PROGRAM FIDUCIARY SYSTEMS ASSESSMENT

A.   Information Sources

1.   The Fourth Primary Education Development Program (FY2019–FY2023, the program), executed by the Government of Bangladesh's Ministry of Primary and Mass Education (MOPME), is supported by multiple development partners under a sector-wide approach. The development partners' contributions will be allocated to a broad set of the MOPME budget heads labeled as program budget heads (PBHs), and in both nondevelopment and development expenditures.

2.   The PBHs for the proposed Supporting Fourth Primary Education Development Program (FY2019–FY2023, the proposed program) will be related to the inputs relevant to quality education and access, as well as system and institutional enhancement in pre-primary and primary education. The joint financing of development partners will focus on the program's achieving results measured by disbursement-linked indicators (DLIs).[1] The DLIs are priority results embodied in the program results framework, and their progress will be reported in the program implementation progress reports.

3.   The treasury model for fund flow and management used in the Third Primary Education Development Project (FY2012–FY2018, the previous project) will also serve the proposed program for budget planning, allocation, and execution; and for the internal control, accounting, and auditing procedures of the government. Given the achievements of the previous project on fiduciary management,[2] and the requirement for a stronger focus on results, the financial contribution of the Asian Development Bank (ADB) is based on the results-based lending (RBL) modality.[3] All funds for program implementation, including development partners' contributions, will be subject to the program system, which is fundamentally the government's public financial management (PFM) and procurement system but strengthened with necessary enhancement measures. The development partners' financing boundary will also define the PBHs and economic codes eligible for their financing, which in turn will define the scope of the government's financial reporting to the development partners.

4.   The fiduciary risks associated with the program are those related to the government's PFM and procurement systems, and procedures in the primary education subsector in general. In areas identified with specific fiduciary risks, the development partners will support the government in implementing and monitoring the PFM-related program action plan (PAP). It includes conducting independent annual fiduciary reviews (AFRs) to verify the progress of the agreed action plan and make recommendations and suggestions for solutions and/or further improvement. The DLIs' achievement will be assessed through an independent verification agency based on the required verification protocols before any disbursement.

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[1] Development partners' disbursement will be either fully linked to the DLIs, or partly to the DLIs, and the rest as fixed tranche (based on statement of expenditures) or fully as fixed tranche, following a single common DLI matrix. Compliance covenants will be defined in the financial agreement between each development partner and the government, and applied to all development partners' financing through a joint financing arrangement.

[2] These mainly include (i) use of treasury model for results-based financing; (ii) use of the Integrated Budget and Accounting System (iBAS) and a customized web-based accounting information system for financial reporting, by applying both economic and operational codes; (iii) 100% use of the electronic government procurement system with agreed electronic standard tendering documents for national competitive bidding for works; (iv) improvement in compliance with the government service requirement on fund release (the proportion of bills processed within the government's service target of 3 days increased from 17% in FY2011 to 65% in FY2016); and (v) stable allocation of sector budget.

[3] The World Bank's financing for the proposed program uses the program-for-results modality.

5.   This fiduciary systems assessment was conducted in accordance with ADB's RBL policy and Appendix 5 of the Staff Guidance to analyze the gaps in the fiduciary systems and anticorruption measures and the degree of their impact on the program implementation.[4] The assessment with proposed risk mitigating measures is intended to provide assurance that development partners' joint contributions to the proposed program are optimally used for the intended purposes, with due consideration given to transparency, economy and efficiency, competition, and fairness and equal opportunity.

B.   Financial Management System

6.   The financial management assessment (FMA) of the proposed program was undertaken from July to November 2017. It included a review of the government's financial management system and the capacity for managing the public funds within the Ministry of Finance and its Controller General of Accounts with its subsidiary payment and internal control entities, district accounts offices, and *upazila* (subdistrict) accounts offices. The assessment included the MOPME, the Directorate of Primary Education (DPE) and its district primary education offices (DPEOs), the *upazila* education offices (UEOs), as well as school-level management of grants and other resources for school expenditures.

