity should be adopted for transparency in the decisions for repair and maintenance.

107. Pre-qualification of contractors is important and the criteria for judging qualifications of contractors should be objective and very specific, leaving no room for use of discretion. DPE and LGED head office should prepare the qualification criteria, publicise them including to the Upazila Tender Committee, and have procedures to handle appeals.

108. The cluster of schools grouped for repair and maintenance works contracts should be represented at the Upazila Tendering Committee, by the headteachers and/or SMC chairs. This will help them to exercise their interest in the tendering and to have a more effective supervisory role during construction.

109. In addition, the certificate of the concerned headteacher should also be obtained regarding satisfactory work. The Earnest Money⁵ for each construction work is usually retained by the Upazila LGED office for one year after which it is returned to the contractor if there is no complaint about the work. Certificate should be obtained from the head master, SMC and the Upazila Engineer in charge of supervision before refund is made.

110. It is not known if an adequate manual/guidebook for construction, repair and maintenance of primary school has been prepared covering all the stages ranging from survey to refund of Earnest Money as discussed above. If this is not the case, a manual should be prepared during PEDP 2 to be used by LGED Engineers, Upazila Committees, SMCs and head masters.

111. LGED can be encouraged to take amore active and public approach to risk-reduction in the procurement of civil works. LGED is an executing agency for PEDP 2 and its interests lie in reassuring the GoB and DPs that it takes this role seriously. Their internal procedures should be reviewed, strengthened as necessary and publicised. LGED should take responsibility for monitoring the number and results of appeals over tendering. LGED also maintain computerised records of contracts that could be used to identify those which raise suspicions of over-pricing, and use this to inform additional checks.

112. LGED should move towards publishing lists of successful bidders; a public performance record of contracting firms and a blacklist of firms and individuals involved in malpractice.

113. External audits of quality should be undertaken, with random checks, annually by an international firm of architects and engineers to examine adherence to quality standards and value-for-money.

Procurement of Textbooks

114. The NCTB will be the executing agency for supply of textbooks and is responsible for procuring printing, binding and distribution of textbooks: NCTB supplies the paper, which it procures though international bidding, and the print masters (“positives”) of the books. Delay in the distribution of books is common and reduces the effectiveness of investments. It takes place both for technical factor (printing bottlenecks) and the *ad hoc* approach to distribution. Creation of artificial scarcity also stimulates sales of books in the market, which may include diverted copies.

115. There are open reports of collusion amongst bidders, and of expensive imported paper being diverted to other uses, so that local paper is used with poorer print quality and shorter book life. NCTB lacks the capacity to pursue such abuses. It also lacks any real incentive to achieve quality or value-for-money on behalf of DPE, which is the customer.

116. Stock management of textbooks is almost non-existent, and there is a risk of leakage to the market during the extended and poorly controlled distribution mechanism.

Risk and impact

117. The risk associated with textbook procurement is high. It is an annual round of spending of over \$10m, subjected to an extremely powerful cartel of printers, and with inadequate controls. The paper used and the books themselves are liquid assets, with no stock control systems.

⁵ Money of the contractors that is retained as security.

118. The impact is also high, both on the quality of education and the leakage of programme funds.

Ways forward

119. Since supply of quality paper by NCTB is often cited as a reason for the delay in printing, serious thought should be given to doing away with the practice. The printers should be required to use papers of reasonable quality for printing of books. It may even be justified to go for inferior quality of paper, which will remove the risk of using two types of papers for printing, one for the sample inspection by authorities and the other for the bulk of books.

120. As regards printers, stringent qualification criteria should be used and the New Procurement Rules of the Government should be followed in inviting bids and evaluating the same. The new system and procedure should be introduced within one year of PEDP 2's implementation. However, it is recognised that the cartel of printers can only be broken if the highest level of political will is mobilised and that the matter needs to be pursued at the appropriate levels.

121. Several steps can be considered to improve NCTB's procedures and reduce the ease with which the process is subjected to high risks. Quality monitoring of books needs to be increased, and action taken, including blacklisting, of those involved in malpractice. This would be assisted if there were a contract identifier printed clearly in each book. Trials of alternative bidding arrangements, including decentralised bidding by Division/District, whole book bidding (i.e. for all copies of a single title), and international competitive bidding may be tried.

122. The move to a more market-oriented system offers one way out of the morass. A discussion paper is at Annex 3.

123. Stock control can be improved by introducing a coherent manual system and subsequently a computerised stock control system including DPE godowns/warehouses. Better stock control would be facilitated by better requirements for packaging, labelling and delivery procedures in the procurement. It may also involve some capacity building of warehouse staff.

Field level financing

Financial procedures at District and Upazila

124. Financial management regarding primary schools covers disbursement, control and audit of funds allocated for salary support, training, stipend and innovative grants.

125. Funding for salary support is drawn by Upazila Education Officer who is the Drawing and Disbursing officer for this. He/she credits the amount against an individual teacher's bank account maintained at Upazila level. For government primary schools there is little risk of misuse involved in this procedure.

126. For non-government registered schools there is, however, scope for falsification of names and number of teachers in the pay roll. Payment through bank account will reduce this risk but may not eliminate it altogether.

127. Training of Primary School teachers is given at sub-clusters of schools or URCs. The AUEO carries cash to sub-clusters for payment to trainees and there is often complaint of underpayment to trainee-teachers. As in the case of salary, payment of training allowance should also be made through the bank accounts of the teachers. This change could be made quickly in PEDP 2.

128. Payments to teachers from non-government registered schools attending courses at PTIs is also handled on a cash basis, and introduces risks of underpayment or payment to those whose do not satisfy the attendance criteria.

