The Bangladesh Primary Education Stipend Project:

A Descriptive Analysis

Prepared by:
Karen Tietjen

November 2003
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**ACRONYMS**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ADP</td>
<td>Annual Development Program</td>
</tr>
<tr>
<td>AUPEO</td>
<td>Assistant Upazilla Primary Education Officer</td>
</tr>
<tr>
<td>BANBEIS</td>
<td>Bangladesh Bureau of Educational Information and Statistics</td>
</tr>
<tr>
<td>BRAC</td>
<td>Bangladesh Rural Action Committee</td>
</tr>
<tr>
<td>DPE</td>
<td>Directorate of Primary Education</td>
</tr>
<tr>
<td>DPEO</td>
<td>District Primary Education Officer</td>
</tr>
<tr>
<td>EFA</td>
<td>Education for All</td>
</tr>
<tr>
<td>ERD</td>
<td>Economic and Rural Development</td>
</tr>
<tr>
<td>FFE</td>
<td>Food for Education Program</td>
</tr>
<tr>
<td>FSSAP</td>
<td>Female Secondary School Assistance Project</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GER</td>
<td>Gross enrolment ratio</td>
</tr>
<tr>
<td>GOB</td>
<td>Government of Bangladesh</td>
</tr>
<tr>
<td>HIES</td>
<td>Household Income and Expenditure Survey</td>
</tr>
<tr>
<td>M and E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MOE</td>
<td>Ministry of Education</td>
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<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
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<tr>
<td>MOPME</td>
<td>Ministry of Primary and Mass Education</td>
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<td>MPED</td>
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<td>NER</td>
<td>Net Enrolment Ratio</td>
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<tr>
<td>NFE</td>
<td>Non-Formal Education</td>
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<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NORAD</td>
<td>Norwegian Development Agency</td>
</tr>
<tr>
<td>PEDPII</td>
<td>Second Primary Education Development Program</td>
</tr>
<tr>
<td>PES Project</td>
<td>Primary Education Stipend Project (2001-2002)</td>
</tr>
<tr>
<td>PESP</td>
<td>Primary Education Stipend Project (2003- )</td>
</tr>
<tr>
<td>PIMU</td>
<td>Project Implementation Management Unit</td>
</tr>
<tr>
<td>PSPMP</td>
<td>Primary School Performance Monitoring Project</td>
</tr>
<tr>
<td>SMC</td>
<td>School Management Committee</td>
</tr>
<tr>
<td>Tk.</td>
<td>Taka</td>
</tr>
<tr>
<td>TOR</td>
<td>Terms of Reference</td>
</tr>
<tr>
<td>UNO</td>
<td>Upazilla Nirbahi Officer</td>
</tr>
<tr>
<td>UEC</td>
<td>Upazilla Education Committee</td>
</tr>
<tr>
<td>UPEO</td>
<td>Upazilla Primary Education Officer</td>
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ACKNOWLEDGEMENTS

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The views and conclusions expressed in this document are those of the author and should not be attributed to the Partnership or to any of its member agencies.
INTRODUCTION

The Primary Education Stipend Project (PESP) aims to increase the educational participation—enrollment, attendance, persistence, and performance—of primary school-aged children from poor families throughout Bangladesh by providing cash payments to targeted households. Initiated by the Government of Bangladesh (GOB) in July 2002, the Primary Education Stipend Project began its first official year of operation in January 2003, with the goal of supporting more than 5 million pupils.

This report primarily provides descriptive and anecdotal information about the PESP, as well as raises some issues that will require further investigation and analysis once the program has experienced an annual cycle and data become available. Originally, the intent of this study was to examine the impact and results of the PESP. However, at the time of the review, the PESP was still in the early formative stage, specifically in the process of identifying beneficiaries according to new criteria and establishing procedures/guidelines for stipend distribution and management. Little data had been collected or processed; no progress reports had been prepared. Moreover, interviews with beneficiaries, stakeholders, and managers at the school and thana/upazilla levels were prevented due to field travel restrictions in effect in March-April 2003. Consequently, data for this report were collected mainly through a series of interviews with the national PESP director and headquarters staff and review of existing documentation. The analysis also draws on several studies that have assessed similar programs or examined related issues as references. Additional perspective was gained through discussion with various Dhaka-based actors in the education sector in Bangladesh.

The report is organized into five sections. Following this Introduction, Background and Context provides a brief description of the status of primary schooling in Bangladesh and precursor programs. Overview and Current Status of PESP describes the PESP and summarizes its progress so far. PESP Component Discussion and Analysis examines key components of the PESP, provides more descriptive information, presents issues of concern, and makes some preliminary recommendations. The Conclusions section reviews the preliminary findings and summarizes concerns.

Annexed to the report are lists of reference documents, people interviewed, and questions covered in interviews.

BACKGROUND AND CONTEXT

Primary Schooling in Bangladesh

Bangladesh has received international recognition for its strong national commitment to education and the impressive gains it has made towards achieving primary “education for all” over the past two decades. The country sustains one of the largest and most complex primary education systems in the world, comprising up to eleven different types of primary schools (with government schools accounting for 61 percent of enrollments.) According to the most recent GOB statistics, in 2001 nearly 18 million pupils were enrolled in over 78,000 primary level

1The researcher would like to thank PESP Director Mr. A.K.M. Mahbub ul Alam and his staff who generously gave their time and consideration to respond to questions and requests for information.
institutions, resulting in a gross enrollment ratio of 97.5 percent with no disparity between boys and girls. Since 1990, pupil enrollments have increased 30 percent, the number of primary level institutions has nearly doubled (mainly in the non-government sector), and the significant gender gap has virtually disappeared.

Nonetheless, substantial numbers of primary school-age children remain out of school. The GOB estimate of the net enrollment rate (86.6 percent) indicates that approximately 2.5 million children age 6-10 were not enrolled in primary school in 2001; other estimates suggest that at any one time the number of out-of-school children is closer to 4 million. Nearly 2 million of the pupils attending primary school fell outside the official age range, primarily due to over-age enrollment. Repetition and drop out (33 percent) rates remain high, resulting in an inefficient cycle time of 6.6 years. Over 30 percent of the children who entered primary school did not complete all five grades. Pupil assessments have found that those who do complete the primary cycle perform on average at a third grade achievement level and lack essential problem-solving skills; only 5 percent of Class 5 pupils were able to pass the Primary Scholarship Examination. Further, attendance rates for primary school are uniformly low, averaging 58 percent.

Not surprisingly, these problems are more acute among socio-economically disadvantaged groups, such as rural populations (especially in the tribal and Hill Tract regions), ethnic minorities, slum-dwellers, and the poor. For example, the Education Watch 2001 survey found that 65 percent of primary school-aged children from the poorest households (as indicated by food security status) were enrolled in primary school, compared with 89 percent of children from the wealthiest households. The same survey identified villages in remote areas where the primary net enrollment rate was as low as 20 percent. Among children who were not enrolled in school, 88 percent were from rural areas (note that 80 percent of the population lives in rural areas). Similar patterns of disparity are evidenced in drop out, repetition, completion and attendance rates. However, notably absent from these disadvantaged groups are primary school-aged girls, whose enrollment, repetition, drop-out, and completion rates were reportedly comparable to or better than those for boys.

Statistical Profile on Education in Bangladesh, Bangladesh Bureau of Educational Information and Statistics (BANBEIS), November 2002. Other studies—which included NFE enrollments—estimate the GER to be about 108 percent.

See Bangladesh: Second Primary Education Development Program (PEDPII) Annex 4: Economic and Fiscal Analysis, and Renewed Hope/Daunting Challenges, Education Watch 2001. These studies estimate the NER to be between 75 percent and 81 percent.

Renewed Hope/Daunting Challenges, Education Watch 2000. BANBEIS reports 61 percent.

Overall enrollment of the poor was 66 percent, the non-poor 82 percent (Bangladesh Household Income and Expenditure Survey, World Bank, 2001).
Numerous reasons explain the poor educational participation record of these children, as identified in the World Bank’s 2000 Education Sector Review. **Supply-side factors**—inaccessible and insufficient facilities, short contact hours, lack of instructional materials, untrained and unmotivated teachers, inefficient and highly centralized management structures, poor institutional capacity and inadequate financing—limit the opportunities of children from disadvantaged groups to obtain a quality primary education.

**Demand-side factors**—the direct and opportunity costs of schooling, cultural constraints and prejudices, and special needs of vulnerable children—prevent these children from going to school or keep them from benefiting from the educational services provided by the school. The chart above shows that the widest disparity in enrollment is between children from the poorest and richest households. The second-most prevalent reason for non-enrollment in primary school provided by 22 percent of parents interviewed for the 2001 Education Watch Survey was that the family suffered from “lack of money for schooling”.

