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Report No: 90812-BD

PROJECT PAPER  
ON A  
PROPOSED ADDITIONAL CREDIT  
IN THE AMOUNT OF SDR 269.8 MILLION  
(US\$400 MILLION EQUIVALENT)  
AND PROJECT RESTRUCTURING  
TO THE  
PEOPLE'S REPUBLIC OF BANGLADESH  
FOR THE  
THIRD PRIMARY EDUCATION DEVELOPMENT PROGRAM

November 21, 2014

Education Global Practice  
Bangladesh, Bhutan, Nepal Country Management Unit  
South Asia Region

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**CURRENCY EQUIVALENTS**  
(Exchange Rate Effective September 30, 2014)

Currency Unit = Bangladesh Taka

Taka 77.38 = US\$1

US\$1.48 = SDR 1

**FISCAL YEAR**

July 1 – June 30

**ABBREVIATIONS AND ACRONYMS**

ADB	Asian Development Bank	EOP	End of Project (Program)
AF	Additional Financing		
AFR	Annual Fiduciary Review	FAPAD	Foreign Aided Project Audit Directorate
AO	Accounting Officers (of CGA)	FY	Fiscal Year
AOP	Annual Operational Plan	GAAP	Governance and Accountability Action Plan
APSC	Annual Primary School Census (Annual School Census)	GDP	Gross Domestic Product
ASPR	Annual Sector Progress Report	GFR	General Financial Rules
AUEO	Assistant Upazila Education Officer	GIEP	Gender and Inclusive Education Plan
BANBEIS	Bangladesh Bureau of Education Information System	GoB	Government of Bangladesh
BNFE	Bureau of Non-formal Education	GO-NGO	Government-Nongovernmental Organization (Guidelines)
C&AG	Comptroller and Auditor General	GPE	Global Partnership for Education
CAO	Chief Accounting Officer	GPS	Government Primary School
CAS	Country Assistance Strategy	HRD	Human Resources Development
CGA	Controller General of Accounts	HT	Head Teacher
C-in-Ed	Certificate in Education	IA	Implementing Agencies
CHT	Chittagong Hill Tracts	iBAS	Integrated Budgeting and Accounting System
CPTU	Central Procurement Training Unit	ICT	Information Communications Technology
DAO	District Accounts Officer	IDA	International Development Association
DDO	Drawing and Disbursement Officer	IE	Inclusive Education
DLI	Disbursement Linked Indicator	IFR	Interim Financial Report
DP	Development Partner	IMED	Implementation, Monitoring and Evaluation Division
DPE	Directorate of Primary Education	IPF	Investment Project Financing
DPed	Diploma in Primary Education	IPP	Indigenous Peoples Plan
DPEO	District Primary Education Office	IPSAS	International Public Sector Accounting Standards
DPHE	Department of Public Health Engineering	IUFR	Interim Unaudited Financial Report
DPP	Development Project Proforma	JARM	Joint Annual Review Mission
ECL	Each Child Learns	JCM	Joint Consultative Meeting
ECNEC	Executive Committee of the National Economic Council	JFA	Joint Financing Arrangement
EIRR	Economic Internal Rate of Return	KPI	Key Performance Indicator
e-GP	Electronic Government Procurement System	LAD	Local Audit Directorate
EMF	Environmental Management Framework	LGED	Local Government Engineering Department
EMIS	Education Management Information System		
EOI	Expression of Interest		

M&E	Monitoring and Evaluation	PFM	Public Financial Management
MDB	Multilateral Development Bank	PFWG	Procurement and Finance Working Group
MOE	Ministry of Education	PPE	Pre-Primary Education
MOF	Ministry of Finance	PPP	Public-Private Partnership
MoPME	Ministry of Primary and Mass Education	PPR	Public Procurement Regulations
MTBF	Medium Term Budgetary Framework	PSQL	Primary School Quality Level Indicator
MTR	Mid-Term Review	PTA	Parent-Teacher Association
NAPE	National Academy of Primary Education	PTI	Primary Teacher Training Institute
NCB	National Competitive Bidding	QFR	Quarterly Fiduciary Review
NCTB	National Curriculum and Textbook Board	QWG	Quality Working Group
NEP	National Education Policy	RAP	Resettlement Action Plan
NFE	Non-Formal Education	RBM	Results Based Management
NGO	Non-Government Organization	RNGPS	Registered non-Government Primary School
NNGPS	Newly Nationalized Government Primary School	SAI	Supreme Audit Institution
NPV	Net Present Value	SDR	Special Drawing Rights
NSA	National Student Assessment	SIA	Social Impact Assessment
OCAG	Office of the Comptroller and Auditor General	SLIP	School Level Improvement Plan
ORAF	Operational Risk Assessment Framework	SMC	School Management Committee
PBH	Program Budget Head	SMF	Social Management Framework
PC	Planning Commission	SPEMP	Strengthening Public Expenditure Management Program
PDO	Project Development Indicator	SOAN	Statement of Audit Needs
PECE	Primary Education Completion Examination	SOE	Statement of Expenditure
PEDP II	Second Primary Education Development Program	SWAp	Sector/sub-sector-Wide Approach
PEDP3	Third Primary Education Development Program	TA	Technical Assistance
PEFA	Public Expenditure and Financial Accountability	TED	Teacher Education and Development
		TOR	Terms of Reference
		TPV	Third Party Validation
		TR	Treasury Rules
		UEO	Upazila Education Officer
		UPEP	Upazila Primary Education Plan
		URC	Upazila Resource Center
		VAT	Value Added Tax

Vice President:	Philippe H. Le Houerou
Country Director:	Johannes C.M. Zutt
Director:	Amit Dar
Practice Manager:	Halil Dunder
Task Team Leader:	Ayesha Y. Vawda



**BANGLADESH**  
**THIRD PRIMARY EDUCATION DEVELOPMENT PROGRAM**

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## BANGLADESH

### THIRD PRIMARY EDUCATION DEVELOPMENT PROGRAM

#### ADDITIONAL FINANCING DATA SHEET

Basic Information - Additional Financing (AF)	
Country Director: Johannes C.M. Zutt Director: Amit Dar Practice Manager: Halil Dundar Team Leader: Ayesha Y. Vawda Project ID: P150669 Expected Effectiveness Date: April 2, 2015 Lending Instrument: Investment Project Financing Additional Financing Type: Scale-up and Restructuring	Sectors: Primary Education (100%) Themes: Education for All (100%) Environmental category: B Expected Closing Date: December 31, 2017 Joint IFC: NA Joint Level: NA
Basic Information - Original Project	
Project ID: P113435 Project Name: Bangladesh Third Primary Education Development Program Lending Instrument: Specific Investment Credit	Environmental category: B Expected Closing Date: December 31, 2015 Joint IFC: NA Joint Level: NA
AF Project Financing Data	
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Grant <input type="checkbox"/> Guarantee <input type="checkbox"/> Other: Proposed terms: Standard IDA Regular terms, with 38 years maturity including a 6-year grace period	
AF Financing Plan (US\$m)	
Source	Total Amount (US \$m)
Total Project Cost:	<b>5641</b>
Cofinancing:	<b>265</b>
ADB	120
EU	45
GPE	100
Borrower:	<b>4976</b>
Total Bank Financing:	
IBRD	
IDA	
New	<b>400</b>
Recommitted	
Client Information	
<p><b>Recipient:</b> The People's Republic of Bangladesh,  Economic Relations Division, Ministry of Finance, Dhaka, Bangladesh</p> <p><b>Responsible Agency:</b> Ministry of Primary and Mass Education (MoPME)</p> <p>Contact Person: Mr. Quazi Akhter Hossain, Secretary, MoPME</p> <p>Telephone No.: 88029540484 (O)</p> <p>Fax No.: 88027168871</p> <p>Email: <a href="mailto:scymopme@gmail.com">scymopme@gmail.com</a></p>	

AF Estimated Disbursements (Bank FY/US\$m)				
FY	2015	2016	2017	2018
Annual	0.00	100.00	130.00	170.00
Cumulative	0.00	100.00	230.00	400.00
Project Development Objective and Description				
<p>The original objectives of the Project are to: (i) increase participation and reduce social disparities in primary education; (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning; and (iii) improve effectiveness of resource use for primary education.</p> <p>Revised Project Development Objectives: not applicable</p> <p>Project Description: The operation uses a Sector Wide approach (SWAp) to support implementation of the Government of Bangladesh’s Third Primary Education Development Program (PED3). The Credit finances recurrent and development expenditures, covering the entire primary education sub-sector, and which fall under agreed program budget heads (PBHs) of the government’s heads of account. Disbursement is conditioned on the achievement of pre-specified results, referred to as “Disbursement-linked indicators” (DLIs), which are a subset of the Government’s results framework for PEDP3.</p> <p>The activities financed fall under the following categories: (i) improving the quality of the learning environment and the measurement of student learning; (ii) improving access and reducing social disparities; and (iii) improving program planning and management, and strengthening institutions.</p>				
Safeguard and Exception to Policies				
<p>Safeguard policies triggered:</p> <p>Environmental Assessment (OP/BP 4.01)</p> <p>Natural Habitats (OP/BP 4.04)</p> <p>Forests (OP/BP 4.36)</p> <p>Pest Management (OP 4.09)</p> <p>Physical Cultural Resources (OP/BP 4.11)</p> <p>Indigenous Peoples (OP/BP 4.10)</p> <p>Involuntary Resettlement (OP/BP 4.12)</p> <p>Safety of Dams (OP/BP 4.37)</p> <p>Projects on International Waterways (OP/BP 7.50)</p> <p>Projects in Disputed Areas (OP/BP 7.60)</p>			<p>[X]Yes [ ] No</p> <p>[ ]Yes [X] No</p> <p>[ ]Yes [X] No</p> <p>[ ]Yes [X] No</p> <p>[ ]Yes [X] No</p> <p>[X]Yes [ ] No</p> <p>[X]Yes [ ] No</p> <p>[ ]Yes [X] No</p> <p>[ ]Yes [X] No</p> <p>[ ]Yes [X] No</p>	
<p>Is approval of any policy waiver sought from the Board (or MD if RETF operation is RVP approved)?</p> <p>Has this been endorsed by Bank Management? (<i>Only applies to Board approved operations</i>)</p>			<p>[X ]Yes [ ] No</p> <p>[X]Yes [ ] No</p>	
Conditions and Legal Covenants:				



Financing Agreement Reference	Description of Condition/Covenant	Date Due
<p><u>Implementation Covenants</u></p> <p>Schedule 2, Section I.A.1.</p>	<p>The Recipient shall maintain throughout the period of Project implementation, an Inter-Ministerial Steering Committee, headed by the Secretary, MOPME, and having as members representatives of key ministries and agencies, including, <i>inter alia</i>: the finance Division and Economic Relations Division of the Ministry of Finance; the Ministry of Public Administration; the Planning Commission; the Implementation Monitoring and Evaluation Division of the Ministry of Planning; and the Directorate of Primary Education of the MOPME; and representatives of non-government organizations.</p>	
<p>Schedule 2, Section I.A.1.</p>	<p>The Recipient shall maintain throughout the period of Project Implementation, a Technical Committee headed by the Director General (Program Director), DPE, and having as members <i>inter alia</i>, the Additional Director General, all DPE directors; representatives from MOPME, the National Academy of Primary Education, National Curriculum and Textbook Board, Compulsory Primary Education Implementation and Monitoring Unit, Bureau of Non-formal Education, and the Bangladesh Bureau of Education Information and Statistics; and a representative from a non-governmental organization.</p>	
<p>Schedule 2, Section I.A.1.</p>	<p>The Recipient shall: (a) ensure that all budgetary allocations related to the Project are timely released to the appropriate directorates and agencies of the Recipient, as shall be required for the effective implementation of the Project; and (b) apply suitable internal controls to ensure that payments of budgetary expenditures, including monthly reconciliations thereof, shall be made in a timely manner, together with an appropriate accounting of budgetary advances, if any, with a view to keeping said advances separate from budgetary expenditures.</p>	

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Schedule 2, Section I.A.2.	The Recipient shall, not later than May 1 of each year, commencing May 1, 2015, prepare and furnish to the Association for its endorsement, the Annual Plan for the following fiscal year.	May 1, 2015 and May 1 of each of the following years of the Project.
Schedule 2, Section I.B.1. (a)	The Recipient shall, by not later than May 31 of each year commencing May 31, 2015, carry out joint reviews of the Project and the Program with the Association and the Co-financiers, to, <i>inter alia</i> , assess the progress of implementation and achievement of the agreed results, and identify obstacles or impediments, if any.	May 31, 2015 and May 31 of each of the following years of the Project.
Schedule 2, Section I.D.1. and Schedule 2, Section I.D.2.	The Recipient shall carry out the Project in accordance with the Environmental Management Framework, the Social Management Framework, and the relevant Safeguards Plans, and when applicable, prepare and carry out appropriate mitigating measures pursuant to the EMF and SMF.	
Schedule 2, Section II.B.2.	The Recipient shall prepare and furnish to the Association, not later than forty-five (45) days after the end of the quarter, interim unaudited financial reports for the Project covering the quarter in form and substance satisfactory to the Association.	Forty-five (45) days after the end of each quarter.
Schedule 2, Section II.B.3.	The Recipient shall have its Financial Statements of the Program audited. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than nine (9) months after the end of such period.	Not later than nine (9) months after the end of each fiscal year.

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Schedule 2, Section IV.B.1.(b)	<p>The Recipient shall only request withdrawal for payments made under Category (1) if the Recipient shall have: (i) complied with the additional instructions referred to in Section IV.A.1 of Schedule 2, including submission to the Association of the applicable IUFR: (A) evidencing the incurrence of Project Eligible Expenditures during the respective DLI Period for which payment is requested; (B) indicating the source of funds (i.e. Original Financing Agreement or Additional Financing Agreement) against which the payments during the respective DLI Period shall be financed; and (iii) furnished evidence acceptable to the Association, in accordance with a verification protocol acceptable to the Association, that the DLI for the respective DLI Period for which payment is requested has been fully achieved.</p>	
Schedule 2, Section IV.B.1.(d)	<p>Withdrawals under Category (1) shall not exceed the lesser of: (a) the DLI Value allocated to each DLI during the respective DLI Period for which payment is requested; and (b) the amount of payments incurred during the DLI Period for which payment is requested.</p>	



## I. INTRODUCTION

1. This Project Paper seeks the approval of the Executive Directors to provide an Additional Credit in an amount of SDR 269.8 million (US\$400 million equivalent)<sup>1</sup> to the People's Republic of Bangladesh for the Third Primary Education Development Program (PEDP3, PID: P113435, IDA Credit 4999-BD). The paper also seeks management approval of Level-II restructuring as described in paragraph four, below. The original project was approved on August 25, 2011 and became effective on December 7, 2011. The original IDA Credit amount was SDR187.5 million (US\$300 million (equivalent))<sup>2</sup> and was designed to finance the first four years of the Government's five-year program.

2. The proposed Additional Financing (AF) would deepen the on-going reform agenda, expand successful project interventions in order to scale up impact and development effectiveness, and would fill the funding gap to complete planned project activities under an extended period in harmonization with the extension of the Government program and the financing proposed by other Development Partners. Implementation of the next level of reforms – to enhance measures to bring children in disadvantaged circumstances into pre-primary and primary education and to ensure their learning more effectively, to upgrade the quality of learning for all children, and to strengthen mechanisms for public and private sectors to work more closely together in education service delivery – which were initiated through the original project will be intensified during the additional financing period. A funding gap results from the government program closing date extension by one year, to December 31, 2017;<sup>3</sup> the impact of a higher national civil service pay scale and the nationalization of over 22,000 “Registered Non-Government Primary Schools” (RNGPS; referred to as “Newly Nationalized Government Primary Schools,” NNGPS), both initiated in FY2012/13; and an increase in infrastructure costs.<sup>4</sup>

3. The original objectives of the Project (PDO) will remain unchanged and are to: (i) increase participation and reduce social disparities in primary education; (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning; and (iii) improve effectiveness of resource use for primary education. The original Project Description (Annex 3)<sup>5</sup> will also remain unchanged.

4. The original project is also being restructured to align with Additional Financing. The restructuring of the original project entails:

- a change in the project Closing Date to December 31, 2017;
- modifications in the Results Framework;
- changes in the financing per DLI; and
- elimination of the 18-month time limit for achieving DLIs.

5. **Partnership arrangements:** Under the original program, which would continue for the proposed Additional Financing, the Government of Bangladesh (GoB) co-finances the PEDP3 through a Sector-

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<sup>1</sup> The total estimated cost for the Additional Financing is US\$5641 million, of which GoB contribution is US\$4976 million and other Development Partners including IDA is an estimated US\$665 million.

<sup>2</sup> The total estimated cost at initial project preparation was US\$5860 million, of which GoB contribution was US\$4950.6 million and the other eight Development Partners' was US\$609.4 million.

<sup>3</sup> The activities of the Government Program are expected to complete on June 30, 2017. A six-month period following Completion is expected to be required for generating and submitting evidence, including technical and financial, for achieved DLIs. The other DPs endorse the new program closing date.

<sup>4</sup> Infrastructure costs have risen due to changes in the standard school design and an overall increase in unit costs of construction.

<sup>5</sup> *Financing Agreement (Third Primary Education Development Program) between People's Republic of Bangladesh and International Development Association* dated October 13, 2011.

wide Approach (SWAp) with IDA and eight other multilateral and bilateral agencies. The Development Partners (DPs) came together to pioneer an approach linked to the achievement of agreed indicators of outputs for disbursement of funds on a sector-wide basis, disbursing their funds to the Government treasury and also strengthening government systems of fiduciary oversight. All DPs are currently signatories to a Joint Financing Arrangement (JFA) with the Government.<sup>6</sup>

## **II. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING**

### **A. Country Context**

6. Bangladesh is recognized globally for its achievements and potential, despite challenges which include having the world's highest population density, being home to five percent of the world's poor, and vulnerability to frequent natural calamities. Government policies which have sustained economic growth over the last three decades<sup>7</sup> and kept a systematic focus on poverty reduction contributed to sharp improvements in many social indicators. Among these is the decrease in percentage of people living on less than US\$1.25 a day – from 58.6 percent in 2000 to 43.3 percent in 2010, a rate of change 60 percent faster than in the rest of the developing world, excluding China.<sup>8</sup> Bangladesh has met several Millennium Development Goals, including achievement of gender parity in primary and secondary education.

### **B. Sector Policy and Strategy**

7. After the country's independence in 1971, the Government nationalized most primary schools and in 1990 approved a Compulsory Primary Education Act. Investing with development partners in a series of large scale operations, the GoB massively expanded access to primary education. By 2011, 88 percent of children aged 6 to 10 were in school and the poorest quintile of women had a higher level of education than all women had in 1993. Disparities in access remain nonetheless; for example, children from poor households in the slums attend school far less than their non-slum urban peers, and education for minority children generally trails behind that of non-minorities.<sup>9</sup> Learning *outcomes* have lagged behind improvements in access, with marked disparities between regions, types of schools, and social groups. The 2011 National Student Assessment (NSA) that is a baseline benchmark for PEDP3 revealed that among Grade 5 students, only 25 percent and 33 percent mastered competencies in Bangla (language) and mathematics, respectively. Those from poor households performed worse,<sup>10</sup> as did students in “staggered” shift schools.<sup>11</sup> Students from RNGPS performed less well than GPS students.

8. The National Education Policy (NEP; 2010) lays out operational objectives and expected results across the entire spectrum of the education sector and accords PEDP3 a major role in addressing challenges related to quality and equity in primary and pre-primary education. PEDP3 embodies the four main NEP foci, *viz.* (i) establishing an integrated school system under a framework that unifies public, nongovernmental organization (NGO) and private providers; (ii) improving quality through reduced class size, improved teaching practices, and a focus on ICT literacy; (iii) decentralizing primary education administration and management; and (iv) engaging in partnerships with NGOs and the private sector.

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<sup>6</sup> The JFA governs the working arrangements for the SWAp and covers, among others, the procurement, safeguards and results-based features of the program.

<sup>7</sup> The economy experienced stable growth in GDP since 2001 reaching 6.3 percent in 2012 and projected at 6.0 percent in 2013 (lower as a result of the political unrest during the national election period).

<sup>8</sup> International Development Association, International Finance Corporation. *Country Assistance Strategy Progress Report for the People's Republic of Bangladesh for the Period FY11-15*. Report No. 73983-BD, November 20, 2013.

<sup>9</sup> It is estimated that a population of 2.5 million indigenous ethnic minorities live in Bangladesh, mostly living in tribal areas.

<sup>10</sup> The poor performed three-fourths of a year behind their wealthier counterparts in Bangla and half a school year behind in math.

<sup>11</sup> Staggered shift schools could have more than one shift operating with the same set of teachers. Currently, 85 percent of primary schools run on a staggered shift approach with two shifts a day. Some schools operate with more than two shifts per day.

9. The PEDP3 SWAp, initiated in 2011, is viewed as a major innovation through its harmonization of all partners together with the Government around a common results-based approach (which heightens accountability for sustainable development) and funding modality (that uses and strengthens existing government systems). GoB and the 9 participating DPs used a strategic planning process to identify the expected development outcomes – “Program Results Framework” – and the operational framework (4 result areas represented by 29 Sub-components under the GoB’s program) through which to achieve these outcomes. Nine of these Sub-components were selected strategically as the Disbursement Linked Indicators (DLIs).<sup>12</sup> The DLIs represent the most critical, and in most cases, significantly complex reforms, requiring concerted efforts from multiple implementing agencies and partners. Incentives for realizing sector reforms derive from more than 70 percent of DP financing that is conditioned on achievement of these DLIs, reimbursing development and non-development expenditures which the GoB incurs for achieving these DLIs, in large volumes at the “time slices” of DLI milestone achievements.

10. The PEDP3 design strives for a more robust governance structure to support linkages and synergies between actions managed by the respective divisions of the Ministry of Primary and Mass Education (MoPME) and the Directorate of Primary Education (DPE), other government ministries and agencies, and non-government providers. MoPME is responsible for project execution, in dialogue with Ministry of Finance (MoF) which manages GoB’s Medium Term Budget Framework (MTBF), translating sector policy targets into a budget framework. To achieve the desired outcomes, the scope of interventions and resource requirements in the Annual Operational Plans (AOP) for primary education can vary from year to year, and across Districts and sub-Districts, as needed.<sup>13</sup>

### **C. RATIONALE FOR ADDITIONAL FINANCING**

11. The existing project and proposed AF are fully consistent with the Country Assistance Strategy (CAS: FY2011-2015)<sup>14</sup> which aims to support implementation of the Government’s national development strategy. The level of success PEDP3 reached after its first years of implementation is captured in the 2013 CAS Progress Report<sup>15</sup> which documented that strongest performance was under the human development pillar and improvements in education exceeded mid-term targets in many areas.

12. The rationale for the proposed Additional Financing (AF) is to maintain the Bank’s support for a well-performing project<sup>16</sup> that contributes directly towards GoB’s commitment to bring all primary school age children into school, provide them quality learning, and retain them to complete the primary cycle. The PEDP3 has proven to be an important and successful vehicle. It is a government led operation supporting the key reforms started in favor of these goals. The borrower has indicated strong interest in deepening the development impact through AF, and a harmonized decision was made by all DPs not to change the instrument three years into the program implementation.

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<sup>12</sup> Annex 2 of the Project Appraisal Document for the original IDA Credit shows the results chain i.e., linkages between the PDO, Intermediate Results Indicators, and DLIs.

<sup>13</sup> This is why the IDA project that supports the GoB’s PEDP3 program does not have components with inputs pre-specified in detail, but rather areas of intervention, “thrust areas” in which results are anticipated.

<sup>14</sup> The current CAS is extended by one year, to cover FY2015, in order to align the World Bank Group’s strategy with the Seventh Five-Year Plan Government is preparing. The CAS plan for FY2014/15 includes Additional Financing for PEDP3.

<sup>15</sup> International Development Association, International Finance Corporation. *Country Assistance Strategy Progress Report for the People’s Republic of Bangladesh for the Period FY11-15*. Report No. 73983-BD, November 20, 2013.

<sup>16</sup> The rationale for Bank involvement in the sector and for the original project was to build upon the decades of success in increasing sector capacity to manage national programs while addressing major reforms aimed at a transformative shift in the quality of education, and tackling inclusiveness, to reach the last estimated five million children of primary school age (6-10 years) who are out of school.

13. **Suitability of AF approach.** Analyses conducted for the project's Mid-term Review and the Economic Analysis (Annex 4) and Fiduciary Analysis (Annex 5) for the AF draw attention to the importance of: (i) an uninterrupted implementation period to deepen the project's development impact and maximize its economic returns by implementing it across more schools, teachers and students, with adequate time to evaluate and institutionalize successful interventions, and (ii) continuing with the same fiduciary arrangements, with some enhancements. The AF processing brings procedural gains, obviating risk of loss of momentum that would be a serious drawback if a new operation were to be prepared at this stage. Scaled-up activities can be accommodated in the existing implementation arrangements.

#### **D. Achievements under the Original Project**

14. The project is on track to achieve its PDO. The latest Implementation Status Report (July 2014) rated PDO and Implementation Progress (IP) "Satisfactory." The strong evidence of progress against outcomes and intermediate outcome indicators is detailed in Annex 1. Out of 27 DLI milestones to be achieved by midterm, 24 are fully met. Two Year-2 milestones are expected to be achieved by December 2014.<sup>17</sup> The original Credit amount is 61 percent disbursed.

15. The DLI incentive mechanism has proven effective in shifting the nature of policy dialogue to focus on outputs, outcomes and policy implementation. The project has contributed to the establishment of major reforms on a suitable scale: an international quality Diploma in Primary Education (DPed) has been successfully developed and piloted; the Grade 5/Primary Education Completion Exam is progressively becoming competency-based; two national assessments of learning were completed (in 2011 and 2013) to assess competencies among Grade 3 and Grade 5 students; one year of publicly funded pre-primary education has been introduced into Government Primary Schools (GPS), in recognition of the potential impact of good quality pre-primary education on learning outcomes, particularly for children from disadvantaged backgrounds. In addition, MoPME has pioneered financial management reforms under PEDP3 and is ready to embark on a strengthened regulatory review and compliance function in financial management. Under the broader context of the Implementation, Monitoring and Evaluation Division of the Ministry of Planning, the Central Procurement and Technical Unit's roll-out of Electronic Government Procurement (e-GP)<sup>18</sup> has initiated e-GP processing that will reach 60 percent of contracts under PEDP3 by FY2014/15 and universal coverage by the end of the program, thus strengthening transparency of the procurement process. Very strong progress in outcomes is recorded for monitoring and evaluation (M&E) systems under-girding the result-based management process of MoPME/DPE implementing units. Striking improvement is seen in the timeliness, quality and coverage of the Annual Primary School Census (APSC). Databases, including those for monitoring delivery of textbooks to schools, have been modernized for online, real time access. For needs-based provision of school infrastructure, the list of needs – assessed against technical criteria agreed between the GoB and DPs – is being converted to a "live" database for more transparent and effective identification and prioritization of sites. Decisions on construction design are to benefit from a recent efficiency gains analysis.

16. **Status of Legal Covenants under the Original Project:** All covenants under the FA have been complied with. The covenant on timely release of budgetary allocations to the appropriate directorates and agencies on a quarterly basis was partially met and is being executed with rising efficiency. Interim financial reports and audits have been submitted, and are compliant and acceptable to the Bank and DPs.

17. Fully consistent with the Financing Agreement of the original IDA Credit, a Mid-term Review (MTR) of the project was carried out no later than 30 months after the Effective date. The MTR was a

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<sup>17</sup> The Year-0 milestone for the "Sector Finance" DLI was not met and a restructuring of the Financing Agreement was approved in November 2012 to amend the protocol of this DLI.

<sup>18</sup> This recently inaugurated web-based system encompasses the total procurement life cycle, recording all procurement activities.



thorough and highly participatory process of research and reflection over progress towards planned outcomes, lessons learned, and ways to maximize the development impact. MoPME/DPE/DPs conducted internal assessments which were complemented with five in-depth, independent analyses: Economic Analysis, Financial Analysis, Governance and Institutional Analysis, Education Quality Study, and a Population Study. Results reaffirmed the strength of PEDP3's conceptual design. The MTR found the emphasis on quality of learning (broad scope of a coherent set of interventions), use of government systems while also strengthening governance and accountability of these systems, the degree of government engagement and ownership, and exemplary donor harmonization put the program at the forefront of global best practice. High quality policy dialogue has focused on key sector development results and engaged multiple and diverse stakeholders. The increasing use of evidence to make policy decisions was also noted as commendable.

## **E. Lessons Learned**

### **(a) DLIs are effective mechanisms**

- The project is the first to introduce a results framework on a national, sector-wide scale in Bangladesh. The system is responding positively, complemented with a lively policy dialogue.

### **(b) Importance of phased approach to major sector development**

- The MTR emphasized that many quality and equity enhancing reforms successfully piloted in the original project are ready for the next stage of expansion. Given that a transformative shift in educational quality is expected, it is essential that: (i) monitoring and teacher support mechanisms are effectively implemented based on existing structures; (ii) linkages between the developmental initiatives are proactively strengthened and mutually supportive, and (iii) activities are sequenced so they progressively lead to active learning in every classroom – delivered through effective teachers using developmentally appropriate teaching strategies and learning materials.
- The DPED (18-month diploma course raising the bar on standards expected of primary school teachers) will transform teaching practices but needs to be recognized as one element of a broad and consistent teacher management framework.
- Nationalization of RNGPS opened the possibility for major systemic reform. Actual quality improvement requires that interventions begun under the Original Credit continue and deepen across these schools to develop a critical mass of teachers and schools improving practices.
- In bringing simultaneous changes in supervisory, training, teaching, and learning behaviors, the various initiatives must be consistent reinforcing a core set of messages about the quality agenda even if they are presented, modeled, and practiced in different ways with different “clients.”

### **(c) Additional measures key to success**

- Quality improvement is contingent upon a number of additional PEDP3 interventions which have an influence on teachers being able to teach effectively, including: adequate number of teacher-student contact hours in the classroom<sup>19</sup> and incentives in the system to motivate teachers and education officials for optimum performance and to boost morale within the system.
- The process of decentralization can have an important role (which the project can capitalize on) in building community ownership for improving the quality of education.