129. Little other financial authority is delegated to District and Upazila levels at the moment, other than for operational costs, which are very low. The extent to which this increases, as a

result of the “decentralisation” imperatives of PEDP 2 and the plans of the Organisational Analysis, will determine the need to build capacity and procedures at the relevant offices.

Risk and impact

130. The risk associated with poor capacity and systems of financial management at field level is high, and the controls purportedly exercised by DPE do not ameliorate the risk. Currently the financial authority at these levels is relatively low, so the financial impact is medium.

131. Delegation of increased financial authority, unless accompanied by the capacity, guidelines and controls, spreads the risk and its potential impact, unless accompanied by risk-reduction measures.

Ways forward

132. The Organisational Analysis must explicitly include risk-reduction analysis in the specification of structures, staffing and procedures at each point of financial delegation. There will then need to be work on producing regulations, manuals, etc. with associated training.

133. The Organisational Analysis may usefully consider the ways that other organisations in Bangladesh have delegated responsibility to field level, including other ministries or public services, large NGOs and private sector organisations.

134. Local accountability of the work of field level offices needs to be increased and may include the publication of disbursement to and from all offices. Spot checks and formal audit results could also be published.

135. Introduce the practice of checking the lists of registered non-government primary school teachers by Union Parishad chairman and concerned ward members, and by AUEO, all separately.

136. In the decentralisation more power could be given to the Union Parishad and their role developed to improve accountability for supervision as well as receiving the complaints about (a) the quality performance of teachers (b) stipend (c) distribution of books (d) construction repair and maintenance.

137. Publicity of salary support given to teachers at the school level (i.e. for Non-Government (Registered) Schools) may provide a check against malpractice. Publicity may include public meetings at which the names of teachers are read out and validated by community of parents and pupils.

Stipend programme

138. GoB is implementing a Primary Education Stipend Programme targeted on students from poor families in rural areas. The programme is designed to encourage poor families to enrol and retain their children in schools and to provide incentive for children to complete primary education. Selection criteria include families headed by a (1) widow, (2) destitute, (3) landless, (4) day labourer. The fund for stipend is included in the ADP and it is placed with the UEO by the Project Director. The list of eligible students is prepared by SMCs, which is verified by AUEO. There is risk of wrong selection and diversion of the monthly stipend (Tk. 100-125). To eliminate the risk of diversion, payment of stipend is made to bank accounts opened in the name of student's parents.

Risk and impact

139. The risk of malpractice in the stipend programme is ranked as medium. Respondents to this study reported that the disbursement procedures are more secure than those employed in comparable initiatives. The risk at the selection of students is also medium, for although experience in the FFE and secondary stipends programme has shown a risk of “ghost” pupils and double counting, there is more community accountability and visibility for the primary stipend programme that could ameliorate the risk. The risk of stipend students not fulfilling their attendance criteria may be higher. All these assessments are rather tentative and based on the limited experiences of the primary stipends. The study therefore recommends a more thorough review.

140. The impact is low. Individual amounts are small, and it would require an organised level of malpractice to divert significant funds.

Ways forward

141. To ensure selection of genuinely poor families, a list of families included by SMC may be read out in an open meeting of guardians in the school and displayed in notice board of the school. If no complaint is received within one month, payment of stipend will commence. A bench-mark survey of each household in villages should be carried out by DPE through their Upazila Primary Education Officer with the help of SMCs. This process should be completed within six months of the commencement of PEDP 2.

142. The criteria should be publicised at school level, and the guidelines and manuals for officials and teachers on running the programme reviewed accordingly

143. There needs to be a field-based audit as one of the external reviews, with auditors accompanying bank staff on their round of disbursement and checking selection criteria.

School “fees”

144. According to TI report, some parents are being asked to pay fees for (a) admission (b) promotion (c) examination (d) books and (e) sports. Payment of fees for (a) b, & d are without justification and in contravention of government policy. It is implied that some fees are needed to influence the decisions of higher level officers in favour of the school.

Risk and impact

145. The risk of this practice is high: schools seek to augment meagre funds for legitimate purposes, or otherwise, and these funds are not subject to any accountability.

146. The impact of this practice is considered medium, both in terms of lowering the equity of access and contributing to an uncontrolled financial activity around the school and in the Upazila.

Ways forward

147. It may be impossible to eliminate this practice. One way forward may be to consider whether some types of school fees can be legitimised, with a suitable social protection for poor students. Legitimation would allow for fees to be capped, and for the income to be shown in the school financial records, with clear rules for accounting such funds.

148. . In any case the situation and regulation must be publicised, and school guidelines made to reflect the regulation. To check against these risks publicity should be given by the SMC and the AUEO. Complaints are to be investigated by the UEO.

Block grants, school level finances

149. The financial responsibilities of SMC are not clear, and school finances are not transparent. The use of block grants, intended to bypass bureaucratic bottlenecks and allow for responsive planning and spending by a school, needs guidance and mechanisms for local accountability. Too much is hoped-for from SMCs, who are voluntary and often not representative.

150. To the extent that school's financial responsibility is increasing, the system for financial inspection needs to be strengthened. The clarification of different needs for “inspection” as contrasted with “supervision” has been explored within ESTEEM, and is now to be considered within the Organisational Analysis. It is noted that the supervisory function, which is increasingly being seen as a professional support function, could legitimately involve advising schools on expenditure. This argues strongly for separation from the function of checking the probity of school finances within an inspection.

Risk and impact

151. The risk of misuse of block grant funds is considered real but low. The funds are small and their use will be overseen by the teachers as well as the SMCs.

152. However the impact of any misuse is potentially high because there are so many schools and because management of the block grants under PEDP 2 will inform future policy-making on the extension of their use to other spend areas.