7.   The assessment was based on interviews with key stakeholders using ADB assessment tools, analysis of itemized data extracted from the Controller General of Account's Integrated Budget and Accounting System (iBAS), and several financial management diagnostic studies conducted by various agencies and consultants on behalf of the government and development partners, both general and sector-specific ones. The FMA of the proposed program also factored in the AFRs, quarterly fiduciary reviews, and a specific review of the previous project commissioned by ADB by June 2017, as well as the consecutive annual audit reports on the previous project by the Office of the Comptroller and Auditor General (OCAG) of Bangladesh.[5]

8.   The FMA shows that while the previous project led to significant improvements in the financial management system—of which many can be attributed to the risk mitigating measures adopted as part of a financial management action plan and the AFR process agreed to by the government and development partners—some challenges remain, particularly in relation to the capacity of the MOPME and implementing agencies to ensure continued compliance with the financial management rules and regulations.[6] The overall financial risk was assessed as substantial, primarily because of (i) a lack of internal audit services; (ii) capacity constraints at the DPEOs and UEOs, which will not only handle an increasing share of program expenditures but are also tasked to monitor and supervise the financial management of schools; and (iii) lack of timely action on audit observations.

9.   Risk mitigating measures are suggested to ensure adequate central and local accounting and procurement personnel, combined with a regular fiduciary review process. This will support the MOPME, implementing agencies, and subordinated institutions in strengthening compliance with government financial regulations. Moreover, the rollout of an advanced web-based version of the iBAS (iBAS++) for all drawing and disbursing officers of the MOPME and its subordinated offices at local levels will serve to strengthen budgeting, financial monitoring, and reporting. A dedicated internal audit unit will be set up at the implementing agency—the

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[4] ADB. 2013. *Piloting Results-Based Lending for Programs;* ADB. 2013. *Staff Guidance for Piloting Results-Based Lending for Programs.* Manila.; ADB. 2015. *Technical Guidance Note: Financial Management Assessment.* Manila.

[5] Joe Martin, Beatriz Ayala-Öström, Kishower Amin, and Masum Sajjad. 2017. Financial Management and Procurement Assessment of the Third Primary Education Development Project.

[6] See footnote 2 about the main improvements on financial management during the previous project.

DPE, which also coordinates the partner implementing agencies—with sufficient qualified staff. The unit is tasked with internal control and audit functions, toward timely resolution of audit observations and overall compliance with the financial management regulations.

10.   In addition, the government is implementing its PFM Reform Strategy, 2016–2021. A new chart of accounts (or "a new classification of codes") will be endorsed from FY2019, which will streamline the budget process, improve monitoring of budget execution along several dimensions, and enhance the traceability of expenditures at all levels. It will help assess spending linked to results. Financial management risks and mitigating measures are detailed in Table 1.

Table 1: Financial Management Risks

Risk Type	Risk Description	Risk Rating	Mitigation Measures
Inherent Risk[a]			
1. Country-specific risks	The government is formulating annually an MTBF to guide budget allocations for policy targets. However, the budget process is still constrained by a dual budget process, i.e., separation of nondevelopment and development budgets with limited consideration of the link between the two. The government is expected to transition to a unified budget system under the PFM Reform Strategy, 2016–2021. However, no implementation road map or action agenda has yet been determined.	Substantial	The MOF will prepare and approve a more robust MTBF to guide the budget process, including considering the link between development and nondevelopment budgets under the new chart of accounts from FY2019. Beyond the program, the government will start implementing a pilot project using one budget from FY2019. Lessons from the pilot will be distilled after its completion.
2. Sector- or program-specific risks	Lack of qualified accountants and finance staff in districts and *upazilas*. Many positions are not filled, weakening the financial management supervision and monitoring of *upazila* and school expenditures.	Substantial	DPE will fill the approved positions at its headquarters early in the program, and all the approved district and *upazila* positions before the midterm review of the program. A DLI was introduced to equip the DPE with adequate financial management and procurement staff.
Overall Inherent Risk		Substantial	
Control Risk[b]			
1. Planning and budgeting	The government has a well-defined budget calendar with budget allocations linked to annual plans. However, the budget planning process still needs to be strengthened with bottom-up practices. Significant delays have been observed in the execution of the budget.	Moderate	With the rollout of iBAS++ (including the budget and budget execution module, access by all DDOs, and adoption of the new classification of codes), the MOPME and DPE will be better able to accommodate bottom-up practices in budget planning and allocate budget through the system rather than the previous manual procedure (i.e., issuing budget circulars to all DDOs). The DPE will prepare annual operating plans and APPs for timely approval by MOPME, as per DPP. A PAP action is also introduced for timely approval of APP.
2. Funds flow	Budget allocations are released on time, and payment processing has improved significantly under PEDP3 (65% of bills processed within the government service target of 3 days). However, some DPEOs and DAOs continue to show a low level of compliance.	Substantial	DPE will establish a dedicated IAU to strengthen financial management supervision capacity, and to target those DPEOs and DAOs that continue to show weak compliance. The DLI and PAP require establishing and operationalizing the IAU and