Indeed, poverty has been consistently identified as one of the most pervasive factors in non-enrollment, low persistence and attainment, and poor performance of children in primary school. Bangladesh ranks as one of the poorest countries in the world, with a GDP per capita of $350. The poor account for about 50 percent of Bangladesh’s total population, and 37 percent are counted among the “hard-core” poor, who live in the direst circumstances (Bangladesh Human Development Report 2000, BIDS). That fifty-three percent of pupils in the primary education system come from poor households reflects the high demand for primary education among Bangladeshi parents. Poverty impedes households’ ability to pay for school fees and/or other direct (e.g. textbooks) and indirect (e.g. “donations” for school authorities) costs that may be required for school admission or full participation in primary school. Poor households are more likely to need children’s labor for income-producing or cost-saving activities, and be less able to sacrifice the child’s time to schooling, resulting in frequent absenteeism and/or early withdrawal from school. The poor are more prone to disease and malnutrition than the non-poor. Poor health and nutritional status among young and school-aged children can result in illness and/or physical and cognitive impairment or delays, causing late enrollment, drop-out, absenteeism and poor learning outcomes.  

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Primary Education Programs Targeting the Poor

The Government of Bangladesh has instituted several programs that attempt to redress the negative effects of poverty on primary schooling. In 1990, the GOB enacted the Primary Education (Compulsory) Act to ensure that no child is deprived of a primary education, due to inadequate school places, poor instructional quality, and discrimination arising from gender, income, ethnicity and residence. This has resulted over the years in a variety of policies and practices, such as the elimination of official school fees, the provision of textbooks free-of-charge, and incentives to encourage the participation of vulnerable children. Estimates suggest that the poor receive 56 percent of all government subsidies on primary education (PEDP II Final Plan, 2002).

Most notable among the incentive programs at the primary level is the Food for Education Program (FFE). The FFE Program was launched in 1993 to increase the enrollment, persistence, and attendance rates of children from landless and very poor families. Forty percent of the children enrolled in primary schools in the targeted poor areas received a monthly allocation of wheat or rice for their family if they attended primary school regularly. A sliding scale increased the amount if more than one child per family attended school. Ultimately, the FFE was implemented in 1255 unions, covering 27 percent of the country. The World Bank’s 1998 Poverty Assessment found that the FFE did raise enrollment and attendance rates, but that it suffered from high levels of leakage (it cost 1.59 taka to transfer 1 taka in benefits) and was poorly targeted (50 percent of the beneficiaries came from households above the lower poverty line). Increases in the price of the food commodities in 2001-2002 caused the GOB to reduce the amount of food assistance, until the program was discontinued in June 2002.

Conscious that FFE Program was too expensive to extend to the remaining three-quarters of the country and concerned about discrimination, the GOB initiated another incentive scheme--the Primary Education Stipend Project (PES Project), in April 2001. Eligible pupils received 25 taka per month during the two years of project implementation, despite questions raised about the effectiveness of such a low stipend amount.

The FFE Program and the PES Project were implemented separately. However, following extensive review, in December 2001 the ECNEC determined that both the FFE Program and PES Project should be terminated and replaced by a single cash-based stipend program for the entire country, implemented and managed by one unit. Building on many of the lessons learned from the two predecessor programs, the new Primary Education Stipend Program (PESP) quadrupled the monthly stipend amount, introduced bank-mediated disbursement procedures, and targeted children from poor families throughout rural Bangladesh (excluding metropolitan cities, district towns and pourasavas). While the new PESP was conceptualized under the previous government, the new administration finalized the design and expanded the size of the PESP to cover more than 65,000 schools and 5.5 million students, at an estimated cost of Tk. 331472.70 lakh (approximately $600 million) over five years. In August 2002, the new PESP was approved for five years (2002/03-2006/07) and the annual allocation (Tk. 66,294.54 lakh or $120 million) for the program was assured (Project Proforma, Primary Education Stipend Project, December 2002). It is the single largest program in the country, according to MOPME officials, and has been...
designated “a high priority project in the primary education sub-sector.” The PESP is planned to continue beyond its June 2007 completion date (Project Proforma).

OVERVIEW AND CURRENT STATUS OF PESP

PESP Overview

The new Primary Education Stipend Project is designed to provide cash assistance through a stipend program to poor primary school pupils and their families throughout rural Bangladesh. The official objectives of the new PESP are to:

- Increase the enrolment rate among primary school-aged children from poor families.
- Increase the attendance rate of primary school pupils.
- Reduce the drop out rate of primary school pupils.
- Increase the cycle completion rate of primary school pupils.
- Enhance the quality of primary education.
- Ensure equity in the provision of financial assistance to primary school-age children.
- Alleviate poverty.

Additional objectives (mentioned by MOPME officials) include:

- Eradication of child labor.
- Empowerment of women.

The targeted beneficiaries of the PESP are an estimated 5.5 million pupils from the poorest households who are enrolled in eligible primary schools in all rural areas of Bangladesh (469 upazillas). The estimated 65,051 primary schools eligible to participate in the PESP are:

- Government primary schools (37,671).
- Registered non-government primary schools (19,428).
- Community schools (3,268).
- Satellite schools (4,095).
- NGO-run full (grades 1-5) primary schools approved by the GOB (1,971).
- Ebtedayee Madrassahs recognized by the GOB with a minimum of 100 pupils (3,710).\(^9\)

Identification of 40 percent of pupils enrolled in grades 1-5 from the poorest households and their selection for participation in the PESP will be conducted at the school level, by the School Management Committees (SMC) with assistance from the head teachers. The list of proposed stipend recipients will be reviewed and approved by the Upazilla Primary Education Officer (UPEO) and countersigned by the Upazilla Nirbahi Officer (UNO).

\(^9\) Note that the figures provided by the GOB here total 66,433 and exceed the 65,051 estimate.
In order to qualify for the stipend, selected pupils must maintain 85 percent monthly attendance and attain a minimum of 50 percent marks on the annual exam administered for each grade. To continue to participate in the program, a school must demonstrate at least 60 percent pupil attendance, and 10 percent of its grade 5 pupils must sit for the Primary School Scholarship Exam.

Households of qualifying pupils will receive 100 taka (about $1.76) per month for one pupil (not to exceed 1200 taka annually) and 125 taka per month for more than one pupil (not to exceed 1500 taka annually). Six designated national banks will disburse the stipends on a quarterly basis to authorized parents/guardians on a pre-determined date at the local bank branch or at a temporary distribution post (“camp”) established at a convenient location within 5 kilometers of the school site. Stipends will be disbursed to pupils’ parents or legal guardians who present the proper PESP bank-issued identity card. Preference will be given to issuing cards to the mothers of the selected pupil.

PESP implementation, record-keeping and monitoring will be carried out at the upazilla level by the Upazilla Primary Education Officer (UPEO) and Assistant Upazilla Primary Education Officers (AUPEOs). PESP monitoring officers, assigned to District Primary Education Offices, will maintain quality control and oversight of upazilla PESP operations. District Primary Education Officers (DPEOs) will supervise the PESP monitoring officers and prepare progress reports for their respective Divisional Deputy Director and the central Project Implementation Management Unit (PIMU), headquartered in Dhaka. The Divisional Deputy Director will report on the divisional status, progress and problems of the PESP to the Project Implementation Management Unit and Directorate of Primary Education (DPE).

**Current Status**

Although not officially approved until August 2002, the new PESP effectively started in July 2002, as it continued to provide stipends (at the new levels) to the primary school pupils who were participating in the precursor PES Project and to pupils from the FFE Program (terminated in June 2002).

<table>
<thead>
<tr>
<th>Table 1: Stipend Distribution and Beneficiaries (July-December 2002)</th>
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</thead>
<tbody>
<tr>
<td><strong>July-September 2002</strong></td>
</tr>
<tr>
<td><strong>Allocation Amount</strong></td>
</tr>
<tr>
<td><strong>Amount Distributed</strong></td>
</tr>
<tr>
<td><strong>Percent Distributed</strong></td>
</tr>
<tr>
<td><strong>No. pupils enrolled</strong></td>
</tr>
<tr>
<td>-male</td>
</tr>
<tr>
<td>-female</td>
</tr>
<tr>
<td><strong>No. pupils benefited</strong></td>
</tr>
<tr>
<td>-male</td>
</tr>
<tr>
<td>-female</td>
</tr>
<tr>
<td><strong>Percent of pupils benefiting</strong></td>
</tr>
<tr>
<td><strong>No. of families benefited</strong></td>
</tr>
<tr>
<td>-single pupil family</td>
</tr>
<tr>
<td>-multiple pupil family</td>
</tr>
</tbody>
</table>

Sources: Report on Progress of Distribution, First Installment Allocation (July-September 2002), PESP PIMU
By December 2002, two disbursements had largely been completed for the quarters July-September 2002 and October-December 2002. Some delays and inefficiencies were occasioned by the transition from the old to new programs (e.g. new identity cards had to be issued, new record-keeping system developed). PESP PIMU records show that 2,669,684,677 taka in stipend funds had been distributed (about 92 percent of allocations). The July-September installment reached over 608,000 pupils and nearly 601,000 households. Most households had only one pupil enrolled in primary school, and roughly equal percentages of boys and girls benefited. Since the PESP was in the process of scaling up (only “grand fathered” pupils were eligible), it is difficult to interpret these figures or use them to assess future progress.