Ways forward

153. Block grants need to be subjected to practical but open financial procedures in the school, which might include:

- Publication of plans, income and outgoings. Publication should include preparing a public notice, with guideline on how to present the information. These could define standard icons to assist those with limited literacy.
- The circulation of financial manuals, linked to training for HTs and SMC members. The procedures also need to be reflected in those parts of the school inspection guidelines that cover financial affairs.
- Formal collective decision-making by head and other teachers for purchases using the block grant. SMC should be informed accordingly.

SECTION C: Towards a Strategy

Priorities

154. Tables 1 and 2 indicate the identified risk areas, their impact and an assessment of the difficulty, in terms of technical complexity and/or political will, involved in addressing them.

Table 1: Risk versus impact

	Low risk	Medium risk	High risk
High impact		MoPME lack of internal audit capacity DPE lack of financial control	Text book procurement, diversion of paper, overpricing. An annual process, worth about US\$15m. Text book losses in distribution etc. Civil Works procurement/supervision, subject to local cartels and influence. Appointments and transfers of teachers and administrative staff.
Medium impact	Proper use of block grants	Levying of school “fees” Cash-based payments for TA/DA etc.	Field officials with discretionary powers rent-seeking.
Low impact		Stipends, including “ghost” pupils, double counting and/or diversion of funds.	Field office financial management capacity contributing to uncontrolled spend, and late reconciliation with budgets. (Limited impact because the delegated funds are small).

“Impact” will include financial loss and/or impact on equitable access.

Table 2: Risk versus difficulty

	Low risk	Medium risk	High risk
Very difficult Long term			Text book procurement requires political will to tackle the cartel of publishers; technical changes to procurement, stock-control and quality-control provide tools. Appointments and transfers abuses are systemic. Procedures that increase objectivity and transparency will help but progress is likely to be slow as the problems are so widespread..
Possible Medium term		MoPME lacks internal audit capacity and any tradition of taking its audit function seriously. Levying of school “fees” is a mixed problem, all fees are illegal but some are perceived as “legitimate”. Stipends. Need to know if pupils are attending.	Civil works procurement and supervision, needs political will and enforcement able to resist local power-mongers. May be helped by procedure changes, and mobilising the capacity of LGED. Textbook losses are systemic but can be tackled by improved stock management. Field officials with discretionary powers rent-seeking.

	Low risk	Medium risk	High risk
Easier Short term	Proper use of block grants. Mobilisation of local accountability, no reason to expect resistance to this.	DPE lack of financial control, can be addressed if FPD is established and staffed Cash-based payments for TA/DA can be eliminated as all teachers have bank accounts. This creates a paper trail.	Field officers' financial management capacity can be developed on recommendations of Organisational Analysis.

Developing a strategy

155. PEDP 2's risk-reduction strategy (the "Strategy") is to be pursued until the end of PEDP 2 and take practical steps to reduce the risks identified above. Planning, consultation and dissemination of the Strategy is to take place in the first 9 months after effectiveness, which will be in parallel with Organisational Analysis and other start-up actions. The Strategy will cover the period of PEDP 2, and, if necessary, identify longer-term directions and goals that may be realised after 2010.

Prioritisation

156. The Strategy needs to be based on the achievability of results, as assessed above, and on improving the context for longer term/harder areas, i.e. doing necessary "groundwork" and establishing structures, regulations and monitoring systems needed if the risk area is to be addressed. Analysis of these constraints and a more thorough review of the risks and impacts during the planning period will inform prioritisation in the Strategy.

157. All the risk areas included here, and any others identified in consultation during the planning, are to be addressed in the Strategy, but it is recognised that progress in the different areas will vary. The Strategy should be realistic about targets as it is important to make progress, even small progress, to demonstrate will and to motivate further work.

Transparency and access to information

158. In many of the areas of risk, the ways forward include actions to increase transparency of financial information, activity plans and audit results. This is intended to allow better analysis and understanding by stakeholders and civil society observers and improve local-level accountability. The recommendations of this study are for a pro-active and concerted approach to increase openness and transparency. The strategy should consider the transparency of information at all levels, from centrally prepared processing documents, audit reports, budgets and annual plans, to school level.

159. The transparency has a particular importance to ensure community accountability at school and Upazila level. The Strategy should consider how to ensure publication on the walls or a notice board of schools and of Upazila and District offices of annual budgets, plans and expenditures. It should consider how to increase the role of Union Parishads to complement that of SMCs in mobilizing community accountability.

160. The infrastructure for electronic publication of this information in an accurate and timely manner is crosscutting and treated as part of the Strategy in its own right. The importance of making key documents available electronically is stressed for accountability as well as to improve the efficiency of those working in the programme, especially incoming consultants.

161. The Documentation Centre of the DPE provides a logical venue for public access to documents and could be supported to provide electronic access to key documents, on the basis of its current catalogue and plans. The Strategy may consider enforcing a requirement that all documentation is made available to the Documentation Centre.

162. Transparency guidelines need to be applied equally to all parties, including the DPs.

163. Public accountability needs wider public awareness of plans, actions and performance. Public awareness may be increased by television, newspapers and radio campaigns. These

need to be coordinated and undertaken with professionalism: it may be worth contracting an independent agency to assist with this work. Early awareness-raising actions might usefully cover the stipend programme and some reinforcement of the rules about free schooling so as to build resistance to the unlawful demand for fees. Public awareness raising on the Quality Standards framework within PEDP 2 might build a better understanding of quality issues and improve accountability to parents and civil society.

164. The aim is to reduce asymmetrical access to information, as a step to empower vulnerable service users. However it is recognised that information alone is not sufficient; those in positions to exploit their power, by rent-seeking or collusion for example, have shown themselves willing to use the most extreme measures to protect themselves from exposure. Public accountability needs the information, but it also needs the systems to punish wrongdoers and protect the vulnerable.