### **(d) An effective communication strategy is essential**

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<sup>19</sup> The Economic Analysis noted systemic and operational constraints contribute to insufficient time on task. According to official directives, the annual total contact hours for Grade 1 is 861 in single shift schools and 595 hours in staggered shift. In reality, contact hours are reduced by 19-55 percent due to school closures and teacher absences for training and other reasons. By comparison, the OECD average per year for Grade 1-2 students is 775 contact hours. Under the extended project, 10,000 positions have been created to support increase of contact hours.

- The changes in PEDP3's approach to school effectiveness need to be better understood by all stakeholders within and outside the education system.
- (e) **Investing in effective Monitoring and Evaluation**
- Fullest possible benefits of the program can only be achieved with more systematic and coordinated monitoring and evaluation (and resulting good quality data) of the ongoing initiatives and the larger institutional framework which supports them.
- (f) **Capacity building is a key element to success**
- It is time to advance the challenging process of ensuring knowledge and capacities are developed to support sustained institutionalization of the reforms and initiatives PEDP3 is achieving.
  - Fostering stronger institutional linkages within government is instrumental to the ultimate success of the program and requires stronger linkages horizontally and vertically, and attention to clarifying roles in cases where responsibilities overlap.
  - The system needs more effective human (and financial) resource capacity for tailoring education to different circumstances of prospective learners.
- (g) **Donor harmonization is essential**
- Effective donor harmonization and coordination leverage significant resources for the program, over and above the contributions of any single agency, and support robust and effective policy dialogue that is crucial for success in realizing complex reforms in the sector and far beyond.

### III. PROPOSED CHANGES

18. The **Project Development Objectives** (PDO) of the AF will remain the same as under the original project as will the original three Parts of the project. Activities in the Project Description (Annex 3) also remain the same. Changes under the AF will be in additional interventions within these activity categories, to: (i) implement the next level of reforms which were initiated on a smaller scale through the original project; (ii) take on more complex measures effectively to reach children in disadvantaged circumstances and ensure their successful learning; (iii) develop mechanisms to work more closely with the private sector; and (iv) extend universal coverage of program interventions to the NNGPS. Annual activities are detailed in the Program Matrix of the GoB's updated (2014) Program Document.

19. **Results Framework.** The Results Framework presented in the PAD and Financing Agreement for the Original Credit is in two parts: a) the matrix of PDO indicators and b) the matrix of nine Disbursement Linked Indicators (DLIs) with their annual milestones. Both matrices have been modified to extend to Year 6 because of the proposed extension of the Closing Date to December 31, 2017 and are detailed in Annex 1. The DLI annual milestones for Year-4 to Year-6 build on the Year-0 to Year-3 milestones of the original project, and align with the broad indicators for Yr-4 to Yr-5 DLIs in the GoB's original Program Document (2011).

20. The above-mentioned changes are as follows:

- *The PDO indicator matrix* has been modified to: i) revise end of project targets for most of the indicators, given the new proposed Closing Date, ii) clarify the unit of measurement and definition and ensure consistency with the GoB M&E EMIS for two Intermediate Result Indicators (qualified primary teachers and infrastructure facilities); iii) correct the baseline data for another Intermediate Result Indicator (regarding the Annual Primary School Census); iv) drop the original Intermediate Result Indicator regarding financial support provided to disadvantaged students because GoB changed the basis for targeting stipends after PEDP3 was launched,

making it impossible to assess progress in this indicator against the original baseline;<sup>20</sup> and v) replace the latter indicator with one on Pre-Primary Education.

- *The DLI matrix* has been modified to synchronize with the updated matrix of the Government's 2014 Program Document, which is the common DLI matrix for all DPs supporting the SWAp.<sup>21</sup> Specifically, this entails: (a) modifications to bring more clarity in description of DLI milestones and the guiding protocols of the respective DLIs to be in effect for the Year-4 to Year-6 DLIs; (b) incorporating the change in the Sector Finance DLI that has been in effect from Year-1 (amended formally according to World Bank procedures in November 2012); (c) amendment of Year-3 targets for three DLIs (Table 1), as recommended by the MTR after evaluating implementation experience to date and concluding technical analysis and discussions ongoing for about a year; and (d) addition of DLI milestones for Years 4-5 for all DLIs, and for six of the Year-6 DLIs.

**Table 1. Amendments to Year-3 Targets of DLIs**

DLI	Amendments
DLI 2 : Diploma in Primary Education	Dip in Ed offered in <del>57</del> 29 PTIs with number of instructors according to the plan.
DLI 4: Teacher Recruitment and Deployment	All teachers and head teachers positions (vacancies and new position) filled according to agreed recruitment procedures and on needs basis  And (ii) at least 90% of new teacher and head teacher posts identified by the needs based plan <del>by the Year-0 assessment</del> to be filled for the year filled.  Recruitment rules with career paths for teachers and head teachers and, career paths, recruitment and promotion rules for DPE officers (field and Head Quarter) approved by Government of Bangladesh.
DLI 6: Need-based Infrastructure Development	At least <del>55</del> 35% of planned need-based infrastructure development completed according to criteria and technical standards.  Third party validation of infrastructure development according to criteria and technical standards

21. **Closing Date:** In order to implement the proposed activities, an amendment in the Closing Date of the original Credit, to extend until December 31, 2017, is required to align with that of the Additional Financing. GoB program activities are foreseen to complete by June 30, 2017. It is expected, based on current experience, that a few months will be required after the Completion Date of activities to gather the technical and financial evidence to DPs for DLI assessment and the related disbursement.

22. **Project Costs and Financing Plan:** In 2011, the total cost of the original Government five-year program (FY2011-FY2016) was estimated at US\$8.3 billion.<sup>22</sup> This corresponds to US\$7.5 billion at exchange rates current at the time of the Mid-Term Review. The total cost of the extended program is estimated at US\$ 9.8 billion<sup>23</sup> for FY2011-FY2017 (Table 2).

<sup>20</sup> Stipends are no longer provided solely on the basis of household income levels but, rather, based on a mixture of household based and geographic poverty targeting criteria. The current targeting has different cut-off points for different Upazilas according to the poverty head count ratio of the respective Upazilas.

<sup>21</sup> The detailed updates agreed by GoB and all DPs are documented in the minutes of the meeting chaired by the Secretary, MoPME on March 24, 2014 endorsing outcomes of the MTR retreat; Record of Discussions of the Joint Consultation Meeting April 27-28, 2014; MTR Oversight Committee meetings of May 28, June 3, and September 10, 2014; Record of Discussion of the Joint Annual Review Mission May 28 – July 17, 2014 and of the MTR Closure and Joint DP Additional Financing Appraisal Mission September 14-24, 2014 .

<sup>22</sup> Estimated at the exchange rate of 70 BDT = US\$1, prevailing in 2011.

<sup>23</sup> Estimated at the exchange rate of 78 BDT = US\$1.

23. The original IDA Credit of US\$300 million covered the first four years (World Bank FY2012-2015) of the Government's program for which GoB contribution was US\$5860 million and the other DPs' was a total US\$609.4 million. Taking into account the Government's program extension to a Year 6, Government commitments per the Medium-Term Budget Framework (MTBF) FY2014-FY2017 and expected additional GoB contribution (approximately US\$162 million), and that 50 percent of the total DP original commitment was undisbursed as of June 2014, there is an expected additional financing requirement of US\$667 million (Table 2). This can largely be met by the proposed Additional Financing of US\$400 million for the IDA commitment, a total US\$165 million committed from the ADB and the European Union (EU), and the proposed Global Partnership for Education (GPE) grant of US\$100 million to PEDP3. The Bank is the Supervising Entity (SE) supporting the GoB and the local donor group in preparing and processing the GPE financing. The GPE funds are expected to be approved by the GPE board in mid-2015. The total financing plan for the program includes GPE contribution.

**Table 2. Financing Requirements for Extended Government Program for PEDP3**

	<b>Cost in BDT (in billion)</b>	<b>Equivalent in US\$ billion at 2011 exchange rate (70 BDT = 1 US\$)</b>	<b>Equivalent in US\$ billion at 2014 exchange rate (78 BDT = 1 US\$)</b>
Total Program cost per revised Financing Plan FY2011-2017	765.000	10.929	9.808
Expenditures from 2011-2014	282.572	4.036	3.622
Undisbursed DP commitment as of mid-2014	42.273	0.542	0.542
Expected GoB contribution FY2014-2017 per MTBF	375.493		4.814
Expected Additional Contribution from GoB per MoF Commitment	12.663		0.162
Expected Additional Financing Required	51.999		<b>0.667</b>

24. MoPME shared with all DPs the GoB's Revised Development Project Proforma (RDPP) that articulates the rationale for program extension and subsequent amendments in the cost and financing plan. The Planning Commission held a Project Evaluation Committee meeting on the RDPP on September 25, 2014 at which it recommended that it be forwarded for the final approval of the Executive Committee of the National Economic Council (ECNEC).

25. **Implementation Arrangements.** The AF will continue to rely on and support the implementation structure and arrangements of the original project. The AF will disburse through the existing results-based SWAp in which IDA participates with eight other DPs and GoB under a Joint Financing Arrangement for implementation of the government's primary education development program. All DPs condition some or all of their disbursement on DLI achievements.

26. As for the Original Credit, the AF Credit would finance non-development and development expenditures to support the carrying out of activities approved for inclusion in the GoB's AOPs for primary education and which fall under agreed program budget heads (PBH) and operational codes.

27. **Disbursement Arrangements.** The Amended Original Credit and AF Credit would each have their respective Credit Agreement Numbers, but would be part of a common Disbursement Plan (Annex 6). It is expected that the Original Credit will continue to finance the remaining DLIs for Year-0 to Year-3, and the Additional Financing Credit will finance the DLIs for Year-4 to Year-6. If required, replacement DLIs can be identified for financing from either of the Credits. These replacement DLIs could be new DLIs or DLIs from either of the two Credits. The disbursement table for the Amended Original Credit (Annex 6, Table 2) includes a reallocation from categories 1(a) and 1 (b) to category 1(e) to account for non-payment of the Year-0 DLI on Sector Finance since the proposed project restructuring involves re-allocation in an amount not to exceed the replacement value of the unmet Year-0 DLI, equally

across Year-3 DLIs.<sup>24</sup> For the Additional Financing Credit, there will be a single disbursement category, “Project Eligible Expenditures under Annual Plans” (Annex 6, Table 3). No withdrawal will be made for payments prior to the date of the signing of the AF Financing Agreement, except that withdrawals up to an aggregate amount not to exceed 20 percent (SDR 53.96 million; US\$80 million equivalent) of the total IDA financing (SDR 269.8 million; US\$400 million equivalent) may be made for payments prior to that date but on or after July 1, 2014 for Eligible Expenditures.

28. Disbursement is made against satisfactory evidence of achievement of the respective DLI(s) in accordance with the verification protocol in the DLI framework (Annex 1). As in the original project, no disbursements will be made for partial achievement of the annual milestones. It is conceivable that the actual year in which a DLI is achieved could even be earlier, or later, than the corresponding year of the PEDP3 program. Also as under the Original Credit, no withdrawal will be made unless the applicable Interim Unaudited Financial Report (IUFR) evidencing incurrence of Eligible Project Expenditures during the respective DLI period for which payment is requested is submitted and endorsed by IDA.

29. The total amount that can be claimed from the IDA commitments is defined by the total number of DLIs to be achieved and the costing of DLIs for each year. Under the original Credit, each DLI was valued at SDR 5.2 million (US\$8.33 million equivalent). Under the Amended Original Credit and Additional Financing, the value of each Year-3 DLI will be changed, to increase to SDR 5.79 million (US\$9.25 million equivalent), to use unutilized proceeds from the original Credit which resulted from non-payment of the Year-0 DLI on Sector Finance. The Year-4 to Year-6 DLIs will each be valued at SDR 11.24 million (US\$16.66 million equivalent) (see Annex 6). The increase helps meet the Government’s projected funding gap in the program’s later years since, even though ADB would provide additional financing, the amount translates into a decreased level of its funding per DLI. This decision does not reflect dissatisfaction with PEDP3 performance but rather a balancing of resources since ADB also recently began financing a secondary education project in Bangladesh. Moreover, while all DPs except Sweden<sup>25</sup> plan to extend their program Closing Date to match that of the GoB’s, only the DPs providing additional financing will be able to extend their financing to Year-6 DLIs.

30. Restructuring the original IDA Credit will also eliminate the 18-month time limit for achieving DLIs; similarly, there will not be a time limit under the AF. The thorough assessment of the project’s MTR concluded that the 18-month limit, which is only a condition of the World Bank, was an unnecessary and un-harmonized complication for managing funds under the project. The time limitation had no effect in terms of incentive for MoPME/DPE to achieve yearly DLI milestones as this commitment has been consistently strong. Factors outside this ministry’s control were the greater constraints. The lesson from experience is that there needs to be some flexibility to allow time needed for MoPME/DPE and the PEDP3 Steering Committee to negotiate and resolve issues especially when DLI achievements are dependent upon the collaboration of other ministries.

31. **Procurement.** The AF will continue to rely on and support the procurement procedures as under the original project, with the exception that all contracts will be procured in accordance with the more recent IDA Procurement Guidelines for the Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants, January 2011 (revised July 2014). All goods, works and

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<sup>24</sup> The Year-0 milestone for the “Sector Finance” DLI was not met. It was determined in the first year of implementation that the protocol of this DLI required amendment, and a restructuring of the Financing Agreement was approved on November 26, 2012 for the new protocol to be in effect from the Year-1 DLI. The disbursement table for the Amendment to the Original Financing Agreement also reflects SDR177,629 canceled from the withdrawal schedule under Category 1(c) of the original Credit 4999-BD as a result of misprocurement declared on the basis of findings of the Annual Fiduciary Review for FY2011/12 and the special Post Procurement Review FY2011/12. The IDA share of the canceled amount is calculated on the basis of proportionate IDA contribution to the FY2012/13 IUFR.

<sup>25</sup> Sweden plans to curtail its financing for primary education in Bangladesh from 2017 and shift assistance to skills development.

non-consulting services required for the project and to be financed out of the proceeds of the Credit will be procured in accordance with the requirements set forth or referred to in Section I of these guidelines. With respect to goods, works and non-consulting services jointly financed with ADB, a policy waiver of the provisions of paragraph 1.10 (c) of the IDA Guidelines is sought from the World Bank Board of Executive Directors, pursuant to the *Bank Policy, "Operational Policy Waivers,"* (Catalogue No. OPCS5.06-POL.01), and *Bank Procedure, "Operational Policy Waivers and Waivers of Other Operational Requirements,"* (Catalogue No. OPCS5.06-PROC.01). Specifically, the waiver requires an expansion of the exception to open eligibility under paragraph 1.10 (c) of the Procurement Guidelines (which renders ineligible firms sanctioned in accordance with the Bank's prevailing sanctions procedures), to allow the Bank also to recognize the ineligibility of firms and individuals debarred and suspended by ADB in respect of contracts jointly financed with ADB under this operation. This policy waiver has been endorsed by Bank management. A similar waiver was approved by the Board for the original project (PEDP3) in conjunction with its approval on August 25, 2011.

32. **Legal Covenants for AF:** The same legal covenants used for the original project will apply to the AF, excluding the requirement (Schedule 2, Section I.C. (c) of the original Financing Agreement) for a Mid-term Review that is no longer relevant.

#### **IV. APPRAISAL SUMMARY**

##### **A. Economic Analysis**

33. The results of the updated economic analysis for the AF suggest the project remains economically justified provided there will be timely implementation of the quality reforms which are key for generating higher economic benefits from PEDP3. The GoB's Medium Term Budget Framework (MTBF) forecasts a continuous growth of public expenditure on education backed by confidence in overall stable economic growth. The total PEDP3 program cost related to the need-based classroom construction is now 28 percent higher (US\$174 million) than the 2011 estimate. The wage increase from nationalization and overall civil service pay scale increase results in a 60 percent increase in the salary bill for all Government Primary Schools (GPS and NNGPS).

34. An Economic Internal Rate of Return (EIRR) analysis was conducted. The benefits come mainly through: (i) increased labor productivity as a result of more and better educated workers, and (ii) savings in public expenditure as a result of reduced inefficiencies. The analysis estimates the benefit attributable to AF and compares with the counterfactual case without consideration of the AF. EIRR to additional financing of US\$600 million<sup>26</sup> is 14.2 percent over the next 20 years under a base scenario that assumes 0.15 percent improvement in grade promotion rate per year as a result of improved quality of teaching and learning. The improved quality of education would result in an increase in the cumulative number of primary school graduates by 2.8 million compared to the status quo scenario (i.e., without AF). The cumulative number of dropout students is also reduced by 2.4 million over the next 20 years.

35. Sensitivity analysis shows that delay in implementing the quality reforms would result in lower economic EIRR. Two types of sensitivity analyses were conducted: (a) changing parameters directly affecting the benefit stream (lower scenario and higher scenario), and (b) changing the start year of quality reforms. The lower scenario shows that if the grade promotion rate improves 0.10 percent annually (as opposed to 0.15 percent), the returns on the suggested investment are not economically viable. On the other hand, under the high scenario of a grade promotion rate improving by 0.20 percent annually, the EIRR reaches 18.6 percent. In sum, delay in quality improvement reforms will result in

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<sup>26</sup> Combined external, additional financing of DPs.

smaller economic benefits. Under the base scenario, one year delay will reduce the EIRR from 14.2 percent to 12.2 percent.

## **B. Technical Feasibility**

36. Scaled up activities of the AF can be accommodated in the Government's existing implementation arrangements for the PEDP3, and as a whole, these arrangements have been strengthened and streamlined by applying lessons learned during the initial years of program execution. Capacity has also strengthened through targeted training initiatives under PEDP3. The proposed AF interventions are consistent with the original objectives of the project and aim specifically to:

- Expand the scope of coverage of the higher standards for teacher qualifications (i.e., DPED), while setting foundations for institutionalization, accreditation and conversion of the program from an in-service to the premier pre-service program for primary teachers in the country; to ensure that Primary Teacher Training Institutes (PTIs) are sufficiently staffed to implement the DPED, in the event that ongoing regular recruitment is stalled for any reason, the RDPP has a provision to enable temporary recruitment of up to 350 PTI resource persons (instructors) per year for 2014-2017, inclusive;
- Mainstream the system's proactive accountability for each child's learning by increasing and institutionalizing channels for using the "Each Child Learns" (ECL) approach and materials;
- Disseminate and consolidate use of the modernized curriculum and the revised textbooks and exams;
- Use ICT more extensively to support broader coverage of in-service training and other development initiatives across the primary education sector.

37. Also under AF and Amended Original Credit, emphasis is on more effective mechanisms for enrolling the remaining, hardest-to-reach population groups and retaining them in school – ensuring good quality education tailored to their situations – and strategically targeting Pre-Primary Education to provide a stronger springboard for transition to primary; linking policy and activities for "Second Chance Education" (non-formal primary education) to NEP goals for universalizing primary education; and infusing decentralized school improvement planning with a more pronounced results focus in terms of quality of education and equity of participation and learning performance. These are activities in Part 2 of the project which, despite some significant advances, have lagged compared with the other two Parts. More specifically, going forward:

- Pre-Primary Education (PPE): The PPE Expansion Plan is to be revisited in light of the RNGPS nationalization. As part of this, a set of minimum quality standards will be developed. Using these as barometer, PPE provision will be prioritized in those areas identified as most in need. The principle of partnership (including with NGOs) is fundamental to the Expansion Plan. Such partnerships have been important to date in developing quality PPE curriculum and teaching and learning materials. Mechanisms for partnership in implementing PPE at school level will be agreed in the revisited Expansion Plan, for example in the instances where class size exceeds the maximum student-teacher ratio of 30:1. Mechanisms for monitoring (and who is responsible) will be part of the Expansion Plan, to ensure information is constantly updated on schools where PPE is offered and on quality of PPE.
- Second Chance Education (SCE): There were delays implementing SCE in the first half of the program due to a number of constraints in working out specific institutional arrangements. It has been agreed that for the duration of PEDP3, a separate Division at DPE will manage SCE. The focus will be on: (i) developing a long-needed baseline to assess the extent (number, location) of out-of-school children in Bangladesh; (ii) implementing SCE pilot(s) based on current approaches used by different government organizations and NGOs; and (iii) drawing lessons from these and other non-formal education approaches in South Asia. The aim is to use these "pilots" to provide SCE to 300,000 out-

of-school children by the end of PEDP3. The EOP goal is to have developed a comprehensive ten-year vision for reaching all out-of-school children in the country with quality education meeting their needs, and a responsive strategy based on comparative evidence of models which work best for achieving this.

- In extending universal program coverage to the NNGPS and using different customized approaches to make equity targeting more effective (e.g. PPE, interventions to reach-out-of-school boys), there are serious cost implications in terms of implementation, technical assistance, and monitoring. Proactivity is required to ensure the estimated budget needs are respected throughout the annual budget planning and allocation cycles.

38. The major initiatives of the PEDP3 are evolving in a complex system of over 100,000 schools, 450,000 teachers, and 19 million students. The proposed AF and extension of the Original Credit will allow MoPME/DPE adequate time and more resources to consolidate gains and promote synergies between the numerous interventions PEDP3 introduces on many fronts simultaneously. The project will also contribute to GoB's strategic thinking and systemic planning to follow up the National Education Policy intentions to extend primary education beyond Grade 5. Priorities for system strengthening are to:

- Build on the improvements to date in data collection and analysis (*inter alia*, improving the tools for Annual Primary School Census, Annual Sector Performance Report, Education Household Survey, National Student Assessment) and the use of data for evidence-based policy decision making at all levels of the system;
- Garner evidence from the use of School Level Improvement Plan (SLIP) and Upazila Primary Education Plan (UPEP) funds, in order to guide and support decentralized management and governance, also tackling emerging concerns such as low teacher-student contact hours in the classroom; and
- Examine lessons from existing public-private partnerships and bring these to greater use in primary education, especially for Pre-Primary and Second Chance Education.

39. The M&E matrix for the updated GoB Program Document (2014) was improved during the MTR process, better to reflect the renewed focus on Results Based Monitoring and evidence-based policy making for the duration of PEDP3. Strengthening the GoB M&E matrix and related EMIS facilitates systematic tracking, through the Results Framework of the Additional Financing and Amended Original Credit, of the progressive effects of PEDP3 interventions on the primary education sector. It is important as well that evaluation and longitudinal studies – many of which are in year-wise action plans of the program – are carried out as planned. Information generated from all sources (e.g., ASPRs, NSA, long-running programs such as Stipends) needs to be *acted on*, to understand and *address* factors underlying disparities in student performance and system effectiveness. For example, the ASPR and NSAs have indicated that the proportion of students who kept up with the competency level expected in the curriculum reduced as they moved up (i.e. students who fall behind at early grade are unlikely to catch up in later years). Regional variations in the gender parity index for gross enrollment rates and data showing that the average years of input to graduation are longer for boys than for girls, have been suggesting that a better tailoring of learning conditions to the actual situation of learners could increase participation in school and improve learning performance across the system. This is supported by the regression analysis of the 2011 NSA data that showed school-related factors overwhelmingly account for the greatest differences in student performance across the country.

40. Investment in capacity building has to continue: (i) for staff throughout the primary education sector to maintain effective systems and practices, to re-engineer existing systems and set up new ones, and manage expanded workloads; and (ii) to ensure adequate guidance and the formulation of appropriate policy. Staffing requirements associated with PEDP3 are specifically laid out in GoB's updated Program



Document (2014). The needs will be appraised regularly – *inter alia* in assessing capacity for achieving DLI milestones – and capacity building efforts will be coordinated and monitored through the regular consultative processes of the SWAp (e.g., during Working Group meetings, through the Program Support Office, at Joint Annual Review Missions).

41. The principle of needs-based service provision, one of PEDP3's central reforms, was intended to apply purposely to the recruitment and professional development of primary education teachers and officials. Capacity strengthening is part of this effort and figures among many of the DLI milestones (e.g., DLI-2: DPed, DLI-4: Teacher Recruitment and Deployment). Given that a good quality teacher is a key determinant of learning and that teachers need competences and skills to draw upon to match students' needs with appropriate teaching and learning opportunities, PEDP3 interventions aim to strengthen support and supervision at Upazila and schools levels, and build committed leadership and incentives oriented to the core business of the school – learning. Improvements were made to the coordination and organization of training provision during the first three years of PEDP3. Henceforth, the standards and competences for the professional development of teachers will form the basis for a set of related training options, in alignment with DPE's Teacher Education and Development Plan (2011) and the DPed course. The continuous professional development approach for the PTIs, Upazila Education Offices, and Upazila Resource Centers will be reviewed as needed, and formalized. Training options will be aligned to the existing set of standards and competences for field level staff.

42. **Citizen Engagement Indicator.** The GoB recognizes the importance of citizen engagement in the primary education sector, and that one of the most prominent ways of engaging citizens is through involvement in School Management Committees (SMCs) whose membership comprises guardians and local philanthropists. Under the Joint Cooperation Strategy, MoPME has been selected to chair the Education – Local Consultative Groups in Bangladesh (ELCG) because of its credible reputation in engaging both civil society and Development Partners. The ELCG is playing the leading role within the overall coordinating body (LCG) of the GoB and all its Development Partners. To advance this effort even more successfully, MoPME is working together with the Campaign for Popular Education (CAMPE) and all DPs in the education sector. MoPME's most recent Education for All (EFA) report (financed by UNESCO) was prepared with the engagement of leading civil society activists.

43. There are a number of mechanisms under PEDP3 which explicitly encourage citizen engagement and strive to incorporate feedback from the program's multiple beneficiaries. Beneficiaries include students, households, communities, schools, teachers and administrators, staff of MoPME, DPE, and all other implementing partners who together contribute to delivering the results of this program – and who are also beneficiaries of its capacity development initiatives, which constitute a critical risk mitigation measure of the program. Citizen engagement is encouraged, *inter alia*, through:

- Education Household Survey (EHS): The Bangladesh Bureau of Statistics conducted the first-ever EHS in 2014. This nationally representative survey has a section on beneficiary perspectives about primary education. Among others, respondents are asked to comment on the quality of primary education, importance of girls' education, effectiveness of SMCs, textbook availability, stipend provision and food for education.
- Third Party Validations (TPV): These form a cornerstone of the DLI verification mechanism. To date, validations have been undertaken for textbook delivery and the annual primary school census. A TPV on school infrastructure design as well as a Public Expenditure Tracking Survey and Lessons Learned Study on the school and Upazila grants (SLIPs, UPEPs) are being contracted in 2014. All these studies engage beneficiaries in generating evidence and in providing feedback on recommendations for improvement.

- Community mobilization efforts: Numerous efforts are underway and recur on a regular basis, to empower communities to utilize the support provided through PEDP3.
- Needs-based infrastructure: A guideline for lay-out planning and selection of need-based infrastructure types and sites is being prepared, incorporating SMCs' involvement in these activities.
- Social Management Framework, Environmental Management Framework, Gender and Inclusive Education Action Plans: These have recently been updated to reflect lessons of experience implementing PEDP3 over the last three years through broad consultation, to enable more effective support to affected communities. (See Safeguards section in this document.)
- Technical Assistance (TA) Plan: A Plan developed for PEDP3 in 2011 is updated at intervals, including during the MTR. The Plan outlines key areas of capacity building for all beneficiaries in the program. This rolling plan has already benefited a large number of staff and implementing agencies. TA needs are consistently defined on the basis of beneficiary feedback and demand.
- Research: All research activities and reports published by DPE are reviewed and cleared by a technical committee that involves local think tanks and activists.
- Civil society representation: PEDP3 was designed through a wide stakeholder consultation process. This continues to be practiced during the program implementation period as civil society representatives are regularly invited to review missions and, in select cases, are represented in the four working groups supporting implementation of the program.

44. In light of the new recommendation from the World Bank President's Office, the Bank's project task team consulted with the DP Consortium and GoB about the possibility of revising the GoB Program Results Framework to include an indicator on citizen engagement. There is widespread support for monitoring and encouraging beneficiary engagement in the program, design, planning, implementation and monitoring. However, standard or sample indicators are not yet available within the World Bank. Since the GoB and DP Consortium have concluded their joint (15-month) PEDP3 MTR and appraisal of additional financing, and since the additional financing documentation is in its final stages of review and approval, the consensus among the government and its DPs is that the Program Results Framework should not be amended at this time to include an indicator on citizen engagement. However, all the above-mentioned citizen engagement activities are, and will be, ongoing for the duration of PEDP3.

### C. Fiduciary

45. **Financial Management (FM):** A detailed Fiduciary Assessment was completed for the AF preparation (Annex 5) which reconfirms the financial management arrangements using the treasury model – based on the country financial management systems for budget execution, accounting, internal controls, financial reporting and auditing – are the lowest fiduciary risk on condition of successful implementation of the agreed mitigating measures. The FM arrangements for the AF and Amended Original Credit would therefore follow the current mechanisms for budget management and execution. The IDA funds will disburse directly to the government's own treasury account. Disbursements for each DLI are applied against Program Budget Head (PBH) expenditures and the expenditures documented in the Interim Unaudited Financial Reports (IUFR). The GoB Integrated Budget and Accounting System (iBAS) would continue to be the primary source of information for IUFR reporting in alignment with country systems. IDA will disburse the value of the DLI(s) to the Government treasury upon satisfactory evidence to IDA and the other DPs of DLI achievements and submission of the applicable IUFR. The annual financial statements of PEDP3 are subject to an independent audit by the Comptroller and Auditor General of

Bangladesh (CAG) in accordance with the agreed Statement of Audit Needs (SOAN). The existing audit arrangements will continue for the period of the AF. Minor amendments were made to update the SOAN to best reflect the current country systems. Any upcoming issue regarding reporting challenges will be resolved through dialogue with Ministry of Finance, Economic Relations Division, and MoPME.

46. Extending coverage to the NNGPS does not bring any changes to existing procedures for funds flow, reporting and internal controls (or procurement – below). In the original project, the NNGPS (which were initially RNGPS) received primary school textbooks through the same production and distribution procedures DPE followed for the GPS; were included in the assessment process that determined priorities for needs-based infrastructure investments carried out by LGED through its MoU with DPE; and were receiving SLIP grants and subsidies for teachers' salaries. The difference under the AF is the higher level of salary payment now that NNGPS teachers are on the same salary scale as GPS teachers. Also under the AF, new teachers recruited to NNGPS are eligible to participate in the DPEd, and the NNGPS schools will benefit from the ECL, PPE and similar quality enhancing initiatives which have consequences for the amount of development budget required but not for adjustments to the FM and procurement procedures.