Risk Type	Risk Description	Risk Rating	Mitigation Measures
			improving audit resolution.
3. Internal controls	Accounts are reconciled between budget holders (cost centers) and payment offices (CGA account offices) in a timelier fashion with the introduction of the DPE's web-based accounting information system. However, some MOPME cost centers still do not use the system due to lack of capacity.	Substantial	With the rollout of iBAS++ to all cost centers and accounting offices, the MOPME and DPE can use a single system for real-time online reconciliation. The MOPME and DPE, by coordinating with the MOF, will plan and conduct a training program on the use of iBAS++. A DLI governs the rollout of IBAS++ and accompanying training at all levels.
4. Accounting and financial reporting	Interim financial reports on payments made (cash basis) are produced in a timely fashion from the iBAS and DPE's web-based accounting information systems. However, some reports do not cover all cost centers (like payment processing and reconciliation), which challenges the assurance provided by the financial statements.	Moderate	The rollout of iBAS++ will rectify this because all reports will be produced by one integrated system with real-time online reconciliation. A DLI governs the rollout of IBAS++.
5. Concurrent (internal) audit	Neither MOPME nor DPE currently have a dedicated internal audit function, which makes monitoring compliance with financial regulations by cost centers difficult.	High	The program will continue to implement a rolling AFR process to compensate for weaknesses in internal controls, and for limited capacity at the MOPME, DPE, and subordinated institutions to effectively exercise internal controls. A DLI and PAP require the establishment of an IAU at the DPE to increase monitoring capacity, especially for monitoring of units assessed to be high risk because of recurring audit observations.
6. Statutory (external) audit	The OCAG reports are generally submitted on time, and with scope and comprehensiveness as per INTOSAI standards. Effective follow-up on audit findings has improved after introducing an audit management tool. However, follow-up weaknesses persist since many of the same districts and *upazilas* are the cause of recurring audit observations. Additional capacity is required for a risk-based approach to resolving audit findings.	Substantial	A DLI and PAP require the establishment of an IAU at the DPE for regular monitoring of audit observations and for better audit resolution.
Overall Control Risk		Substantial	
Overall Risk		**Substantial**	

AFR = annual fiduciary review, CGA = Controller General of Accounts, DAO = district accounts office, DDO = drawing and disbursement officer, DLI = disbursement-linked indicator, DPE = Directorate of Primary Education, DPEO = district primary education office, DPP = Development Project Proforma, FY = fiscal year, IAU = internal audit unit, iBAS++ = Advanced Integrated Budget and Accounting System, INTOSAI = International Organization of Supreme Audit Institutions, MOF = Ministry of Finance, MOPME = Ministry of Primary and Mass Education, MTBF = medium-term budget framework, OCAG = Office of the Comptroller and Auditor General, PAP = program action plan, PEDP3 = Third Primary Education Development Project, PFM = public financial management.

a An inherent risk is the susceptibility of the program financial management system to factors arising from the environment in which it operates, such as country rules and regulations and the agency's working environment (assuming the absence of any counterchecks or internal controls).

b Control risk means that the program's accounting and internal control framework is inadequate to ensure that funds are used economically and efficiently and for the purposes intended, and that the use of funds is properly reported.