With the start of the new academic year in January 2003, the PESP launched full operations. From January through March 2003, the PESP was engaged in admitting new participating pupils into the program, primarily to be selected from among the entering grade 1 classes. The PIMU trained its 52 PESP monitoring officers and conducted a national seminar in Dhaka City for 250 division, district and some upazilla education officers to orient them to the program, introduce them to selection criteria and conditions, and enable them in turn to organize training sessions. At the upazilla level, one-day workshops were conducted for 100 SMC members, head teachers, bank managers, and Upazilla Education Committee members (UEC). Policy guidelines, describing the program and spelling out duties and responsibilities for the various actors involved in the PESP, were prepared and distributed.

A publicity campaign accompanied the launch of the PESP, informing the public about the PESP and inviting families with eligible children to apply. According to the PIMU, television spots were aired 2-3 times a day, radio messages were broadcast, billboard advertisements displayed, and brochures distributed.

Since primary school enrollment is open for the first three months of the year and because PESP pupil selection is made among those children who are enrolled in primary school, the PIMU estimates that a complete list of stipend pupils for the 2003 school year will not be completed until May, although stipend disbursements will begin in April 2003 for those upazillas where the selection process has been finalized.

By the end of March 2003, 355 upazillas (out of 469) had submitted stipend registration information for 47,571 primary level institutions. Of the 10,570,922 pupils enrolled, 4,180,274 pupils had been selected to participate in the stipend program, nearly 40 percent. (No gender breakdown was available). Each division had selected between 38 percent and 40 percent of the number of students it reported were enrolled in its primary schools, although the divisions’ share of total stipend recipients varies, from 28 percent in Rajshahi to 7 percent in Barisal, reportedly according to population. The total number of families participating was 4,122,571, with more than 98 percent having one pupil enrolled in primary school. The amount anticipated for disbursement was 1,242,125,850 taka ($21,984,528).

10 Twelve additional PESP Monitoring Officers will be hired, bringing the total to 64 or one per district.
Table 2: PESP Institutional, Pupil and Family Enrollment (as of April 1, 2003)

<table>
<thead>
<tr>
<th>Division</th>
<th>No. of Upazillas applying for PESP (submitting pupil data)</th>
<th>Total number of institutions</th>
<th>Total number of students admitted</th>
<th>Total number of stipend students selected</th>
<th>Selected benefited families</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Single family</td>
<td>Multiple family</td>
</tr>
<tr>
<td>Dhaka</td>
<td>75</td>
<td>10342</td>
<td>2455803</td>
<td>985507</td>
<td>950669</td>
<td>17988</td>
</tr>
<tr>
<td>Rajshahi</td>
<td>90</td>
<td>12628</td>
<td>2825872</td>
<td>1116295</td>
<td>1086619</td>
<td>11557</td>
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<tr>
<td>Chittagong</td>
<td>77</td>
<td>8685</td>
<td>2278562</td>
<td>906917</td>
<td>878637</td>
<td>15589</td>
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<tr>
<td>Khulna</td>
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<td>7043</td>
<td>1393624</td>
<td>536348</td>
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<tr>
<td>Barisal</td>
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<td>290790</td>
<td>5794</td>
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<td>Sylhet</td>
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<td>852327</td>
<td>332520</td>
<td>306694</td>
<td>12561</td>
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<tr>
<td>Total</td>
<td>355</td>
<td>47571</td>
<td>10570922</td>
<td>4180274</td>
<td>4051177</td>
<td>71394</td>
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</tbody>
</table>

Source: PESP PIMU

Since the enrollment/selection process was still underway, no data was available on the final number of PESP participants. Data on the progress of schools and pupils in meeting the PESP performance conditions will not be collected and collated until July 2003. PESP’s annual report will also be published in July.

The PESP will also be expanding beyond its original design. In March 2003, Prime Minister signed the decree to include urban areas in the stipend program. The PIMU director anticipates that planning will take place over the coming months, and the PESP will be launched in these areas at the beginning of 2004. It was suggested by the PIMU that the inclusion of urban areas may add more than $10 million more to the budget per year. (No budget projections or estimates of potential numbers of pupils in urban areas were available.)

**PESP COMPONENT DISCUSSION AND ANALYSIS**

This section examines several of the individual components of the PESP. It presents more detailed information about the component (if available), identifies some of the design and operational issues, and discusses some of the emerging implications of the PESP. Textboxes at the beginning of each component note the major questions that were addressed during interviews. Some preliminary recommendations are made at the end of each component treatment.

**Design Process, Innovations and Objectives of PESP**

- What was the design process for the stipend program? Were any studies done? By whom?
- Was there a consultation process?
- Were any donors involved in the design?
- How did previous experience with incentive programs inform the design?
- Are program objectives congruent with program design?
- Are the main reasons for non-enrollment, drop-out and absenteeism in primary school in target areas being addressed?

The PESP firmly situated within a constellation of GOB goals, policies and programs to promote quality primary education for all and ensure universal literacy. The PESP Project Proforma notes...
that “the creation of opportunity for primary education is a constitutional obligation.” The PESP is seen by the GOB officials interviewed as a key measure within its EFA, Education Quality Improvement, and Poverty Reduction agendas.

The final design and scale of the PESP appear to be the result of the convergence of technical and political interests. The staff at MOPME, and particularly those working on the earlier PES Project, saw household poverty as the major determinant of primary school enrollment, persistence and even achievement, while at the same time appreciating the shortcomings of the existing incentive programs. The election year politics made the idea of an expanded stipend program particularly attractive, as the FFE Program and PES Project enjoyed great popularity among beneficiaries at the same time engendering resentment on the part of those who were not eligible to participate.

The design of the PESP took place over several months in 2002, involving several field visits and workshops to discuss various reviews (some by donors, some done by the GOB) of the two programs and implementation experience. According to the PESP Director (formerly the director of the PES Project), the design work was conducted solely by MOPME staff. Reportedly, the design team did not discuss the PESP design with MOE staff in charge of the various secondary school girls’ scholarship programs or deliberately review any of the evaluation documents associated with them, although there seems to be a general familiarity with these programs (especially the FSSAP). No donor organizations were involved or consulted, and it was frequently pointed out the PESP was “100 percent GOB-funded.” The general attitude expressed to the researcher was that donor organizations were quick to criticize the PESP, when instead it should be praised as a “courageous program” which had received a “unanimous welcome” from all political parties, GOB and MOPME officials, and the public.

The PESP design introduced several innovations based on MOPME experience with the FFE and PES Project. New design elements identified by the PESP PIMU include:

- Subsidies provided in cash, rather than in kind (as in the FFE Program) will ease transfer to poor recipients and will limit the involvement of school personnel in distribution (FFE required teachers to dole out the wheat and rice).

- Cost-effectiveness will increase as the GOB can offer stipends to more families for the same cost and not be vulnerable to increases in food prices (as with the FFE Program that necessitated decreasing the amount of food provided).

- The stipend amount is fixed at a level that will significantly offset household poverty (unlike the 25 taka offered through the PES Project).

- The cash stipend is more flexible, so the family can determine its best use according to their needs—whether it is used for food purchase, school expenses or financing income generating activities (unlike the FFE Program where households often sold the food at less than market value to obtain cash).

- Disbursing the stipend funds to the mother will increase her power within the household and she will be more likely to spend the money to improve the children’s welfare (earlier programs disbursed to fathers or male household heads).

- Leakage will be reduced because (i) commodities (such as the FFE Program’s wheat and rice rations) are more liable to misappropriation and (ii) bank-mediated distribution eliminates scope for underpayment or kick-backs.
• Provision of stipends on a nation-wide basis (rather than in selected areas) will reach the poor families throughout rural Bangladesh who must restrict their children’s participation in primary school.

Designed to have maximum impact at the formal primary level where a large number (up to 4 million) of school-age children remain out of school and even larger numbers do not complete primary school, the PESP is charged with numerous objectives, from increasing enrollment and improving quality to eradicating child labor and empowering women. Its rationale is based on a single constraint: poverty.

“...A large number of children do not admit themselves in school...There is irregular attendance after admission and they drop-out before completing primary education. The main reason of all these problems is poverty.” (Project Proforma)

Achieving these goals is predicated on a single intervention: the transfer of cash to the poorest 40 percent of households who enroll their children in primary school.

Although the success of the PESP in attaining its objectives is subject to many variables and must be viewed within the context of other primary education programs, it appears that the goals of the PESP are generally and to varying degrees congruent with the design and rationale. It should be noted, however, that no targets have yet been assigned to the outcome measures. For example, there is no discussion of the degree to which enrollment rates will be increased on an annual basis or an indication of the baseline starting point. Also the type of assistance (financial) provided through the PESP may be necessary, but not sufficient, to achieve all its objectives.