Articulation with PEDP 2 policy actions and interventions

Policy

165. Many of the policy actions, and programme interventions that are included under PEDP 2 have implications for the Strategy. For example, establishing a primary education cadre provides the context and opportunity to address transfer and promotion procedures to increase their validity and transparency. The strategy needs to consider how policy changes will be informed by and reflect the risk-reduction agenda, and what actions will be required to exploit the opportunities presented thereafter.

166. Policy actions of particular relevance to the risk areas discussed above are therefore shown on Table 3.

PEDP 2 processes and actions

167. PEDP 2 encompasses all aspects of the primary education sub-sector: and the Strategy will look at all opportunities to reduce risk and raise awareness in future work of PEDP 2. However there are a number of studies, planning rounds, and development initiatives that have particular potential relevance to the risk-reduction work. The Strategy needs to ensure that these opportunities are fully realised.

168. Actions of particular relevance to the Strategy include:

- Establishment and operationalisation of DPE-FPD;
- Organisational Analysis;
- PETS and QSDS studies;
- PLU's external evaluations;
- TST-3 plans to computerise text-book stock control systems; and,
- Others as indicated in Table 3.

169. The establishment and operationalisation of the FPD in DPE is an “urgent” action at the beginning of PEDP 2, to be assisted by consultants of TST-1 (in coordination with FMRP). It is assumed that all necessary attention will be paid in this process to proper financial administration and control, using computerised record-keeping and working to recognised book-keeping standards. The focus and resources that PEDP 2 has applied to FPD signify its importance and, whilst the risk-reduction strategy does not need to duplicate those efforts, it may need to work alongside the process.

170. PEDP 2 will undertake its Organisational Analysis alongside the preparation period for the Strategy. The scope of the Organisational Analysis will include delegation of financial and management responsibilities to Division, District and Upazila levels and defining lines of communication and the accountability framework for MoPME and DPE. The Organisational Analysis will also review the capacity and internal control mechanisms at each sub-unit and recommend capacity-building measures. The potential of “decentralisation” to reduce the risk of misadministration, and increase the opportunities for local accountability, has been discussed above, however the Organisational Analysis needs to address risk-reduction explicitly, and indicate how control and accountability can have appropriate structures, and the necessary capacity-building.

171. The PETS and QSDS study provide an opportunity better to understand risk areas and hence to include them in the long term strategy. The timing of the PETS and QSDS may require that the risk-reduction strategy benefit from early drafts of findings in key areas so as to inform the Strategy on those areas. Prioritisation within the PETS and QSDS to the areas of high risk/impact would be helpful.

172. The PLU has a budget and remit to undertake external (i.e. private sector) evaluations and audits, throughout PEDP 2. Such audits provide a tool by which the strategy may be able to measure the impact and monitor its success. Targeted external audits may therefore be included in the strategy. (It is not clear how the programme and TORS of PLU's external evaluations and audits need will be prioritised and agreed; however those that are intended to inform the Strategy should attract unanimous support).

Steering the Strategy

173. The Strategy therefore requires a level of coordination with specific PEDP 2 activities and integration or dissemination in many others. Ensuring coordination and integration will require identified points of management responsibility. These must be identified and their responsibilities defined during the planning phase. The PLU may take a role in monitoring progress and identifying needs for stronger coordination or integration.

174. The progress of the Strategy needs to be considered as a distinct item, at each Annual Review, informed by independent monitoring reports on its progress.

175. It may be appropriate to form a steering body, of suitably high level, with representative of MoPME, DPE, LGED, NCTB, Civil Society organisations and the Development Partners, to guide the development and implementation of the Strategy

Indicative areas for the strategic plan

176. Table 3 is an indication of the areas to be addressed, and a suggested timeframe for the proposed strategy. It is offered as a starting point, reflecting priorities based on the risk and commitments involved.

Table 3 Indicative issues to be covered in an anti-risk strategy

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
Transparency					
POLICY					
PEDP 2 ACTIONS					
Transparency actions	<p>Guidelines on public access to documents, inc. budgets, expenditure, annual plans, audit reports at all levels.</p> <p>Standard system to identify confidential documents, with reasons.</p> <p>Public information/awareness strategy for PEDP 2 – newspapers, television etc.</p>	<p>Specific guidelines for field offices and schools on access to information.</p> <p>Random monitoring.</p> <p>Establish communication, public awareness function.</p>	<p>Web-site offering access to key documents.</p>	<p>DPE Civil Society Organisations TV, radio, newspapers.</p>	<p>Civil society accountability is fed by information. Access to information has been hampered by poor systems and culture of secrecy.</p> <p>Improved systems to allow access will assist performance and financial audit.</p>

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
HR Management					
POLICY	ESTABLISHMENT OF PRIMARY ED. CADRE				
Teacher recruitment	Guide lines for the recruitment of teachers	Revised criteria or manual should be formulated for the written exam and viva-voce Wider representation on interview panels Scored open	Tribunals to protect the rights of personnel in terms of the recruitment, transfer and promotion.	Public Service Commission Organisational Analysis team.	Towards appointment system based on merit, open and subject to accessible appeal procedure.
Transfer and Promotion	Review job-descriptions, promotion criteria and procedures.	Publication of promotion criteria and procedures. Independent appeals tribunals on promotion	As above	ADB TA on corruption. <i>Staff associations</i>	As above
Teacher Training	Eliminate honoraria for training Regularise the DA for training accordingly	Consider systems to pay C. in Ed. students by bank transfer.		<i>PTI supervisors</i>	Towards elimination of DA, and reducing cash-transaction of payments associated with training.
Financial Mgt. (MoPME & DPE)					
POLICY	Establish FPD.				
PEDP 2 ACTIONS	Support to FPD	Audits	Audits		
Financial control and audit.	Establishing audit panel in MoPME	Accountability framework and control systems between DPE offices.		DPE FMRP LGED NCTB	