Source: Asian Development Bank.

C.   Procurement System

11.   **Procurement profile.** The Fourth Primary Education Development Program will mainly involve (i) construction of additional classrooms and of water, sanitation, and hygiene facilities or their rehabilitation and maintenance in existing schools (no land acquisition); (ii) printing of textbooks and teaching and learning materials; (iii) procurement of equipment, vehicle, and furniture; and (iv) hiring of consulting services. ADB's RBL program boundary will exclude (i) the production (printing) of textbooks; (ii) information and communication technology equipment and accessories, furniture, motor vehicles, and land acquisition; (iii) pensions and/or gratuities; (iv) unadjusted advances or loans; (v) civil works other than the additional classrooms, water, sanitation, and hygiene facilities and other facilities at schools; and (vi) procurement of goods that require international procurement.[7] The contract of civil works, goods, or services will not exceed the respective biggest single contract amount allowed under the RBL policy. All public procurement actions (works, goods, and services) will be subject to the provisions of the Public Procurement Act (PPA, 2006) and the Public Procurement Rules (PPR, 2008). However, necessary measures for system improvement and capacity development will be undertaken at all levels to ensure transparency, efficiency, and effectiveness of the procurement process. Major procurement activities will be carried out by the implementing agency—the DPE (goods and services)—and the partner implementing agencies such as the Local Government Engineering Department (LGED) and Department of Public Health Engineering (DPHE) (goods and works), and procurement authority may be devolved to DPEOs, UEOs, and schools for the procurement of small amount of goods and for the maintenance of works that remains within their authorized mandate and thresholds.

12.   A major share of procurement allocation is for civil works (e.g., additional classrooms, sanitation facilities, or water sources), accounting for about 50% of total development expenditure. The works will be procured under the national open tendering method (OTM). Goods procurement accounts for about 9% of the total development expenditures. Of this, however, vehicles, equipment and furniture, and the printing of textbooks will be financed by the government's own revenue resources, thus out of the development partners' financing boundary. Consulting services (both national and international, individuals, and firms) make up less than 0.5% of the pooled funds and will be procured by using quality- and cost-based selection (QCBS), or selection based on consultant quality for firms and individual consultant selection for individuals.

13.   **Country and sector procurement systems.** Bangladesh's public procurement procedures are assessed to be well defined by the PPA and PPR, and by the electronic government procurement (e-GP) guidelines, with step-by-step procurement procedures (planning up to contract signing) and standardization of almost all required templates being used within and across agencies, as well as demarcation of responsibilities for policy, execution, approval, and complaint review. The processing guidelines and rules of the PPR are elaborate and clear, and the PPA and PPR provisions are generally aligned with internationally accepted principles and practices. However, a few exceptions in procurement procedures exist, which, if applied, may reduce competition and transparency. For civil works, these are (i) rejection of bids with a quoted price of 10% above or below the official cost estimate, (ii) waiver of specific experience requirement for tenderers participating in the limited tender method, (iii) selection of winning bidders in case of a tie in the OTM process through evaluation based on point system under some criteria, and (iv) provision for dropping of works tender in multiple locations. For services, the exceptions are: (i) introduction of 3%–5% performance guarantee (optional) from

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[7]   The boundary has been jointly agreed between the joint financing development partners.

the selected consultant prior to contract approval and signing and (ii) mandatory requirement of prior approval by the Cabinet Committee on Economic Affairs in case of using QCBS (90:10). Although model bidding documents have been available in the system, and some of them do not trigger these exceptional procedures, these documents are not standardized enough for use to widely ensure competition and transparency.

14.   The assessment also found that as per PPA and PPR, the procurement methods are at par with the development partners' guidelines—with a few exceptions. For example, the request for quotation method in the country system has a threshold of only up to Tk500,000 for goods (far less than the threshold of $100,000 under the "shopping" method), which may constrain the procurement entities in frequent procurement of low-value, off-the-shelf goods.