Enrollment, in particular, is likely to increase due to the PESP. International experience shows that enrollment is highly elastic (sensitive to cost variations), and precedent for impact is evidenced in Bangladesh. Several analyses have found that both the FFE Program and the various female secondary school scholarship programs—which provide cash or in-kind transfers to families—have had a positive effect on enrollment and increase the probability of a child going to school. The BRAC schools and other similar NGO-run schools have enjoyed particular success in enrolling children from poor families, due in large part to the very low direct costs to households. Poverty is widespread in Bangladesh, and the amount provided by the stipend is not insignificant. It is estimated that the PESP stipend will almost double the cash income of some of the poorest rural families, with annual incomes of less than 1,500 taka. However, as Bangladesh moves into the upper percentiles in terms of NER (current estimates range from 75 percent to 86 percent), the un-enrolled become harder to reach, the constraints preventing enrollment more intractable, and the interventions more expensive and complex. Moreover, the targeting methodologies may fail to reach the most needy cases and provide subsidies to families who may have enrolled their children anyway. The World Bank Education Sector Review states that, “Half the beneficiaries (in the FFE Program) come from households with average consumption levels...”

11The Project Proforma notes in an annex (PART-G: Project Analysis, page 27) “this project will contribute to total increase of gross enrolments to 105% and completion rate to 72% by 2007.” It does not provide a baseline. Also the import of gross enrollment—once over 100 percent—is not easily interpreted.
above the lower poverty line.” Finally, enrollment requires only a one-time action on the part of parents, and may not be sustained.

In Bangladesh, the majority of children will at some time enroll in school, but most will never complete primary school. There are logical, although less compelling linkages of the PESP to its objectives of reducing drop-out and increasing completion. Unlike enrollment, persistence in primary school requires an ongoing household commitment that, especially among the vulnerable poor, is easily assailed by family circumstances (e.g. illness, death), the economy, and a host of other factors. The continuous payment of a stipend—every month for the pupil’s entire primary school career—does provide both motivation and a monetary cushion for the family by helping to offset the opportunity costs associated with economic hardship that could pull a child from school. However, as a child ages both the direct and opportunity costs (for boys in the labor market and girls in the marriage market) increase, and the stipend may not be sufficient to meet these costs. In addition, considerations other than monetary—such as lack of interest in schooling, dissatisfaction with the quality of schooling, cultural imperatives to marry, etc.—may come into play that are not amenable to financial incentives.

The high rate of absenteeism among primary school pupils has been identified as major problem. The PESP makes regular pupil attendance a condition for the monthly stipend payment. It is unclear to what extent attendance will be amenable to financial incentives. PESP posits that absenteeism is primarily due to the inability to pay for school expenses and/or the need to work either at home or outside the home (although no documentation was cited to support this). If this is the case, then stipend payments could logically alleviate the problem. However, it is possible that absenteeism is also due in part to temporary or chronic illness, disinclination for schooling, bad weather, flooding, etc. Other programs—such as the FFE Program and the secondary girls’ scholarship programs—have found that significantly improving attendance, even with the threat of losing the stipend, has proved difficult. Regular school attendance is seen as the key to achieving the PESP objective of “improving education quality.” In the PESP context, improved educational quality is defined as better learning outcome measures or proxies (e.g. school completion, primary scholarship exam sit/pass rates, annual exam pass rates). It does not mean that the PESP will contribute to improving the quality of education services offered to primary pupils. The primary schools themselves do not benefit in any overt way from the PESP, unlike the female secondary school scholarship programs where funds are remitted to the school to pay tuition fees. Government schools are tuition-free, although many do levy some form of fee on their pupils. The schools may benefit in covert ways by introducing new or increasing fees. Teachers, moreover, may be able to extract money from stipend pupils for after-school tutoring fees.

Despite the rampant and severe poverty afflicting many households, financial or demand-side constraints are not the only determinants of whether a child attends school regularly, persists in school and prospers academically. Supply-side considerations that define the quality of schooling offered to the family will most certainly affect its decision to invest in education, as well as student persistence and performance. The low quality of primary education has been well documented. Overcrowded classrooms, lack of school places, poor instruction, few learning resources and other supply-side problems will have a negative impact on pupil learning, even if the pupil is present in class. Although the PESP requires that continued eligibility for participation is contingent on attaining acceptable marks on the annual exam, the program itself does not contribute (overtly) to improving the teaching-learning environment. Arguably, this is

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beyond the scope of the PESP and quality improvement will be addressed by other programs (e.g. PEDP II), but it does become an issue for PESP because it is one of its stated goals and directly impacts PESP implementation as a stipend requirement.

The goals of the PESP extend beyond the education sector into social welfare and transformation. The PESP is seen as a means of poverty alleviation and eradication of child labor, as well as a way to empower women. Clearly, the PESP will increase the household resources of a large number of households, probably over 5 million each year, and has the potential to significantly improve (in some cases even double) the financial well-being of the poorest 40 percent of households. Its success in doing so will rely on its ability to target and provide assistance to the truly needy. Much of the discussion about the PESP centers on whether it is a social welfare/poverty alleviation program, masquerading as an education project, or vice versa. The design does address both issues by linking cash transfers for the household to pupil enrollment, attendance and performance. Although households are in theory free to use the stipend money as they wish, if they are to continue to qualify they must make some investment in the child’s primary education, by foregoing income from the child’s labor and at least minimally providing the learning supplies needed. The question is whether households will be able and willing to support the pupil sufficiently so that he or she masters the skills and competencies associated with primary schooling. The real import of the debate really boils down to educator sector financing: as the largest GOB program, will the PESP consume most of the allocations to the education budget to the exclusion of other necessary programs?

Over 6 million (19 percent) children between the ages of 5 and 14 are economically active; more than 80 percent are engaged in agricultural activities. Since children who are enrolled and regularly attending school will have less time to work at home or in the labor market, the PESP posits that it will contribute to the eradication of child labor. An analysis of the FFE program found that it had a significant negative effect on children’s labor force participation. The PESP’s success will depend in part on ensuring that the poorest children—who have to work—are among the stipend recipients. Further, eradication is an overstatement, as children will undoubtedly continue to work outside of school hours. PESP conditions allow 15 percent absenteeism rate, which also provides scope for a child to continue to work. The PESP does not provide for any social-marketing messages or coping strategies for families who decide to sacrifice their child’s labor for schooling.

Finally, the PESP is expected to empower women. By disbursing the stipend amounts directly to mothers, the PESP puts resources under their control and provides them the opportunity to choose what use to put them to. In Bangladesh (as elsewhere), mothers are more likely to use the funds to improve household welfare and to use the funds on their children, particularly on their schooling. The PESP PIMU director suggests that the stipend funds could be used to finance small income producing ventures (raising hens and goats, garden produce, etc.) There was no documentation to indicate, in general, how large a financial outlay was needed to launch such ventures.

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Targeting

- Who is targeted?
- How are the poorest 40 percent identified? Does each school get to identify 40 percent of its poorest students? Do they identify 40 percent by grade or in general among the student body?
- Is there any means testing?
- What about children who are not enrolled?
- Who identifies students and selects them? How is this verified? What prevents bias in the selection? What is the schedule for selection?
- How are ghost students prevented?
- Are there selection criteria? How were they established? How do they use the criteria? Do all criteria carry equal weight?
- Are girls given any preference?

The PESP targets the poorest 40 percent of pupils enrolled in primary school in rural areas. It covers all 469 upazillas including one thana per city corporation, but excludes most urban areas (e.g. city corporations and municipal areas.) However, the GOB has recently decided to include urban areas in the PESP, although pupil estimates and any adjustments to targeting methodologies have not yet been developed. Pupils enrolled in government primary schools, registered non-government primary schools, community schools, satellite schools, complete (5 grades) NGO-run primary schools, and GOB-recognized Ebtedayee Madrassah are eligible to receive the stipends. Non-formal education (NFE) schools (such as the well-known BRAC schools) and other unregistered or un-approved schools may not participate in the program.

All pupils participating in the discontinued FFE Program and PES Project were automatically selected to participate in the PESP, and started receiving stipend disbursements in September 2002, so that there was no break between the terminated and new programs. There was no re-assessment of their eligibility.

Beginning in January 2003, additional pupils were selected by the School Management Committee to participate in the PESP from a list of pupils prepared by the head teacher. Poor pupils were identified according to five background characteristics:

- Children from distressed female-headed households (i.e. destitute widows and divorcees).
- Children of day laborers.
- Children of insolvent artisans/mechanics (i.e. potters, fishermen, blacksmiths, weavers, carpenters, cobbler, etc.).
- Children from landless families (i.e. owning less than 0.5 acres of land).
- Children of sharecroppers.

According to the PESP PIMU, pupils from these households were given priority consideration but did not automatically qualify to participate, if the assessment by the SMC was that they were not poor or that there were other pupils from poorer households.