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
Stipends					
POLICY	Stipends				
PEDP 2 ACTIONS	Continuation of stipends	Criteria to be reviewed and their implementation examined during annual reviews.	External auditing		
Proper use.	Publicity actions on the criteria to inform potential recipients and others.	Public accountability on selection. System of appeals Guidelines for checking attendance etc. of recipients during inspection.		PD Stipends <i>Upazila Parishad</i>	

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
Civil works procurement					
POLICY	Procurement Policy 2003				
PEDP 2 ACTIONS	Architect & Civil Engineer sample inspection. Use of 2003 procurement regulations. Packaging of contracts in PEDP 2 to attract larger firms.	Architect & Civil Engineer, inspections. Audit, including random sampling	Architect & Civil Engineer, inspections. Audit, including random sampling		
Financial control and quality assurance.	LGED/FD internal QA procedures clarified and publicised, including channels of complaint. Ensure “works board” at all Civil Works sites, including contractor and cost. Guidelines for HTs on supervising Civil Works	Establish anonymous route for “whistle-blowing” and subsequent inspection by architect, engineer audits. Pursue cases through courts. Other actions to inform communities of Civil Works contracts (community meetings etc.).	LGED/FD to establish cost norms and use computer systems to identify excessive costs and investigate.	LGED <i>PLU</i> <i>Upazila Parishads</i>	LGED has the internal capacity to tackle risk in civil works contracts and needs to demonstrate that is a champion of the strategy.

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
Book procurement and distribution					
POLICY		“RESTRUCTURING” NCTB To rationalise the curriculum and textbook functions.			Not necessarily helpful but an opportunity to restructure the commercial functions of NCTB too?
PEDP 2 ACTIONS	Use of 2003 procurement regulations Introduction of local choice options for TLM Procurement audits	Computerised stock system.			
Procurement	Contract management systems in NCTB improved. Contract number, and NOT FOR RESALE imprinted on books.	External random audits to include paper testing of textbooks to confirm use of imported paper. NCTB role in marketing books for NGS etc. reviewed	Market trials based on textbook grants to schools, possibly with Grade 1 and 2 books (subject to annual replacement and additional wear in schools)	NCTB DPE Printers Associations	Free market (i.e. schools receiving grant for books and purchasing from local suppliers) offers enormous risk-reduction and efficiency gains.
Distribution	Analysis of storage, distribution method and information flows. Packaging options to assist handling and record-keeping (e.g. labelling, sealed packages)	Reconciliation of despatch and delivery data: DPEO warehouse; DPEO & UEO; UEO & schools Consideration of geographical packaging of book/TLM procurement.	Market trial as above. Computerised reconciliation of deliveries.	NCTB DPEO/Warehouse Upazilas Schools	As above.

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
Financial Mgt. (Field)					
POLICY	Decentralisation of financial responsibility, within an accountability framework				
PEDP 2 ACTIONS	Organisational analysis. Capacity building and ongoing technical support Computer systems	External auditing, on a sample basis			
Control and accountability	Regulations for accounting, disbursement control and accountability published, distributed.	Local proactive publication of budget and expenditure. Accountability frameworks.	Review the heads, financial authority and control processes at each level.	Organisational Analysis <i>Div, Dist. Upazila</i>	Field offices manage budgets, subject to controls, audit, and accountability.
Financial Mgt. (School)					
POLICY	Increased financial responsibility and financial support (block grants etc.)				
PEDP 2 ACTIONS	Financial planning linked to quality improvement planning by schools.		PETS/QSDS on the block grants processes.		Reliance on the capacity and representativeness of SMCs.
Record-keeping, control and accountability.	Financial manual for schools, record-keeping and publication of accounts. Inspection of schools accounts, and of physical assets.	Schools publicise budget and expenditure, on a notice board and at meeting of parents and guardians.		MoF Schools Union Parishad	Towards increased scope/size of block grants.

Risk Area	Early in PEDP 2	Middle of PEDP2	Later in PEDP 2 (or longer term goal)	Coordination <i>Consultation</i>	Comments
School fees	Consider partial “legitimation” with controls	Regulation/guidelines on maxima, accounting, publicity.		<i>Schools Union Parishad</i>	

Preparing the strategy

Processes

Coordination with other actions

177. The Strategy needs to reflect the plans of FMRP and the any critical dependencies on them. This will also involve discussions with the nascent DPE FPD, both to ensure that transparency is built-in to financial procedures and to inform the strategy.

178. Strategic planning must be undertaken in close coordination with the Organisational Analysis to ensure that risk-reduction is explicitly reflected in the proposed structures, and that the Strategy identifies the accountability framework around new structures and relationships. The organisational analysis needs to consider how accountability and performance audit will be ensured over delegated financial or administrative responsibilities, should identify what functions can be delivered by each level, and consider a coherent structure for DPE to undertake performance audits. The outcomes of the Organisational Analysis will be reflected in the Strategy, and the TORS of the Organisational Analysis should explicitly address these requirements.

179. The Strategy needs to reflect the proposals of the ADB Anti-Corruption TA, and other national initiatives. In particular the Strategy may seek to establish the ways that national anti-corruption initiatives are to be incorporated in the primary education sub-sector.

Consultation

180. The strategy will depend on detailed consultation with agencies and other stakeholders.

181. LGED is the implementing agency for all civil works. The strategy will necessarily seek to build on LGED's role and capacity to develop its internal mechanisms of checking contracts, ensuring value for money and handling complaints. It is suggested above that this process could progress towards LGED having a proactive position to ensure compliance. It is proposed that the planning process includes detailed consultations with LGED to initiate this process and build its progression into the strategy.