15.   The Bangladesh e-GP system has brought remarkable progress in ensuring a tendering process that is transparent; minimizes business costs; and is free and fair, hassle-free, and paperless.[8] However, the system is yet to operationalize the module for access by auditors and reviewers to audit the process of completed contracts. The evaluation process still takes more time than planned and the modules for the processing of services and international competitive bidding of goods are still not for use; the processing of national competitive bidding contracts is limited to certain thresholds. Moreover, as per e-GP guidelines, bid-opening committee are limited to two members (the PPR prescribe three) and the OTM evaluation committee is limited to three members, whereas the PPR generally require five to seven members. (It is understood that the Central Procurement Technical Unit is reviewing the e-GP evaluation committee membership and might solve the problem by requiring more members.) Last but not the least, oversight of procurement activities on compliance with the PPR by the Central Procurement Technical Unit and also by the public procurement entities' agency heads is inadequate.

16.   **Program procurement.** The proposed program will engage the DPE as the implementing agency and the National Curriculum and Textbook Board (NCTB), National Academy for Primary Education (NAPE), Bureau of Non-Formal Education (BNFE), LGED, and DPHE as partner implementing agencies. All these agencies, except for BNFE, have been involved since the previous project. A review found that neither the DPE nor its subordinate agencies (i.e., DPEOs, UEOs, and primary teacher training institutes), nor the NCTB, NAPE, and BNFE have a designated procurement unit with sufficient and adequately trained staff to deal efficiently with any additional procurement activities. Neither does the staff presently assigned to procurement have any clear and demarcated job responsibilities, nor have the aforementioned entities any organized procurement training programs in place. Although the DPE carried out various procurements under the previous project, it was found that the tender documents and specifications had been prepared by staff of the administration and finance divisions. In the NAPE, a workshop technician is performing the same responsibilities. The BNFE has no designated procurement arm for large-scale procurement. It is thus imperative to step up the capacities of these agencies, especially the DPE, which is responsible for major procurement of goods and services.

17.   During the previous project, the bid evaluation was carried out by the bid evaluation committee in accordance with the guidelines of the development partners and/or the requirements of the PPA and/or PPR, which provides a good foundation for the bid evaluation committee under the proposed program. The country system (as per PPR and delegation of financial powers) is followed for contract approval by all the implementing agencies of the

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[8]   BRAC University. 2015. *Assessment of e-Tendering (e-GP) Process in LGED – a Case study for Selected Offices.* Dhaka.

proposed program. It was found that the DPE has established a procedure for opening letters of credits, receiving goods, keeping records on assets and inventories, and tracking the defect liability or warranty period. The LGED and DPHE, fully using e-GP for tendering, are well experienced in procuring works under the previous project and are staffed with sufficient and adequately trained personnel, both at headquarters and in *upazilas* and districts, to manage similar works procurement for the proposed program. Other implementing agencies are not well versed in the use of e-GP. The DPE initiated the use of e-GP for some goods procurement in 2017, and is currently preparing the migration to the e-GP system and the rollout to DPEOs and UEOs. A common challenge for all implementing agencies is the lack of a well-established and effective contract monitoring or supervision mechanism, along with a payment tracking system, and the procurement experience is also limited at the approval authority level. For the proposed program, measures are in place to strengthen coordination and monitoring of procurement planning as well as contract execution and supervision. The measures include (i) establishing a dedicated procurement division and an internal audit unit at DPE with adequately qualified staff, (ii) rolling out e-GP to all procuring entities along with organized training, (iii) preparing and updating annual procurement plans in a timely manner, and (iv) engaging a program support team to help plan the procurement of services and monitor service delivery. Meanwhile, the full rollout of iBAS++ will enable online reconciliation of accounts and bills, which will largely help prevent the misuse of funds caused by unplanned usage.