In principle, the stipend recipients were to be among the entering class of first graders, but it appears that this was not always the case. In some cases, pupils enrolled in higher grades were
selected. (No grade break-down of PESP participants is yet available.) Pupils are selected on a one-time only basis: if a pupil repeats a year, he will not receive a stipend until he is promoted to the next grade level, but if he drops out he may not re-enter the program. The PESP PIMU indicated that if a stipend pupil transfers, drops out of school, or dies then another pupil can be selected as a replacement. The PIMU was unclear about its policy for stipend pupils who transfer schools—whether they retain the right to receive the stipend or must re-apply at their new school.

In fact, the PIMU was not yet able to respond satisfactorily to a number of questions about pupil selection for the PESP, such as: What happens if the “grand fathered” FFE Program or PES Project pupils exceed 40 percent of the schools total enrollment? Could the school add PESP places or re-assess pupil eligibility? Would pupil selection limited to Grade 1 only? Would selection be limited to six year olds? If extra places were left, could the school propose pupils from higher grades? If enrollment increases, won’t selecting 40 percent exceed the 5.5 million pupils provided for in the PESP? The varying responses received to the these questions suggest that—at least in the early stages of PESP—many decisions will be made on an ad hoc basis at the school. Although each school was provided with a set of policy guidelines, these and other operational questions were not addressed.

Although the PESP pupil selection process is still being defined operationally, there appears to be the potential for not selecting the truly needy or the poorest pupils. From a methodological standpoint, bias against selecting pupils from the poorest households is introduced by:

1. Pupil identification and selection occurs at the school level. Each eligible school is allowed to propose 40 percent of its enrollment. This approach assumes that the prevalence and severity of household poverty is evenly distributed across student bodies at all rural schools, as well as across other background variables, such as gender and ethnicity. The data in Table 2 (above) show that between 38 and 40 percent of enrolled pupils in each division have been selected for stipends. The PESP targeting methodology does not allow for variations in poverty levels among schools, communities, upazillas or regions, with the exception of recognizing that rural areas are more likely to suffer greater poverty than urban ones (40 percent of the rural population are in the poorest bracket, compared with 14 percent in urban areas). This approach will certainly mean that in areas of extreme poverty some very poor families will go unsupported, while in areas of relative affluence, some less-poor families will receive support. The differential in the incidence of extreme poverty between rural and urban areas will require a re-examination of the pupil selection methodology, if equity in reaching the poorest pupils is to be achieved. The PSPMP analysis of public expenditure on primary schooling revealed that upazillas with “moderate: and “low” poverty receive, on average more per capita than upazillas with “very high and “high” poverty.16

2. By limiting pupil eligibility to the six types of schools named above, the PESP criteria probably exclude some of the pupils from the poorest families. Approximately 2 million children enrolled in non-formal education, such as the BRAC schools, are generally counted as belonging to Bangladesh’s poorest families. These schools and their pupils are not eligible for the stipends. There is some anecdotal evidence that a small number of children from NFE schools have transferred to government schools in order to be eligible to receive the stipend, although this tempered by the GOB policy of preferring to admit only six year-olds to first grade and NFE students are generally older. Moreover, as a

16Primary School performance Monitoring Project (PSPMP), Improving the Quality of Primary Education in Bangladesh: A Strategic Investment Plan, December 2001.
BRAC staff member noted, the NFE schools are generally less costly to attend (and of better quality) than the PESP-eligible schools, even with the stipend.

3. Another bias against the poorest and most vulnerable children is that to be eligible for selection to the PESP, the child must first enroll in primary school. No guarantee is given by the SMC that if a poor family enrolls its child, it will be selected to receive the stipend. Some major barriers may prevent a family from enrolling a child in school. First, there are direct (and often hidden) costs associated with enrollment that the poorest family may not be able to front, such as admission fees and/or “donations” to obtain a place, registration photos, etc. The 2002 Bangladesh Urban Service Delivery Score Card reports that these hidden and additional fees may place schooling out of reach for the poor, and found that 20 percent of the very poor reported that they had difficulty with school admission. In Khulna, 18 percent of households had to pay a bribe to school officials, and a BRAC survey found that even very poor pupils had to pay an average 10 taka admission fee.

Second, the poorest families may not be aware of the PESP program (studies showed that poor families were unaware of the free textbook policy) or be resistant to schooling, with attitudes that require particular social marketing efforts to overcome. The PESP media-based publicity campaign may not be the most suitable for these groups, and annual recruitment efforts by head teachers and teachers reportedly overlook pupils who may appear to add little to the success or prestige of the school.

Third, the PESP may miss large groups of needy children because in some areas of Bangladesh few schools are available. For example, it is estimated that approximately one-third or 90,000 of the 270,000 primary school-age children are not enrolled in the Chittagong Hill tracts because they lack access to a school.

In terms of the selection process, potential weaknesses that could prevent selection of pupils from the poorest households are:

1. School Management Committee capacity and experience is generally weak. The School Management Committees are charged with the selection of eligible pupils, ensuring that PESP “guidelines are adhered to and that fake students are not enlisted, ...and that deserving poor students are not left out.” (PESP Policy Guidelines) Almost all schools (99 percent) surveyed by Education Watch 2001 had SMCs. However, they are not all equally capable of performing their duties. The Primary School Performance Monitoring Project (PSPMP) found that only 15 percent of the SMCs in their sample were active. Overall, various studies have found that SMCs convene only occasional meetings, do not have committed membership, and are considered generally ineffective. While the responsibility (and potential benefit) of selecting PESP pupils may galvanize the SMCs into action, SMCs alone may not be capable of selecting the most deserving students, without clear guidance. The PESP did fund day-long workshops, organized by the Upazilla Primary Education Offices, that included SMC representatives, but the content appeared to focus more on various responsibilities rather than actual approaches and techniques.

2. Beyond the list of background criteria mentioned above, SMCs and head teachers have not been provided with guidance or more detailed criteria on how to identify and select the pupils from the poorest households. There is no means testing or official roster of poor families that is being made available to them. At best, selection decisions will be made on the basis of their knowledge of the community. At worst, they will be made out of self-interest. For the moment, the head teachers and SMCs are free to devise their own criteria and procedures for student selection. The PESP has not yet made plans to develop an operations manual.

3. With no clear-cut guidelines or empirical methods for identifying the poorest students, it is possible that the vacuum could be filled by deliberate or unintended biases and distortions. Almost universally, those interviewed expressed skepticism that SMCs would not succumb to some form of corruption or bias. A 2001 field study by Transparency International Bangladesh found SMCs and head teachers complicit in giving favor to local elites and the non-poor in school admission and enrollment in the FFE Program or extracting some form of payment for consideration. Anecdotally, BRAC indicated that when it asked government schools to put pupils from “ultra poor” families it had identified through a survey on the list for FFE and PES Project stipends, the schools indicated that they could not accommodate any more pupils and filled the stipend slots with non-poor children. The conclusion was that the poorest children were seen as bringing problems to the school. Because the SMC members are generally members of the local elite, it has been suggested they may have a tendency to favor their own friends and relatives. Fewer than 15 percent of SMC members are female, and there may be no inherent advocate for female pupil recipients (although PESP selection figures demonstrate no bias.)

4. SMCs are also subject to outside pressure. The experience of poor parents in Khulna was that many influential people were able to manipulate who received access to the FFE Program’s receive food. Although 40 percent of the pupils in a school will benefit from the PESP, 60 percent of them will not. PESP officials acknowledge that the selection of pupils is “really tough” for the local authorities, and even at this early stage have heard many complaints about bias and unfairness from both poor households and wealthier ones. Already in the PESP, MPs (members of parliament) have become involved in trying to mediate competing claims. Some field reports indicate that communities are not welcoming the PESP because they believe they are all poor and should receive a stipend. This is consistent with the negative reactions to suggestions that FSSAP stipends be limited to the poor. Indeed, one primary school that inflated its enrollment figures so that most pupils could receive PESP stipends was exposed in newspaper reports.

5. Households may also try to increase their chances of selection. Although anecdotal, some stratagems have been reported, although none seems very likely to succeed:
   - Double enrollment: pupils enroll in government schools while at the same time maintaining enrollment in NFE schools (although actually qualifying for a stipend would be constrained by attendance and marks conditions and the

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requirement of a “no objection” certificate from the government school to enroll in an NFE school).

- **School switching**: enrolling a child in a school where the household is more likely to considered poor (although this would take effort and not that many schools are available in rural areas).

- **School diversification**: sending children in the same household to different schools in order to collect a total of 200 taka/month rather than 125 taka/month (although school availability would limit this option in rural areas, it would be more possible in urban ones).

6. The systems in place to detect and correct irregularities in the pupil selection process are fragile. The Upazilla Primary Education Officer (UPEO) is responsible for reviewing and approving the list of selected pupils, assisted by 4 to 10 Assistant Upazilla Primary Education Officers (AUPEOs) who are responsible for up to 30 schools each. Although they are expected to regularly visits schools and know the SMC members, teachers and community, the sheer number of schools—combined with ever-present transport problems—make this unlikely. Further, deliberate intentions to deceive may not be easily or immediately detected. Discouragingly, upazilla education offices have been identified as particularly corrupt. With 64 PESP Monitoring Officers for over 65,000 schools, it is obvious that PESP staff can do little more than undertake occasional audits. Such audits have not yet been planned by the PESP PIMU. Despite this, the PESP director believes that the communities will police themselves, and that SMC members will not want to risk being thrown out of office at the next election for corruption or malfeasance.