47. The Procurement and Finance Working Group (PFWG) is the primary mechanism for the IDA and ADB joint fiduciary oversight of the program, which involves regular meetings of the PFWG, quarterly fiduciary reviews, the Annual Fiduciary Review, audit, and ongoing support to ensure consistency and quality of the IUFs. The Procurement and Financial Management Action Plan (PFM Plan) remains the main instrument to ensure all actions are implemented and monitored in a coordinated manner. The World Bank in collaboration with other DPs arranges capacity strengthening in financial management through training at field level and international training for key government officials. IDA is organizing TA to sustain the quality of iBAS-generated IUFs since other DP support to national iBAS development ended in mid-2014. Technical assistance will be organized for the Office of the Comptroller and Auditor General (OCAG) if requested by it and/or the Controller General of Accounts (CGA).

48. **Procurement:** As in the Original Credit, the GoB is accountable for all procurement of goods, works, and non-consulting services under the project, and is responsible for all contracts signed. All goods, works and non-consulting services procured using National Competitive Bidding (NCB) are carried out in accordance with the GoB Public Procurement Rules (PPR) 2008 with a few exceptions as agreed in the JFA. Goods and non-consulting services with estimated cost of US\$600,000 and above, and works with estimated cost of US\$5,000,000 and above are procured using International Competitive Bidding (ICB) methods following *IDA Procurement Guidelines for the Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants, January 2011 (revised July 2014)*. All consulting services are selected and engaged following ADB's Consulting Services Guidelines (and are ineligible for IDA financing). All procurement of goods and non-consulting services under ICB and all engagement of consulting services are subject to prior-review by IDA and ADB, respectively. The major implementing agencies are DPE, the Local Government Engineering Department (LGED; responsible for civil works contracts under delegated authority by DPE), NCTB, and the Department of Public Health Engineering (DPHE). The overall procurement risk is assessed as "High" for DPE and LGED, and "Substantial" for NCTB and DPHE. However, taking into account close implementation support by IDA and the PFWG, and based on successful implementation of special risk mitigation measures – in process, including transition to eGP for use in NCB civil works and goods – and important initiatives to strengthen and improve capacity, the residual procurement risk will be moderate.

## **D. Safeguards**

49. Existing legal covenants and the initial project's ENV category of "B" would continue to apply under the proposed AF since no new safeguard issues are triggered. The Environmental Management Framework (EMF) and Social Management Framework (SMF) were updated to capture lessons learned

from implementation to date and publicly disclosed on the DPE, MoPME and World Bank websites (on September 9 and September 11, 2014, respectively). The updated EMF and SMF were reviewed and agreed in DPE-DP consultative workshops, are applicable for all DPs, and are annexed to the GoB Program Document (2014). The updates strengthen measures for monitoring construction sub-projects as well as gender and communication components since these were assessed as requiring a more focused and tailored approach. The updated EMF and SMF will also be applicable for the NNGPS (Annex 7 details arrangements for the AF and Amended Original Credit).

50. **Environment issues:** The project will continue to support mainly four types of sub-projects: (i) construction of additional classrooms, (ii) toilets/WASH Blocks, (iii) water points, and (iv) major maintenance. These works eligible under the project are permissible within existing school grounds. Beneficiary institutions will be selected on a need-basis according to the plan, updated during the project MTR, that indicates priority ordering on the basis of agreed technical criteria. The extension of the DPE headquarters building and a Leadership Center at Cox's Bazar are proposed for the AF. Both buildings are to be multi-storied and located, respectively, within the campus of the present DPE in Dhaka and the present campus of the office of the District Primary Education Officer at Cox's Bazar. Preliminary site visits indicate there are no major environmental or social concerns. However, an Environmental Assessment will be undertaken and shared with the World Bank before the work commences. A deputy Director will continue to be responsible for the overall environmental monitoring on behalf of DPE. The MoU with LGED will continue to ensure environmental safeguard supervision for the construction/reconstruction related tasks. PEDP3 will continue the MoU signed with DPHE to obtain its technical services for safe water testing of tube-wells and sanitation facilities.

51. **Social safeguards:** In accordance with **OP 4.10/BP Indigenous Peoples** and the SMF, the AF will cover areas where indigenous people (IP) live, including the Chittagong Hill Tracts comprising the highest concentration of IPs in the country. LGED would continue to maintain a database on the enrollment of tribal children. In keeping with GoB rules, the term "Small Ethnic Communities/tribal" has been used for the purposes of the updated SMF.

52. The SMF is a harmonized document that was prepared for the initial project and updated for the AF based on broad stakeholder discussions and agreement with multiple DPs, including the ADB which also has an explicit set of social safeguards policies. Since gender and inclusion are important aspects of safeguards monitoring and fundamentally important for the success of the project, the GoB has prepared a stand-alone "Gender and Inclusive Education Plan" (GIEP) with input from all DPs. As per agreement with all DPs, the GIEP is also annexed to GoB's updated Program Document. DPE monitors implementation of the GIEP via a dedicated cell and reports on it annually.

53. Land Acquisition and displacement of people is highly discouraged for the project. The SMF encourages land donation (demonstrated effectively in PEDP II) and direct purchase. So far PEDP3 has not acquired or required any additional land through any means; all repair, renovation, and extension works have taken place *within existing premises belonging to DPE*. This is the preferred strategy that DPE wants to continue under the AF. However, as a precaution, DPE has decided it will not rule out the remote possibility of land acquisition as it steps up efforts to assure physical facilities are available for full enrollment of all school-aged children; hence **OP/BP 4.12 Involuntary Resettlement** is triggered. Land acquisition procedures, guidelines for preparation of Social Impact Assessments (SIAs), Resettlement Action Plans (RAPs) and relevant screening formats have been included in the SMF in case land acquisition becomes essential as a last resort. Neither the Original Credit nor the Additional Financing will cover costs of land acquisition or resettlement.

## E. Risks

54. Risks associated with the AF are not expected to change in any significant manner compared to those under the current project. Potential risk ratings are summarized in Table 3, and the Operational Risk Assessment Framework (ORAF; Annex 2) provides further detail on risks and risk management measures. The proposed overall risk rating for the project implementation is “Moderate.” Given the prevailing political situation, country risk remains “Substantial”. The Sector risk is “Moderate.”

**Table 3. Risk Rating Summary**

<b>Stakeholder Risk</b>	Moderate
<b>Implementing Agency Risk</b>	
- Capacity	Substantial
- Governance	Moderate
<b>Project Risks</b>	
- Design	Moderate
- Social & Environment	Low
- Program and Donor	Low
- Delivery Monitoring and Sustainability	Moderate
<b>Overall Implementation Risk</b>	Moderate

55. A Governance and Accountability Action Plan (GAAP) was developed for the Original Credit in 2011. All elements of this plan have been monitored regularly and are now incorporated into the relevant action plans mentioned in this paragraph. Three critical risks to good governance and accountability under the program were identified, viz., staffing capacity, appropriate procurement and financial management, and effective results monitoring. Program interventions have been designed to address these risks; hence, project interventions and implementation arrangements constitute in essence the majority of mitigation measures for ensuring the planned outcomes. Capacity enhancement is monitored through an integrated TA plan.<sup>27</sup> Procurement and financial management risks are monitored through a PFM Action Plan (detailed in Annex 5).<sup>28</sup> Effective results monitoring is integrated across the Program Matrix.<sup>29</sup> All three of these documents reflecting all elements of the 2011 GAAP and more recent governance and accountability enhancement measures remain fully integrated into GoB’s 2014 Program Document that has been jointly appraised by all nine DPs supporting the program. Therefore, in an effort to harmonize with the other eight DPs, to minimize transaction costs on the government and IDA, and to support consistent policy dialogue, a separate GAAP does not exist for the Additional Financing.

<sup>27</sup> Progress in the TA plan is to be monitored by the four PEDP3 Working Groups with MoPME taking the lead for oversight. To support merit-based recruitment of teachers (the majority of education sector staff), a DLI (4) was made part of the original program design. This DLI has been achieved successfully to mid-term and will continue for the duration of the program.

<sup>28</sup> The PFM Action Plan has been updated on a quarterly basis through the PFWG. Since 2013, the Plan includes specific capacity enhancement measures and relevant elements of IDA’s 2011 GAAP. The PFM Action Plan was further updated during the MTR and will continue to be the basis for ongoing support to the program in critical areas of governance and accountability. Continuous oversight of procurement and financial management will be provided under the AF, as in the original credit, through a range of instruments and channels including regular implementation support, quarterly fiduciary reviews, annual fiduciary reviews, and post procurement reviews.

<sup>29</sup> There is an increased focus on developing quality M&E systems through more rigorous results-based management; piloting electronic data collection for EMIS, teacher database, real time monitoring through the inspection system, etc.; third party validations; rigorous assessments of learning quality; and developing live lists for determining infrastructure needs. Assessments are being introduced to review quality and effectiveness of program results, and learn lessons to improve implementation of Sub components, including school grants, continuous professional development of teachers, and in-classroom contact hours between students and teachers. Increased attention will be paid (in line with GoB’s Right to Information Act, 2010), to ensuring information on the program and its results is available, so as to enable community engagement and voice in program implementation and results monitoring.

**Annex 1: Revised Results Framework and Monitoring Indicators – Section 1**  
**BANGLADESH: Third Primary Education Development Program**  
**Results Framework**

**Section 1: Project Development Objective (PDO) Indicator Matrix**

<b>Revisions to the Results Framework: PDO Indicator Matrix</b>		<b>Comments/ Rationale for Change</b>						
<b>PDO</b>								
<i>Current (PAD)</i>	<i>Proposed</i>							
The objectives of the Project are to: (i) increase participation and reduce social disparities in primary education; (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning; and (iii) improve effectiveness of resource use for primary education.	No change							
<b>PDO indicators</b>								
<i>Current (PAD)</i>	<i>Proposed change*</i>							
<b>Indicator One:</b> Increase in the number of children enrolled in primary education.	No change in indicator, but target has been reduced for girls, from 100% to 99%.	Administrative sources only covered 4 types of schools during preparation of PEDP3. By 2013, coverage had increased from 4 to 14 types of schools. Hence, a higher proportion of weaker performing schools are now covered. As a result, the target of 100% achievement is assessed as unachievable within the remaining duration of the program.						
<b>Indicator Two:</b> Primary cycle Completion Rate (PCR)	No change in indicator. However, the PCR target has been changed as follows: <table border="1" data-bbox="500 1780 963 1883"> <tr> <td></td><td>Current (2015)</td><td>Proposed (2017)</td></tr> <tr> <td>PCR overall</td><td>-</td><td>80%</td></tr> </table>		Current (2015)	Proposed (2017)	PCR overall	-	80%	Target increased because extension of Closing Date provides more time for project interventions to help improve sector
	Current (2015)	Proposed (2017)						
PCR overall	-	80%						

Revisions to the Results Framework: PDO Indicator Matrix					Comments/ Rationale for Change													
	PCR boys	62%	78%		results.													
	PCR girls	67%	82%															
<b>Indicator Three:</b> Decreased disparity in access to schooling measured by family income levels	No change in indicator. However, the target for NER of 20% poorest relative to NER 20% richest has been changed as follows: <table><tr><td></td><td>Current (2015)</td><td>Proposed (2017)</td></tr><tr><td>NER of 20% poorest</td><td>66%</td><td>69%</td></tr><tr><td>NER of 20% richest</td><td>85%</td><td>87%</td></tr><tr><td>Ratio</td><td>.77</td><td>.80</td></tr></table>					Current (2015)	Proposed (2017)	NER of 20% poorest	66%	69%	NER of 20% richest	85%	87%	Ratio	.77	.80	Target increased because extension of Closing Date provides more time for project intervention to help improve sector results.	
	Current (2015)	Proposed (2017)																
NER of 20% poorest	66%	69%																
NER of 20% richest	85%	87%																
Ratio	.77	.80																
<b>Indicator Four:</b> Learning levels regularly monitored through learning assessment system	No change in indicator. However, the target for % competency based items in Grade 5 exam has been changed as follows: <table><tr><td>Current (2015)</td><td>Proposed (2017)</td></tr><tr><td>2013 Grade 5 completion exam has 25% competency based items</td><td>2016 Grade 5 completion exam has 65% competency based items</td></tr></table>				Current (2015)	Proposed (2017)	2013 Grade 5 completion exam has 25% competency based items	2016 Grade 5 completion exam has 65% competency based items	Target increased because extension of Closing Date provides more time for project interventions to implement to a greater level of reform in Grade 5 exam.									
Current (2015)	Proposed (2017)																	
2013 Grade 5 completion exam has 25% competency based items	2016 Grade 5 completion exam has 65% competency based items																	
<b>Indicator Five:</b> Expanded coverage of decentralized planning and management at school levels	No change in indicator or target.																	
Intermediate Results indicators																		
Current (PAD)		Proposed change*																
Intermediate Result 1: Improving the Quality of the Learning Environment and the Measurement of Student Learning																		
Intermediate Result Indicator One: Adequate learning resources	No change in indicator or target.																	
Intermediate Result Indicator Two: Classroom environment more conducive to learning	No change in indicator. However, change in target from 50% (2015) to 35% (2017).				While information on some RNGPS was available in 2011 when that original credit target was established, more complete information on all 22,632 former RNGPS (NNGPS) has become available since they were nationalized in 2013. This information has indicated that the current investment is inadequate to attain													

Revisions to the Results Framework: PDO Indicator Matrix					Comments/ Rationale for Change
					standards at NNGPS, in which classroom learning environments are generally in need of greater improvement than GPS. The additional period under the AF will provide the opportunity to improve the NNGPS, but it is not likely to be possible to attain the original overall target of 50% given current investment levels.
Intermediate Result Indicator Three: % of qualified primary teachers	Modified the indicator to read as follows: “Increase in qualified primary teachers.” Changed the Units of measure and targets as follows:				Indicator revised for more clarity and consistency with the corresponding item in the Government’s M&E system. Targets increased because extension of Closing Date provides more time for project interventions to implement to a greater level of reform in the C-in-Ed and DPED. Targets revised to ensure that the indicator tracks actual number of teachers who have taken the DPED. It is to be noted that DPED is a one-and-a-half year program.
	Current (2015)		Proposed (2017)		
	Unit of measure	Target	Unit of measure	Target	
	% teachers who have C-in-Ed	88%	Percentage of (assistant and head teachers with professional qualification (C-in-Ed)	95%	
	% of teachers who have Dip-in-Ed	6%	Number of new teachers (cumulative) who completed DPED.	3,600	
<b>Intermediate Result 2: Improving Access and Reducing Social Disparities</b>					
Intermediate Result Indicator One: Providing financial support to disadvantaged students	Dropped original indicator and replaced with: “Provision of Pre-Primary Education (PPE) in Government Primary Schools.” New indicator target (2017): PPE provision (trained teachers and PPE materials availability) in at least 75% of the 37,000 GPSs.				Original indicator was dropped due to change in method of Government targeting for stipends since inception of PEDP3. Stipends are no longer provided solely on the basis of household income levels. Rather, stipends are now provided based on a mixture of household- and



Revisions to the Results Framework: PDO Indicator Matrix				Comments/ Rationale for Change	
				<p>geographic- based poverty targeting criteria. Hence there are different cut off points for different Upazilas based on the poverty head count ratio in each Upazila. This change made it impossible to assess progress of this indicator by PEDP3 EOP against the same original baseline.</p> <p>The Pre-Primary Indicator was substituted for the dropped indicator because of the emphasis under AF to expand PPE provision meeting minimum quality standards in recognition of the value of PPE especially for students from disadvantaged backgrounds.</p>	
Intermediate Result Indicator Two: Adequate infrastructure and facilities	Unit of measure for the indicator and target were modified as follows:			Indicator revised for more clarity and consistency with the corresponding item in the Government’s M&E system. Target increased because extension of Closing Date provides more time for project interventions to implement a greater number of needs-based infrastructure priorities.	
	Current (2015)		Proposed (2017)		
	Unit of measure	Target	Unit of measure		Target
	Number of classrooms built or rehabilitated (from prioritized list) according to agreed construction standards including adequate sanitary facilities.	17,600	Number of additional classrooms built (from prioritized list) according to agreed construction standards		31,000

Revisions to the Results Framework: PDO Indicator Matrix		Comments/ Rationale for Change									
<b>Intermediate Result 3: Improving Program Planning and Management, and Strengthening Institutions</b>											
Intermediate Result Indicator One: Strengthening Upazilas for supporting school management	No change in indicator. Target increased from 25% (2015) to 50% (2017) proportion of Upazilas having prepared UPEPs and receiving funds.	Target increased because extension of Closing Date provides more time for project interventions to implement to a greater level of UPEP coverage and results.									
Indicator Two: M&E systems strengthened to improve monitoring and data utilization for program performance and planning	<p>Changed baseline data regarding number of months for census administration and dissemination from 12 to 16-17 months.</p> <p>Also changed targets as follows:</p> <table border="1"> <thead> <tr> <th></th><th>Current (2015)</th><th>Proposed (2017)</th></tr> </thead> <tbody> <tr> <td>Number of months for census administration and dissemination</td><td>8</td><td>12</td></tr> <tr> <td>Increased coverage of Annual Primary School Census (types of schools)</td><td>6 (types of schools)</td><td>All schools</td></tr> </tbody> </table>		Current (2015)	Proposed (2017)	Number of months for census administration and dissemination	8	12	Increased coverage of Annual Primary School Census (types of schools)	6 (types of schools)	All schools	<p>Changed baseline to correct error in original data.</p> <p>EOP target schools covered increased because extension of Closing Date provides more time for project interventions to implement Annual Primary School Census across all primary schools in the country. EOP target for number of months to administer and disseminate census is changed to 12 due to the time needed to reach the greatly expanded number of schools (from 4 to about 14 types), and process and analyze a much larger volume of data. "All schools" means the schools which participated in the PECE exam of the previous year.</p>
	Current (2015)	Proposed (2017)									
Number of months for census administration and dissemination	8	12									
Increased coverage of Annual Primary School Census (types of schools)	6 (types of schools)	All schools									

## REVISED PDO INDICATOR MATRIX

<b>Project Development Objective (PDO):</b> (i) increase participation and reduce social disparities in primary education, (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning, and (iii) improve effectiveness of resource use for primary education.												
PDO Level Results Indicators	Core	UOM <sup>30</sup>	Baseline Original Project Start (2010)	Progress To Date (2013/2014) <sup>31</sup>	Cumulative Target Values <sup>32</sup>				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
1. <i>PDO Level Indicator: Increase in the number of children enrolled</i>	<input type="checkbox"/>	Net enrollment rate by gender	84.7% (overall) (HIES, 2010) 93.9% (overall) 89.1% (boys) 99.1% (girls) (ASC, 2009)	<i>Tbd (EHS data by Dec. 2014)</i> 97.3% (overall) 96.2% (boys) 98.4% (girls) (APSC, 2013)	98% (overall) 97% (boys) 99% (girls)			98% (overall) 97% (boys) 99% (girls)	Every 3 years (HIES)  Annually (Annual Primary School Census, ASC/ APSC)	HIES (2005) EHS (2014) HIES (2015)  Annual Primary School Census (APSC)	BBS, DPE	Proportion of children aged 6-10 enrolled in primary education
2. <i>PDO Level Indicator: Primary cycle completion rate</i>	<input type="checkbox"/>	% disaggregated by gender	52.2% (boys) 57.5% (girls) (2009)	78.6% (overall) 75.1% (boys) 82.1% (girls)				80% (overall) 78% (boys) 82% (girls)	Annual	ASC/APSC	DPE	Primary cycle completion rate as % of cohort; measure of completion is passing the PECE
3. <i>PDO Level Indicator: Decreased disparity in access to schooling measured by family</i>	<input checked="" type="checkbox"/>	NER 20% poorest relative to NER 20% richest	NER of 20% poorest: 58% NER of	<i>Tbd (EHS data by Dec. 2014)</i>				NER of 20% poorest: 69% NER of	Every 3 years	EHS (2014) HIES (2015) MICS, WFP Poverty Profiles	BBS, DPE	Decrease in disparity in NER by:

<sup>30</sup> UOM = Unit of Measurement.

<sup>31</sup> For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value.

<sup>32</sup> Target values should be entered for the years data will be available, not necessarily annually. Target values should normally be cumulative. If targets refer to annual values, please indicate this in the indicator name and in the "Comments" column.

<b>Project Development Objective (PDO):</b> (i) increase participation and reduce social disparities in primary education, (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning, and (iii) improve effectiveness of resource use for primary education.												
PDO Level Results Indicators	Core	UOM <sup>30</sup>	Baseline Original Project Start (2010)	Progress To Date (2013/2014) <sup>31</sup>	Cumulative Target Values <sup>32</sup>				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
<i>income levels</i>			20% richest: 80% (2005) Ratio: .72					20% richest: 87% Ratio: .80				poor/non-poor; and compared to national average NER
<i>4. PDO Level Indicator: Learning levels regularly monitored through learning assessment system</i>	<input checked="" type="checkbox"/>	Frequency and quality of assessment of learning of primary education completers (Grade 5 completion exam)	Grade 5 completion exam implemented for first time in 2009 to all students: testing memory more than ability to use subject knowledge	2013 Grade 5 completion exam has 25% competency based items				2016 Grade 5 completion exam with at least 65% competency based test items				Quality defined as competency based exam items; Grade 5 is the last grade of primary schooling
<i>5. PDO Level Indicator: Expanded coverage of decentralized planning and management at school levels</i>	<input type="checkbox"/>	Proportion of schools preparing SLIPs & receiving funds	27%	61.6%	75%			75%	Annual budget reporting	Budget reports	DPE Director of Finance	
<b>Beneficiaries<sup>33</sup></b>												
Project beneficiaries,	<input checked="" type="checkbox"/>	[Number]										
Of which female (beneficiaries)	<input checked="" type="checkbox"/>	[Number]										

<sup>33</sup> In a sector-wide program where enrollment rates are already as high as they are in Bangladesh, enrollment rates (both gross and net) have been used to record beneficiaries rather than tracking actual numbers in this part of the Results Framework.

Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date 2013/14	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
Intermediate Result 1: <i>Improving the Quality of the Learning Environment and the Measurement of Student Learning</i>												
1. <i>Intermediate result indicator: Adequate learning resources</i>	<input checked="" type="checkbox"/>	% schools receiving textbooks within first month of academic year	32.7% (2010)	93%	90%		90%		Annual	Reports based on receipts signed in the field; Upazila and DPE databases.  Monitoring to be gradually improved	DPE, NCTB	% of schools following NCTB curriculum having received Grades 1 to 5 textbooks
2. <i>Intermediate result indicator: Classroom environment more conducive to learning</i>	<input type="checkbox"/>	Share of schools that met minimum quality levels—PSQL (%)	17% (2009)	24% (2012)			35%		Annual	APSC	DPE	PSQL (Primary School Quality Level) package of minimum standards measuring physical, teaching/ learning environment: PTR, student classroom ratio, access to safe water, available toilets for

Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date 2013/14	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
												girls  Indicator measures the proportion of schools that meet at least 3 of the 4 standards
3. Intermediate result indicator: Increase in qualified primary school teachers	<input checked="" type="checkbox"/>	Percentage of (assistant and head teachers with professional qualification (C-in-Ed)  Number of new teachers (cumulative) who completed DPED.	91%  1225	91%  1225				95%  3600		APSC; Information from PTIs consolidated at DPE level	DPE	Teachers in GPS and NNGPS
Intermediate Result 2: Improving Access and Reducing Social Disparities												
4. Intermediate result indicator: Provision of Pre-Primary Education (PPE) in Government	<input type="checkbox"/>	% of GPS providing PPE (trained teachers and PPE material	0% GPS provide PPE					PPE provision (trained teachers and PPE	Annual	APSC	DPE	

Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date 2013/14	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
Primary Schools		availability)						materials availability) in at least 75% of the 37,000 GPSs				
5. Intermediate result indicator: Adequate infrastructure and facilities	<input checked="" type="checkbox"/>	Number of additional classrooms built (from prioritized list) according to agreed construction standards	32,000 new classrooms required to reduce overcrowding	12,041				31,000				Prioritized classroom is defined in DPE approved list.  Stipulated design and quality standards are approved and supervised by LGED
Intermediate Result 3: Improving Program Planning and Management, and Strengthening Institutions												
6. Intermediate result indicator: Strengthening Upazilas for supporting school management	<input type="checkbox"/>	Proportion of Upazilas having prepared UPEPs and receiving funds	Revision of guidelines for UPEPs under preparation to include identification of block grants	10%				50%	Annual budget reporting	Budget reports	DPE Director of Finance	

Intermediate Results and Indicators												
Intermediate Results Indicators	Core	Unit of Measurement	Baseline Original Project Start (2010)	Progress To Date 2013/14	Target Values				Frequency	Data Source/ Methodology	Responsibility for Data Collection	Comments
					2014/15	2015/16	2016/17	2017/18				
7. Intermediate result indicator: M&E systems strengthened to improve monitoring and data utilization for program performance and planning	<input type="checkbox"/>	a)number of months for census administration and dissemination	a) 16-17	a) 13				a) 12	Annual	APSC	DPE	Increased coverage of APSC defined as types of schools providing data
		b)Increased coverage of APSC (types of schools)	b)4	b) 6				b) All schools				



**Annex 1: Revised Results Framework and Monitoring Indicators – Section 2**  
**BANGLADESH: Third Primary Education Development Program**  
**Results Framework**

**Section 2: Disbursement Linked Indicator (DLI) Matrix**

**REVISED DLI MATRIX**

**I – Improving the Quality of the Learning Environment and the Measurement of Student Learning**

<b>DLI 1: Production and Distribution of Textbooks</b>							
<b>Baseline</b>	<b>DLI for DLI Period: Year 0</b>	<b>DLI for DLI Period: Year 1</b>	<b>DLI for DLI Period: Year 2</b>	<b>DLI for DLI Period: Year 3</b>	<b>DLI for DLI Period: Year 4</b>	<b>DLI for DLI Period: Year 5</b>	<b>DLI for DLI Period: Year 6</b>
Textbook distribution to schools spread over several months Textbook content still based on current curriculum	At least 75% of all eligible schools receive all approved textbooks (Grade I to V) within one month of school opening day.	At least 80% of all eligible schools receive all approved textbooks (Grade I to V) within one month of school opening day	At least 85% of all eligible schools receive all approved textbooks (Grade I to V) within one month of school opening day	At least 90% of all eligible schools receive all approved textbooks for grade II to V within one month of school opening day	At least 90% of all eligible schools receive all approved textbooks for Grades 1 to 5 within one month of school opening day, of which Grades 1 to 3 textbooks are based on new curriculum developed by NCTB	At least 90% of all eligible schools receive all approved textbooks for Grades 1 to 5 within one month of school opening day, which are all based on new curriculum developed by NCTB	At least 90% of all eligible schools receive all approved textbooks for Grades 1 to 5 within one month of school opening day, which are all based on new curriculum developed by NCTB
		Third party validation of monitoring mechanism completed	Monitoring mechanism improved with actions agreed upon by MoPME and MOE based on validation results	At least 90% of all eligible schools receive all revised Grade I textbooks based on new curriculum developed by NCTB within one month of school opening day	Recommendations from MoPME/DPE/NCTB workshop (2014) for ensuring textbooks are printed according to specification are actioned	Study on production and distribution of textbooks completed (including print quality)	A workshop held to review findings from the Year 5 Study on production and distribution of textbooks makes recommendations for future planning
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>

**PROTOCOL**

**Definition:** Approved textbooks for Grades 1 to 5 are delivered under the supervision of MoPME and MOE to all eligible primary schools within one month of school opening day. “Approved textbooks” are those which are endorsed by the NCTB. “Eligible Schools” are all schools mentioned in the Book Distribution Guidelines of [2013]. “All textbooks” is defined as 98 percent of the demanded textbooks by a particular school.

Recommendations for ensuring textbooks are printed according to specification will be based on recommendations from the March 3, 2014 MoPME/DPE/NCTB Textbook Workshop, which include: (i) revising the MoU between DPE and NCTB to include the establishment of a committee to assess the capacity of the printing press prior to awarding the contract, and the authority to monitor both the press during printing and the inspection agency; and (ii) printing presses will provide a sample textbook prior to printing. A study commissioned to focus on the distribution of textbooks to the students will be completed in Year 5. The study on textbook distribution in Year 5 should cover at least the following: Process of distribution from Upazilla to schools and to students; and quality of printing.

Textbooks for major subjects (Bangla, Mathematics, Science, English and Social Studies) will have been developed, tried out, reviewed and accordingly refined in phases from Year 2 through Year 5 based on the new curriculum developed by NCTB.

**Monitoring mechanism:** DPE’s reconciled reports based on: (i) reports based on receipts signed in the field; (ii) reports submitted by NCTB, and (iii) electronic database prepared by the upazilas using prescribed format and software. After Year 2, the monitoring mechanism integrates actions from Third Party Validation as agreed by MoPME and MOE.

**Source:** DPE’s textbook distribution database, monitoring records and progress reports; book distribution guidelines; third party validation reports; MoPME-MOE agreement on improved monitoring mechanism; NCTB updated curriculum; Minutes from MoPME/DPE/NCTB Textbook Workshop of March 3, 2014; textbook distribution study.

### DLI 2: Diploma in Primary Education

Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
Low standards and competencies guiding teacher training (inservice)	Comprehensive TED plan prepared and adopted by MoPME	All preparatory steps for introduction of Dip-ed completed in accordance with the Plan	Dip in Ed, piloted in 7 PTIs with number of instructors according to the plan	Dip in Ed offered in 29 PTIs with number of instructors according to the plan	DPEd framework updated and endorsed by NAPE/MoPME	DPEd offered in 50 fully functional PTIs in line with the updated DPEd framework	DPEd offered in 60 fully functional PTIs in line with the updated DPEd framework
					DPEd offered in 36 fully functional PTIs with a minimum of 13 instructors	Recommendations from the Year 4 study reviewed and endorsed by MoPME	Recommendations of Year 5 study reviewed and endorsed by MoPME
					Study conducted to explore alternative methods and modalities to implement and/or expand the DPEd	A study conducted to inform planning for moving the DPEd from an in-service to a pre-service program for all government primary school teachers	
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>

**PROTOCOL**

**Definition:** The National Plan and Strategy for Primary Education Teacher Education and Development (TED Plan; June 2011) defines the professional standards/competencies of teachers, head teachers and Assistant Upazila Education Officers (AUEOs) and the strategy for improving initial in-service training (with the introduction of a new DPED), Continuous Professional Development (CPD) in-service, teacher supervision, networking and mentoring.