18.   Although the PPR prescribe the procurement method and procedures step by step, shortcomings remain. For instance, a detailed manual for opening and evaluating bids and for executing contracts is lacking. Training on the use of an e-GP manual will help guide the process. Also, schools spend funds from the school level improvement plan (SLIP) with assistance from the school management committees (SMCs). SLIP guidelines developed under the previous project will be updated for the proposed program with clearer fund management requirements and by including procurement guidelines for school-level procurement. A regular short-term procurement orientation and participatory training could be provided to SMCs. Social audit committees in place under the previous project shall be strengthened for monitoring the use of SLIP funds and compliance with regulations. Schools wishing to continue using SLIP funds will be required to have a functioning SMC and do disclose all social audit reports.

19.   The overall procurement risk is rated *high* prior to mitigation. Based on the procurement profile of the program, the limitations in procurement will be well alleviated by using the national OTM as well as the acceptable e-standard tender documents for works and goods, and by adopting an 80:20 QCBS ratio or selection based on consultant quality or individual consultant selection for services. These arrangements fit the subsector context and ensure competition and transparency. The risks and mitigation measures are in Table 2.

Table 2: Procurement System Risks

Risk Description	Risk Rating	Mitigation Measures
Lack of qualified procurement staff to prepare the APP, process contracts, and coordinate procurement activities will constrain procurement management and compliance, and hence program implementation.	High	The DPE will establish a designated procurement division with sufficient and qualified staff, which will manage, coordinate, and monitor the program procurement activities. A DLI requires establishing a procurement division at the DPE, rolling out e-GP, and providing organized training.
		Some low-value procurement may be delegated to officials of DPEOs and NAPE, provided the officials are given procurement training and clear job responsibilities.
		Preparation of the APP and the processing of tenders shall be initiated with advance planning. Timely approval of the APP is required by the PAP.
		The BNFE will engage ISAs to help implement the OOSC

Risk Description	Risk Rating	Mitigation Measures
		subcomponent by developing an effective supervisory mechanism through third-party verification.
The e-GP system does not yet have a module for processing service contracts.	Substantial	The CPTU may pilot and expand online processing of service procurement based on the modules and functionalities already available in e-GP. Until the e-GP system is ready for service procurement, service contracts will be processed conventionally but with strengthened planning and supervision.
Model bidding documents that ensure competition and transparency are not standardized for extensive use.	High	OTM (national) will be used with previously agreed e-standard bidding documents (i.e., in the series number of "e-PW3-D") for all civil works procurement, which ensures competition and transparency. PAP requires the use of the e-standard bidding documents for goods and works that were used in PEDP3.
Weak enforcement of legal and regulatory framework and weak contract management may (i) lead to noncompliance with procurement provisions and fragmentation of contracts, (ii) jeopardize timely completion and quality of supplies or construction works, and (iii) result in other fiduciary irregularities.	Substantial	The DPE will establish a dedicated IAU to conduct internal audit for the whole program. It will be mandated to supervise supply quality, coordinate the supervision of construction quality, track payment delays, collect and compile data in streamlined process, and report concurrently to the DPE, the tripartite audit review meetings, and the program steering committee for action. The DLI and PAP require setting up an IAU and improving audit resolutions.
		Conduct AFRs, including post-procurement reviews, with a focus on timely resolution of audit findings and significant financial irregularities, and provide access for the AFR team to the e-GP system once its module for reviewers opens for use. The PAP requires the AFRs.
Absence of organized procurement training for the implementing and partner implementing agencies may restrict the improvement of procurement capacity.	Substantial	The DPE will prepare a training plan for procurement personnel (including the local offices' focal persons) and prioritize training on e-GP; it will develop a pool of key trainers in coordination with the CPTU for rolling out e-tenders.
Overall Risk	**High**	

AFR = annual fiduciary review, APP = annual procurement plan, BNFE = Bureau of Non-Formal Education, CPTU = Central Procurement Technical Unit, DLI = disbursement-linked indicator, DPE = Directorate of Primary Education, DPEO = district primary education office, e-GP = electronic government procurement, IAU = internal audit unit, ISA = implementation support agency, NAPE = National Academy for Primary Education, OOSC = out-of-school children, OTM = open tendering method, PAP = program action plan, PEDP3 = Third Primary Education Development Project.
Source: Asian Development Bank.