**Recommendations:**

- Consider use of independent organization to identify poor children (e.g. BRAC).
- Develop written guidance on selection methodology and indicators of poverty for use by the head teacher and SMC.
- Map poverty incidence and severity and compare with PESP coverage (World Food Maps could provide a basis).
- Develop clear policies about the percentage and number of pupils to be selected.
- Consider a more sophisticated targeting strategy, that recalibrates number of stipend recipient per poverty level in the area.
- Develop rapid poverty assessment method and audit procedures for UPEO and PESP monitoring officers.
- Include household and pupil background data on PESP data entry forms (including simple poverty assessment of students aimed at identifying the degree of household poverty).

**Stipend amount**

- Is the stipend amount sufficient to offset direct and opportunity costs?
- What about students in non-government schools who must pay tuition?
- Is there a sliding scale for children with different backgrounds, such as household wealth, gender, age, grade level?
- What do households receive if they send more than two children to school?
- Are families less likely to send one than one child to school due to the decline in stipend?
The PESP provides 100 taka per month to households with one qualifying pupil and 125 taka per month to households with more than one qualifying pupil, for all twelve months. The quarterly disbursements will be adjusted according to the pupil’s record in meeting the PESP attendance requirement. For example, if a pupil does not attain 85 percent attendance for one of three months, the single pupil household will receive 200 taka instead of 300 taka for that quarter.

According to PESP Director, a great deal of deliberation went into setting the stipend amount. The GOB held several meetings and conducted a seminar to address the issue (although no specific studies were said to be undertaken). First, there was concern over the wide gap between the FFE Program stipend equivalent (150 taka) and the PES Project stipend (25 taka). The former was considered too expensive, and the latter not sufficient to motivate desired improvements in primary school participation. Second, the design committee took into consideration government policies requiring that government and government-registered primary schools charge no tuition or exam fees, textbooks are provided free-of-charge to all but NFE pupils, uniforms are not compulsory (and considered an urban practice), and pupils are provided with pencils and notebooks. Other school fees were considered optional, such as entertainment and sports fees. It is expected that those students who do not wish to or cannot pay need not participate. Third, the wealth/income levels of the poorest households were considered. And finally, the primary education sub-sector budget envelope was determined to be sufficient to cover the program.

While the households receiving the PESP stipend are not obligated to spend the stipend on the pupil’s school expenses or on the pupil him/herself, the stipend amount should relate substantially to either the direct or opportunity costs of schooling if poor families are to be able to support their children’s schooling without assuming significant additional financial hardship. The following discussion examines the actual direct and opportunity costs associated with primary education in relation to the stipend.

What are the private costs of primary schooling in Bangladesh? While primary education in Bangladesh (in government and government-registered schools) is theoretically “free”, several studies show that this is not the case for most families. Expenditure for primary school includes “official fees” where such fees have been eliminated, “under-the-table payments” for services or items supposedly provided free-of-charge, and “extra, hidden charges” required if a pupil is to succeed academically. For example:

- The Education Watch 2001 survey (for 2000) found that 90 percent of parents report incurring expenditure of some sort. Thirty-one percent had to pay admission/readmission fees; 7 percent monthly fees; and over 33 percent for subscriptions (such as religious festivals, entertainment, social functions). Over one-third had to pay a certain amount for textbooks and 37 percent purchased supplementary material. Almost all—90 percent—had to pay for stationary. Nearly 76 percent paid for examination fees. Overall, the incidence of expenditure was somewhat less for pupils in rural schools than for those in urban schools.

- Obtaining “free” textbooks poses particular problems. A national survey reports that while only 15 percent of households with school-going children had difficulty in getting books, 55 percent of “very poor” households and 67 percent of rural households experienced problems, including delays, extra payments, and outright purchase. In Khulna, school authorities collect 40-50 taka per pupil for books.²⁰

Private tutoring is a pervasive practice even at the primary level, both as means of compensating for poor quality instruction in school and of augmenting teachers’ salaries. A quarter of households surveyed indicated that teachers would inflict some sort of retribution (not teach in school, give poor grades) if not engaged for private tutoring. Education Watch 2001 reports that 25 percent of primary school pupils pay for private tutoring. These and other “hidden” costs can more than double the amount of household expenditure on schooling beyond “official” fees.  

According to the Education Watch 2001, average annual expenditure per primary pupil by household (i.e. private costs) is about 82 taka per month, annualized for an expenditure of about 1000 taka per year. The amount varies between rural (657 taka) and urban areas (2908 taka), and is highest in government schools (819 taka) and Ebtedayee Madrassahs (873). Mean expenditure per pupil for the poorest (i.e. food deficit) households was 573 taka, the next poorest (i.e. occasional food deficit) 656 taka, and the relatively non-poor (i.e. no food deficit) 988 taka. Of course, these figures show what households pay according to their ability and not necessarily what is needed to take full advantage of primary schooling (particularly if PESP families want to ensure that their primary pupil learns and performs well enough to obtain the 40 percent marks on the annual exam). Nonetheless, it would appear that the PESP stipend (1200 taka per year) for single pupil households would be sufficient to cover the private costs of education in the rural areas and eligible schools. However, in urban areas it would offset less than half of the per pupil annual expenditure. Moreover, the 1500 taka per year allotted by PESP for two-or-more pupil households will barely cover the expenses of two pupils in rural areas, depending on the type of school attended and level of support provided. Households with three or more children will need to draw on their own resources to fund the direct costs of primary schooling. One GOB respondent speculated that it is not likely that families will enroll more than one child in the PESP schools, if lower-cost NFE schools are available. It is also probable that the oldest child will either not be enrolled or will be withdrawn from school due to his or her increased earning capacity. 

Unlike the FSSAP which varies its payments according to grade level, there is no sliding scale for the PESP stipend. Child background variables, such as household poverty level, gender, age, or grade level, are not considered. Obviously, the expense of educating a primary pupil will weigh more heavily on the “very poor” rather than the “poor”. Whereas education expenditure represents about 2 percent of an average household, it will represent much more of a landless rural family’s income. Because of the extremely low income (less than 24,000 taka per year) and education expenditure (2,613 taka) levels of the “very poor” household, the stipend could have a marked effect on its welfare or ability to pay for (at least) one child to go to primary school, by increasing the its potential education expenditure nearly 50 percent. The PESP stipend could raise annual education expenditures for the “poor” (24,001-72,000 taka) from 7,217 taka to 8,417 taka or 17 percent. Yet at the same time, “hidden” expenses associated with schooling could increase the outlays disproportionately. One survey found that the expense of hiring private tutors added 28 percent to the outlays of “very poor” and 42 percent to for “poor” households, compared with 17 percent for “non-poor” households. Average private tutor expenses are higher in rural areas than in urban areas. 

22 These figures have been annualized. 
23 Bangladesh: Improving Governance for Reducing Poverty, World Bank, 2002
Nationally, educational statistics show little disparity between boys and girls’ primary school enrollment, completion, drop-out, repetition, survival, attendance and cycle time. In fact, the statistics slightly favored girls and a similar pattern was observed in rural areas (Education Watch 2001). There is no evidence of gender disparity in enrollment rates among the poor, although there is some suggestion that girls in these groups are less likely to persist and perform in primary than boys, especially in the very poor group (World Bank HIES 2001). On the surface, at least, there is little call to show a preference for girls in setting the stipend amount (or in awarding stipends). However, establishing a slightly higher amount for girls could offer an opportunity to underscore the importance of girls’ educational participation and enhance household’s views of their daughters. In their analysis of the female secondary school stipend programs, Arend-Kuenning and Amin state, “There is some evidence that the secondary school girls’ scholarship program changed parents’ perceptions of the value of their daughters, simply by providing them with cash.” Also, annual private expenditure was somewhat less on girls (940 taka) than boys (1020) overall, with a disproportionately wider gap in rural areas (657 for girls v. 740 for boys). While subject to various interpretations, this could mean that families are less willing to spend on girls than boys. Conversely, in some regions the opportunity costs for boys are much higher, depressing boys’ participation in primary school, and could suggest a preferential stipend for boys. Arguably, additional incentives for girls to enter and persist in primary school may already exist in the form of the female scholarship programs for secondary school.

As pupils progress in primary school, the private costs (direct as well as opportunity costs) increase. Annual mean private expenditure was 679 taka for a Grade 1 pupil, nearly tripling to 1,466 taka for a Grade 5 pupil.24 Pupils in the higher grades are more likely to require expenditures on supplementary materials, clothes, examination fees, and private tutoring. The PESP stipend amount does not provide for increasing costs of primary schooling, which could be at odds with its objective of increasing student persistence and completion rates. It also does little to assist participating schools meet the primary scholarship exam sit rate of 10 percent.