182. Similar consultations will be required with NCTB, in which a detailed analysis of the procurement and stock-management processes might be required to allow the Strategy to identify the technical actions required.

183. Those aspects of the Strategy dealing with Human Resource Management, particularly appointments and transfers, are inextricably linked with the proposals for the establishment of the new primary education cadre. The Strategy needs to consider how the regulations governing that cadre (which form part of the submission for Cabinet approval) can incorporate measures that reduce the risks discussed above, for example by setting clear and enforceable criteria for appointment, transfer and promotion. It may also be possible to incorporate appeals procedures. The technical work on these issues needs to start as quickly as possible, and the negotiations with the PSC inform the Strategy's approach to building a transparency framework into the establishment of the cadre.

184. Consultation with other stakeholders will be an important part of the planning process. It is proposed that those concerned are pro-active in consultation with all levels of stakeholders, including school communities and representatives of civil society. The proposed planning timeline includes three consultative workshops at national level, and four similar workshops at District level. Concerned Civil Society Organisations, including CAMPE, TI, BIDS, are to be involved. The first workshop (after 1 month) will seek to establish the scope of the strategic plan and share ideas for addressing issues of concern. The second workshop (after 6 month) will be to seek responses to an indicative, draft version of the strategy and seek responses. It is imperative that draft copies are widely circulated in advance of this workshop and perhaps published on the Internet as well.

185. The final workshop is intended as a launch, with press coverage, in which the final version of the strategy will be explained and released. The strategy is to be a public

document widely available and circulated to all offices in multiple copies for distribution. (It may be appropriate to produce a précis version that can be circulated even more widely).

Further work in planning the Strategy

186. The Strategy needs to be based on detailed information about regulations, particularly financial regulations, to analyse the steps required to effect changes. The planning therefore needs to identify the regulatory constraints of key actions on and prioritise them for action over the course of the PEDP 2. The areas will include:

- The regulations, procedures and options for setting up new appointment, promotion and transfer regulations for teachers and for administrative officers; (PSC, DPE),
- The regulations and practices for publication of documents and plans; (MoPME),
- Stock flow analysis of the paper and textbooks, (NCTB, DPE),
- Quality assurance and value-for-money procedures in procurement of civil works; (LGED),
- Current regulations around school-level financing, including record-keeping, accountability, and inspection procedures; (DPE),
- Etc.

187. The planning process, which will be undertaken in a period of intense PEDP 2 activity, might benefit from specialist and independent consultant to assist with these analyses, for example an national expert on public service staffing and international specialists on textbook procurement.

188. National consultants may also be required to advise on public awareness-raising and the use of mass-media.

PLANNING A RISK-REDUCTION STRATEGY

Table 4: Timeline for planning a risk reduction strategy

	Month 1	2	3	4	5	6	7	8	9
Preparation -steering group -personnel / consultants -scoping -work planning									
Coordination with other actions: FMRP;-OA; -ADB Anti-Corruption TA									
Consultation with LGED: -Review mechanism -Agree approaches									
Consultation with PSC -regulations for new cadre - transparency and appeal									
Consultation: NCTB - procurement - stock-management									
Consultation: stakeholders		National scoping meeting		District consultations (x 6)		Consultation on draft			Launch.
Transparency -documents -records -audits			Review GOB regulations on public access to documents	Review DP regulations,	Work with DPE Doc. Centre on access to admin documents.			Feasibility, cost of WWW access.	

ANNEXES

ANNEX 1: Terms of reference

BANGLADESH

PRIMARY EDUCATION DEVELOPMENT PROGRAMME II

Mission to identify the process and timelines for MoPME to develop an action plan for strengthening financial management and improving governance in the primary education system by nine months after effectiveness

DRAFT TERMS OF REFERENCE

BACKGROUND

A primary education sub-sector-wide Programme is currently being developed in Bangladesh supported by a range of development partners B ADB, WB, DFID, CIDA, NORAD, EC, the Netherlands, SIDA, JICA, AusAID and UNICEF in partnership with the Government of Bangladesh. The design team consolidated the PEDP 2 through a collaborative process led by ADB using the GOB=s PEDP II macro plan as a basis.

The PEDP II aims of quality primary education for all and universal literacy will only be achieved if funded activities are supported by critical decision-making and reform. It is proposed that DFID, CIDA, SIDA, NORAD, NL and the EC will pool their grant funding to be managed by ADB. A performance based financing mechanism has been developed to link a proportion of the funding to GOB performance.

Educational provision involves a complex series of transactions between providers and end users and good governance is an essential underpinning of the implementation of educational reforms at all levels of the system. One of the assurances in the Policy and Institutional Reform Matrix of PEDP II (Annex to Project Concept Paper), is that the Ministry of Primary and Mass Education (MoPME) will prepare, by nine months after Programme effectiveness, an action plan for strengthening financial management and improving governance in the primary education system (hereafter the Action Plan). GOB will lead the preparation of the Action Plan, the purpose of which is to ensure that key reforms, and final outcomes as well as proper utilization of funds, are being implemented in a transparent and effective manner.

Experience from Bangladesh and other countries has found the following areas to be a particularly focus for strengthening financial management and improving governance:

- School construction (the tender/contracting process as well as the construction process)
- Text book procurement and commissioning
- Financial management (of public and private funding for the education system, at all administrative levels from the schools upward to the central ministry)
- Staff management (recruitment, promotion, and transfer of teachers; remuneration; reactions to absenteeism and other aspects of staff performance)
- The school B student/parent relationship (petty bribes offered by parents and/or demanded by teachers and education officials to guarantee students school places, to pass exams; compulsory extra lessons etc.)

Further areas may be identified by: donors, government staff, interest groups, and NGO=s within the sector.