D.   Anticorruption System

20.   **Country level.** Bangladesh has formulated numerous acts and policies on anticorruption measures since 1997. In 2004, the Anticorruption Commission (ACC) was established as an independent prevention and inspection body. While the ACC was endowed with significant formal independence in investigating and prosecuting corruption, a November 2013 update of the legal framework governing the ACC weakened its independence—one major challenge is the requirement that the ACC needs to obtain approval from the executive before it can proceed with bringing cases against high-level officials to the judiciary.

21.   The prevalence of corruption in Bangladesh, as well as the perception thereof, generally remains significant. The Transparency International's Corruption Perception Index (2018) of 180 countries ranked Bangladesh in the 143rd position, although lightly up from 2017 (145th out of 176 countries). The ACC is making continuous capacity building efforts to improve its practices in preventing and combating corruption, including supervision of and capacity building for all government agencies. Technical assistance and training in this area are supported by ADB, Japan International Cooperation Agency, the World Bank, and German development cooperation through Gesellschaft für Internationale Zusammenarbeit (GIZ).

22.   The ACC has split its operations into a punitive and a preventive arm. Punitive actions include inquiries and investigations into allegations that concern offenses against the Anticorruption Commission Act, and bringing the alleged party before the courts for trial. The ACC is concurrently implementing various programs for effective prevention of corruption. It receives complaints from individuals or institutions directly or through the media, online reports, and reports to call centers. After the selection of the complaint, they engage inquiry or investigation officer to do the inquiry (primary stage) or investigation (final stage).

23.   Procurement is perceived as an area prone to corruption. Fraud and corruption outside the procurement process are also common, with possible coercive and collusive practices by groups of bidders. A procurement grievance redress system (GRS) exists in both the conventional and e-GP systems to record and respond to complaints relating to procurement. Other governance and accountability mechanisms include OCAG audits with statement of audit needs including the detection of fraud and corruption as part of the audit process.

24.   **Sector and program levels.** The education sector is generally considered prone to corruption given the size of education budgets and the complex administrative layers between central government and the schools. However, a relatively low 12% of Bangladeshi people saw the education system as corrupt (Transparency International, 2013), down from 23% in 2010, which suggests that citizens perceive the situation as having improved.

25.   The MOPME has a GRS in place. Complaint boxes at its *upazila* offices or on its website allow anyone to lodge a complaint. Designated MOPME officers act as GRS focal points to receive and process complaints and concerns from all stakeholders, and details are made transparent on its website, in line with its Grievance Redress and Complaints-Handling Guidelines. The outcome of each case is transparently reported and published on its website. The Right to Information Act (2008) of Bangladesh is also enforced within the MOPME through its designated information officers. Moreover, the MOPME has a practice of sharing annual information reports with wider stakeholders transparently through its website.

26.   The proposed program includes measures to boost system transparency and accountability to combat corruption. These include (i) strengthening fiduciary management capacity and oversight; (ii) setting up an internal audit unit at the DPE; (iii) rolling out iBAS++ and e-GP; (iv) updating SLIP and *upazila* primary education plan guidelines and fund management systems; (v) requiring social audits for schools receiving SLIP funds; (vi) disclosing key school data publicly; and (vii) integrating an education management information system, complete with student and teacher subsystems that can be accessed from school level.