What are the opportunity costs associated with child labor? There are an estimated 6.5 million children in Bangladesh between the ages of 5 and 14 who must work to support themselves and their families. Most work in the informal sector, primarily in agriculture, and 83 percent live in rural areas. Many will work 10 to 14 hours a day, earning between 20-60 taka or its equivalent in food. For many, paying work is not steady: on average, estimates place a working child’s income at less than $10 (560 taka) a month. Given these figures, the PESP stipend does not appear to meaningfully offset the opportunity costs of child labor, averaging less than 5 taka per day or $2 per month. But, its ability to attract children from the labor market to school will clearly depend on the situation of the family. It is unlikely that a desperately poor family would be able to forego the income or even the food earned by a regularly-employed child. However, in some cases the child may continue to earn a sufficient amount outside of school hours and during school absences tolerated by the PESP (15 percent). The additional 25 taka per month for any subsequent children enrolled in primary school represents a much smaller contribution towards meeting the opportunity cost of schooling, and probably will act more as a reward to those households who have already made the decision to send their children to school than to encourage households to send non-attending children to school.

Since opportunity costs must also be added to direct costs of schooling to assess the real cost, families of working children may not be able to cover both the sacrifice of a child’s income or labor and the cash outlays for the direct costs discussed above. Both the direct and opportunity costs of schooling will increase as the child ages and progresses in primary school, increasing the

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burden for very poor families. Consequently, the PESP stipend may not be sufficient to overcome
the financial barriers to primary schooling in families where children must work constantly to
increase household production or income or to feed themselves.\textsuperscript{25} Given the amount of the
stipend, the PESP seems best suited to assist (i) those households whose children do not
participate in primary schooling because their families cannot afford the direct costs of primary
schooling, (ii) those households whose children are already enrolled but are unable meet many to
the expenses of primary education, and (iii) those households who are sacrificing their welfare to
pay for many of the costs of primary schooling. Household welfare (i.e. income) will be improved
in those families where they are already paying for their child’s primary schooling or where the
stipend exceeds the amount spent on school expenses. As private expenditure can improve the
quality of a child’s education (through the purchase of books, materials, and tutoring), the
schooling experience of children from very poor households may be compromised by their
families’ attempts to economize on needed school expenditures in order to use stipend funds to
improve family welfare. While the PESP may cause households to enroll their children in primary
school, it does not guarantee that their families will support their schooling. Finally, given the
amount allotted for more than on child per household attending school, it appears that poor
households will be more likely to enroll only one child. The preliminary PESP pupil data seem to
substantiate this, as 98 percent of households have enrolled only one child.

\textbf{Recommendations:}

- Review possibility of a sliding scale for stipend according to pupil background variables.
- Interview PESP households about use of stipend to determine major use (educational
expenses, replacement of child labor, household income).
- Assess level of educational inputs that stipend pupils have.
- Assess how much must actually be spent for a student to have acceptable levels of
educational inputs.
- Assess pupil participation by poverty level.

\begin{center}
\textbf{Pupil and School Performance Conditions}
\end{center}

- How are schools, students and parents made aware of the conditions?
- Who determines disqualification?
- What happens if child does not get 40 percent grades? Is he suspended for the next year?
- How often are attendance checks made? Are they surprise visits?
- What does temporary suspension mean? What has happened at schools that have been
suspended?
- How are attendance records, grades, etc. verified?
- How long are the schools disqualified? What would be parental reaction? What would be the
effect on drop-out/attendance?

\textsuperscript{25} Note that the female secondary school stipend programs have set stipend levels at much less than the
PESP (between 300 taka and 1150 taka per year depending on grade level). However, they have not
specifically targeted the poor (who are reportedly under-represented in these programs) and, given
relatively low gross and net enrollment ratios (under 50 percent), may have so far served the “early
acceptors” and girls who would have been enrolled in school even without a stipend. Several research
studies have reported that even when the stipend is withdrawn, the majority of girls remain in school.
The PESP rationale is that regular attendance will improve pupils learning outcomes and contribute to good grades on exams. Attaining 40 percent marks will motivate the pupil to study and the pupil’s family to support his/her studies, by ensuring school attendance (not withdrawing for labor) and providing the necessary supplies and inputs. Combined these conditions are expected to lead to reduced repetition and drop-out and increased completion.

Meeting the attendance requirement on a monthly basis will determine the amount of the quarterly stipend disbursement. If a pupil does not meet the condition, the stipend will not be paid for that month. Classroom teachers record attendance daily, checked by head teachers. The 85 percent target is relatively high, compared with average primary school attendance rates that are reported to be 61 percent or below and even with the FSSAP which has a target of 75 percent.

Attaining the specified score on the annual exam will determine whether the pupil will be promoted to the next grade and whether he/she will continue to participate in the program for the next year. If a pupil fails to appear for the exam without reasonable grounds, his/her stipend will be suspended until he or she sits for the exam. (It is not clear if make-up exams will be given.) If a pupil fails to earn 40 percent marks, then he/she will be masked to repeat the grade and will not be eligible to participate in the PESP during that year. However, after repeating the grade and achieving 40 percent marks, the pupil may re-enter the PESP. If the pupil drops out of school, he/she will not be eligible to re-enter even if he/she re-enrolls. The annual exams are administered in November or December, and marks are reported the following April, at the same time of the first PESP disbursement of the academic year so disbursement records can be adjusted. The annual exams are not standardized and are individual to each school. In general, pupils perform poorly on exams. Scores are marked and recorded by classroom teachers, and checked by the head teacher. Several pupil assessment studies have found very low level of mastery of basic competencies among primary school pupils in Bangladesh. For example, less than 2 percent of the pupils completing five years of primary school tested by the Education Watch 2000 survey had acquired all 27 of the competencies.

For primary schools to continue to be eligible to participate in PESP and their pupils’ families to receive stipends, the school must:

- prepare a list of beneficiary pupils that passes the scrutiny of AUPEO, approved by the UPEO and countersigned by the UNO.
- Demonstrate a minimum of 60 percent pupil attendance on an unscheduled (surprise) inspection day.
- Demonstrate that a minimum of 10 percent of grade 5 pupils appeared (“sat”) for the primary scholarship examination.

The PESP rationale is that by also holding the school responsible for pupil attendance and exams, the school will actively encourage the pupils to attend class and make efforts to redress any problems in these areas. Households and pupils will also be pressured in that if their collective performance causes the school to be disqualified, then they too are disqualified. In fact, since the school does not receive any official payment or reward for participating, then greatest losers will be the pupils and households from whom the stipends will be withheld.

If the school does not prepare a list of pupils that corresponds to PESP criteria or is not acceptable for some reason (e.g. ghost students, non-poor pupils), then the school can be permanently disqualified from participating in the PESP if irregularities are determined to have been done deliberately. If the school fails does not show 60 percent attendance on the day of inspection a
AUPEO, then the stipends for pupils at the school will be temporarily suspended until another unscheduled visit from a higher authority shows satisfactory attendance. Finally, if a school does not maintain a 10 percent sit rate for the Grade 5 exam, then the school will be suspended from the PESP until the next year when it must meet the target to re-enter the program. The exam records are recorded and maintained by the school, and reviewed by the AUPEO. (Note: originally the sit rate was set at 20 percent, but the rate was relaxed based on experience with the FFE Program, where a large proportion of schools were unable to meet the condition.)

The PESP has not yet produced data on either pupil or school performance on the conditions, so it is impossible to draw conclusions from PESP experience. However, other similar programs (FFE Project, secondary girls’ scholarship programs) have relevant experiences.

Parents are seldom aware or do not pay much attention to the pupil performance conditions. They are more intent on getting their child enrolled in the incentive program. The FSSAP II undertook a major parental and student education campaign about its conditions, when assessments showed not only poor performance on the attendance, marks, and exam sit rates, but also relative ignorance (or disregard) of these conditions. In fact, one study of FSSAP (O’Gara and Jain, 2000) found that so little awareness and emphasis was placed by parents on the FSSAP conditions that the stipend program had come to be viewed more as an entitlement than reward. The head teachers and SMCs at schools participating in PESP have been informed of the criteria, and are expected to inform parents, but reportedly the conditions do not appear on the identification cards that must be signed by a parent or guardian. PESP may find that its conditions merit greater emphasis in the school communities.

The conditions, while reasonable, may cause deception and promote a lack of transparency by the schools and pupils. For example: Although enrolment rates in primary school are high, many children who are enrolled in school do not actually attend or attend regularly. Education Watch 2001 reports that on the days of their survey teams’ visit, only 58 percent of children were attending government schools. The PSPMP researchers found that in many schools, teachers marked more pupils present than were actually there. On surprise visit days, attendance was actually 6 percent lower than it had been marked on the previous day. The FSSAP and other female secondary school scholarship programs had found similarly “cooked” attendance records. Similar deceptions have been found or suspected on the annual exams. While the FSSAP female students did very well on their exams, attaining the targeted score, they did very poorly on the official 10th Grade Exam, giving rise to speculation that they had not really earned the scores marked. A recent audit of the FESP found that while many school could produce records showing high marks on annual exams by stipend girls, they could not produce the exams themselves.