Preparatory steps for introduction of the DPED include sufficient instructors in each PTI; curriculum, training materials & assessment tools development; training of instructors as specified in the TED plan; and monitoring/assessing the initial steps of the pilot leading to refinement and updating of the DPED framework.

Updated DPED framework is the revised action plan for expanding the DPED pilot beyond 29 PTIs. It is based on lessons learned from the pilot and the first phase of the implementation. It includes shifting the starting month of the DPED from July to January to align with the academic year.

**Source:** TED plan as approved by MoPME Secretary (i.e. original plan approved on June 26, 2011); updated DPED framework endorsed by MoPME; reports from training division and NAPE, curriculum and training materials and administrative data

DLI 3: Grade 5 PECE Strengthened							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
Grade 5 completion exam implemented for all primary school students in 2009. Content focused on testing students' memory more than ability to use subject knowledge	A 5-year Action plan for improvements in Grade V terminal exam developed by NAPE and endorsed by MoPME and including revising test items to gradually transform exam into competency based-test	Revised 2011 Grade V terminal exam based on action plan and pilot results, implemented, including guidelines developed for markers and training of markers	Action plan implemented with at least 10% of items competency-based introduced in the 2012 Grade V terminal exam and an additional 15% of competency-based items piloted	Action plan implemented with at least 25% of items competency-based introduced in the 2013 Grade V terminal exam and an additional 25% of competency-based items piloted	Grade 5 PECE Framework updated and approved by NAPE/MoPME and action plan prepared to implement it and updated action plan implemented with at least 35% of competency-based items introduced in the 2014 Grade 5 PECE and piloting based on 100% of curriculum competencies	Updated action plan implemented with at least 50% of competency-based items introduced in the 2015 Grade 5 PECE and piloting of items based on 100% of curriculum competencies	Updated action plan implemented with at least 65% of competency based items introduced in the 2016 Grade 5 PECE and piloting based on 100% of curriculum competencies
	New test items developed by NAPE on selected competencies and piloted with accompanying guidelines for pilot test administration and training of test administrators	Analysis of results of 2011 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2012 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2013 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2014 Grade 5 PECE completed by DPE and NAPE and results disseminated	Analysis of results of 2015 Grade 5 PECE completed by DPE and NAPE and results disseminated	

DLI 3: Grade 5 PECE Strengthened							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
Grade 5 completion exam implemented for all primary school students in 2009. Content focused on testing students' memory more than ability to use subject knowledge	A 5-year Action plan for improvements in Grade V terminal exam developed by NAPE and endorsed by MoPME and including revising test items to gradually transform exam into competency based-test	Revised 2011 Grade V terminal exam based on action plan and pilot results, implemented, including guidelines developed for markers and training of markers	Action plan implemented with at least 10% of items competency-based introduced in the 2012 Grade V terminal exam and an additional 15% of competency-based items piloted	Action plan implemented with at least 25% of items competency-based introduced in the 2013 Grade V terminal exam and an additional 25% of competency-based items piloted	Grade 5 PECE Framework updated and approved by NAPE/MoPME and action plan prepared to implement it and updated action plan implemented with at least 35% of competency-based items introduced in the 2014 Grade 5 PECE and piloting based on 100% of curriculum competencies	Updated action plan implemented with at least 50% of competency-based items introduced in the 2015 Grade 5 PECE and piloting of items based on 100% of curriculum competencies	Updated action plan implemented with at least 65% of competency based items introduced in the 2016 Grade 5 PECE and piloting based on 100% of curriculum competencies
	New test items developed by NAPE on selected competencies and piloted with accompanying guidelines for pilot test administration and training of test administrators	Analysis of results of 2011 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2012 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2013 Grade V terminal examination completed by DPE and NAPE and results disseminated	Analysis of results of 2014 Grade 5 PECE completed by DPE and NAPE and results disseminated	Analysis of results of 2015 Grade 5 PECE completed by DPE and NAPE and results disseminated	

<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b>PROTOCOL</b></p> <p><b>Definition:</b> The 5-year Action Plan (Year 0) for improvements in Grade 5 PECE and the Grade 5 PECE Framework specify the percentage of competency-based items to be introduced each year and all activities required to administer the exam, such as piloting. From piloting, the item bank is being developed, from which exam items are chosen. Each item can be reused once approximately every three years. The purpose of piloting 100% competency-based items each year is to develop item writers' expertise as well as to ensure that there are sufficient items for selection for the examinations.</p> <p>The updated framework and action plan (Year 4) will include reaching 80% competency based items in 2017 and 100% competency based items by 2018</p> <p>Coordination between NAPE and DPE will be the responsibility of MoPME.</p> <p>Analysis of results includes: (i) an analysis of pass rates by gender, subjects and Upazilas conducted by DPE; (ii) an analysis by NAPE of marking and scoring of a sample of answer scripts in selected Upazilas. The results of the analysis are expected to be disseminated to teacher/educationalists, parents/guardians, and teachers for providing examples of improved teaching and learning through tools specified in the updated action plan.</p> <p><b>Source:</b> 5-year Action Plan as approved by DG, NAPE and MoPME (original plan approved in Year 0); the Grade 5 Completion Examination Framework (revised in Year 4) and Action Plan; sample of test items and questionnaire of Grade 5 PECE; test analysis reports by DPE and NAPE</p>							
<b>DLI 4: Teacher Recruitment and Deployment</b>							
<b>Baseline</b>	<b>DLI for DLI Period: Year 0</b>	<b>DLI for DLI Period: Year 1</b>	<b>DLI for DLI Period: Year 2</b>	<b>DLI for DLI Period: Year 3</b>	<b>DLI for DLI Period: Year 4</b>	<b>DLI for DLI Period: Year 5</b>	<b>DLI for DLI Period: Year 6</b>
Approximately, 5,000 to 6,000 vacancies to be filled every year. In addition, new positions needed to reduce classroom overcrowding. Teacher recruitment procedures in place are competitive and merit-based	Assessment of needs for new teachers based on: (i) verification of current teaching force and (ii) needs based infrastructure plan completed and approved by MoPME.	All teachers and head teachers' positions (vacancies and new positions) filled according to agreed recruitment procedures and on needs basis.	All teachers and head teachers' positions (vacancies and new positions) filled according to agreed recruitment procedures and on needs basis.	All teachers and head teachers positions (vacancies and new positions) s filled according to agreed recruitment procedures and on needs basis	All teachers and head teachers positions (vacancies and new positions) filled according to agreed recruitment procedures and norms and on needs basis	All teachers and head teachers positions (vacancies and new positions) filled according to agreed recruitment procedures and norms and on needs basis	All teacher and head teacher positions (vacancies and new positions) filled according to agreed recruitment procedures and norms and on needs basis
		And (ii) at least 90% of new teacher and head teacher posts identified by the Year 0 assessment to be filled for the year filled	And (ii) at least 90% of new teacher and head teacher posts identified by the Year 0 assessment to be filled for the year filled	And at least 90% of new teacher and head teacher posts identified by the needs-based plan to be filled for the year filled.	At least 90% of teachers and head teachers (vacancies and all new positions) filled according to needs based plan	At least 90% of teachers and head teachers (vacancies and all new positions) filled according to needs based plan	

		Revised final proposal of career paths for teachers and head teachers and, career paths, recruitment and promotion rules for DPE officers (field and Head Quarter) submitted by MoPME to the committee of the Joint Secretary, Regulations, Ministry of Public Administration		Recruitment rules with career paths for teachers and head teachers and, career paths, recruitment and promotion rules for DPE officers (field and Head Quarter) approved by Government of Bangladesh	A comprehensive study on contact hours and policies and interventions conducted with recommendations for increasing contact hours between teachers and students	Recommendations of comprehensive study (Year 4) on contact hours endorsed by MoPME  Action plan to implement recommendations from the contact hour study endorsed by MoPME	
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b><u>PROTOCOL</u></b></p> <p><b>Definition:</b> “Needs based” analysis (conducted by DPE) of needs for new teachers requires a detailed review of EMIS and teacher database to identify schools below minimum standards followed by site verification by Upazila Education Officer (UEO) or Assistant Upazila Education Officer (AUEO).</p> <p>The assessment of needs for new teachers (Year 0) has been updated during the JARM/MTR 2014. These will be used to assess achievement of the DLI starting in Year 3. The Year 4 attrition target is to be established by DPE, endorsed by MoPME and recorded in the second JCM ROD of 2014. The Year 5 attrition target is to be established by DPE, endorsed by MoPME, and recorded in the JARM ROD of 2015.</p> <p>Approval of Recruitment rules, career paths and recruitment and promotion rules by Government of Bangladesh means that the Ministry of Public Administration has issued a Government Order. DPE will share status of approval process annually. Recruitment norms include: (i) applications screened by committee (or on-line), (ii) anonymous exam, (iii) weight given to exam (80), academic record (5), and viva voce (15) / The study on contact hours and policies (Year 4) will include but not be limited to analysis of single and staggered shift schools, teacher deployment, student: teacher ratios, teacher incentives, use of SLIPs/UPEPs, infrastructure needs and the use of private tuition).</p> <p><b>Source:</b> Needs-based analysis of new teacher and head teacher positions approved by MoPME; career paths as approved by Ministry of Public Administration; Teacher database and EMIS, Administrative data on teacher recruitment process.</p>							

## II – Improving Access and Reducing Social Disparities

DLI 5: Pre-Primary Education							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
About 1.4 million children entering Grade1 with some PPE prior experience PPE provision in 43% of GPS mostly through non-government providers	Guidelines prepared and endorsed by MoPME on the role of NGOs in pre-primary education.	Integrated database of PPE provision by type of provider completed	At least 15,000 PPE teachers placed and trained in areas of greatest need	At least 60% of PPE teachers in GPS are trained in using new pre-primary curriculum and materials	Assessment of current status of implementation of minimum quality standards in PPE classrooms	Expansion Plan updated, incorporating equity and quality criteria	
		Plan for PPE expansion approved by MoPME	Curriculum, standards, and materials for PPE and teacher training approved by MoPME	PPE provision in at least 75 percent of GPS	PPE provision (trained teachers and PPE materials availability) in at least 75% of the 37,000 GPSs	50% of all GPS and NNGPS to develop plans to upgrade provision to meet PPE minimum quality standards	
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b>PROTOCOL</b></p> <p><b>Definition:</b> 1 year of PPE means organized programs for children age 5 through 6. The GO-NGO Guidelines (approved in 2012) define the role of NGOs in the delivery of pre-primary education and specify the type of partnerships that can exist between government and NGOs. This includes the assistance that NGOs can provide to assist GPS and NNGPS in: setting up new PPE classes; training PPE teachers; preparing age appropriate materials; and providing PPE if required in the catchment area. The review and update to the GO-NGO Guidelines (in Year 4) is to be based on a consultative process. It will assess lessons learned in implementation of the guidelines with a view to improving implementation and enhanced application of these Guidelines.</p> <p>The integrated database of providers (Year 1) includes the location of services and, combined with the child survey data, provides a map of areas of greatest need for PPE. The PPE Expansion Plan (Year 1) is based on needs identified through the database, minimum standards for PPE and the role of NGOs/private sector. This Expansion Plan defines the pace of recruitment and training of PPE teachers, the type and duration of training, timing of classes, and pace of expanding PPE to universal coverage for all children aged 5 through 6. PPE Teachers are recruited through a transparent process: they can be regular primary teachers or contract teachers hired by schools within the local communities. The updated PPE expansion plan (Year 5) is to be developed incorporating: (1) prioritization of provision of <b>new</b> services in the areas of greatest need, based on agreed equity criteria; (2) prioritization of improved service provision in <b>existing</b> PPE classes on the basis of achieving minimum quality standards incrementally in all PPE classrooms (linked to recommendations of Year 4 Assessment); (3) implementing specific mechanisms of partnership at the school level as per the GO-NGO Collaboration and Implementation Guidelines and updated mapping of Pre-primary provision. Equity refers to the ability for the most disadvantaged children to access PPE services. Minimum quality standards refers to ensuring that services have: i) A dedicated space for PPE classes as per the Preschool Operational Framework (2008); ii) A 1:30 teacher/student ratio; iii) A trained teacher per PPE class; and iv) Quality teaching &amp; learning materials. These standards are a sub set of the 18 indicators in the original PPE Expansion Plan.</p> <p><b>Source:</b> A letter of endorsement from MoPME accompanying GO-NGO Guidelines (letters accompanying the initial and the revised Guidelines, respectively); PPE provider database; PPE expansion plan (initial and revised version(s), and minimum quality standards for PPE approved by MoPME; letter of endorsement from MoPME accompanying approved PPE curriculum, standards, and materials; Annual Primary School Census, CAMPE reports; administrative data including records of teaching personnel.</p>							

DLI 6: Needs based Infrastructure Development							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
53% of GPS, 49% of RNGPS and 31% of community schools overcrowded. Need for about 32,000 new classrooms, 120,000 new toilets for teachers and students, repair of about 18,000 existing ones, drinking water supply.	Plan for prioritized needs based infrastructure finalized and approved by MoPME.	At least 10% of planned needs-based infrastructure development completed according to criteria and technical standards	At least 30% of planned needs-based infrastructure development completed according to criteria and technical standards	At least 35 % of planned needs-based infrastructure development completed according to criteria and technical standards	At least 65% of planned needs-based infrastructure development completed according to criteria and technical standards	100% of planned needs based infrastructure development completed	
			Third party validation of infrastructure development according to criteria and technical standards	Third party validation of infrastructure development according to criteria and technical standards	Recommendations from efficiency gains study and the Year 3 TPV endorsed by MoPME	Third party validation of infrastructure development according to criteria and technical standards	
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b>PROTOCOL</b></p> <p><b>Definition:</b> The plan prioritizes needs-based infrastructure for five years on the basis of agreed criteria for determining needs and for prioritizing across those needs. The plan was updated during the 2014 JARM/MTR and includes: (i) additional classrooms (39,003), (ii) toilets/WASH Blocks (18,500), (iii) water points (39,300), and (iv) major maintenance (5,000). These targets will be used for assessing the DLI targets from Year 3.</p> <p>Building specifications and technical standards are those designed by the Local Government Engineering Department (LGED) and approved by MoPME. Technical standards should also include guidelines for the standard layout plan of all components of infrastructure to be constructed in a school campus. The layout plan is jointly prepared by the LGED, Department of Public Health Engineering (DPHE), and Upazila Education Officers (UEO) before starting any construction work.</p> <p>“Approved” means: Letter of endorsement from MoPME accompanying Needs Based Infrastructure plans.</p> <p><b>Source:</b> LGED construction supervision reports, construction contracts, Annual Primary School Census, third party validation reports commissioned by DPE.</p>							

### III – Improving Program Planning and Management, and Strengthening Institutions

DLI 7: Decentralized School Management and Governance							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
Limited involvement of SMCs in school management and improvement Low capacity of Upazila offices to provide support to schools	Revised circular/guidelines for SLIPs, including monitoring arrangements, approved by MoPME and distributed to all schools	SMC guidelines (in accordance with and including reference to SLIP guidelines) and mechanism for funds flow approved by MoPME	At least 60% of schools having prepared SLIPs and received funds according to the SMC guidelines	At least 75% of schools having prepared SLIPs and received funds according to SMC guidelines validated by expenditure tracking survey	Recommendations of expenditure tracking survey (PETS) and lessons learned study are endorsed by MoPME	At least 75% of schools (GPS and NNGPS) have prepared SLIPs and have received funds on the basis of guidelines updated in Year 4	
		50% of schools having prepared SLIPs and received funds according to the SMC guidelines	At least 10% of upazilas having prepared UPEPs and received funds according to the UPEP guidelines	At least 25% of Upazila having prepared UPEPs and received funds based on UPEP guidelines validated by expenditure tracking survey	At least 40% of Upazilas have prepared UPEPs according to UPEP 2012 guidelines	At least 50% of Upazilas have prepared UPEPs on the basis of updated guidelines	
		Revised guidelines for UPEPs, including identification of expenditures for block grants, approved by MoPME and distributed to all Upazila's			SMC, SLIP and UPEP guidelines updated		
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b>PROTOCOL</b>  <b>Definition:</b> A “SLIP” is a School Level Improvement Plan setting out how a school’s resources will be applied to improve its performance. The School Management Committee (SMC), teachers, parents and the school community prepare a SLIP. The revised guidelines (Year 0&amp; Year 1) allow for SLIPs to differ from one school to the next, depending on the needs identified in their respective situations.</p> <p>An Upazila Primary Education Plan (UPEP) is a planning instrument setting out how each school’s SLIP will be supported. It also addresses education from the broader Upazila perspective, making clear how Quality Education for All will be achieved. The revised guidelines (Year 1) identify expenditures eligible for block grants and allow for UPEPs to differ from one Upazila to the next, depending upon needs of schools in their respective Upazilas.</p> <p>The guidelines revised in Years 0 and 1 will be updated in Year 4. The updated guidelines will be based on endorsed recommendations of the PETS, lessons learned study and ongoing discussions on the school effectiveness framework (including linkages between SLIPs, PSQs and SMC Guidelines) and will specify: how improvement plans should be prepared; what</p>							



UPEP/SLIPs will cover; the fund flow mechanisms (including flexibility to reallocate funds across various block grants to implement UPEPs); how the use of funds will be monitored. The updated guidelines will also provide direction for using data from APSC and the ASPR (contact hours, PSQs, etc.) and other measures included in the school effectiveness framework. Good practices of SLIPs and UPEPs will be disseminated regularly.

**Source:** SLIPs, UPEPs, and SMC guidelines as approved by MoPME; MOF's approval of advances to schools; iBAS reports, government orders, and expenditure confirmation from Upazilas showing SLIP grant disbursed by Upazilas; administrative records from DPE; analyses of samples of SLIPs and UPEPs; reports from expenditure tracking survey(s) and lessons learned study, school mapping including identification of most deprived areas/schools.

#### DLI 8: Sector Finance

Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
Links between budgetary process and medium-term education sector strategy still weak Low level of public financing of primary education	FY11-12 Primary education budget aligned with program framework and consistent with 11-16 MTBF	FY12-13 Primary education budget aligned with program framework and consistent with 12-17 MTBF	FY13-14 Primary education budget aligned with program framework and consistent with 13-18 MTBF	FY14-15 Primary education budget aligned with program framework and consistent with 14-19 MTBF	FY15-16 Primary education budget aligned with program framework and consistent with FY15-20 MTBF	FY 16-17 Primary education budget aligned with program framework and consistent with FY 16-21 MTBF	FY 17-18 Primary education budget consistent with FY 17-22 MTBF
		Actual primary education expenditures for FY11-12 within 15% deviation of the originally approved budget	Actual primary expenditures for FY12-13 within 15% deviation of the originally approved budget	Actual primary expenditures for FY13-14 within 15% deviation of the originally approved budget	Actual primary expenditures for FY 14-15 within 15% deviation of the originally approved budget	Actual primary expenditures for FY 15-16 within 15% deviation of the originally approved budget	Revised FY 16-17 primary-education budget allocation aligned with program framework
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>

#### **PROTOCOL**

**Definition:** Primary education financing adequate to implement the government's PEDP3, equal to or more than the original primary education budget for FY13/14 and whereby the share of the PEDP3 development budget as part of the overall primary education development budget is incrementally increasing each year. For Year 6 the adequacy of the Primary Education FY 17/18 budget will be determined based on consistency with FY 17-22 MTBF.

**Process:** The Review in May checks if in the draft primary education budget all PEDP3 program components have adequate budget, if draft primary education budget is consistent with the MTBF, and if the primary education budget is equal to or more than the budget of FY 13-14 (for the FY15/16 and FY16/17 draft primary education budgets). The share of PEDP3 development budget as part of the overall primary education development budget will also be reviewed to ensure an incremental increase. In May, the July-March expenditure statement is reviewed to assess that expenditure is on track. Final compliance with the DLI will be checked in September/October on the basis of: (i) the originally approved budget allocation for the ongoing FY, (ii) the originally approved budget allocation for the previous FY, and (iii) June IFR for the full primary education expenditure during the previous FY. For Year 6 the consistency of the FY 17-18 budget with FY 17-22 MTBF will be reviewed in May and assessed in September/October. Also in Year 6, the adequacy of the revised FY 16-17 budget allocation to finance the program in its last year will be reviewed in May and assessed in September/October.

#### **Source:**

For May: Budget Circular 1 & 2; draft MoPME budget proposed to MoF for next year, draft AOP for next year, IFR until March for ongoing year.

For September/October: Medium Term Budget Framework (MTBF), approved budget of previous year, approved budget for ongoing, year, approved AOP and June IFR.

DLI 9: Annual Primary School Census							
Baseline	DLI for DLI Period: Year 0	DLI for DLI Period: Year 1	DLI for DLI Period: Year 2	DLI for DLI Period: Year 3	DLI for DLI Period: Year 4	DLI for DLI Period: Year 5	DLI for DLI Period: Year 6
M&E and EMIS insufficiently staffed IT support functions preventing adequate and timely data analysis and effective M&E Census data covering only 4 types of primary schools	ASC questionnaire to meet PEDP 3 requirements as approved by MoPME	Plan approved by DPE to expand coverage of monitoring system to all primary schools with periodic validations	ASC administration and report preparation and dissemination complete within academic year covering at least 6 types of schools	ASC administration and report preparation and dissemination complete within academic year covering at least 6 types of schools	APSC (AY 2015) administration and report preparation and dissemination complete within academic year covering all primary schools	APSC (AY 2016) administration and report preparation and dissemination complete within academic year covering all primary schools	APSC (AY 2017) survey completed within academic year covering all primary schools
		New ASC questionnaire fully implemented	Internal data validation mechanisms in place and validation of data accuracy completed as reported in an annex of the ASC report describing the background check used during data entry and the data cleaning rules, and possible other validation mechanism	Third party validation of validation census data completed	Agreed recommendations from the third party validation (Year 3) are implemented	Third party validation completed examining the accuracy of data compared to prior Third Party Validation	
		IT function separated from EMIS function; EMIS and M&E staffed with at least 2 statisticians each				M&E capacity assessment study completed	
<b>DLI Value (in US\$ millions)</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$8.33</b>	<b>\$9.25</b>	<b>\$16.66</b>	<b>\$16.66</b>	<b>\$16.66</b>
<p><b><u>PROTOCOL</u></b></p> <p><b>Definition:</b> The census questionnaire collects information on enrollment, repetition, teachers' qualifications, SLIPs, physical infrastructure and availability of teaching-learning materials. To adjust to PEDP3 needs, new information required on pre-primary education, distribution of textbooks and stipend beneficiaries was integrated into the APSC from 2013. In 2013 the Annual School Census (ASC) was also renamed the Annual Primary School Census (APSC).</p> <p>"All primary schools" at a minimum means schools that participate in the Grade 5/Primary Education Completion Exam (PECE). Efforts will be made to extend coverage to schools delivering primary education that do not participate in the PECE.</p> <p>The terms of reference for the TPVs (Year 3 and 5) need to be linked to allow comparability between TPVs and comparison of their results across the years. The third party validation will focus on examining the accuracy of data. It will also include recommendations, if needed, of methods to improve data accuracy.</p> <p>The M&amp;E capacity assessment (Year 5) should assess the capacity to support: efficient and timely data collection, validation, storage, analysis and reporting; and results-based management at the central and field level.</p> <p><b>Source:</b> M&amp;E and EMIS data; Annual Primary School Census Report; Third Party Validation report(s)</p>							

**Annex 2: Operational Risk Assessment Framework (ORAF)**  
**BANGLADESH: Third Primary Education Development Program**  
**Appraisal**

<b>1. Project Stakeholder Risks</b>	<b>Rating</b>	<b>Moderate</b>		
<b>Description :</b> Community ability and possibly commitment to school-level management and improvement plans may diminish due to complex arrangements for accessing funds and inadequate community mobilization, thus adversely affecting local level implementation.	<b>Risk Management:</b> <div>1. Continue community awareness and targeted social mobilization programs</div> <div>2. Public Expenditure Tracking Survey and Lessons Learnt Study in FY2014/15 to determine appropriate actions for risk mitigation and for simplifying transfer mechanism for implementation of School Level Improvement Plans (SLIPs)</div>			
	<b>Resp: DPE</b>	<b>Stage: Annual Implementation</b>	<b>Due Date : by June 30 each year</b>	<b>Status: On-going</b>
<b>2. Implementing Agency Risks (including fiduciary)</b>				
<b>2.1. Capacity</b>	<b>Rating:</b>		<b>Substantial</b>	
<b>Description :</b> Achievement of program objectives may be significantly affected by weak capacity in planning, management, monitoring program results, financial management, procurement and compliance with environmental safeguards at all levels.	<b>Risk Management :</b> <div>1. Capacity building is at the forefront of the program. It is being supported through a joint Technical Assistance (TA) Plan agreed by the Development Partners (DPs) and Government (GOB), strengthening of school-based management, the development of a robust M&amp;E system, and independent program evaluations built into the DLI milestones as well as those completed with support from parallel TA. The aggregate TA plan is included in the Program Document and will be monitored by the PSO of MoPME.</div> <div>2. A PFM action plan (detailed in the updated Program Document), regularly updated, is being implemented during program validation exercises, Quarterly Fiduciary Reviews, and an Annual Fiduciary Review, including a procurement post review. Additional reviews, such as special post procurement reviews (PPR) are conducted if required. IDA and ADB have taken joint responsibility for ensuring fiduciary oversight and detailed their roles (as well as those of other DPs) in the Joint Financing Arrangement for high quality fiduciary oversight and harmonized decision-making.</div> <div>3. The Financial Analysis (FA) conducted for the PEDP3 Mid-Term Review noted that use of country FM systems (treasury model) has reduced fiduciary risks compared to the arrangements in the predecessor program (PEDPII). The FA helped focus the capacity building efforts in this area for the duration of PEDP3, which will be regularly reviewed and updated. These are also included in the PFM Action Plan.</div> <div>4. A senior financial management consultant will be recruited at DPE to assist the Finance Director on overall financial management. FM support in the form of consultant and training firms has been on-going since 2012.</div> <div>5. A senior procurement consultant will be recruited by DPE to expedite DPE procurement and provide full-time support to the National Curriculum and Textbook Board (NCTB)</div>			

	<p>during textbook procurement. This practice has been ongoing successfully since 2012.</p> <p>6. Periodic capacity building of DPE, Local Government Engineering Department (LGED), and NCTB will take place during the program, based on AFR/PPR recommendation, staff turnover and needs for refresher training.</p> <p>7. The Department of Public Health Engineering (DPHE) has undergone capacity and risk assessment under IDA’s new IFAP (Integrated Fiduciary Assessment at Preparation) framework, and resultant findings and risk mitigation measures are incorporated into the Project Paper.</p> <p>8. An update of the fiduciary risk and capacity of DPE, LGED and NCTB has been recorded along with the above assessment of DPHE in Annex 5 of the Project Paper.</p> <p>9. LGED will go to 60 percent implementation of Electronic Government Procurement (e-GP) in FY2014/15, gradually increasing with the expectation to reach universal coverage by the end of the program. Though this is a challenging task, LGED is committed to it with full support from its leadership. The roadmap of e-GP implementation at DPE and DPHE will also be developed during FY2015.</p> <p>10. The program supports capacity development of the DPE and LGED on environmental and social issues through technical assistance and third party validations. The EMF and SMF were reviewed and revised to incorporate lessons learnt during the last 3 years of implementation of the Original Credit. The updated frameworks were discussed in stakeholder workshops in September 2014.</p> <p>11. Technical assistance for training on procurement principles and best practices is incorporated into the annual training plans, integrated into the PFM Action Plan.</p>			
	<b>Resp: MoPME and DPE</b>	<b>Stage: Annual Implementation</b>	<b>Due Date : by June 30 each year</b>	<b>Status: On-going</b>
<b>2.2. Governance</b>	<b>Rating:</b>		<b>Moderate</b>	
<b>Description :</b> Achievement of program objectives may be significantly affected by weak capacity in financial management, procurement, compliance with environmental safeguards, lack of credible monitoring and limited citizen engagement at all levels.	<b>Risk Management :</b> <p>1. The Joint Financing Arrangement signed by Government and all development Partners sets forth procurement procedures, supervision, including post-reviews and misprocurement decisions. Program design incorporates Annual Fiduciary Reviews (AFR), including procurement post-reviews, and reviews of compliance with environmental and social safeguards at least on an annual basis. The AFR reviews compliance in the bulk of MoPME expenditures and special topics are selected for further scrutiny each year, depending on the findings of the Quarterly Financial Reports (QFR) and on-going policy dialogue.</p> <p>2. Third Party Validations of construction are integrated into DLI indicators and for environmental safeguards, and these are further supported through parallel TA. A forensic audit is ongoing since 2013 with a proactive approach, reviewing contract implementation at early stages. Reports of field visit findings are shared regularly with GoB counterparts to address concerns early.</p> <p>3. The joint GoB-DP Procurement and Finance Working Group (PFWG) is an ongoing</p>			