The Action Plan for strengthening financial management and improving governance of fiscal and supervisory irregularities should be an important tool in promoting effective systems to minimize the risk of fiscal and supervisory irregularities in the primary education sub sector. This study is being commissioned to assist by identifying the process and setting time lines for effective preparation and implementation of the Action Plan.

THE FOCUS OF THE STUDY

The focus of the study will be to:

- Identify the most important financial management and governance challenges in the primary education sub sector in Bangladesh.
- Examine the measures that have been included in joint GOB-DP planning of PEDP II in relation to improved governance; identify possible gaps B i.e. areas which are not sufficiently addressed in the sub-sector; and suggest possible measures.
- Identify a process (with time table) for how the Executing Agency can move forward in the coming year with the preparation of the Action Plan. The process should be designed such that appropriate measures are in place by one year after effectiveness of PEDP II.

THE PROCESS FOR IMPROVING GOVERNANCE:

The process developed could include the following (along with needs identified in the study):

- a plan for undertaking a participatory assessment of the current financial management and governance situation.
- a process for development of monitoring indicators and reform triggers
- a process for the development of >champions= of financial management and governance within MoPME and DPE
- recommend on how financial management and other governance issues should be included in the Institutional Analysis TORS
- definition of necessary formative research on financial and management governance
- a process for developing appropriate committees/focal points for managing governance issues
- recommendations on external monitoring measures (ombudsperson, community monitoring)
- a design of channels for complaints, etc
- a process for designing financial management and governance activities in local planning (schools, SMC)

The process developed should in particular support the two areas of the PEDP II policy and reform matrix concerning monitoring, financial management and procurement management and suggest additions to the matrix if necessary.

METHODOLOGY

The study will combine desk work with discussions in Dhaka with relevant entities of GOB, the donors, private sector and civil society. Field trips within a few limited areas may be included if found necessary.

CONSULTANT(S) QUALIFICATIONS

It is expected that two international and one national consultant will undertake the assignment. They should at least have post-graduate degrees in social science. Experience in developing governance strategies will be emphasised as well as country experience, preferably with good knowledge of the education system in Bangladesh. The team as a whole should have experience with financial management and governance issues at all levels of government and at the user level.

Working language: English

LOCATION AND DURATION

- The assignment will start 6 September 2003 and be of 15 working days duration for each consultant.
- Location of assignment: Dhaka, Bangladesh, but some deskwork may be done externally.

REPORTING

- The consultants shall before departure from Dhaka give an oral presentation of their main conclusions and recommendations to the Donor Consortium and government officials
(e.g., MoPME, Ministry of Finance)
- The consultants will submit a draft report before the end of the mission in Dhaka to the Chair of the PEDP II Consortium.

Comments from members of the DC and MoPME on the report will be sent to the consultants two weeks after the submission.

The final report shall be submitted to the Consortium 10 days after having received the comments.

IMPORTANT REMARKS

During contacts with any organisations and Bangladeshi Authorities, the consultants will clearly identify themselves as independent consultants and not as official representatives of the PEDP II Consortium or the Government.

Revised: 9th September 03

ANNEX 2: List of Persons Met

MoPME

Kazi Farid Ahammed	Joint Secretary
Md. Altaf Hossain	Deputy Chief

DPE

Head office

	Director General
AKM Abdul Muqtadir	Director, Planning
Md. Ibrahim	Deputy Director, Planning
Md. Farhad Alam	Assistant Director, Finance and Monitoring

Manikganj District and Manikganj Sadar Upazila

Niazuddin Sharkat	Ag. DPEO
	UNO, UEO, AUEOs, Upazila Engineer and others
	URC Instructor
	Headteacher and SMC of Moto Primary School
	Headteacher, teachers and children ofSchool

LGED

Akhund Habibul Alam	Superintending Engineer
Md. Monjur Ali	Assistant Engineer (Primary Schools)

NCTB

Kabiruddin Ahmed Mazumder	Chairman
Several other officers joined the meeting	

CSO/NGO

Rasheda Choudhury	Campaign for Popular Education (CAMPE)
Md. Abdul Alam (and others)	Transparency International (TI)
	Bangladesh Institute of Development Studies (BIDS)
	Commercial accountants/auditors

DPs

Mahmudul Alam	Senior Education Economist, World Bank
Cornelius Hacking	First Secretary (Education), Netherlands Embassy
Robin Ruggles	First Secretary (Development), Canadian Embassy
Inger Sangnes	First Secretary (Development), Norwegian Embassy
Jouko Sarvi	PEDP 2 Task Manager, Asian Development Bank
Neil Squires	First Secretary (Human Development), DFID
Sheelagh Stewart	Governance Advisor, DFID
Suriyah Zanat	Finance specialist, World Bank

Consultants

Lilian Breakell	SMC Training, ESTEEM
Scott Caldwell	FMRP

BANGLADESH

Aziz Ahmed Chowdhury	ESTEEM
FK Chowdhury	ESTEEM
Md. Abdul. Hannan	MoPME FMU, RIBEC/ESTEEM
Saleh Motin	PEDP 2 preparation.
Nick Santcross	Team Leader, ESTEEM
Md. Abu Saleque	PEDPQI
Gareth Williams	FMRP

ANNEX 3: Textbooks - breaking the stranglehold

Overview

189. This is a discussion paper looking at some of the options available to unlock the provision of textbooks from the stranglehold of the publishers' cartels, by looking at changes to the supply system that are more radical than is usually considered "practical".

190. The issue of textbooks has been discussed repeatedly in Bangladesh. Their supply attracts public attention, is politically sensitive, and normal procedures are distorted by the operation of cartels of publishers. The government effectively has no control over the price, distribution, or quality of the books that are supplied to their schools.