E.   Proposed Fiduciary Management Action Plan

27.   The main actions to mitigate the aforementioned risks are in Table 3. The key ones are also managed through a PAP.

Table 3: Proposed Fiduciary Management Action Plan

Actions	Responsible Agency	Time Frame
Financial Management		
Map all vacant financial management staff positions in DPEOs and UEOs, and devise a plan for filling the vacancies with staff of sufficient academic qualifications and professional experience.	MOPME, DPE	By end of FY2019
Update the SLIP guidelines with stronger fund management requirements, including procurement guidelines. Continue training to primary SMCs on	DPE	By end of FY2020

Actions	Responsible Agency	Time Frame
complying with the updated guidelines on the allocation and use of SLIP funds.		
The iBAS++ to be rolled out to all the MOPME account officers and DDOs; and to be used for budget allocation, execution, bill processing, and accounting.	MOPME, DPE, MOF, CGA	From FY2019
Produce a mandate for an IAU. Appoint staff with required relevant academic qualifications and professional experience for the IAU. Develop TORs for TA to support the function of the IAU.	MOPME, DPE	By end of FY2019
The OCAG to conduct audit of the program budget as per mandate on auditing development budget and nondevelopment budget.	OCAG	From FY2019
Each year, formulate TORs for an AFR and contract consultants for its implementation.	Development partners, MOPME, DPE	March of each year
Tripartite audit review meetings to be held at least three times per year.	MOPME, DPE (with associated agencies), CAO (MOF), OCAG	From March 2019
Internal audit report to be issued every year with actions for resolving audit observations approved by the MOPME and implemented by responsible agencies.	MOPME, DPE, all agencies	From FY2021
Procurement		
Use OTM (NCB) with a previously agreed e-standard NCB document (e-PW3-D) for all civil works procurement.	DPE	Throughout the program
The CPTU to pilot and expand online service processing with modules and functionalities developed in e-GP, as appropriate.	MOPME, DPE	From FY2020
Prepare APP (in compliance with technical assistance project proforma or development project proforma) under advance planning to enable tenders to be initiated in time.	MOPME, DPE, all agencies	By July each year
Set up a designated procurement division in the DPE with sufficient and adequately qualified staff to manage, coordinate, and monitor program procurement activities.	MOPME, DPE	By June 2019
Until establishment of the above division, the DPE will be supported by procurement consultants.	DPE	July 2018– June 2019
Delegate low-value procurement to officials of the DPEOs and NAPE, providing training for them and clearly defining their responsibilities.	MOPME, DPE	By June 2019
The BNFE to engage ISAs to help implement the OOSC subcomponent, by developing effective supervisory mechanism through third-party verification.	BNFE	By December 2018
Establish an IAU at the DPE with full authority and adequate staff, supported by TA to access or investigate any specific procurement transactions under the program.	MOPME, DPE	By June 2019
Conduct AFRs (including post procurement reviews) and emphasize timely resolution of audit observations and serious financial irregularities, and provide e-GP access to the AFR team once its module for reviewers is open for use.	MOPME, DPE, CPTU	By August every year
The DPE to prepare a training plan for procurement personnel (including subordinate offices) and prioritize training on e-GP; develop a pool of key trainers in coordination with the CPTU for rolling out e-tenders.	MOPME, DPE, CPTU	By June 2019
Anticorruption efforts		
Social audit committee to be trained on the updated SLIP guidelines, and to prepare and disclose social audit reports.	DPE, UEOs	From FY2021
The MOPME to ensure that semiannual progress report on grievance redress system and e-GP is shared with development partners as per agreed template.	MOPME, DPE	From FY2020

AFR = annual fiduciary review, APP = annual procurement plan, BNFE = Bureau of Non-Formal Education, CAO = chief accounts officer, CGA = Controller General of Accounts, CPTU = Central Procurement Technical Unit, DDO = drawing and disbursement officer, DPE = Directorate of Primary Education, DPEO = district primary education office, e-GP = electronic government procurement, FY = fiscal year, IAU = internal audit unit, iBAS++ = Advanced Integrated Budget and Accounting System, ISA = implementation support agency, MOF = Ministry of Finance, MOPME = Ministry of Primary and Mass Education, NAPE = National Academy for Primary Education, NCB = national competitive bidding, OCAG = Office of the Comptroller and Auditor General, OOSC = out-of-school children, OTM = open tendering method, SLIP = school level improvement plan, SMC = school management committee, TA = technical assistance, TOR = terms of reference, UEO = *upazila* education office.
Source: Asian Development Bank.