	<p>mechanism for IDA and Asian Development Bank joint fiduciary oversight of the program and dialogue with GoB. The PFWG reviews the procurement plan, updated at least annually, and Interim Unaudited Financial Reports (IUFR). The PFWG conducts the QFRs. The procurement database facilitates regular monitoring and quarterly reporting on performance. LGED uses nationwide e-GP to minimize risks of corruption, collusion and coercive practices. A PFM action plan is reviewed at each QFR to ensure articulation of adequate support for procurement, financial management and audit.</p> <p>4. Internal audit department of DPE/MoPME will be strengthened to conduct internal audit of the processes including delivery of stipends, contracts for textbook, hiring of teachers, civil works payments, etc.</p> <p>5. Drawing on Third party assessments and the Mid-Term Review (MTR) of the program, the Environmental Management Framework (EMF) and Social Management Framework (SMF) are updated. As noted above, the EMF and SMF were reviewed and revised to incorporate lessons learnt during the last 3 years of implementation and the updated frameworks were discussed in stakeholder workshops in September 2014.</p> <p>6. A consolidated TA plan has been developed for the program for mitigating risks and enhancing accountability in all areas of the program. In particular, TA under PEDP3 is enabling MoPME/DPE to increase use of electronic databases for more transparent monitoring, <i>inter alia</i> textbook distribution to school level, needs-based list of schools needing construction, piloting of an on-line Annual Primary School Census including a teacher database. Web-based computerized accounting system for Drawing and Disbursement Officers and training and long term support in using that system are to ensure timely compliance with reconciliations, etc.</p> <p>7. Community mobilization and awareness raising is on-going to enhance accountability and citizen engagement.</p> <p>8. An Education Household Survey, conducted in 2014, monitors citizen perceptions of the status of primary education.</p> <p>9. Civil works manuals are being prepared to engage communities in oversight.</p> <p>10. Monitoring and evaluation is strengthened through many complimentary activities to support high quality and credible results monitoring.</p>			
	<b>Resp: MoPME and DPE</b>	<b>Stage: Annual Implementation</b>	<b>Due Date : by June 30 each year</b>	<b>Status: On-going</b>
<b>3. Project Risks</b>				
<b>3.1. Design</b>	<b>Rating:</b>	<b>Moderate</b>		
<b>Description :</b> The approach of linking disbursements to key results (Disbursement Linked Indicators, DLIs) may be subject to risks associated with the capacity to implement, monitor and evaluate program activities effectively, and in a timely manner.	<b>Risk Management :</b> <p>1. MoPME, through DPE, has a results-based management system which has been strengthened during PEDP3 implementation and updated on the basis of MTR recommendations (including better coordination across implementers and systematic and regular monitoring of progress).</p> <p>2. Capacity support in strengthening monitoring and evaluation is a strong feature of PEDP3</p>			

	and much of the TA funds are dedicated to this purpose.			
	<div><div>3. The adoption of DLIs builds an incentive mechanism into the program design which the MTR assessed as effective.</div><div>4. An extensive 15 month process was pursued during the MTR, to incorporate into program implementation lessons of independent assessments, internal evaluations, and analyses of progress in incrementally building on PEDP3’s initial policy framework and design. Policy decision making on many fronts during the MTR process was supported by a high level MTR Oversight Committee.</div><div>5. The “protocols” for each DLI and supplementary evidence tools, agreed between the Development Partners and Government, explicitly set out what is to be accomplished and the types(s) of evidence required for verification of achievement (reports, third party analysis, triangulation through various surveys, etc.). Once protocols are determined for the duration of the program, an extensive process is pursued annually to detail out the actions required and the specific evidence that will count towards achievement of each DLI milestone. To accomplish the time-consuming review and verification, which includes assisting Government counterparts in the interpretation of requirements when questions arise, the Development Partners and Government regularly work out policy and technical issues through four Working Groups which meet several times each month. The DLIs were reviewed during the MTR and adjusted for the remaining duration of the program.</div></div>			
	Resp: MoPME and PEDP3 Working Groups	Stage: Annual Implementation	Due Date : by June 30 each year	Status: MTR related activities completed. Rest on-going.
3.2. Social & Environmental	Rating:	Low		
Description : Limited capacity within MoPME may lead to deficiencies in implementing the agreed plans (including the Environmental Management Plan, EMP), consistent with agreed guidelines.	Risk Management : <div><div>1. An Environmental Management Framework (EMF) and Social Management Framework (SMF) and arrangements for their implementation were prepared in consultation with communities and stakeholders, and strengthened on the basis of implementation experience, third party assessments, and the PEDP3 MTR.</div><div>2. Institutional and Organizational arrangements include clearly specified responsibilities for managing environmental and social safeguards. This has been further strengthened through the recruitment of additional expertise. LGED and the Department of Public Health Engineering (DPHE) have hired environmental specialists dedicated to oversee the environmental safeguard aspects for LGED-implemented infrastructure development. DPHE is responsible to install tube wells and alternative water sources to ensure safe drinking water in schools, conduct regular water quality checks, and report on status.</div></div>			
	Resp: DPE	Stage: Annual Implementation	Due Date : by June 30 each year	Status: On-going
3.3. Program & Donor	Rating:	Low		

<b>Description :</b> <ol style="list-style-type: none"> <li>1. The variety of requirements by various Development Partners can create some confusion and add complexity with additional transaction costs for the Government.</li> <li>2. The capacity of DPs to supervise such a large GoB implemented program is limited and relies heavily on GoB produced administrative data.</li> <li>3. DP financing is subject to fluctuations in aid and may be “lost” if not fully disbursed due to unmet DLIs within the financial year.</li> </ol>	<b>Risk Management :</b> <ol style="list-style-type: none"> <li>1. All DPs adopt the same program and results framework, and use the same set of DLIs, and joint review process and common financial reporting. The EU has minor additional requirements since they are providing budgetary support.</li> <li>2. The Joint Financing Arrangement (JFA) spells out the harmonized requirements/ rules (common financial reporting, common set of DLIs, etc.). All nine Development Partners who concluded their bilateral financing agreements with Government have signed the JFA with Government.</li> <li>3. GoB administrative reported data is triangulated with information from other valid sources including third party validations and further credibility tests of the data.</li> <li>4. Some proportion of bilateral funding is provided (“fixed tranche”) on the basis of documented sector progress, irrespective of success in meeting DLIs. This safeguards the loss of all Development Partner funds earmarked for the Project in the event of unmet DLIs.</li> <li>5. Amendments were made to the Sector Finance DLI when it was assessed within the first year of implementation that this DLI protocol required rectification. DP financing associated with that DLI is being redirected into the program post-MTR.</li> <li>6. A strong and harmonized DP Consortium meets regularly to address issues in a proactive manner.</li> <li>7. DPs are represented (as co-chairs and members) in four working groups (Procurement and Finance; Administration and Monitoring; Quality; Disparity). These working groups provide intensive technical support and oversight to the program and project.</li> </ol>			
<b>3.4. Delivery Monitoring &amp; Sustainability</b>	<b>Resp: DP Consortium</b>	<b>Stage: Annual Implementation</b>	<b>Due Date : Annual Implementation</b>	<b>Status: On-going</b>
<b>Description :</b> There could be pressure to implement too large a number of interventions at the expense of quality.	<b>Rating:</b>  <b>Risk Management :</b> <ol style="list-style-type: none"> <li>1. Through the DLIs, the focus is set on selected priority areas leaving some flexibility about the pace of implementation of other program areas. The MTR process helped articulate effective phasing of interventions and enhanced institutional/governance mechanisms for quality enhancement and equity targeting for the duration of the program</li> <li>2. The overall program supports strong monitoring and evaluation. The in-depth analyses and thorough technical work carried out for the MTR helped MoPME/DPE to consolidate and streamline the overall M&amp;E framework for the program and continue system strengthening by building on improvements to date in data collection and analysis, and the use of data for evidence-based policy decision making.</li> </ol>	<b>Moderate</b>		
	<b>Resp: MoPME</b>	<b>Stage: Annual Implementation</b>	<b>Due Date : by June 30 each year</b>	<b>Status: On-going</b>
<b>4. Overall Implementation Risk Rating: Moderate</b>				

### **Annex 3: Project Description**

#### **BANGLADESH: Third Primary Education Development Program**

The objectives of the Project are to: (i) increase participation and reduce social disparities in primary education; (ii) increase the number of children completing primary education and improve the quality of the learning environment and measurement of student learning; and (iii) improve effectiveness of resource use for primary education.

The Project consists of the following parts:

#### **Part 1 . Improving the Quality of the Learning Environment and the Measurement of Student Learning**

Carrying out of activities, selected from the Program activities listed below, and included in the Annual Plans:

- (a) Improvement of the timely delivery of free textbooks to all eligible schools and the quality of textbook content through the provision of quality learning materials, including, *inter alia*, development and adoption of quality standards in line with revised curriculum, and printing and distribution of textbooks and matching teacher guides.
- (b) Improvement of the effectiveness of teacher training through the carrying out of a comprehensive teacher education and development plan, including the development and piloting of a new diploma-in education and progressively increasing the number of primary teacher training institutes implementing the Diploma-in Education program.
- (c) Recruitment of teachers and head-teachers, and application of the competitive, merit-based recruitment as per the Recipient's rules in place, as well as taking account of vacancies to be filled as a result of new classrooms constructed through the needs-based. Infrastructure approach.
- (d) Improvement of the quality, transparency and effectiveness of the primary completion examination through the carrying out of an action plan to improve the Grade 5 completion examination, including, *inter alia*: (A) gradual transformation of the completion examination into a competency-based test; (B) implementation of the exam; and (C) analysis of the results and revision of test items accordingly.
- (e) Improvement of the national assessment program, including the organizational management of the said program.
- (f) Development of techniques to determine pupils' current knowledge and skill level, including through the training of teachers to identify students' learning strengths and weaknesses.
- (g) Improvement of the curricula for grades one to five, including the carrying out of a regional comparative study on competencies, curriculum substance and revision practices, and capacity building of staff for curriculum development.
- (h) Implementation of a pilot initiative *Shikhbe Protiti Shishu* (Each Child Learns) to improve learning of basic skills in Bangla and mathematics, and dissemination of good practices and lessons learned to a progressively larger number of schools.



- (i) Provision of equipment and materials for the setting-up of multi-media classrooms.
- (j) Any other activity as the Recipient and the Association may agree.

## Part 2 . Improving Access and Reducing Social Disparities

Carrying out of activities, selected from the Program activities listed below, and included in the Annual Plans:

- (a) Provision of one (1) year of free pre-primary education for five-year olds through a new school-based approach to reach coverage of all children in government primary schools through:
  - (i) the development and implementation of a plan for the scaling up of participation in pre-primary education, including, *inter alia*: updating of the mapping of pre-primary education providers (government and nongovernment), and establishment of a database of providers; and
  - (ii) the expansion of pre-primary education coverage, including, *inter alia*: hiring and training of additional teachers, production and dissemination of materials, and through partnerships.
- (b) Initiating a needs-based approach to improve physical facilities (reconstruction of schools, additional classrooms, toilets and safe water source) through the preparation and implementation of an action plan for infrastructure development.
- (c) Development and implementation of a public relations and communications strategy to inform and encourage enrollment and retention of children in school for the full primary cycle, targeting different groups of stakeholders, including, *inter alia*: workshops and seminars, and the use of broadcast media and print media.
- (d) Implementation of a revamped stipend program to support participation of children in primary educations.
- (e) Coordination and implementation of a school health and nutrition program, including curriculum development on health and nutrition practices and health screenings in selected areas, and nutritional interventions such as school feeding.
- (f) Implementation of an inclusive primary education plan at the *upazila* level, with support from a block grant, to, *inter alia*, provide resources to schools accommodating previously excluded children, develop supplementary learning materials, and strengthen the capacity of teachers to identify and teach children with special needs.
- (g) Coordinating alternative primary education opportunities with education service delivery in the formal, public sector, including, *inter alia*, development of an equivalency framework aligned with the revised national curriculum, inclusion of non-formal education in *upazila* primary education plans, participation of non-formal education learners in the Grade 5 completion examination, and reporting on non-formal education outputs in the PEDP III reporting.
- (h) Any other activity as the Recipient and the Association may agree.

### Part 3. Improving Program Planning and Management, and Strengthening Institutions

Carrying out of activities, selected from the Program activities listed below, and included in the Annual Plans:

- (a) Improvement of the efficiency and effectiveness of service delivery at central and decentralized levels through the provision of grants to schools based on their school-level improvement plans, including, *inter alia*: strengthening of the capacity of *upazila* offices to provide additional support to schools through their *upazila* primary education plans, updating of the guidelines for school level improvement plans, and establishment on a pilot basis of district primary education plans.
- (b) Enhancement of the primary education subsector budget preparation process by improving the linkage between the budgetary process and the medium-term primary education subsector strategy, and the consistency between annually approved primary education subsector budgets and the PEDPIII results framework and medium term budgetary framework by aligning the primary education subsector budget with the PEDPIII framework and the medium term budgetary framework, and improvement of fiscal and budget management.
- (c) Improvement of the timeliness, quality and coverage of the Recipient's Annual School Census through:
  - (i) the development and implementation of an improved administration plan for the monitoring and evaluation/education management information system; and
  - (ii) the revising of the Annual School Census, including, *inter alia*, carrying out of periodic internal and external validation studies of census data, and making revisions and adjustments to the census mechanism as appropriate.
- (d) Development and implementation of a human resource management plan to, *inter alia*, strengthen the Directorate of Primary Education and improve delivery of teacher education programs.
- (e) Carrying out of analyses and stakeholder consultations to clarify issues and potential actions to develop an integrated, comprehensive framework to include school standards for all categories of primary schools in the country.
- (f) Any other activity as the Recipient and Association may agree.

## Annex 4: Economic and Financial Analysis

### BANGLADESH: Third Primary Education Development Program

1. This section aims to (i) provide an updated picture of the financial environment for the primary education sub-sector in Bangladesh, and (ii) assess economic returns of the proposed Additional Financing for the Third Primary Education Development Program (PEDP3).

#### Financial Analysis

2. The fast and stable economic growth of Bangladesh has generated a positive influence on public expenditure on education. GDP growth of 6.3 percent in 2012 (nominal growth rate of 14 percent) was higher than the assumption at the original project appraisal; and in FY2014/15, the education sector continues to receive one of the largest shares of the national budget. The combined allocation to the Ministry of Education and Ministry of Primary and Mass Education (MoPME) is 7.6 percent of total public expenditure (BDT 292,262 million) in FY2014/15.<sup>34</sup> Of the total education sector budget, MoPME has received a constant share of about 45 percent, on average, for the last 10 years. In FY2014/15, the allocated budget for MoPME is BDT 136,765 million.<sup>35</sup>

3. **Anticipated resource gap:** The Medium Term Budget Framework (MTBF) expects a continuously stable growth of public expenditure on education backed up by confidence in stable economic growth. Despite an optimistic forecast for the financial envelope in the MTBF, however, there is an emerging risk of resource gap during the remaining PEDP3 period due to (i) an increased recurrent cost caused by an increase in teacher salary levels, and (ii) an increased unit cost of infrastructure.<sup>36</sup>

4. One of the most important policy changes implemented since the inception of PEDP3 is the nationalization of 22,632 Registered Non-Government Primary Schools (RNGPS, now called “Newly Nationalized Government Primary Schools,” NNGPS), decided in 2012. While the Government had formerly provided salary subsidies to RNGPS, the teacher salary increased from an average BDT6,000 per month per teacher to BDT10,500 for the 114,625 NNGPS teachers who are now officially on the civil service payroll from FY2013/14. In addition, the overall national pay scale revision increases the salary level of teachers by 40 to 60 percent from FY2014/15.<sup>37</sup> As a result of these two policy changes related to teacher salaries, the total salary bill for all Government Primary Schools (GPS and NNGPS) is estimated to increase from BDT34 billion, the level before the policy change, to BDT56 billion.<sup>38</sup> This is a sixty percent increase. Thus, nationalization of RNGPS teachers and the national pay scale revision have made today’s primary education system require more operating budget than before. Figure 1 shows the different composition of development and non-development (recurrent) budgets. In FY2013/14, revised budget for non-development increased to US\$954 million from the original budget allocation of US\$749 million,<sup>39</sup> whereas the development budget *decreased* from US\$677 to US\$581 million.<sup>40</sup> In the FY2014/15 budget, the non-development budget is increased to US\$1,013 million, which is about US\$278 million more than FY2012/13.

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<sup>34</sup> US\$3,746 million at BDT78 = US\$1.

<sup>35</sup> US\$1,534 million at BDT78 = US\$1.

<sup>36</sup> These two cost-driven funding gaps are aggravated by a short-run drop in revenue collection associated with the political instability during FY2013/14 for national election.

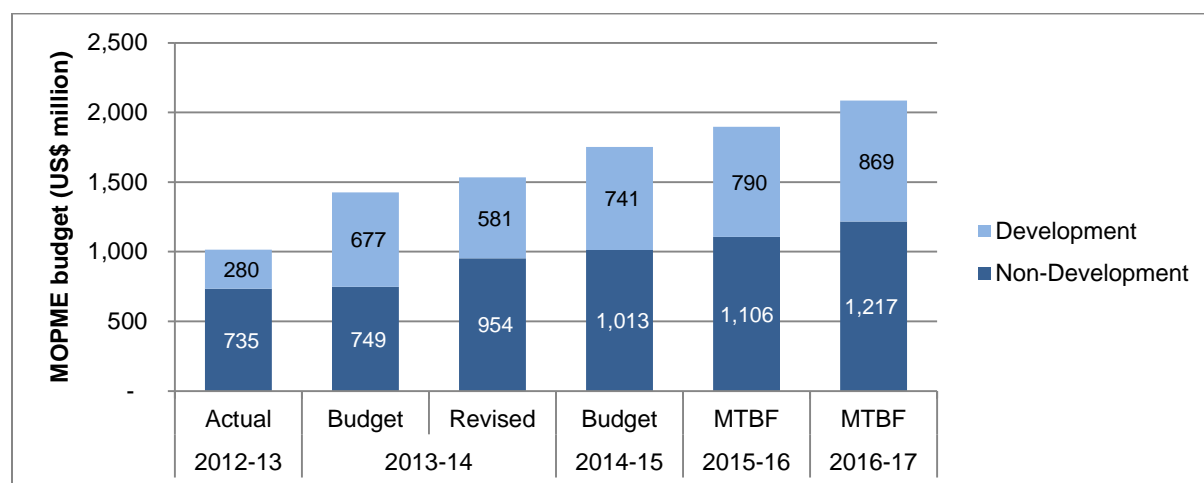
<sup>37</sup> Teachers were already receiving 20 percent interim salary increase in FY2013/14.

<sup>38</sup> US\$437 million to US\$723 million (or additional US\$295 million) at BDT78= US\$1.

<sup>39</sup> Calculated with an exchange rate of BDT78 = US\$1.

<sup>40</sup> This change in the composition is primarily due to the nationalization of RNGPS teachers but does not include the effect of pay scale revision.

**Figure 1: Trend of development and non-development budget under MOPME, 2012/13-2016/17**



Source: MOF budget document FY2014/15

Note: Calculated by BDT78 = US\$1.

5. In addition to the expected rise in recurrent costs, there is also an increased need for capital budget due to higher unit costs of infrastructure. Two factors contributed to the increase in unit cost of infrastructure: one is a change in the standard design for schools<sup>41</sup> and the other is inflation in the cost of building materials. What was originally planned for activities – including reconstruction of 2,709 schools and construction of 31,685 additional classrooms – was US\$626 million over a five-year program period.<sup>42</sup> However, the average unit cost per classroom has already increased by 22 percent, from an estimated US\$15,380 to US\$18,780.<sup>43</sup> Based on the conclusions of a cost-effectiveness study on school construction during the MTR, stakeholders have agreed on the new standard for classroom construction and that the average unit cost of classroom construction during the AF period would be US\$21,218 (BDT 1.655 million). The total cost of reconstruction and additional classrooms is now estimated to be about US\$800 million, which is 28 percent (or US\$174 million) higher than the original estimate of US\$626 million.

6. ***Rationale for Additional Financing:*** The anticipated resource gap caused by increased recurrent and capital costs demands additional funds for implementing the ongoing quality- and disparity-focused reforms of PEDP3. Without an additional financing, the resource could potentially come from the quality and disparity components which were underspent in the first three years of the program due to delays. However, for the reasons explained above, there would now be a risk that the resources from underspent quality and disparity components would be shifted to cover costs of the infrastructure component, and the result would be that PEDP3 would be re-characterized heavily as an “infrastructure” project.<sup>44</sup> It is important to accommodate the increased recurrent and capital expenditures which have resulted from events in the wider political and economic environment, but at the same time, in order for PEDP3 to meet

<sup>41</sup> In the new design, ordinary toilet facilities have been replaced by WASHblocks which consist of multiple boys and girls toilets and urinals as well as hand wash facilities. The foundation of school buildings are designed to hold a four-story building so that vertical extension can be possible in future if necessary.

<sup>42</sup> In addition to classroom reconstruction and construction of additional classrooms, major repairs in 19,904 schools is also included for the cost of US\$254 million, making the total infrastructure budget US\$880 million.

<sup>43</sup> Based on LGED’s estimate in March 2014. The original cost estimate was BDT1.2 million (in the Development Project Proforma) while the average contract amount for the first 11,459 classrooms was BDT1.465 million. The amount is calculated in US\$ by using BDT78 = US\$1.

<sup>44</sup> The resource allocated for needs-based infrastructure component would increase from 50 percent in the original allocation to 58 percent in the potential reallocation.

its results objectives, it is critical that it maintains its focus on quality and disparity reduction for achieving the program outcomes. As the cost-benefit analysis in the next section discusses, timely implementation of quality improvement activities is the key for generating higher economic benefits from the PEDP3. Delays in the quality improvement reforms could hamper the potential future of millions of students in Bangladesh. Therefore, the Additional Financing is necessary for maintaining the momentum of improving the quality of education.

## **Economic and Sensitivity Analysis**

7. An analysis of economic rate of return has been conducted to assess the economic justification of investment in quality interventions through Additional Financing. The analysis makes an effort to quantify the benefits of education although they are not usually documented in financial terms. Following the original economic analysis made at the appraisal stage of the initial project, the estimated benefits of the quality investment come mainly from two streams: (i) increased labor productivity as a result of more and better educated workers, and (ii) savings generated on public expenditure as a result of reduced inefficiencies. The analysis estimates the benefit attributable to the Additional Financing and compares against the counterfactual case without consideration of Additional Financing.

8. An economic rate of return analysis shows that the quality-focused interventions with the Additional Financing during the remaining PEDP3 period are economically sensible. The quality interventions would improve students' learning outcomes and hence improve grade progression rates and reduce repetition and dropout rates, respectively. This will bring about economic benefits through: (i) a decrease in the need for "Second Chance" schools (providing alternative, non-formal forms of primary education) and reduced teacher costs due to a reduced number of students dropping out of the formal system, (ii) increased worker productivity due to more Grade 5 completers, (iii) reduced unit cost per student due to less repetition, and (iv) reduced foregone earnings due to students' faster rates of graduation (i.e. years taken to graduate).

9. Economic Internal Rate of Returns (EIRR) to additional financing of US\$600 million<sup>45</sup> is 14.2 percent (or NPV of US\$190 million) over the next twenty years under the base scenario (Table 1). The base scenario assumes 0.15 percent improvement in grade promotion rate per year (i.e. improving from 83.5 percent at the baseline to 86.0 percent in 20 years) as a result of improved quality of teaching and learning. The improved quality of education would result in an increase in the cumulative number of primary school graduates by 2.8 million compared to the status quo scenario (i.e. without AF). The cumulative number of dropout students is also reduced by 2.4 million over the next twenty years.

10. Sensitivity analysis shows that a delay in implementation of the quality reform will result in lower economic EIRR. Two types of sensitivity analysis were conducted: (i) changing parameters directly affecting the benefit stream (lower scenario and higher scenario), and (ii) changing the start year of the reform. The lower scenario shows that, if the improvement of the grade promotion rate is 0.10 percent annually (as opposed to 0.15 percent), the returns on the suggested investment is not economically viable (Table 1). On the other hand, under the high scenario, in which the grade promotion rate improves by 0.20 percent annually, the EIRR reaches 18.6 percent. However, it is more important to note that a delay in the quality improvement reform will result in smaller economic benefits. Under the base scenario, one year delay will reduce the EIRR from 14.2 percent to 12.2 percent. Although a delay in implementation of reform does not incur any financial costs, the unrealized benefits mean that a significant economic cost is incurred. Nominally, there are about 19 million students in the primary education system in Bangladesh,

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<sup>45</sup> This assessment uses the total amount of contributions from all Development Partners: World Bank – US\$400 million, Asian Development Bank – US\$120 million, and European Union – US\$45 million, and an anticipated contribution from GPE as well.

and a one year delay in the quality reforms would cause an opportunity cost that is equivalent to 19 million student-years of quality education for the system.

**Table 1: Result of EIRR Analysis**

	Status quo scenario	Lower Scenario	Base Scenario	Higher Scenario
<b>Assumptions</b>				
Annual improvement in grade progression rate	0.00%	0.10%	0.15%	0.20%
Annual reduction in repetition rate	0.00%	0.05%	0.08%	0.10%
Annual reduction in dropout rate	0.00%	0.05%	0.08%	0.10%
<b>Expected outcomes</b>				
Cumulative increase of primary graduate (in million)*	-	1.84	2.79	3.75
Cumulative decrease of dropouts (in million)*	-	1.56	2.36	3.16
Estimated student years invested per graduate	9.6	9.2	9.0	8.8
<b>Expected benefits (US\$ million)</b>				
Saved LC teacher cost*	-	20	30	40
Wage difference due to completion of grade 5*	-	35	54	72
Saved cost from reduced pupil-year invested*	-	167	252	339
Saved foregone earning*	-	291	440	591
Total economic benefits*	-	513	776	1,042
<b>Expected costs (US\$ million)</b>				
Additional Financing	0	600	600	600
Increased teacher cost*	-	47	71	95
<b>Economic Benefit (20 years)</b>				
EIRR	-	8.9%	14.2%	18.6%
NPV (US\$ million) (under discount rate of 10%)	-	-43	190	427
<b>Sensitivity to Delay: EIRR if quality improvement is delayed</b>				
EIRR if quality reform is delayed by 1 year	-	7.4%	12.2%	16.0%
EIRR if quality reform is delayed by 2 years	-	6.1%	10.4%	13.8%
EIRR if quality reform is delayed by 3 years	-	4.8%	8.8%	11.9%

Source: Author's analysis

Note: \* Compared to the status quo scenario

## **Annex 5: Financial Management, Disbursement Arrangements and Procurement**

### **BANGLADESH: Third Primary Education Development Program**

#### **Overview of Current Fiduciary Arrangements**

1. PEDP3 uses the Government of Bangladesh (GoB) systems for budget execution, financial management and monitoring. The program follows an agreed combination of Government and Development Partner (DP) systems for procurement. Under this financing model (referred to as the “treasury model”), DPs place their contributions into a Consolidated Fund under the Ministry of Finance (MoF) where these mingle with funds from many other sources. The decision to adopt the treasury model was made after a full scope assessment of Government systems and capacity in financial management and monitoring was conducted during the design stage of PEDP3. This assessment concluded that in the context of the progress in the GoB systems (since the design of PEDP II), and the need to finance both development and non-development expenditures to render the results of this sector-wide program, the proposed fiduciary arrangements for PEDP3 trigger lesser fiduciary risk, compared with use of a parallel financial management system.

2. The Ministry of Primary and Mass Education (MoPME) and Directorate of Primary Education (DPE) prepare an Annual Operational Plan (AOP) followed by an Annual Procurement Plan (APP). During the year, MoPME can re-allocate within its budget, i.e. within the total allocation for development and non-development expenditures. An increase in the total budget, however, can only be made during budget revision. MoPME is also one of the largest employers in the civil service, and since salaries and allowances constitute the major share of expenditures with payments made to individuals, regular reviews of the payroll through the Annual Fiduciary Review (AFR; see below) are a critical element to mitigate risks.

3. Government monitors budget execution for the entire primary education sub-sector through the Integrated Budget and Accounting System (iBAS). Interim Unaudited Financial Reports (IUFR) are prepared from the iBAS and approved by MoPME before submission to the DPs. Disbursements by the DPs are restricted to the amount reported in the IUFR showing that Government’s contribution on eligible expenditures for a given period exceeded the total disbursements made by all DPs, as mentioned in the Joint Financing Arrangement (JFA). Non-development expenditures are recorded in the Program Budget Heads (PBH) identified in the JFA and development budget program activities are recorded through 29 operational codes. Both PBHs and operational codes are part of the GoB’s economic heads of account which are used to track expenditure on both non-development and development sides of the budget.

4. The GoB is accountable for all procurement of goods, works, and non-consulting services under PEDP3 and is responsible for all contracts signed. All goods, works, and non-consulting services procured using the National Competitive Bidding (NCB) method are carried out in accordance with the GoB Public Procurement Rules (PPR) 2008, with certain agreed exceptions as below:<sup>46</sup>

- a. Post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- b. Bids should be submitted and opened in public in one location immediately after the deadline for submission;
- c. Lottery in award of contracts shall not be allowed;
- d. Bidders’ qualification/experience requirement shall be mandatory;

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<sup>46</sup> These exceptions are specified in the PAD and Financing Agreements of the Original Credit and the Additional Credit, as well as in the JFA to which the government and all DPs are signatories.

- e. Bids shall not be invited on the basis of percentage above or below the estimated cost and contract award shall be based on the lowest evaluated bid price of compliant bid from eligible and qualified bidder; and
- f. Single stage two (2) envelope procurement system shall not be allowed.

5. Goods and non-consulting services with estimated cost of US\$600,000 and above, and works with estimated cost of US\$5,000,000 and above, are procured using International Competitive Bidding (ICB) methods following the World Bank's (IDA) guidelines. All consulting services are selected and engaged following the Asian Development Bank's (ADB) Consulting Services Guidelines. All procurement of goods and non-consulting services under ICB and all engagement of consulting services are subject to prior-review by IDA and the ADB, respectively.

6. Following an original estimated cost of US\$8.3 billion for a five-year program, PEDP3 is to be extended by another year for an overall revised estimated cost (2011-2017) of US\$9.8 billion. This makes PEDP3 one of the largest implemented programs in Bangladesh.