191. Most observers feel that the situation cannot be changed, as the power of the Publishers Associations operating the cartels is too great. This is an annual round, in which approximately \$20 million of development funding is spent with such blatant leakage of funds and shortfall in supply.

192. DPE is the main customer for textbooks yet lacks either consumer-power or control over the activities of NCTB, which is a semi autonomous body working under the Ministry of Education (an not MoPME). NCTB itself suffers chronically from transfers and deputation of employees, including its senior management, and its reliance on development-funded posts.

193. In undertaking the study several aspects of the procurement practice of NCTB were considered, in an attempt to identify technical and organisational solutions to the issues of quality control and stock management. These are discussed further in the main report. However the study also looked at strategies that could reduce the impact of the behaviour of the printers' cartels and this is an overview of some options that might inform the long-term Strategy.

Options

194. Stop using NCTB as the executing agency for the procurement of textbooks, but instead use the PCU procurement unit that will be responsible for all of the procurement (except civil works) under PEDP 2. The new FPD in DPE will have the expertise, be supported by procurement consultants and be more accessible for audit during the implementation of PEDP 2.

195. The practice of procuring high-quality papers on the international market, using ICB could be reviewed. The rationale is that this paper maintains quality and ensures the life of textbooks. However, it is this paper that tends to leak out of the system, and the rationale for expensive paper does not take account of the realities in Bangladesh. The paper standard is derived from international experience of trying to insure that the books last for two or three years for a marginal increase in cost: but in Bangladesh there is no control over the binding process (which is a more significant factor for the life-expectancy of a primary school textbook), and there is no evidence that halving the cost of a book would half its life.

196. The supply of paper is mainly working to reduce the cash-flow impact on printers who produce large numbers of books prior to receiving any payment. Cash-flow is a particular problem for textbook printing because the work is concentrated into such a short period of time: typically in Bangladesh all the new books required for the primary school sector are printed in the last three months of the preceding year. The concentration of all this activity into this period weakens effective monitoring and has similar effects on the capacity of the distribution system. However, cash-flow problems could be addressed loans or advances. Whilst risks may not be eliminated they would be more visible in financial records.

197. The rationale for ordering all the textbooks in such a short time period is that NCTB needs to know the numbers required. However, the shortfalls in books delivered to warehouses and schools is at least 10 per cent (The measures of numbers of books required is not based on evidence in the schools, just by the calculations and extrapolations from the previous year's enrolments.) Given the relatively good condition of some of the godowns that were constructed during PEDP 1, it would be feasible to procure textbooks on the basis of

estimates in an operation that could be undertaken over the year. Trading-off printing and production costs against storage cost is a natural part of the book business. Such a system might incur risks of damage or loss on a large-scale unless the warehouses are well secured staffed and maintained. These risks are comparable and probably less than those incurred in the panic-stricken distribution that characterises the current arrangement.

198. NCTB currently controls the provision of textbooks to markets outside the government-supported schools, such as NGO schools, non-government schools and private sales. As far as can be determined these books are procured alongside those required for the government schools and sold directly by NCTB. This is a remarkable situation in which the risks of leakage from government-funded contracts into the market are exacerbated. There seems to be no advantage to this arrangement even to potential purchasers, as textbooks can and are made freely available on the market. Indeed, with the long term view of establishing a competitive market based on a strong distribution system it would be preferable that the private sector be allowed to supply textbooks to these other customers using the normal markets and channels.

199. The study suggests the long-term future for the supply of textbooks to the primary sector lies in establishing a market based printing, binding and distribution system, in which NCTB supplies the positive masters. There has been resistance to this in the past yet Bangladesh has many of the attributes that would make a proper market viable. For example, there is an energetic entrepreneurial spirit, accessible low-cost transportation for bulk items, and a spread of printing resources around the country. It is also a sufficiently large market to attract international competition.

200. The advantages of the market is not only to increase competition; the market model in which schools are suitably funded and then take responsibility for purchasing the textbooks that they need, provides for more accurate counting of the books that are delivered, real quality assurance, and a way to match purchases to needs rather than to centrally defined norms. The advantages outweigh the risks as long as measures are in place to ensure record keeping and accountability in schools.

ANNEX 4: Comments on draft not otherwise incorporated in the report.

201. A number of comments have been received on the draft report. Most have been incorporated but these comments have not been fully addressed, for the reasons given below.

Comment/suggestion	Response
The report needs to make clearer the need for political will if these things are to be addressed.	The mission recognises that political will is required and cannot be assumed in all circumstances. The report has attempted to identify the sort of practical ways forward that might show results and help to strengthen the political will.
The risk assessment of the stipend programme (“medium”) is surprising, if the risk of the stipend not being used for the purposes intended is also taken into account.	It is acknowledged that the evidence on primary stipends is thin, and that a fuller investigation is needed. The purpose of stipends is to encourage parents to send children to school, and partially cover any lost earnings. The report identifies continued attendance by poor students as the most important indicator.
Consultation with the Anti-Corruption Bureau	The mission was not able to meet representatives of the Bureau and cannot comment on how this will impact on the risks identified here, beyond noting that its operationalisation provides a mechanism for addressing malpractice. The mission noted the discussions about membership and appointment and the need for balance and independence.
The report could say more about the lack of staffing and the risk it presents to programme execution.	The report identifies the problems of HR management, both as a point of malpractice and a contribution to overall weaknesses in the system, and highlights the risk associated with setting up the FPD. The risk to programmes and projects caused by staff shortages need to be considered as operational risks to PEDP 2 with suitable conditions attached. This is outside the scope of this report.
Recruitment delays of international consultants have a negative impact on implementation.	This is recognised as a threat to PEDP 2 but is outside the scope of this report, except where the international consultants are involved in the risk reduction strategy (e.g. those for OA and TST-1)