### **Summary Assessment of Experience to Date**

- i) Use of treasury model and reliance on country system:
  - A series of full scope assessments in 2010 and 2011 had concluded that the adoption of the treasury model (pooling all funds into the consolidated fund of the GoB) would be the least risky and therefore most appropriate mechanism to channel DP funds under the PEDP3. Progress in country systems, particularly in budget execution, management, reporting and auditing provided reasonable levels of assurance for reliance on these as the core systems of program financial management. A specific Procurement and Financial Management (PFM) Action Plan was developed and agreed upon to mitigate remaining risks and to augment capacity, with the more medium term goals of strengthening country systems, lowering fiduciary risks, increasing government ownership and lowering transaction costs of program reporting, implementation and monitoring.
  - Three years into implementation, there is continued assurance that the use of the treasury model and reliance on country systems for financial management, audit and procurement was indeed the most appropriate approach to pursue. Some of the reasons for this assessment include:
    - The iBAS system has delivered 11 credible budget management reports, and the quality of each report has improved incrementally over the last three years.
    - The iBAS system was customized to: (i) monitor timeliness of payment processing, (ii) reconcile expenditures of 1,112 MoPME drawing and disbursement officers (DDOs) and approximately 500 MoF accounts officers (AOs) and (iii) track advances on development expenditures.
    - These customized reports are regularly generated and monitored by the Controller General of Account (CGA) and DPE.
    - The timing of budget release to field officers has also improved significantly due to intensive ongoing training which resulted in greater awareness of the program among the implementing agencies. For example, allotment letters are available in most offices in August each year, one month into the new FY, as opposed to in November, which used to be the normal practice. This has resulted in consistently higher budget execution over the last three years.
    - The expected reduction in transaction costs in moving to the treasury model has been realized. All expenditures are incurred using the regular government system through



decentralized DDOs. No dual payment is required. Maintaining copies of records and reconciling multiple checks per contract are no longer required by a centralized project management team but fully decentralized to DDOs and AOs.

- The combination of the treasury model and the need to consistently meet the “Sector Finance” Disbursement Linked Indicator (DLI), together, have encouraged adequate financing for the program and for primary education.
  - Overall, the approach of merging DLIs with the treasury model has been very complementary in increasing government ownership for meeting key sector results and providing adequate and predictable financing to meet these results.
  - There has been strong commitment to collaboration across multiple agencies of the GoB, including MoPME, the CGA, Ministry of Finance, Economic Relations Division (ERD) and the Office of the Comptroller and Auditor General (OCAG). MoPME has benefitted tremendously from this collaboration and support and there is a noticeable improvement in the fiduciary dialogue across these agencies. For example, a special Government Order was issued by the MoF in recognition of the need to advance funds to deliver program results. CGA has consistently customized the iBAS to incorporate program monitoring and reporting requirements, which has enabled the generation of the quarterly IUFs including payment processing, DDO reconciliation and advance tracking. CGA has also enabled DPE to a read-only access to iBAS so as to facilitate timely monitoring of funds. A single audit report of development and non-development expenditures has been delivered for two years by the OCAG’s Foreign Aided Project Audit Directorate (FAPAD). The PEDP3 audit for FY 2012/13 was included in the first three pilot audits that received enhanced capacity support and oversight through the Strengthening of Public Expenditure Management Project (SPEMP).
  - Almost three-fourths of the agreed 2011 PFM Action Plan has been completed. This includes: implementation of the Audit Review Meeting, customization of iBAS systematically and thoroughly to monitor expenditures, implementation of acceptable guidelines for international procurement, and agreement on NCB guidelines including threshold and exceptions.
- The independent financial management review of the PEDP3, which was conducted as part of the program Mid-Term Review, noted the progress made and affirmed MoPME as a pioneer line ministry that has successfully implemented financial management activities.
  - Therefore, the program will continue to pursue this funding and reporting modality in its remaining years.

ii) Procurement Performance:

During the last three years, the following positive developments in relation to the National Curriculum and Textbook Board (NCTB), Local Government Engineering Department (LGED) and Department of Public Health Engineering (DPHE) are noteworthy, summarizing performance by key agencies:

- **NCTB:**
  - 360 million primary and pre-primary books contracted out, printed, delivered and distributed
  - As per World Bank Guidelines, the procurement was closely monitored and more than 90 percent of schools received the books on time with at least 20 percent savings by the Government on procurement of primary and pre-primary textbooks.

- **LGED:**
  - Up to June 2014, 10,000 classrooms have been constructed and handed over to DPE.
  - The majority of the school buildings have been constructed following aesthetic and age-sensitive designs.
  - Electronic Government Procurement (e-GP) is implemented in an externally co-financed program for the first time in Bangladesh at sub-district (Upazila) level.
  - DPE and School Management Committee personnel are involved in school construction. Regular coordination meetings are held involving end-users, LGED, and contractors -- demonstrating stakeholder ownership.
  - LGED debarred 17 colluding bidders based on findings from the first Annual Fiduciary Review (AFR).
- **DPHE:**
  - Safe water points have been installed to ensure arsenic safe drinking water supply to school users (students, teachers and administrators).
  - Up to June 2014, 15,055 drinking/utility water points have been completed.
  - Sanitary latrines/WASH blocks are constructed to ensure adequate sanitation facilities for primary schools: to June 2014, 4778 male and 2822 female WASH blocks are completed.
  - A 72 hour service standard for maintenance of any damaged safe water point or wash blocks is generally followed.

iii) Intensive Fiduciary Oversight:

- The PEDP3 implementation period over the last three years has been accompanied by rigorous fiduciary due diligence and oversight by the joint Government-Development Partner Procurement and Finance Working Group (PFWG) and through the contracting of independent consulting firms. The PFWG is chaired by GoB and co-chaired by the World Bank (IDA) and the Asian Development Bank (ADB).
- The main mechanisms for fiduciary oversight include: Quarterly reviews of the IUFRs, Quarterly Fiduciary Reviews (QFR), Annual Fiduciary Reviews (AFR) including post procurement reviews, Special Post Procurement Reviews, regular monitoring of the PFM Action Plan and annual regulatory audits. In addition, MoPME has recently launched a quarterly review of audit in an effort to monitor and resolve audit observations proactively.
- The AFR for PEDP3 is unique in the sense that it covers a large proportion of MoPME expenditures on an annual basis. By reviewing the accuracy of the Program Budget Heads (PBHs), which constitute the bulk of MoPME expenditures, the AFR provides additional assurance to the quarterly IUFRs. In addition, special areas are selected annually for rigorous review depending upon the nature of the ongoing policy dialogue and fiduciary concerns emerging from the audit reports or QFRs or PPRs. In the first year, fund availability for NAPE was reviewed. Under the second AFR (ongoing at the time of writing this Project Paper), the unadjusted advances are being scrutinized. The AFR also provides concrete recommendations for improvement and value addition in the areas of special review. The agreed Terms of Reference of the FY 2013/14 AFR are attached to this Annex.
- Field verification is being conducted on a random sample basis for the civil works under PEDP3. Such audits are mainly intended to verify whether the construction work was undertaken as per the approved design and drawing and also to check the quality of work and provide feedback to all concerned. So far, reports on the visits have been shared with

concerned agencies, especially MoPME, DPE, LGED and the joint GoB-DP Disparity Working Group (DWG) so that appropriate actions can be taken in a proactive manner.

- Technical assistance has been provided to fiduciary staff engaged in the program, including staff of the MoPME, DPE, MOF, OCAG, CGA, and other implementing agencies. This has included training and workshops and development of electronic tools (bid evaluation tools), risk mitigation matrices, and a bid rotation matrix. MoF staff in the field were provided mentorship for an extended period to support quality enhancement of reporting and monitoring of expenditures in the field.
- In addition, the World Bank and the Asian Development Bank, as co-chairs of the PFWG and as the two MDBs responsible for joint fiduciary oversight of the program, continue to provide intensive implementation support to strengthen fiduciary due diligence, knowledge transfer and capacity development on a day-to-day basis. The PFWG also meets frequently to review the fiduciary aspects of the program, ensure quality control of the various fiduciary reviews, assess and discuss implications and next steps to be taken as a result of findings of the multiple oversight reports and arrangements, and review the PFM Action Plan. The PFWG also actively and regularly participates in dialogue with the wider government to support quality fiduciary management of the program and the ministry.

iv) Areas of further development:

- Although fiduciary management of PEDP3 is well advanced, there are areas of further development and improvement. Major among these are:
  - Internal controls
  - Capacity development of key agencies
  - Accounting and maintenance of accounting records
  - Contract management and proactive procurement
  - Risk mitigation.

7. The following sections of this annex detail implementation experience, and lessons learnt, and highlight areas of further development by topic. While most of the recommendations are agreed upon already with GoB, the recommendations provide a sound basis for continued dialogue in the area of fiduciary management.

### **Fiduciary Capacity**

8. The range of accomplishments to date in procurement and financial management under PEDP3 include:

- 11 approved IUFRs covering FY2011/12, 2012/13 and 2013/24: these reflect notable improvements in quality and completeness, and they have met the disbursement requirements of the DPs;
- 2 annual statutory audits by OCAG/FAPAD, for FY2011/12 and 2012/13, covering all PEDP3 expenditures;
- 2 Annual Fiduciary Reviews, covering FY2011/12 and 2012/13;
- A special Post Procurement Review for FY2011/12;
- 5 QFRs conducted by the Procurement and Finance Working Group (PFWG) of PEDP3;
- Substantial completion of the procurement plan for goods, services, and works including timely and high quality textbook procurement following IDA ICB Guidelines;

- 20 percent of contracts in the Annual Procurement Plan 2013/14 processed through the recently inaugurated electronic Government Procurement system (e-GP) and a higher percentage initiated for 2014/15;<sup>47</sup> and
- Good progress accomplishing steps in the PFM Action Plan that was agreed at the start of the program as one of its risk mitigation measures. An updated PFM Action plan is attached as Table 3 to this fiduciary assessment. In addition, a fiduciary action plan for additional financing has also been developed as part of this assessment and attached as Table 2.
- Moreover, the allotment letter to release budget for FY2013/2014 was obtained earlier than the previous two years. This is allowing more scope for utilization of budget and completion of PEDP3 activities within established timelines.

9. Following up on recommendations of prior QFR and AFR reports, the World Bank in collaboration with other DPs has arranged several capacity building opportunities, including financial management training at field level and international training for key government officials to enhance their knowledge of financial management procedures in the unique sector-wide approach (SWAp) that PEDP3 constitutes in the Bangladesh context. In addition, technical assistance supported Implementation Agencies (IAs) to ensure effective achievement of program results.

10. The procurement and financial management functions in PEDP3 differ according to government agency. While the procurement functions are managed, respectively, by the individual agencies – DPE, National Curriculum and Textbook Board (NCTB), Local Government Engineering Department (LGED), and the Department of Public Health Engineering (DPHE) – the financial management is handled mainly by DPE. DPE is responsible for the budget allocation of development expenditure of PEDP3 to all DDOs. As the country system is used, this implies that DPE issues allocation letters to the respective IAs and their field offices. In order to strengthen capacity, the PEDP3 has a common Technical Assistance Plan through which the DPs in collaboration with GoB, are supporting various fiduciary areas to strengthen line ministries, directorates, and other IAs (Table 1 below).

11. In preparation of the Additional Financing for PEDP3, a fiduciary capacity assessment was conducted for each IA. The following paragraphs summarize the main findings:

- **DPE:** Six staff of DPE have taken formal international training on procurement. There are still opportunities to improve capacity and performance within DPE as there are a lot of challenges in the local procurement environment. For the AF, DPE would require inputs from a well experienced, full-time, senior procurement consultant (local) at a rate consistent with senior procurement consultants in other projects of similar complexity. DPE will need to consider moving to e-GP over the next few years, and this will be discussed further in the PFWG.
- **LGED:** This agency has one of the highest procurement capacities in Bangladesh. However, there are still some challenges at decentralized level (Upazila), which LGED in collaboration with DPE, the PFWG, and the Development Partners are endeavoring to resolve. The original financing for PEDP3 suffered from misprocurement cases at LGED.<sup>48</sup> A joint letter co-signed by the ADB and IDA as co-chairs of the PFWG was sent to the Government on October 2, 2014 on behalf of all nine DPs, declaring misprocurement. The next step is that each DP sends a separate

<sup>47</sup> This is a web-based system of the Ministry of Planning Central Procurement and Technical Unit that encompasses the total procurement life cycle and records all the procurement activities.

<sup>48</sup> Through the due diligence of the Annual Fiduciary Review FY2011/12 and special Post Procurement Review on 2011/12 contracts, the Consortium of DPs noted deviations in contracts valued at approximately US\$2.984 million out of the total 238 contracts reviewed (valued at US\$19.2 million).

letter, following up on the first joint letter, indicating the exact amount of cancellation. The World Bank sent a letter to Government on November 11, 2014, informing that it is canceling SDR 177,629 of the amount of the original Financing Agreement for IDA Credit 4999-BD and will deduct this amount from the next scheduled disbursement by the Association for PEDP3.<sup>49</sup> The other DPs are informing Government of remedial actions they are taking.

The evaluation committees organized by LGED need rigorous training on the “red flags” of fraud and corruption, and it is essential that 100 percent of the civil works contracts shift to e-GP by the end of the program. In terms of financial management, since DPE is responsible for releasing budget to all DDOs, and LGED as a DDO is responsible for ensuring adequate book keeping of expenditures, it is also subject to the regulatory audit under PEDP3 as per provisions of the JFA. A MoU has been signed between LGED and DPE providing guidelines on the civil works performed as well as on financial reporting and monitoring. It is important that continuous financial management training is ensured for LGED DDOs in order to maintain proper compliance on best practice financial management rules applicable to them.

- **NCTB:** From a procurement perspective, this agency has performed relatively well, especially after proactive resolution of procurement issues in the first year of project implementation. For three consecutive years (2012-2014), the agency successfully completed procurement of textbooks. Two people from NCTB took international procurement training, but there is still scope for strengthening capacity within this agency. It will continue adhering to specific procurement risk mitigation measures agreed with the World Bank, including the time-bound action plan and contracting the service of a local procurement consultant. NCTB is adequately staffed to comply with PEDP3 financial management regulations and receives its yearly allocation in the AOP. There are no capacity issues in regard to availability of human resources, but specific training in VAT and TAX is required. Another consideration is that NCTB does not have accounting software, although records are maintained electronically in excel spreadsheets. NCTB has an internal audit in place regularly to monitor bills and vouchers, and regularly reports monthly expenditures to the Ministry of Education.
- **DPHE:** Though this agency has been involved in PEDP3 from the beginning, a formal capacity assessment was not conducted prior to program launch in 2011. After the PEDP3 Joint Annual Review Mission (JARM) in mid-2014, a capacity assessment was carried out which revealed strengths as well as weaknesses. In terms of staff strength, DPHE officials have adequate training to conduct procurement under PEDP3 and the service of a procurement consultant is not required. Even though the Annual Fiduciary Review FY2011/12 did not reveal any serious observations in the procurement processes of DPHE, due to its decentralized nature, DPHE is no less vulnerable than LGED to bidders’ attempts to exert improper pressure. The major advantage in the control points of DPHE over LGED is that the former invites, evaluates and awards contracts at district level. During the formal assessment of DPHE’s capacity, representatives expressed interest in shifting to e-GP. Further dialogue and assessment will be required to introduce e-GP in DPHE. The DPHE, similarly to LGED and NCTB, has received its allocation through the AOP and makes payments to contractors per the financial rules of Bangladesh. DPHE staff need training in VAT and TAX, to ensure proper deductions from bills paid to contractors per National Board of Revenue (NBR) guidelines.

12. Based on the above summary, specific support is needed for better **procurement operation** and performance of the program as follows:

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<sup>49</sup> The IDA share on the misprocurement is calculated on the basis of the IDA contribution to the FY 2012/13 IUFR.

- i. Senior Procurement Consultant full-time for DPE and Procurement Consultant support part-time for NCTB.
- ii. Expansion of LGED's use of e-GP to 60 percent of civil works contracts for 2014/15 and gradually increasing, with an expectation to reach universal coverage by the end of the program.
- iii. Future assessment and possible introduction of e-GP in DPHE and DPE.
- iv. Time-bound action plan to be implemented for all ICBs of DPE.
- v. Implementation follow-through on recommendations of the AFR and special Post Procurement Review, emphasizing fraud and corruption abatement and prevention measures.

13. For financial management, there is significant progress in line with the PFM Action Plan developed and agreed during the original financing of PEDP3. An updated Action Plan is appended in Table 2 and Table 3, below. All agencies have adequate human resource capacity to implement the program, but there is scope to provide additional support in order to achieve even better results. Specific support needed for better performance in **financial management** of the program is as follows:

- a. Field office FM and procurement training for all DDOs.
- b. TA support for PEDP3 External Audit, in case such support is requested by the OCAG; TA support for the CGA office in financial accounting and reporting functions.
- c. National TA to support IT and accounting systems at DPE.
- d. National FM Consultant to support financial management in DPE.
- e. DPE iBAS access to budget management report (restricted and read-only) for monitoring budget execution among all DDOs.
- f. TA for strengthening internal audit capacity of MoPME.
- g. Specific training in VAT and TAX for NCTB, LGED, DPHE, and DPE.

While most of the above TA is agreed with GoB, items f and g need to be specified in more detail.

### **Budget and Procurement Planning**

14. The budgeting of all PEDP3 AF expenditures will continue to be part of the government budgeting process and expensed through the existing treasury model. The DPs will finance both development and non-development expenditures. The detailed annual budget for PEDP3, to be prepared and endorsed by MoPME by the end of May each year will ensure appropriate allocation is provided for all critical activities in accordance with government Delegation of Financial Powers and released to the spending units within the first two weeks of the fiscal year. DPE via the IUFR generated from the iBAS terminal will monitor the monthly/quarterly/semi-annual budget for the entire primary education sector to ensure that budget execution keeps pace with the approved budget. In addition, a computerized accounting system is being piloted in DPE to monitor expenditures of the DDOs and ensure regular reconciliation. The computerized system would also enable DDOs to submit their Statement of Expenditures (SoE) online to DPE, who would then be able to track down performance of its field offices.

15. In terms of procurement, there needs to be more proactivity in planning. In the past, the Annual Procurement Plans (APP) were developed with significant delay. Relevant issues and suggested mitigation measures are as follows:

- **LGED:** LGED spends the major portion of PEDP3's development budget but does not receive an approved list of schools (for new construction or major renovation of existing classrooms, provision of water supply, etc.) from DPE in a timely manner to initiate the annual procurement process. Furthermore LGED implements by awarding contracts at its lowest tier, the Upazila (sub-district) level. Significant issues of fraud and corruption, and other technical concerns were uncovered through technical site visits and in the Annual Fiduciary Review (AFR) FY2011/12

and special Post Procurement Review (PPR) on 2011/12 contracts. This resulted in DPs taking remedial action (declaring misprocurement) on 21 such cases. LGED has taken several important initiatives to strengthen and improve capacity. With the assistance of the Central Procurement Training Unit (CPTU), LGED has launched a nation-wide electronic procurement (e-GP) for contracts covering the period of FY2013/14 and beyond. In addition, capacity building for engineers in the field is ongoing including dissemination workshops on the findings of the AFR 2011/12 and provision of practical tools to improve the reviews conducted by the Technical Evaluation Committee as part of the procurement process. Furthermore, 17 firms were debarred from contracting for 4-5 years, and LGED has initiated actions against involved staff. The following measures will take place in FY2015 and beyond, including the AF: (i) Review of the MoU between DPE and LGED (ii) review of the spend profile and procurement strategy including capacity assessment, risk management, planning and execution of LGED in PEDP3, and (iii) NCB contracts implemented through e-GP (60 percent of contracts in FY2014/15 and gradually increasing, with the expectation to reach universal coverage by the end of the program).

- **NCTB:** NCTB must strictly adhere to the procurement plan in order for textbooks to be delivered to schools by January 31 each year. To achieve this, the delivery of textbooks has to be completed up to district level generally between October and December of the previous year. Considering the need for 100 days for publishers to complete printing, all contracts need to be signed and printing materials made available to contractors by mid-July. This requires that bid evaluations are completed by early June, bids received by early May, and invitation for bids published by end February or early March. In PEDP3 implementation to date, there have been instances of inviting bids as late as mid-March, which puts enormous stress on the remaining timeline to meet the deadline for books to be available in schools on January 1. During the period of the AF, greater efforts need to be made to adhere to the annual procurement plan and time-bound action plans. To facilitate this, the option for NCTB to hire its own procurement consultant using a portion of the PEDP3 proceeds it receives as royalties for publishing the books for DPE should be assessed. Royalties represent from three to four percent of the cost of each textbook.
- A procurement plan typical for Investment Project Financing (IPF) projects, rather than agreeing on a template, is the minimum requirement for IDA financing. With a view to harmonization with the ADB and World Bank, DPE has prepared an 18-month procurement plan as well as a 36-month plan to cover both the requirement of the AF and GoB's Revised Development Project Proforma (RDPP). The summary of the 18-month plan for the lead agency DPE is below. There are similar procurement plans from NCTB (textbooks), LGED (Civil Works) and DPHE (water and sanitation facilities in Government Primary Schools).

### Summary DPE Procurement Plan

Item Name and Description	Units	Quantity
Laptops for 6 PTIs	number	96
Desktop for URCs, UEOs and PTI	number	1069
Multimedia Projector for URCs, DPEO and DD	number	352
Multimedia Projector for NAPE	number	5
Laptops for DPE, DD, DPEO	number	121
Desktop Computers for DPE	number	
Printers for URCs, UEOs and PTI computer Sc. Ins	number	933
Printers for DPE, DD, DPEO	number	
Re-configuration of upgradation of server room of MoPME	number	Need based

Item Name and Description	Units	Quantity
10 KVA online UPS-2, AC for server room, Smart board-1, Server room environment & network renovation, Scanner-2, Color printer-1, IP camera-4, Central ICT Lab for 20 users, reinstall video conference.	number	Need based
Laptops for GPS	number	14004
Multimedia Projectors for GPS	number	14004
Sound systems for GPS	number	8002
Sound systems for GPS	number	7002
Laptop for GPS <sup>A</sup>	number	7000
Multimedia Projector for GPS <sup>A</sup>	number	7000
Sound system for GPS <sup>A</sup>	number	7000

*Note A: The procurement will be made in line with the strategy for ICT in Primary Education to be developed in partnership with the Access to Information Project of the Prime Minister's office*

### Internal Control (Including Internal Audit)

16. Although a formal internal audit department is yet to be operationalized in MoPME, payments under PEDP3 – as with other government expenditures – are subject to CGA's normal pre-audit verification (at accounting offices) before payments from the Treasury are approved. This means that existing control mechanisms of the Government are in effect. In addition, an AFR, including a PPR and QFR, will continue to be conducted every year as mitigation measures by the PFWG. If required, special PPRs can be undertaken, as was the case in 2012. Several TPVs, expenditure tracking surveys and other means of auditing (e.g., forensic audit of infrastructure, see below) will continue through the PFWG. Continuous training in financial management and procurement is expected to be carried out annually all through the period of the AF to ensure the program contributes to a continually improving control environment within the government system. The AFR review may also include the post procurement review of transactions, among other verification, and validations from a procedural perspective. All pending actions on internal control and fiduciary strengthening will be monitored on a regular basis through the PFM Action Plan (Tables 2 and 3). TORs for the AFRs and QFRs would be reviewed by GoB and DPs at the Joint Annual Review (JARM) each year and tailored to evolving knowledge of, and need for, further attention to fiduciary risks.

### Social audits

17. The program has a number of mechanisms for external verification, such as third party validation (infrastructure, textbook delivery, annual school census, SLIP funds, etc). Findings from these reviews need to be integrated with findings of AFRs as a part of the PFWG dialogue.

### Contract Management

18. LGED does not employ supervision consultants for civil works related to primary schools or other physical facilities (e.g., PTIs) since the works under PEDP3 take around 6-9 months to complete and LGED Upazila engineers are technically capable to perform the supervision. However, technical reviews have revealed many instances of poor maintenance and acceptance of poor quality works by contractors, which are clearly contract management issues. A forensic audit comprising field verification on a random sample basis has been ongoing since 2013 mainly to verify whether the construction works were undertaken as per the approved design and drawing, to check the quality of work and workmanship, and provide feedback to all concerned well before the civil works contracts are completed so that corrective measures can be taken during the construction phase. As of September 2014, visits had been conducted in 65 schools and reports prepared for 61 schools in 8 districts. These reports were subsequently sent to all concerned especially MoPME, DPE and LGED and DPHE so that appropriate



actions could be taken. It has also been agreed with LGED and DPHE that a monthly meeting would be held to follow up on the actions taken. A number of issues relating to quality of work, workmanship, inconsistency in drawing and the Bill of Quantities have been flagged in the last report and are being discussed in the monthly meetings of the joint Government-DP Disparity Working Group (DWG).

19. Systematic improvements in contract management are outlined in the PFM Action Plan (Table 3). As a result of further assessments and conclusions reached by the PEDP3 MTR and the forensic audit, the LGED supervision methodology will be enhanced to reduce the number of poor quality school buildings to ensure finished, well-functioning schools. Forensic audit issues will continue to be addressed regularly by the DWG and taken up without delay by LGED and MoPME to respond early to concerns. Progress will be followed up at JARM. The PFWG will engage in a dialogue with MoPME to address the forensic audit findings and monitoring through the governance enhancing actions of the PFM Action Plan.

## **Governance and Oversight Arrangements**

### External audits

20. The Foreign Aided Project Audit Directorate (FAPAD) under the Comptroller and Auditor-General (CAG) of Bangladesh completed the external audits of the program for FY2011/12 and FY 2012/13, benefiting from SPEMP B technical assistance for the latter audit. There is no overdue audit report and the audit reports submitted for FY2011/12 and FY2012/13 are acceptable to IDA. There are, however, a number of unresolved audit observations being reviewed by a ministerial-level committee. IDA will carry out a status review of unresolved audit observations after December 31, 2014, and will determine if there are any ineligible expenditures among the unresolved observations.

21. Going forward, the annual audit will continue to be carried out by FAPAD under the OCAG based on the agreed Statement of Audit Needs (SOAN). DPs would continue to receive a single audit report as agreed in the SOAN. The audited financial statements, along with the Management Letter, will be submitted to IDA and all the other DPs within nine months after the close of the fiscal year, i.e. by March 31 each year for audit of the previous year, as agreed in the SOAN that has been updated for the AF period best to reflect the current country system. All spending agencies within the primary education sector will provide the auditors full access to the related documents and records.

### Audit review meetings

22. Quarterly review meetings comprising of at least one member from each IA have been established to follow up on all regulatory audit issues including but not limited to those raised by AFRs and external and social audits. The Terms of Reference and the effectiveness of this audit review meetings will be assessed through the PFWG. These meetings include high level officials from each Line Ministry engaged in the program and chaired by the Joint Secretary (audit), MoPME. The normal country systems which have been followed to date under PEDP3 for resolution and settlement of audit observations will be equally applicable to the AF. Within three months after the date of the audit report, the GoB will provide the World Bank and all the other DPs evidence of action taken to resolve financial irregularities. The DPs will closely monitor the timely resolution of any irregularities identified and rigorously follow up on the Government's compliance on audit observations. The DPs will reserve the right to commission financial and compliance audits as well as special purpose audits. As far as possible, the scope of these audits will be agreed upon by all the DPs.

### Pending audit observations

23. As of August 2014, 83 audit observations remained to be settled from the FY2011/12 and FY2012/13 audits, along with 5 other observations relating to PEDP II. Most of the audit observations relate to civil works and deviations in iBAS V manual bookkeeping, which can be resolved through further documentation. The quarterly audit meetings under leadership of the Joint Secretary for Budget and Audit, MoPME, are to resolve these audit issues, and the Bank team has requested MoPME for a time-bound Action Plan. The Bank team, together with the PFWG, will assess the responses received against the 76 audit observations reported in the FY2012/13 audit and determine next steps.

### **Budgeting and Counterpart Funding Arrangements**

#### Flow of funds

24. Under the AF, the budgeting of all PEDP3 expenditures will continue to be part of the government budgeting process and DPs will finance both development and non-development expenditures and transfer funds directly to the GoB treasury account<sup>50</sup> based on the IUFR submitted and DLIs achieved. All fund flow arrangements and reporting requirements between implementing agencies, including those for fund transfer to NNGPS, will continue to follow existing government systems, which have been in place and implemented satisfactorily under the existing program. It can be pointed out that the fund flow for grants and stipends follows from the MoPME Annual Operational Plans and as such is the same as for all other project eligible expenditures under the annual plans. Audit of grants and stipends is part of the general terms of reference of the OCAG audit (described elsewhere in this document), since the grants and stipends are included as part of the Program Budget Heads (PBH).

25. Every disbursement is contingent upon meeting the DLI milestones. Additionally, several of the DPs release a fixed tranche based on performance measured by sector progress indicators (KPIs, PSQLs). In this way, the GoB would continue to pre-finance the government expenditures of the AF.

26. The Development Partners will finance up to 16 percent of total program expenditures, including procurables, inclusive of taxes. Nevertheless, amounts claimed for withdrawal in a year could not exceed the total value of the DLIs met in that year. An *ex post* reconciliation will be performed each year to confirm that the amount of eligible expenditures made by the GoB was higher than the maximum amount of total expenditure agreed *ex ante* as the proportion of total expenditures eligible for Development Partners' financing (for reimbursement of PBHs). In the fourth quarter IUFR, all expenditures are reconciled and any back dated calculation is undertaken. Similarly, the PFWG also performs quarterly reconciliation of DP disbursements, to ensure all disbursements are appropriately captured in the IUFR. This reconciliation would be based on a consolidated financial management report and accompanying reports. The DDOs/cost centers would be responsible for submitting the adjustment claims against any advances in a timely manner. The advances will need to be adjusted within the due dates, and the outstanding advances will not be included in the program expenditure statements to be submitted for the purpose of reimbursement. The IUFRs include details of advances given, adjusted and unadjusted.

27. Since consultancy expenses are not eligible to be financed by IDA, and in view of the multiple donors/financiers, the IUFR contains a specific report on list of prior review contracts which includes consultancy services. The detailed list includes the total amount of the consultancy services and this is subtracted from the PBH to confirm disbursement eligibility for IDA.

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<sup>50</sup> This decision was facilitated by the MoF Economic Relations Division at a meeting on December 17, 2013, at which time it was agreed that there is no need for PEDP3 to alter its ongoing financing modality.

### *Accounting and maintaining accounting records*

28. Accounting records under the AF will continue to be maintained within the Government-wide iBAS in accordance with the country accounting procedures and policies. Advances to DDOs will be separately booked under a separate economic code outside PBHs as part of the iBAS++ in order to be distinctly identified. The upcoming iBAS ++ will be based on a cash basis, double entry concept and feature strong accounting and a General Ledger. Additional ledgers would include the Budget preparation module, Budget execution module, Financial Report Module, Budget upload option, Advance payable / receivable. The treasury model requires accounting and maintenance of accounting records as per the General Financial Rules (GFR) and Treasury Rules (TR) prescribed by the Government of Bangladesh.

### Financial Reporting

29. The system-generated accounting records will be the basis for preparation of quarterly and year-end financial reports for AF. Quarterly reports include the sources of project funds and their uses together with adequate notes and disclosures. Disbursements will be made against Interim Unaudited Financial Reports (IUFRs) to be submitted by the GoB to the World Bank and the other DPs within 45 days after the end of each quarter. These submissions would also include the detailed budget execution reports by detailed heads of accounts for the entire primary education sector, for continuous expenditure monitoring. The already agreed template for IUFRs, which has been in use for the last three years and annexed to the JFA is sufficient for AF purposes. DPE will have primary responsibility for preparing these statements. The DPE, with assistance of the Chief Accounts Officer (CAO), MoPME, would also prepare and submit the year-end annual financial statements of AF by drawing data from the Government accounting system, using Budget Management Reports from iBAS as the primary source of information.

### Disbursements

30. IDA disbursements under the AF will be in Special Drawing Rights (SDR) and made against identified PBHs contingent upon DLI achievement. The disbursements will be based upon the submission of IUFRs which DPE will prepare quarterly from iBAS as mentioned above, and these must be endorsed by the Chief Accounts Officer before finally being approved by the Secretary, MOPME. The authorized signatory will sign the Withdrawal Applications based on the IUFRs, and IDA will disburse funds to the government in the Account indicated in the Withdrawal Application.

31. The pricing of DLIs was finalized in SDR during negotiations. As in the original program, any unmet DLI under AF will not hold back disbursement of others which are met. If fewer than all the DLIs are achieved by an annual cycle, withheld amounts against unmet DLIs will be available for disbursement at a future date, subject to confirmation that the said DLIs have been satisfied and the applicable IUFR has been submitted to IDA.

## **Risk**

### Procurement Risk

32. The overall procurement risk is assessed as “High” for DPE and LGED, and “Substantial” for NCTB and DPHE. However, taking into account close implementation support by IDA and the PFWG, and based on the successful implementation of special risk mitigation measures in process – including rapid transition to nationwide electronic Government Procurement (e-GP) – and several important initiatives to strengthen and improve capacity, the residual procurement risk will be moderate. As noted above, training and technical assistance, ensuring that “red flags” related to fraud and corruption are

effectively communicated to field level officers, as well as ongoing oversight of the PFWG and independent post reviews are planned to strengthen the procurement process under AF.

#### Financial Management Risk

33. The financial management risk is assessed as “Substantial” given the risk factors of the wide range of activities which are being carried out by various government agencies including implementing agencies across the country. A number of technical supports will be provided under the program to reduce the FM risks. Based on the successful implementation of these actions along with the implementation of country PFM action plan, the overall FM risk will be moderate.

34. ***Overall Fiduciary Risk:*** overall fiduciary risk is assessed as “High” due to issues mentioned in the procurement and financial management risk paragraphs above.

**Table 1: Technical Assistance Plan for Program Planning and Management, JARM 2014**

Program Year Budget	Specific issue for TA support	If Consultancy			Potential Source	Any further remarks
		Intermittent or Continuous	No.	International or National		
4.1 PEDP3 Management and Governance						
Year 4						
4	Program Management Consultant (National)	Continuous	1	National	AOP	
4	Consultants for PSO- MoPME	Continuous	7	National	AOP	
Year 5						
5	Program Management Consultant (National)	Continuous	1	National	AOP	
5	Consultants for PSO- MoPME	Continuous	7	National	AOP	
Year 6						
6	Program Management Consultant (National)	Continuous	1	National	AOP	
6	Consultants for PSO- MoPME	Continuous	7	National	AOP	
Sub-Total of 4.1						
4.2 PEDP3 Financial Management						
Year 4						
4	National TA to support Financial Management in DPE	Continuous	1	National	AOP	FM Consultant
4	National TA to support IT and Accounts system (DPE A/C System implementation)	Continuous	1	National	AOP	IT & Accounts Specialist
4	National TA to support IT and Accounts system (DPE A/C System implementation)	Continuous	1	National	DPs	IT & Accounts Specialist
4	National TA to support Procurement	Continuous	1	National	AOP	Procurement Specialist
4	National TA to support Financial Management in DPE	Continuous	1	National	DPs	Accounts Officer
4	International TA support to PFWG-PFM	Intermittent	1	International	DPs	PFM consultant
4	Firm to conduct Annual Fiduciary Review	Continuous	Firm	International	DPs	Fiduciary & Post Procurement Review
4	Field office FM & Procurement training to all DDOs				AOP & DPs	
4	TA Support to CGA office ( If required by MoF)	Continuous	1	National	DPs	iBAS Specialist
4	TA support for PEDP3 Audit (If required by C&AG's office)	Continuous	1	National	DPs	Consultant, Audit
Year 5						
5	National TA to support Financial Management in DPE	Continuous	1	National	AOP	FM Specialist
5	National TA to support IT and Accounts system (DPE A/C System implementation)	Continuous	1	National	AOP	IT & Accounts Specialist

Program Year Budget	Specific issue for TA support	If Consultancy			Potential Source	Any further remarks
		Intermittent or Continuous	No.	International or National		
5	National TA to support Procurement	Continuous	1	National	AOP	Procurement Specialist
5	National TA to support Financial Management in DPE	Continuous	1	National	DPs	Accounts Officer
5	International TA support to PFWG-PFM	Intermittent	1	International	DPs	PFM consultant
5	Firm to conduct Annual Fiduciary Review	Continuous	Firm	International	DPs	Fiduciary & Post Procurement Review
5	Field office FM & Procurement training to all DDOs				AOP & DPs	
<b>Year 6</b>						
6	National TA to support Financial Management in DPE	Continuous	1	National	AOP	FM Consultant
6	National TA to support IT and Accounts system (DPE A/C System implementation)	Continuous	1	National	AOP	IT & Accounts Specialist
6	National TA to support Procurement	Continuous	1	National	AOP	Procurement Specialist
6	National TA to support Financial Management in DPE	Continuous	1	National	DPs	Accounts Officer
6	International TA support to PFWG-PFM	Intermittent	1	International	DPs	PFM consultant
6	Firm to conduct Annual Fiduciary Review	Continuous	Firm	International	DPs	Fiduciary & Post Procurement Review
6	Field office FM & Procurement training to all DDOs				AOP & DPs	
<b>Sub- total of 4.2</b>						
<b>4.6 Public Private Partnerships (PPP)</b>						
<b>Year 4</b>						
4	TA support for customization of PPP framework		1	National	AOP	Consultant
<b>Year 5</b>						
5	TA support for implementation of PPP framework		1	National	AOP	Consultant

**Table 2: Fiduciary Action Plan for Additional Financing**

<b>SL No</b>	<b>Subject</b>	<b>Issue to address/Action</b>	<b>Details</b>	<b>Deadline</b>
01	Immediate TA support to CGA	Reach agreement with CGA to strengthen financial reporting capacity	External support will be provided to CGA in order to generate IUFR on a timely basis	March 2015
02	Strengthening DPE's accounting reporting and monitoring	A separate review will be carried out to further assess the accounting system of DPE, as part of the next QFR	Prepare financial reports and track expenses and advances	December 2014
03	Inter-ministerial group to monitor audit issues	Establishment of the group to address audit issues in a disciplined manner	As of June 2014, 87 audit observations remained unsettled from FY 2011-2013 along with 10 other observations relating to PEDP II. [n.b. As of August 2014, the numbers were 83 and 5, respectively.]	By December 2014
04	TA support to OCAG(if requested by OCAG)	Reach agreement with OCAG to strengthen audit capacity	External support will be provided to OCAG in order to carry out external audit as agreed.	March 2015
05	FM and Procurement Capacity Building	Strengthen FM and Procurement system within MopME and all IAs	Continuous training will be carried out on an annual basis throughout the life of the program	Annually within June
06	Modification in the ToR of AFR	To add other functions as needed	An Annual Fiduciary Review (AFR) will continue to be conducted every year as a mitigation measure	Every year by June 30
07	Integrate findings of audits and TPVs into PFWG dialogue	Audit and fix issues relating to physical verification of PEDP3 construction	PFWG will regularly raise issues emerging from ongoing forensic audit of construction, TPVs, public expenditure tracking surveys (PETS), etc.	Every year in June

**Table 3: PFM Action Plan as of JARM 2014**

Need/Rationale/Area of concern	Issue to address	Update and recommended actions	Date of completion
1. Accounting and Reporting system of PEDP3	Ensure proper accounting and reporting system of PEDP 3	FAPAD raised questions about the accounting and reporting system of PEDP3 in the 2012-13 Audit Report  Recommendation: At a meeting chaired by the ERD in December 2013, the continued use of the PEDP3 FM system was confirmed. The MTR financial management analysis review and discussions to date have further re-affirmed the importance of using and strengthening the PEDP3 FM system. During the next QFR, a diagnostic review of the accounting and reporting system of PEDP 3 is planned to inform this discussion further, particularly with a view to: (1) support the ongoing discussion between MoF, MOPME and OCAG on the record keeping and accounting requirements at DPE as the office of the Program Director (PD) and (2) buttressing support to the iBAS in absence of the SPEMP-A project technical teams.	September 2014
2. Audit Arrangement of PEDP3 and finalization of the Statement of Audit Needs (SOAN)	a) Ensure timely audit report available as safeguard of DPs' disbursement  b) Agree with the OCAG on the revised SOAN through formal acknowledgement	PEDP3 requires a single audit report in compliance with a Statement of Audit Needs (SOAN) covering both Non-Development and Development Expenditures. At present, the practice in Bangladesh is that the Foreign Aided Project Audit Directorate (FAPAD) conducts audits of Foreign Aided Projects, which support Development expenditures; Non-Development expenditures are audited by the Local Audit Directorate (LAD). Under a temporary arrangement, FAPAD conducted the PEDP3 audits for FY2011/12 and FY2012/13. A permanent arrangement for auditing of PEDP3 from FY 13-14 onwards is also being confirmed.  DPs have reviewed the current SOAN and suggested amendments. As the fundamental requirements of the SOAN remain the same, amendments were proposed to further clarify the requirements in certain areas (e.g., Standard for Auditing, standard for accounting and specific needs) and remove challenges that are beyond the audit scope like textbook distribution, stipends, inventory and asset validation and internal control. The proposed SOAN is being confirmed with the OCAG.  Recommendations: A documented policy dialogue with MoF, ERD and OCAG officially confirming the permanent agreement for the PEDP3 audit from FY2013/14 onwards and resulting in a written agreement is nearing completion.  The revised SOAN for FY2013-14 audit is to be finalized and confirmed in writing asap with the OCAG and accordingly should be disseminated to the auditors through workshop and presentations. Discussions on the longer term arrangement for conducting PEDP 3 audits from FY 2014 onwards need to be well advanced (if not concluded) before concluding appraisal of additional financing. These discussions are being held in light of the expanded use of the PEDP 3 FM model in the country.	ASAP for FY 2013-14 audit and no later than September 2014 for FY 2014 onwards.
3. Monitoring of audit issues is extremely important for financial	Ensure settlement of audit issues in a more rigorous manner.	The lengthy process of settlement of audit observations resulted in a significant number of observations remaining unsettled for long periods of time. As of June 2014, 10	Ongoing process



Need/Rationale/Area of concern	Issue to address	Update and recommended actions	Date of completion
accountability		<p>observations from PEDPII and 11 observations from PEDP3 FY2011-12 remain unsettled. During the PFWG session of the 2014 JARM, it was agreed that under the leadership of MoPME (Budget &amp; Audit Wing), audit issues would be reviewed on a quarterly basis. As part of the process an Audit Review meeting was scheduled for July 2014 to expedite resolving unsettled audit observations of PEDPII and PEDP3 FY2011/12.</p> <p>Recommendation: PFWG should follow up the quarterly review of audit issues under the leadership of MoPME (Budget &amp; Audit Wing).</p>	
4. Technical Assistance in absence of SPEMP	Ensure TA support to the OCAG and the CGA on needs basis	<p>During the FY2012/13 audit, FAPAD received support from SPEMP B, including training on International Standards and assistance to comply with the provisions of the SOAN. Similarly, SPEMP A was involved with providing ongoing support to the iBAS system of the MoF. PEDP3 relies on the IFR generated from the iBAS system for disbursement purposes. With the closure of SPEMP A in August 2014 it will be important to ascertain how MoF plans to maintain the credibility of the iBAS reports. Dialogue is ongoing with the MOF, MOPME CAO, CGA and the SPEMP team on the targeted TA to sustain support for generating timely and high quality reports.</p> <p>Recommendation: TA support to both the OCAG and CGA should continue in order to achieve a high quality IFR and audit report. A dialogue between DPs and CAG and CGA is currently ongoing to identify nature, scale and modality of the TA.</p>	Ongoing Process
5. Procurement Strengthening	Ensure ongoing strengthening of procurement in PEDP 3 for goods, works and services.	<p>To mitigate some serious irregularities in the process of procurement of works identified during AFR, QFR and Audit; 17 firms have been debarred by LGED from contracting for the next 4-5 years. LGED arranges quarterly meetings with Districts and Upazilla officials of LGED as well as for DPE to sensitize them about Procurement Guidelines and Rules, and disseminates the findings of AFR, PPR and Audit reports. LGED has processed 20 percent of the SY 2014/15 Annual Procurement Plan (APP) contracts through e-GP and has initiated more for FY2014/15. In addition LGED arranges trainings and workshops on capacity building and strengthening the procurement process.</p> <p>DPE also arranges training/workshops for capacity building. The current extent of DPE's progress in procurement of goods also shows some challenges, many of which can be mitigated through enhanced awareness of procurement guidelines and their application.</p> <p>Recommendation: Ongoing activities to strengthen procurement process should continue emphasizing implementation of e-GP for both LGED and DPHE and for all contracts over the program period. Inclusion of "bid rotation matrix" as an integral part of the evaluation reports is compulsory. In addition an independent review is recommended to analyze the procurement process at</p>	Ongoing Process

Need/Rationale/Area of concern	Issue to address	Update and recommended actions	Date of completion
		DPE to identify the weaknesses and make recommendations for strengthening the process.	
6. Maintenance of books of records as per GFR and TR	Ensure appropriate record keeping as per the format prescribed in GFR and TR	<p>The QFR conducted in May 2014 observed that most offices ensure adequate book keeping but do not follow the format prescribed in the GoB Financial Rules (GFR) and Treasury Rules (TR).</p> <p>Recommendation: Review the feedback of the FY2012/13 AFR; incorporate detailed review of compliance on books of records in the ToR for the next AFR (for FY 2013/14) to ensure appropriate record keeping by each entity. In addition, training program on financial management should address this as an ongoing process.</p>	Ongoing process
7. DDO/accounts office reconciliation ensures accuracy of expenditure as well as correct classification of accounts	Ensure proper reconciliation of books of records as per GFR and usage of monitoring framework for monthly reconciliation between DDOs and accounts offices.	<p>a) It is important to ensure preparation of more reliable financial statements and regular reconciliation. FAPAD raised an issue that proper reconciliation is not being done by a significant number of DDOs on a regular basis. For monitoring the status of reconciliation, a reporting template has been developed by the CGA. The user interface to enter the information required by all accounting offices of the CGA has also been developed and uploaded. Sample testing by the QFR team shows that the requirement (of the monitoring report) regarding reconciliation has still not been implemented fully. Most of the AOs and DDOs are not entering status of reconciliation into the system template.</p> <p>b) The IFR report on DDOs Reconciliation shows total DDOs to be 1,932 whereas in reality the total number of DDOs under MoPME is only 1,112.</p> <p>Recommendations: a) CGA should advise all DAOs/UAOs that requirement for reconciliation means complying with GoB financial regulations for all sub-sector expenditures, not only PEDP3 development expenditures. Even if the expenditure in the account of AO (iBAS) is zero for a particular month, it should still be confirmed by the DDO. They should also instruct the AOs to ensure that reconciliation is done after the close of each month and to record the status into iBAS.</p> <p>b) MoPME/ DPE as well as DPs should request CGA to instruct all AOs to identify and delete inactive DDOs.</p>	<p>a) Ongoing process</p> <p>b) September 2014</p>
8. Reconciliation of advances	Ensure proper accounting and reporting as well as compliance of GFR and TR	<p>Several reviews, including AFR and QFR as well as the audit, identified inconsistency of status of advances in comparing the original advance statement and physical verification. Evidence from the QFR showed that DDOs are adjusting advance in the manual books of records but not booking the adjustment properly into the system. Moreover, UAOs have no real time access to the system. The report produced by the module/system provides incomplete information. To strengthen financial management, a computerized accounting system is being developed at DPE, to cover its field offices.</p> <p>Recommendation: DPE should monitor the status and adjustment of advances at DPE-HQ, and its field offices on a regular basis. In addition, the next QFR shall review the issue and recommend practical arrangements/</p>	Ongoing process

Need/Rationale/Area of concern	Issue to address	Update and recommended actions	Date of completion
		solutions. Moreover, raining on financial management will focus on advance adjustment as per GFR and on proper usage of the advance-tracking module.	
9. Efficient and effective budget execution in line with Program priorities /activities	Incorporation of the Development Budget / Annual Operational Plan (AOP) in the iBAS system by components will ensure better monitoring and reporting.	MoF uploads the total amount of Development budget of PEDP3 in the system. It is not segregated by PEDP3 components, which could otherwise improve the value of the iBAS budget management reports as tools for financial monitoring. However, future iBAS++ feature might have a provision to include budget allocation at various levels.  Recommendation: MOPME and DPs should request CGA to upload the Annual Operational Plan (AOP) in the system by functional, operational and economic code for FY 2014/15. At the end of the fiscal year, the usefulness of continuing the budget segregation by component could be evaluated.	September 2014
10. Adoption of international accounting standards.	International Public Sector Accounting Standards (IPSAS) (Cash Basis) as the reporting framework for the annual program financial statements	Under implementation as a component under SPEMP.  Recommendation: PFWG shall discuss with MoF how to implement IPSAS (cash basis) for PEDP3.	June 2015
11. Alignment of ongoing reforms of PEDP3 with new funding modality and avoiding duplication of datasets	Customization of PEDP3 accounting system to meet the subsidiary accounting of advances with cost centers/DDOs and related financial monitoring	During PEDP3, a computerized accounting system was developed for DPE and its cost centers. Later, hardware was installed at DPE and field offices, and training conducted but the system could not be made operational. In the Program Completion Review Mission of PEDP3, it was agreed that the system would be customized for PEDP3. During the PFWG session of the first PEDP3 JARM (2012), it was agreed that DPE would review options for effective use of existing resources within the GOB system considering the cost of customization of the PEDP3 accounting system.  From experience of 3 years implementation of PEDP3, DPE is recognizing the need to maintain a subsidiary accounting system for monitoring financials and status of advances with cost centers/DDOs. A new web based computerized accounting system is being developed by DPE, with the plan to implement it at DPE and its field offices.  Recommendation: The system should be adjusted to include all bills processed under the MoPME budget, not only limited to PEDP3 development expenditures. A regular training program should be conducted to ensure efficient usage of the system.	June 2015
12. Access to iBAS financial data will lead to greater confidence and system-ownership with DPE	Enable DPE access to iBAS accounting data (restricted and read-only) for monitoring of budget execution among all DDOs and their compliance with FR.	DPE has been granted access to PEDP3 monitoring reports (e.g. on payment processing and templates for AO/DDO reconciliation and advances) but has no access to regular budget management reports.  Recommendation: DPE should be granted read only access to all relevant iBAS reports for effective monitoring of budget execution and DDO compliance with GoB financial regulations. MoPME and DPs should request CGA to provide DPE access to Budget	September 2014

Need/Rationale/Area of concern	Issue to address	Update and recommended actions	Date of completion
		Management Report of MoPME.	
13. Preparation and Submission of Interim Financial Report (IFR)	Ensure timely submission of IFR.	<p>As per Section 6 clause 47 of the Joint Financing Arrangement (JFA), a quarterly IFR showing expenditures under each of the PBHs and comparing the actual and budgeted figures and other statements, as listed in Annex vi of the JFA, is required to be submitted within 30 days after the end of each quarter. The 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> quarter IFRs for FY 2013/14 were substantially delayed.</p> <p>Recommendation: Timely submission of the IFRs is required for each quarter. If any issue needs attention, inclusion of notes to the statements can be added for explanation.</p>	Ongoing Process
14. Delay in payments is the biggest concern while adapting to the treasury system.	Monitoring of payments processing service standards at accounts offices.	<p>A template for monitoring payment processing has been incorporated into the system. The report contained a summary for DAOs as per requirement. However, UAOs are not included in this reporting format as they don't have any real-time access /direct transaction wise access to iBAS. In addition, some DAOs are not able to generate the report on payment processing.</p> <p>Recommendation: All DAOs shall be able to access reports on payment processing time. This is for compliance with the service standard, improvement of their performance, and assurance of the quality of their services.</p>	Ongoing process
15. PFM Capacity Building	Strengthening Financial Management of PEDP3	<p>DPE conducts training programs on financial management and procurement every year with support from DPs. LGED arranges dissemination workshops and training on procurement rules for the officials of LGED and DPE. However, AFR, PPR, QFR and audits identified some challenges in the area of monitoring, accounting and reporting of financial management and procurement at DPE and its implementing agencies. CAO-MoPME has also expressed concerns over capacity constraints in effectively performing their functions.</p> <p>Recommendations: PFWG should monitor proper implementation of TA Mapping jointly developed by GoB and DPs during MTR process.</p> <p>Training on Financial Management should include record keeping, accounting and reporting of the program in compliance with GFR and TR.</p>	Ongoing process
16. Review PFM Action Plan on a quarterly basis	Assess the progress and actions required for strengthening Financial Management and Procurement of PEDP3	<p>PFM Action Plan has been developed to assess the progress of PFM of PEDP3 and to identify critical areas/actions for follow up and further improvement. PFWG updates the PFM Action Plan during JARM, QFR and JCM.</p> <p>Recommendation: PFWG should review the status of the PFM Action Plan on a quarterly basis. This will help to assess the progress of PFM areas, to identify timing and critical areas for conducting QFRs and to improve timeline of Annual Fiduciary Review (AFR).</p>	Ongoing Process

## **Terms of Reference**

### **Annual Fiduciary Review FY 2013-14**

#### **I. Background**

The Government of Bangladesh (GoB) and nine Development Partners have signed a Joint Financing Arrangement (JFA) to support institutional reforms and improved educational outcomes in the primary education sector as described in the Primary Education Development Program III (PEDP III) Program Document. Within the scope of the JFA, the development partners will jointly commission an annual fiduciary review (AFR). The purpose of the review is to provide additional assurance to the financial statements presented, to analyze areas of substantial fiduciary concerns and to gradually improve the systems and processes by implementing the concrete recommendations of AFR.

PEDP3 uses the GoB's financial management (FM) system for management of all funding of the program activities including Development Partners' (DP) contributions. The use of GoB FM systems for DP disbursement to the Consolidated Fund requires that fiduciary risk can be managed within levels acceptable to GoB and DPs. In this respect, a comprehensive fiduciary risk assessment of the primary education sector, with due consideration of both FM and procurement issues, has been carried out during PEDP III preparations. The level of fiduciary risk was assessed by DPs as acceptable provided that agreed actions to improve the system are implemented and maintained by the GoB.

GoB FM systems have been strengthened considerably in recent years and now operate with sound controls in place. Reports are produced which provide GoB and DPs with the ability to monitor both budgeted and actual levels of expenditure in accordance with their information needs. The GoB Integrated Budgeting and Accounting System (iBAS) has the capacity to generate reports upon request and to required levels of detail. It is expected that the iBAS system will be strengthened further with support from the multi donor funded SPEMP PFM reform project.

Risks identified within FM systems were identified and mitigating actions included in the ongoing PEDP3 Procurement and Financial Management Action Plan. The Action Plan is being implemented with full support from GoB and in liaison with SPEMP.

The AFR consists of two parts: a post-procurement review and a fiduciary review of the FM systems. The results of the post-procurement review will be used to strengthen the procurement processes and will also inform the fiduciary review.

#### **II. Purpose of the AFR**

The AFR will provide additional assurance to the information of Interim Financial Reports (IFRs) presented and in addition focus on reviewing selected risk-areas each year including areas identified by annual reports of the Comptroller and Auditor General (CAG), Quarterly Fiduciary Reviews (QFR) and Post Procurement Reviews. The AFR will provide concrete recommendations for improvement and value addition in the proposed risk areas subject for review.

#### **III. Scope of the AFR**

The AFRs each year will be implemented with focus on some selected areas which will be decided during the Joint Annual Review Mission (JARM) for PEDP3, normally held each May. The following are suggested areas of focus for the AFR for the duration of PEDP3:

- Review of payment processing including sample testing using information from the iBAS reports and cash books of a sample of DDOs.
- Review of reconciliation between iBAS and DDO cash books and ledgers using the iBAS reports on reconciliation including review of DDOs' financial management.
- Review of booking and clearing of advances.
- Internal controls over payroll processing and personnel data management.
- Release procedures for funding to schools (SMC funds and contingency funds) and related financial management.
- Review of stipends delivery.
- Other issues arising from CAG annual audit reports, QFRs and post-procurement reviews.

In addition to the above, the AFR should review relevant reports from CAG and in particular, concerns in recurring observations from these audits which are both general and specific to MoPME and subordinated cost centers. The AFR should include but not necessarily be limited to an assessment of the financial management system, including internal controls. This would include aspects such as adequacy and effectiveness of accounting, financial and operational controls, and any needs for revision; level of compliance with established policies, plans and procedures; reliability of accounting systems, data and financial reports; methods of remedying weak controls or creating them where there are none; verification of assets and liabilities; and integrity, controls, security and effectiveness of the operation of the computerized system. The assessment should be based on the sample as specified under the specific tasks described below.

#### **IV. Specific tasks for the AFR FY 2013-14**

The AFR FY 2013-14 will focus on the following 2 areas:

1. Post Procurement Review
2. Fiduciary Review

##### **1. Post-procurement Review.**

The post-procurement review will be conducted by procurement specialists. This review includes selecting a sample of contracts, based on the program's procurement risk, from the total amount of contracts awarded and performing a detailed review of the procurement procedures followed to determine their compliance with the agreed provisions in the legal agreement. Implementation of previous post-review recommendations under previous AFR will be followed up by the consultant. In addition, post reviews examine the systemic processes and controls surrounding the procurement practices of the borrower based on the contracts reviewed and suggest measures for improvement, if any. Asset verification, end-use audit, price comparability, and reporting indications of fraud or corruption are also parts of the procurement post review. In part II (Post Procurement Review) of this TOR more details about the background, the purpose and the scope are shared.

##### **2. Fiduciary Review**

The fiduciary part of the AFR consists of 4 areas. This part will be conducted by the Financial Management Specialists. Sample size will cover 10% Pay-points of CGA including 10% cost centers of DPE; NAPE, BNFE, head office of LGED and DPHE.

###### **i. Internal controls over payroll processing and personnel data management.**

The education sector personnel registers and associated payrolls are localized, and with personnel and payroll information for schools in a given Upazila are maintained within the Upazila by centrally-employed but locally-based DDOs operating under the DPE. As the personnel and payroll registers are paper-based and manual, links between them are neither automated nor automatic.

Overall, there are some clear areas of risk with regard to the payroll system for the primary education sub-sector. With this background, the consultants are required to:

- review the payroll system for the primary education sub-sector (in particular the staff of the primary schools);
- assess the adequacy and effectiveness of the arrangements for budget allocation and release, submission of pay-bill, release of payments by the accounts offices, receipt of funds by the DDOs, and finally the disbursement to the staff;
- perform detailed tests on randomly selected payroll transactions and check the calculations of basic pay, allowances, and deductions;
- check the staff attendance and leave record for the randomly selected transactions;
- assess the linkages between the payroll system and human resource databases and any points of differences leading to fiduciary risks;
- map the complete process for release of funds, documentation of expenditures and related accounting activities at various levels;
- examine how the new recruitments, posting/transfers, and retirements are recorded in the system and if there are any risks of duplicate payments, leakages, over-payment etc.
- evaluate related internal controls;
- ascertain the integrity and reliability of operational, financial and other information provided to management and stakeholders on primary education pay-bill;
- recommend how and what can be improved/changed for the future (way forward); and
- identify exactly what would be required to implement the recommendations which may include a policy change, issuance of guidelines, capacity building support etc.

#### ii. **Status of Reconciliation between DDOs and AOs.**

Process of Reconciliation is a monitoring tool to reduce leakage of financial management system. In practice the reconciliation takes place by the respective accounting office of CGA printing out a financial statement each month from the iBAS system. It is then presented to the DDO (MoPME/DPE/DPEO/-UEO). The DDO subsequently confirms that the iBAS records (bills processed and paid) are the same as the records (cash books) the DDO has (bills presented).

The “input module” (user interface) has been introduced/uploaded into iBAS for PEDP3 where accounting offices are required to “tick off” a box in the screen (meaning yes) if they have reconciled their records with the records of the respective DDOs.

AFR team will review:

- Whether the reconciliation has been done on a monthly basis both for Non-development and development expenditures of MoPME
- Whether the reconciliation has been done properly. Even if the expenditure in the account of AO (iBAS) might show zero for a particular month, it should still be confirmed by the DDO as an accurate statement. Every expenditure of the AO should match with the expenditure of the particular DDO.
- Whether the status of Reconciliation of the visited AOs has been matched with the information of iBAS generated Reconciliation Report.
- Whether the booking of expenditures by AOs have been made into iBAS under the similar codes of bills, vouchers and other documents prepared or submitted by the concerned education offices.
- Ensure that there is no inactive DDOs present in the iBAS generated report.

### **iii. Review of booking and clearing of advances.**

AFR Team will review:

- Activities for which advances have been given for FY 2013-14
- GoB Financial Rules for Advance adjustment rules
- Amount of advance given by DPE as well as recorded in the Advance Module of iBAS
- Detail of advance in the selected education offices
  - The date of advance withdrawn for each activity,
  - time of accomplishment of the activity,
  - date and amount of adjusted advance,
  - refund of advance to treasury,
  - Amount of outstanding advance if any,
  - reason for non-adjustment of outstanding advance within stipulated time;
- The above information of the selected education offices will be verified with the advance information in the related accounting offices.
- Find out the reason of differences for advance information between Education and Accounting offices.
- Verify the information of the field offices with the information of iBAS provided by CAO-MoPME
- Review monitoring steps taken by CAO-MoPME and DPE for the adjustment of Outstanding advance
- Review the level of assurance of Advance Tracking Module developed for PEDP3

*The AFR Team will also review that the DDOs are maintaining proper books of records as per format prescribed in the Gob Financial Rules (GFR) and Treasury Rules (TR).*

### **iv. Other fiduciary issues arising from CAG annual audit reports, Quarterly Fiduciary Reviews (QFRs), and Post Procurement Review.**

Issues will be identified later from CAG annual audit reports, Quarterly Fiduciary Reviews (QFRs) and Post Procurement Review

## **V. Timing and reporting**

The AFR will commence by December 2014, with an estimated total duration of the assignment of maximum 24 weeks. The work is to be concluded by May 2015 with the submission of a report presenting outcomes from the above tasks including a summary of recommendations, actions for follow-up, timeframe for when they should be completed an indication of the responsible entity/unit. The survey for the post-procurement review and the fiduciary part of the review will be done concurrently. Specific outputs of the post-procurement review are mentioned in chapter II -Post Procurement Review. The consultant, within ten (10) days of signing of contract, will receive the electronic data entry forms from ADB and IDA for compiling the post-procurement review report.

The results of the AFR will be discussed by the Procurement and Financial Management Working Group (PFWG) of PEDP3 each year and ToRs for the succeeding year's AFR will be agreed in the Joint Annual Review Mission (JARM). The findings of the AFR will be subject to follow-up by the QFRs and integrated into the QFR action plan.

The following time-frame is foreseen:

- Commence the assignment latest by December 2014,



- Share Interim/ Progress report for post-procurement review and fiduciary review within 2nd week of March 2015.
- A comprehensive dissemination process (1 National and 3 regional workshops) will be held in 3rd and 4th week of March 2015 involving MoPME/DPE, CGA and other Implementing agencies (IAs) to present the findings and discuss the solutions.
- Complete draft report by 2nd week of April 2015 for both Post Procurement review and Fiduciary Review
- Complete assignment by May 2015 with final report including the final post-procurement review and Fiduciary review report.

The following **deliverables** are expected:

- Inception report (1 week)
- Interim/ progress Report (14 weeks)
- Draft report for Post-procurement review and Fiduciary Review (18 Weeks)
- Final Report for Post-procurement review and Fiduciary Review (24 Weeks)

## **VI. Qualifications of consultants**

The assignment will be undertaken by a company who will employ adequate staff with appropriate professional qualifications and suitable experience and with experience in performing assessments of programs comparable in size and complexity to PEDP3.

i. Financial Management specialist and team leader (international, 2 person-months). The team leader nominated by the firm shall: (a) have at least a graduate degree in financial management or be a certified accountant; (b) have experience with the Government of Bangladesh financial management system, procedures, and regulations applying to central government, district, and upazila (block) levels; (c) have experience undertaking financial, compliance, and performance audits including design, management, and implementation of surveys; (d) demonstrate team leadership, organizational, communication, relational, and report writing skills; and (e) have an excellent command of the English language.

ii. Procurement specialist (international, 2 person-months). The specialist shall have: (a) at least a graduate degree in public administration, business administration, or related discipline; (b) at least 5 years of experience in public and private procurement and capacity building in procurement, and (c) experience in working with procurement guidelines from multilateral organizations in relation to the national government's procurement guidelines is highly preferred. Experience working in Bangladesh is an asset.

iii. Financial Management specialists (2 nationals, 6 person-months; 3 person-months each). The specialists shall (a) have at least a graduate degree in financial management or be certified accountants and (b) have at least 5 years of relevant working experience, preferably in government-executed donor-funded projects, as accountants in Bangladesh. Experience with financial management reviews in accordance with the guidelines from multilateral organizations is highly preferred.

iv. Procurement specialists (2 national, 6 person-months; 3 person-months each). The specialists shall have (a) at least graduate degrees in public administration, business administration, or other related disciplines and (b) at least 5 years experience in public and private procurement and capacity building in procurement. Experience working with procurement guidelines from multilateral organizations in relation to the national government's procurement guidelines is highly preferred.

## **Terms of Reference Post Procurement Review (PPR)**

### **I. Background of the Post Procurement Review**

All local procurement under PEDP3 is carried out in accordance with the National Competitive Bidding Method according to Public Procurement Rules (PPR 2003) and PPR 2008 with the six exceptions as outlined in the JFA. As part of a fiduciary assessment, DPs will conduct post procurement reviews of procurement carried out by four implementing agencies (Directorate of Primary Education, Local Government Engineering Department, National Academy for Primary Education, and National Curriculum and Textbook Board).

### **II. Purpose of the Post Procurement Review (PPR)**

The purpose of the post procurement review is to examine the process that ensures:

- The procurement procedures agreed and outlined in the JFA are followed;
- The funds provided for PEDP3 are used for the purposes intended [includes sample site visits or physical inspection];
- Economy and efficiency have been achieved in the procurement process consistent with transparency;
- Inappropriate significant departures from the acceptable procedures or fraud/ corruption/ collusion/ coercion have not been major issues of concern in general;
- Assets specified in procurement records provided by the relevant implementing agencies exist on-site at their office locations;
- Broadly validate that the assets are used for the purpose for which they were acquired; and
- Amounts claimed on the SOE are appropriate and supported by genuine documents i.e. Procurement Plan, Contract Agreement, completion report etc.

### **III. Scope of the Post Procurement Review (PPR)**

The consultants will select a sample using the methodology outlined in Attachment 1, below. Before the review begins, the selected sample may require clearance of the DPs.

The sample must cover 20% of the awarded contracts by DPE, DPHE and LGED (20% of e-GP and 20% of non e-GP contracts) during the fiscal year (2013-14) or around 500 contracts of FY 2013-14, whichever is higher. In case of e-GP Contracts, the procuring entity will print papers of each stages of the procurement and maintain a file like non e-GP contracts for post procurement review.

For each contract package, the key elements will be to:

- Verify eligibility;
- Verify compliance with the outlined procurement procedures as indicated in the JFA. When deviations or judgment were exercised, the consultants must comment on whether these were reasonable. The consultants will also identify contracts with serious deviations warranting consideration for declaring mis-procurement;
- Establish whether the documentation and record keeping systems which are in place are adequate for ensuring the post review requirements; for example, whether records are systematically maintained and are acceptable. At locations, where a complete record of contracts is not being maintained, assist them in starting a system to meet this important requirement. Also identify general issues related to the procurement process and systems and provide recommendations for improvement.
- Verify whether goods and works exist at intended locations and are being used for the purposes for which they were acquired.
- Examine reported corruption or red flags if any, from any source and substantiate the irregularities. Also verify fraud prevention and detection mechanisms that may exist in the Program and recommend such prevention and detection mechanisms for future procurement under PEDP3.

The awarded contracts which are below the prior review threshold specified in the DPs' respective Financing Agreements as well as expenditures claimed for replenishment under Statement of Expenditure [SOE], are to be post reviewed in the field on a representative sample basis in respect of the following related documentation:

- Invitation of bids, advertising procedures and bidding period;
- Bidding documents and addenda;
- Sale of bidding documents, pre-bid meeting;
- Receipt and opening of bids;
- Bid evaluation and recommendations for award of the contract;
- Conclusion of contract;
- Time taken for processing of the various procurement actions;
- Material modifications to the contract during execution and the increase in the value of contract;
- Letter of Credit;
- Supplier's invoice and certificate of origin;
- Shipping or import documents and inspection certificates;
- Evidence of receipt of goods;
- Recurrent costs record;
- Authorization for payment;
- Evidence of payment/bank statements, acknowledgement of payee;
- Accounting records of approval, disbursement, and balance available; and
- Where goods have been returned, evidence that refunds have been made by suppliers and corresponding adjustments made in subsequent applications.
- Physical on-site verification of assets and their intended use, services rendered as described in the payment documents or contracts and verify whether any payments made before actual receipts of goods and services and beyond contract clause. Evidence of work may include photographs of the goods and works by the consultants, written acknowledgement from beneficiaries, participants, stake-holders and other third parties, supporting documents from venues for workshops, training center etc.

The documents are examined to ensure that each payment (including authorization for payment) is properly supported and is eligible for DPs' disbursement.

For verification of assets, the representative sample shall be selected by the consultant from the preliminary list provided by the ministry unit responsible for overseeing procurement while reviewing the contracts. Approximately 10-15% of assets acquired under the contracts are to be reviewed. This selection shall be influenced by the following factors:

- Level of comfort obtained during the review of contract [s];
- Nature of asset [s];
- Value of asset [s]; and
- Geographical spread and accessibility of the location of asset

Based on the findings, the consultants will verify with the concerned implementing agencies (IA) to obtain their views and concurrence with respect to the areas that need improvements and agree on the approach and strategies to implement measures to improve the existing system. Consequently, the consultants will prepare a proposal for system improvement for each IA.

The consultants will conduct comprehensive needs assessments of concerned staff in each IA and prepare a comprehensive proposal for capacity development including training requirements for each staff or group of staff -- especially on the job training -- with clear guidelines and directives.

Develop separate checklists for Upazila Offices, District Offices, Divisional Offices, as well as DPE, LGED, DPHE, NCTB and NAPE. The checklists will cover the following areas, among others, based on the weaknesses identified in the system:

- How to minimize fiduciary risks
- Requirements of books of records
- Reporting requirements –scope, contents, data, information, etc.

### **Attachment 1: Sampling Guidance for Post Procurement Review (PPR)**

A sample of contracts shall be selected from the procurement plan by the Consultants and subsequently approved by the DPs. LGED will be asked by the DPs to collect relevant documentation and present it for review to the AFR Consultant. The following guidelines will assist the Consultants in selecting a sample:

- The selected contracts for review should be representative of the overall procurement by size, nature and complexity using the following categories/scenarios:
- Procurement: works, goods and service contracts, supply and installation, etc.;
- Consulting services;
- Complexity: simple, less complex and complex;
- Value: high, medium and low;
- Critical items: for success of the program (less likely to be found under post review)
- Geographical spread: Some easily accessible locations and some difficult to access locations
- Package/Slice: single and multiple lots;
- Price Adjustment: with and without application;
- Protests/Complaints/Claims: bidding and contract stages and how addressed;
- Contract Modifications: with and without.
- Distortions in the procurement process are frequently manifested in one or more of the situations listed below. If patterns are identified in a series of contracts which reflect any of the distortions, one or more of the contracts in the series should be selected for more detailed review in the review sample
- low participation of bidders and reduced competition;
- one or more bidders winning a disproportionate amount of contracts in a program over time;
- Bid prices consistently over cost estimates and/or current market prices;
- Significant number of changes from bid to contract award and to final completion; and
- Significant and recurring increases in the final contract price over the original bid price and/or the original contract price.

## Attachment 2 - Sample Report Format and Checklist

### FY 20xx Post Review Report for *program name*

Country:	Bangladesh
Program:	
TTL:	
DPS:	
Post review Conducted By:	
Period Covered under Post Review:	
Project Procurement Risk:	
Implementing Agencies Covered under Post Review:	
Date of Report:	

#### A. Executive Summary

- *Introduction:* Describe the background, team composition, approach used for post review, agreed threshold/procurement arrangements for the program, etc.
- *Major findings:* This section would be useful for decision makers (both in the DPs and Government), who do not have time to go through the details, should be displayed using bullet points and reference to specific contracts where more information can be obtained.
- *Sampling Procedure Used:* Comment on the availability of contract data, percentage selected for review including the total amount of post-review contracts awarded, and whether the findings are representative of population

#### Summary of the Total Contract Population by each head of procuring entity (DPE, LGED, DPHE NAPE, NCTB):

Contract type	Goods			Works			Consulting Services			Total		
	No	Value		No	Value		No	Value		No	Value	
		BDT	USD		BDT	USD		BDT	USD		BDT	USD
ICB												
NCB												
Shopping												
DC												
Force Account												
QCBS												
QBS												
LCS												
FBS												
CQS												
NGO												
SSS Firm												
SSS Individual												
TOTAL												

**Summary of the Contracts Reviewed:**

Contract Type	Goods			Works			Consulting Services			Total		
	No	Value		No	Value		No	Value		No	Value	
		BDT	USD		BDT	USD		BDT	USD		BDT	USD
ICB												
NCB												
Shopping												
DC												
Force Account												
QCBS												
QBS												
LCS												
FBS												
CQS												
NGO												
SSS Firm												
SSS Individual												
TOTAL												

**Summary of the IA Reviewed:**

IA	Goods			Works			Consulting Services			Total		
	No	Value		No	Value		No	Value		No	Value	
		BDT	USD		BDT	USD		BDT	USD		BDT	USD
TOTAL												

*Findings on the IA Capacity, Performance and Other Systemic Issues:* Comment based on the review of contracts. Give an overall assessment as well as separate section for each PIU reviewed.

**Findings of Physical Inspections:**

Category	No. of Physical Inspections					
	ICB	NCB	IS	NS	SS	Total
Works						
Goods						
Services						
Consulting firms						
Individual consultants						
Total						

Action Taken by the IS on the Findings of the Previous Review: Comment on any improvements, delays or inaction.

*Indicators of fraud and corruption* (when F&C is suspected, copies of **any and all** related documentation should be attached to the report including copies of the losing bids).

*Recommendations and Proposed Actions for the DPs and/or Borrower:* Also include whether IA suggested any corrective action to be taken during the post review process.



### Attachment 3 - Risk Rating and Recommendation on Post Review Indicators

The consultant will rate the risk for following three indicators in four point scale for each project and overall risk of the project. The consultant will provide recommendations for each indicator and for overall post review.

#### **The indicators:**

##### **Indicator 1: Systems**

*The consultants will provide risk rating on “System” after evaluating the points in the below table.*

Legal Framework: Suitability of the laws, rules and regulations applicable to the implementing agency
Organization / Staffing: Organization of the procurement unit and allocation of functions; quality and adequacy of procurement staff
Controls / Manuals: Quality of internal administrative practices, including special anticorruption initiatives, existence of dispute resolution systems, internal procedural manuals and instructions, oversight and auditing practices, and code of professional behavior and ethics
Record-keeping: Availability, quality, security and completeness of procurement records and files

##### **Indicator 2: Procurement Process**

*The consultants will provide risk rating on “Procurement Process” after evaluating the points in the below table.*

Publications: Assessment of quality of, and adherence to, advertising and contract award publication requirements for applicable contracts
Bidding: Assessment of quality of, and adherence to, requirements for bidding documents, including RFP's, LOI's, short lists, terms of reference, invoices, and other applicable documents
Evaluation: Assessment of quality of, and adherence to, bid evaluation requirements/criteria, including draft contracts, technical and financial evaluation reports, and bid amendments, if applicable
Awards: Assessment of quality of, and adherence to, contract award requirements, including amendments, variation orders, and extensions

##### **Indicator 3: Contract Administration**

*The consultants will provide risk rating on “Contract Administration” after evaluating the points in the below table.*

Implementation: Assessment of quality of, and adherence to, contract implementation criteria, including results of physical inspections
Payments: Assessment of adherence to contract payment schedules, including timeliness of payments to contractors
Compliance: Assessment of adherence to all contractual compliance with agreed provisions; adherence to all related anti-corruption practices
Record-keeping: Availability, quality, security and completeness of contracts records and files

#### **Overall Risk:**

- Overall risk rating for a report is not an average rating of all indicators combined but rather a final rating based on reviewer's objective conclusions about the findings as a whole.

**Grading scale:**

- Rated against a 4-point scale
- Low Risk, Medium Risk, Substantial Risk, High Risk

**Recommendations:**

- Consultant will provide recommendations for each indicators and overall post review report for each project.

**Annex 6: DLI Disbursement Plan**  
**BANGLADESH: Third Primary Education Development Program**

**Table 1. Overview of Disbursement Plan and Value of DLIs: “Year-0” to “Year-6” targets**

<b>DLI</b>	<b>Amount for achievement of “Year-0” Targets (SDR and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-1” Targets (SDR<sup>51</sup> and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-2” Targets (SDR and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-3” Targets (SDR and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-4” Targets (SDR and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-5” Targets (SDR and US\$ million equivalent)</b>	<b>Amount for achievement of “Year-6” Targets (SDR and US\$ million equivalent)</b>
<b>DLI 1:</b> Production & Distribution of textbooks	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)
<b>DLI 2:</b> Diploma in Primary Educ.	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)
<b>DLI 3:</b> Grade 5/ Primary Sch. Educ. Exam Strengthened	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)
<b>DLI 4:</b> Teacher Recruitment & Deployment	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)
<b>DLI 5:</b> Pre-Primary Education	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	N/A [No Year-6 targets]
<b>DLI 6:</b> Needs-based Infrastructure Development	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	N/A [No Year-6 targets]
<b>DLI 7:</b> Decentralized School Mgmt. and Governance	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	N/A [No Year-6 targets]
<b>DLI 8:</b> Sector Finance	0 <sup>52</sup>	<b>SDR5,188,596.78</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.78</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)
<b>DLI 9:</b> Annual Primary School Census	<b>SDR5,204,332</b> (US\$8.33m)	<b>SDR5,188,596.76</b> (US\$8.33m)	<b>SDR5,208,333.33</b> (US\$8.33m)	<b>SDR5,790,593.76</b> (US\$9.25m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.67</b> (US\$16.66m)	<b>SDR11,241,666.59</b> (US\$16.66m)

<sup>51</sup> SDR amounts for Year-1 take into account funds canceled per IDA’s November 11, 2014 letter to Government regarding misprocurement in some FY2011/12 contract packages.

<sup>52</sup> Year-0 milestone target for the Sector Finance DLI was not met.

**Table 2. Withdrawal of Proceeds: Amendment to the Original Financing Agreement**

<b>Category</b>	<b>Amount of the Original Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) ICB Goods, Works and Non-Consultant Services, and Project Eligible Expenditures for:	-	-
(a) First scheduled disbursement (on or about the Effective Date of the Original Financing Agreement)	33,301,322.67	100%
(b) Second scheduled disbursement (on or about January 31, 2012)	8,333,333.33	100%
(c) Third scheduled disbursement (on or about July 31, 2012)	46,697,371	100%
(d) Fourth scheduled disbursement (on or about July 31, 2013)	46,875,000	100%
(e) Fifth scheduled disbursement (on or about July 31, 2014)	52,115,344	100%
(f) Canceled on November 11, 2014	177,629	
<b>TOTAL AMOUNT</b>	<b>187,500,000</b>	

**Table 3. Withdrawal of Proceeds: Additional Financing Credit**

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Project Eligible Expenditures under Annual Plans	269,800,000	100%
<b>TOTAL AMOUNT</b>	<b>269,800,000</b>	

## **Annex 7: Environmental and Social Safeguards**

### **BANGLADESH: Third Primary Education Development Program**

#### **Key Safeguard Policy Issues and Their Management**

1. The existing legal covenants approved for the initial project will continue to apply since no new safeguards triggers have been raised. The Environmental Management Framework (EMF) and the Harmonized Social Management Framework (SMF) have been updated to capture lessons learned from implementation to date. The updated EMF and SMF have been publicly disclosed on the websites of the Directorate of Primary Education (DPE) and the World Bank (on September 9 and September 11, 2014 respectively). The environmental screening and monitoring of various interventions and also third party validation of sanitation and drinking water sources would continue to be disclosed through appropriate channels as will the annual social safeguards reports. The updated EMF and SMF strengthen measures for monitoring construction sub-projects as well as gender and communication components since these were assessed as requiring a more focused and tailored approach. The updated EMF and SMF are also now applicable for the Newly Nationalized Primary Schools (NNGPS; formerly RNGPS).

2. Most of the project impacts are localized due to the relatively small-scale activities. However, there are some issues of concern which cut across the range of proposed interventions. Field studies and lessons from the original project and a Third Party Validation report of the WASH block program show that there have been issues connected with environmental concerns in the selection of appropriate sites and location of various components of civil works within the school campus, and with appropriate discharge of effluent from toilets/WASH Blocks, and addressing gender issues and access for students with disabilities in designing and constructing toilets/WASH Blocks. These need rigorous monitoring all along the construction phase.

#### **Environmental Safeguards**

3. The initial project's ENV category of "B" would continue to apply under the proposed AF. The project will continue to support mainly four types of sub-projects: (i) construction of additional classrooms, (ii) toilets/WASH Blocks, (iii) water points, and (iv) major maintenance. This infrastructure renovation/refurbishing and water and sanitation work eligible under the project is permissible within existing school grounds. Beneficiary institutions will be selected on need-basis according to the plan, updated during the project MTR, which indicates priority ordering on the basis of agreed criteria. In addition, it is proposed under the AF to support the extension of the DPE headquarters building and a Leadership Center at Cox's Bazar. Both buildings are to be multi-storied and located, respectively, within the campus of the present DPE in Dhaka and the campus of the office of the District Primary Education Officer at Cox's Bazar. Preliminary site visits indicate there are no major environmental or social concerns. However, an Environmental Assessment will be undertaken before the work commences and will be shared with the Bank. The nature of civil works proposed to be financed under the program is not likely to cause significant and/or irreversible adverse environmental impacts with application of standard construction management practices. Arsenic content is a challenge in the project areas and so is the potential issue with adjacent location of toilets to tube wells, leading to groundwater contamination; and lack of proper design, construction and maintenance of tube wells and toilets.

4. A deputy Director will continue to be responsible for the overall environmental monitoring on behalf of DPE. DPE's MoU with the Local Government Engineering Department (LGED) will continue to ensure environmental safeguard supervision for the construction/reconstruction related tasks. PEDP3 will continue the MoU signed with the Department of Public Health Engineering (DPHE) to obtain

technical services for safe water testing of tube wells and sanitation facilities. Separate part-time Environmental Specialists for the project are deployed both in LGED and DPHE, and performance of environmental management is expected to continue improving under the AF.

5. The typical environmental impacts related to the school construction and provision of water supply and sanitation are: (i) drainage congestion/water logging; (ii) surface water pollution; (iii) dust and noise pollution; (iv) lack of safe distance between tube wells and sanitary latrines; (v) occupational health hazards and safety practices; (vi) improper maintenance of water supply and sanitation facilities; (vii) lack of maintenance of air and water quality, and (viii) improper and insufficient management of surrounding ecosystem and biodiversity.

#### Detail on Sub-projects

6. The actual locations of the schools where infrastructure would be provided are finalized after site verification by the implementing agencies (DPE, LGED, DPHE) of the assessed need prepared by the Environmental consultant(s) (see below). The selection and ordering of priority are based on criteria which have been adopted for ranking the infrastructure needs under PEDP3:

Order of prioritization: Additional rooms

- 1) Additional class
- 2) Additional teachers
- 3) Teachers' room
- 4) Replace kacha road
- 5) Number of students

Order of prioritization: Toilets

- 1) Girls' WC
- 2) Needs based on girls' enrolment
- 3) Boys' WC
- 4) Urinals

Order of prioritization: Drinking Water

- 1) Proposed water site
- 2) Girls' enrolment numbers
- 3) Number of students overall

7. The original plan called for stand-alone toilets and urinals. Later on, the GoB changed the standard for school design, and WASH Blocks were introduced to include hand washing facilities. In the present design, a male WASH Block consists of a three-toilet compartment, two having English Pan and one having Commode to be used by disabled children. There is also a basin for hand washing, a foot washing facility and two urinals. The female WASH Blocks have similar features except for urinals. The design of the WASH blocks was finalized after multi-level consultation among DPE, DPHE, UNICEF and LGED.

8. Provision / installation of source of drinking water in the form of shallow tube wells, deep tube wells and other alternative sources is also included in the program. All the tube wells installed under the program are tested for arsenic. The DPHE laboratory unit undertakes the testing of all (100 percent) new tube wells installed under the program. If arsenic is found, alternative sources are considered in those cases. The location of tube well installation and the type of water source is also finalized based on consultation among DPHE and School Management Committees.

9. The PEDP3 is implemented all over Bangladesh. Many of the schools are likely to be built in the disaster-prone coastal regions where they will also serve as shelters during cyclone and natural calamities. The schools in the Chittagong Hill Tracts (CHT) would be designed considering the norms and culture of the indigenous population. The project, based on lessons learned during implementation, has conducted a rigorous communication campaign with the indigenous people in the CHT and has proposed three models for Hill-friendly schools designed in a participatory and consultative manner with the School Management Committees and local communities.

### Lessons Learned and Action from the Original Project

#### *Field Supervision*

10. During the implementation of PEDP3, construction, expansion and maintenance of infrastructure went through environmental screening. Reports on environmental issues were submitted by DPE as part of the reporting obligations. The designated environmental Consultant(s) of LGED and DPHE visited the sites as part of their routine work to monitor compliance at field level with the recommendations of the environmental screening. Moreover, a number of field visits were undertaken by the World Bank professionals to assess compliance with the environmental safeguard issues. The more important issues which arose from this due diligence are the following:

- Data captured by the field offices do not always properly reflect the conditions in the field and the environmental issues. As a result, the screening format was modified to make it more effective in capturing field conditions, and the revised format is incorporated into the updated EMF.
- The capacity of officials who are associated with the environmental screening and monitoring at field and HQ levels needs to be enhanced.
- Construction materials are not properly stacked in the school premises, and in many instances this presents a safety concern to the children. A guideline has now been prepared for the contractors' observance, making it mandatory for them to follow safe stacking procedures. The guideline will henceforth be part of the tender/contract document. The guideline has been incorporated into the revised EMF.
- While the male and female WASH Blocks are supposed to be separately located considering the cultural norm of the country, this practice is not being properly followed. In some cases, the shortage of land is a cause for such noncompliance. However, even if the scarcity of land is compelling the construction of male and female WASH Blocks side by side, all efforts will be made to keep the entries facing in opposite directions.

#### *Third Party Validation on WASH blocks*

11. To assess the effectiveness of the water sources and toilets installed/constructed to date, a third party independent sample testing and verification was undertaken in 2013 in regard to arsenic, iron, manganese and microbial contents as well as sanitation facilities provided both under PEDP II and PEDP3. About 286 schools were sampled out of which 173 were from PEDP II and 52 were from PEDP3; 50 schools from this list of schools were supposed to have been provided with alternative water sources, and 11 schools had tube wells provided by other agencies. Some of the key observations and recommendations from that third party validation are as follows:

- The tube wells where concentration of arsenic was found to be higher than the acceptable limit are identified. Alternative source of water has been recommended.
- No information was available at school level in regard to the depth of the strainer of the tube wells. It is important to have information about the aquifer from where water is being extracted.

Under PEDP3, a Management Information System (MIS) has been developed which will keep the record of the relevant technical information.

- About 52 percent of the schools reported nonfunctional tube wells, most of which were provided through PEDP II intervention. The primary reasons for non-functionality are: stolen pump heads, broken pump handles, damaged check valves, broken plungers, corrosion of well pipe due to high salinity, lowering of water table, and low/no yield due to inadequate pump development following installation. It was also observed that a number of PEDP II wells have been abandoned because of high salinity and/or high iron. In cases of avoidance of high salinity and high iron prone areas, seeking alternative sources, such as rainwater harvesting, use of treated surface water, pond sand filtration, etc. should be considered to alleviate the problems.
- Most of the tube wells surveyed have concrete bases and platforms.

12. PEDP3 intends to continue ensuring that every school has at least one safe drinking water source, which is either a tube well, piped water supply or other alternative(s). The source will be arsenic-free. Arsenic poses the major environmental concern and health risk with the installation of new tube wells. If proper testing facilities and alternative options are absent, students may continue to consume arsenic contaminated water in arsenic affected-areas of the project, and long-term exposure to arsenic in drinking water may affect human health and vegetation.

### **Social Safeguards**

13. In accordance with **OP 4.10/BP Indigenous Peoples** and the SMF, the AF will cover areas where indigenous people (IP) live, including the Chittagong Hill Tracts comprising the highest concentration of IPs in the country. LGED would continue to maintain a database on the enrollment of tribal children, their retention rates and academic progression. In keeping with GoB rules, the term “Small Ethnic Communities/tribal” has been used for the purposes of the updated SMF.

14. The SMF is a harmonized document that was prepared for the initial project and updated for AF based on broad stakeholder discussions and agreement with multiple DPs, including the Asian Development Bank which also has an explicit set of social safeguards policies. Since gender and inclusion are important aspects of safeguards monitoring and fundamentally important for the success of the project, the GoB has prepared a stand-alone “**Gender and Inclusive Education Plan**” (GIEP) with input from all DPs. As per agreement with all DPs, the GIEP is annexed to the updated (GoB) main Program Document for PEDP3, rather than the SMF, in order to highlight it more. DPE monitors implementation of the GIEP via a dedicated cell and reports on it annually. The GIEP emphasizes the active inclusion of indigenous, extremely poor and vulnerable, disabled children and those residing in remote, disaster prone areas.

15. Land Acquisition and displacement of people is highly discouraged for the project. The SMF encourages land donation (demonstrated effectively in PEDP II) and direct purchase. So far PEDP3 has not acquired or required any additional land through any means; all repair, renovation, and extension works have taken place *within existing campuses/premises belonging to DPE*. This is the preferred strategy that DPE wants to continue. However, as a precaution, DPE has decided it will not rule out the remote possibility of land acquisition as it steps up efforts to assure physical facilities are available for full enrolment of all school-aged children; hence **OP/BP 4.12 Involuntary Resettlement** is triggered. Land acquisition procedures, guidelines for preparation of Social Impact Assessments (SIAs), Resettlement Action Plans (RAPs) and relevant screening formats have been included in the SMF in case land acquisition becomes essential as a last resort. The Government will ensure that in case of any resettlement activity under the project involving Affected Persons, no displacement shall occur before necessary resettlement measures consistent with the RAP applicable to such activity have been executed,



including in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement. Neither the Original Credit nor the Additional Financing will cover costs of land acquisition or resettlement.

#### Lessons Learned and Action from the Original Project

16. The social impacts of the project are expected to be largely beneficial. The initial years of PEDP3 implementation revealed some shortcoming in the communication and outreach strategy, so this has been improved and strengthened in the updated SMF prepared for the AF. The outreach strategy which is also elaborated in the Gender and Inclusive Education Plan will be focused on the inclusion, and incentivizing the participation of, hard to reach people such as those living in remote areas, indigenous people and ethnic minorities, marginalized and very poor populations. Gender issues such as recruitment of qualified female teachers are discussed in the SMF.