There are several reasons why schools and teachers would attempt to deceive the PESP authorities. First, there is the hardship caused for pupils forfeiting all or some portion of the stipend for non-performance. In their study of the female secondary school scholarship programs, Arends-Kuenning and Amin report that “Children who do not learn their lessons are often beaten, and sometimes the children then refuse to return to school.” Second, parents of disqualified pupils often vent their anger and disappointment at school officials. The situation worsens if the school is disqualified rather than the individual pupils. Former FFE Program staff recall parents threatening teachers and head teachers, saying they were frustrated and “helpless” when their child had met the conditions. Third, teacher may not mark absences accurately because the school

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26 BANBEIS statistics for 2001 show that 380,814 pupils appeared for the Primary School Scholarship Exam, and 2,698,273 pupils were enrolled in Grade 5, suggesting that 14 percent of pupils sit for the exam nation-wide.
could lose its subvention benefits (i.e. teacher salaries) is the student figures drop below certain levels.

Some have suggested that the performance conditions be eliminated because they introduce “incentives” to mis-report and inflate attendance or grades. They also suggest that PESP, which targets children from more vulnerable populations, will be penalizing the least able and those most in need of assistance, undercutting its ultimate aim. The conditions may be set too high for these children, as those already in school have not been able to attain them. Further linking the stipend to marks puts the onus on the pupil, not the teacher or the school. Weaker students who attend regularly and do their best should not be penalized for not meeting the targeted marks. Penalizing the school by not providing the stipend to performing pupils will probably do little to improve the school, but will hurt the pupils. In response, PESP principals suggest that the conditions are what makes it an education program (rather than a social welfare program) and force parents to make the necessary adjustments to school their children.

An alternative approach is to increase enforcement and police schools for infractions. FSSAP II stepped up its audits and monitoring to reduce false reporting. Given the manpower and administrative resources of the PESP and its magnitude (over 65,000 schools), the PESP will have to continue to rely on the UPEO and his staff to verify school and pupil records. However, their efforts are constrained by their demands and lack of transportation. The PESP director recognizes that it will be difficult to ensure “honest reporting” without PESP staff at the upazilla level. No audits have yet been planned. His suggestion is that since teachers have no incentive not to inflate figures, they therefore “need incentives to avoid corruption.”

Recommendations:

- Make sure parents are aware of performance conditions and consequences.
- Develop a rapid audit plan and instruments for use by AUPEOs, UPEOs, PESP monitoring officers and others.
- Compare performance targets with actual pupil performance and adjust.
- Conduct study on why pupils are missing school to identify corrective actions to be undertaken by school.
- Consider school performance awards to motivate schools and households.
- Eliminate or modify conditions that prove too onerous (e.g. marks for early grades).
- Eliminate conditions that penalize pupils for collective school performance.

**Stipend Disbursement and Leakage**

- What is the disbursement process?
- Who is responsible for disbursement?
- Who is money disbursed to and how is it verified?
- What are the problems associated with disbursement?

The PESP stipends are scheduled to be disbursed every three months in April, July, October and January. The distribution of stipends is the undertaken by the branch offices of six national banks.
No PESP stipend funds are handled directly by any MOPME unit, be it at the upazilla level or at the PESP PIMU.

At the time PESP pupils are enrolled in the program, identity cards are issued to the parent or guardian who will sign for and receive the stipend payment. Two copies of the recipient identity card are produced, each requiring a photo, signature and/or thumbprint of the parent or guardian. One card is kept by the bank responsible for disbursement and the other is deposited for safe-keeping with the head teacher at the stipend pupil’s school. The stipend signatory is given the identity card to present to the bank in order to collect the stipend at the scheduled time. The bank staff compares the two cards to verify recipient identity and ensure disbursement to the proper person. The PESP gives signatory preference to mothers. The PIMU reports that thus far 99 percent of the signatories are women.

As of April 2003, two disbursements had been made by the PESP following a ten-step procedure:

1. The UPEO prepares a request for the stipends and sends it to the PIMU.
2. The PIMU reviews and consolidates the upazilla request into a “bill”.
3. The PIMU sends the bill to the Chief Accounts Officer at MOPME.
4. The Chief Accounts Officer at MOPME asks the Ministry of Finance (MOF) to release the funds.
5. The (MOF) sends checks in the appropriate amounts to the head offices of the national banks responsible for stipend disbursement.
6. The bank head office transfers the funds to its divisional headquarters or upazilla bank branch.
7. The bank’s branch office notifies the PIMU, UPEO and schools that it has received the stipend funds.
8. The PESP monitoring officers, bank officers, and UPEOs develop upazilla-level disbursement schedules and inform schools of the time and place for disbursement. If no bank branch office exists within 5 km of the school, then a disbursement post or “camp” is established at the school.
9. The schools—their head teachers, teachers and SMC members-- inform pupils and their parents.
10. The signatory parent/guardian presents her/his identity card to the bank staff for them to verify identity, and signs for the stipend money (the PESP stipend funds must be given to the holder of the identity card, not a substitute).

This process was developed based on previous experience with the FFE Program and PES Project. Problems faced included: funds being disbursed to imposters, commodity amounts not being provided in full to the signatories, bribes required for disbursement, and kick-backs being demanded by UPEO or school authorities for the release of stipend funds or commodities. The FFE, in particular, experienced problems in ensuring that the intended beneficiaries received the proper amount of wheat or rice they were entitled to. Estimates of market value of missing food grain from the FFE Program in eight upazillas in 2002 was over 24 million taka.

Although they also employ banks rather than school staff to distribute the stipends, the various female secondary school scholarship programs have found evidence of leakage. School authorities and local bank officials collude in requiring the female student to obtain the stipend,
sometimes requiring 5-10 taka to help the “officials” purchase lunch. A recent audit undertaken by NORAD of FESP uncovered a variety of “leakage” strategies, ranging from schools maintaining two sets of books with “ghost” students and inflated attendance and marks to charges being required of girls for stipend disbursement to banks collecting service fees but not releasing funds in a timely manner.

So far, the central Monitoring and Evaluation Office of the MPED (now MOPME) has received six complaints about the disbursement of the PESP stipend funds, and are in the process of investigating them. Mostly filed by parents and communities, they include recipients not getting the proper amount, suggestions that enrollment has been inflated, and improper distribution.

The PESP director is less concerned about leakage, and more concerned about delays in disbursement and sloppy performance by the banks. Declaring the PESP “100 percent rigging-free,” he points to safeguards against fraud, namely the use of banks, identity cards requiring a photo, signature or thumbprint, and the high visibility of the PESP in the village that prevents misuse of funds. Parents also have recourse to bring complaints to their MP, upazilla education council, and union council. That the PESP is funded 100 percent with GOB funds is expected to ensure conscientious and honest treatment. Moreover, there is a general feeling that 10 to 15 percent of leakage is acceptable and inevitable. Yet when translated into monetary and pupil terms, it is questionable whether the GOB would countenance the misappropriation of $12 million to $18 million per year or sacrifice the opportunity to support 600,000 to 800,000 pupils from poor families.

There have been delays in disbursements and the PESP director foresees more. Initially, there were delays because households had to pay for photos for the cards, women were reluctant to be photographed, and printing the identity cards took longer than expected. More worrisome is that the banks do not have sufficient manpower or staff in rural areas to disburse the stipends on time. Carrying one-half to 1 million taka to a rural upazilla requires people, transport and security. It is a logistical and physical challenge. Complaints about delays in disbursement to the PIMU caused the director to meet with bank official to identify problems, with the result that the bank headquarters will be transferring staff to the rural upazillas on a “crash program” to plan disbursement and schedules.

The PESP has initiated plans for a bank audit, but given previous programs’ experience, this does not seem the most likely or only place for deception and fraud. Verification of the poverty levels of the pupils is required to ensure that the poorest are benefiting. Assessments of other stipend programs have found that at least 50 percent of participants come from non-poor or the least poor households. Past experience has also shown that audits of school enrollment, attendance and marks records are necessary, if “ghost” students are to be avoided and the performance conditions are to be considered an integral part of the PESP. Observation of what takes place on disbursement day will also reveal problems and address concerns expressed that the female signatories may be subject to intimidation, harassment, and extortion.

**Recommendations:**

- Conduct assessment of disbursement process.
- Develop comprehensive audit plan that examines all aspects of disbursement process
- Contract with an audit firm to conduct annual bank audits.
Encourage exchange between PESP and other stipend programs about problems and techniques for dealing with them.

**Management and Monitoring**

- What is the management structure?
- What training has been conducted?
- What is the specific role of the Upazilla education office?
- Are there specific personnel at the Upazilla level who are assigned only to the stipend program?
- Who collects the student and school-level data? Who verifies it? How often?
- How often are reports made, received, reviewed?
- How are local administration and public representatives involved?
- What evaluation, progress and/or research reports are prepared? How often?
- Is there an evaluation plan? Who will conduct this?

The PESP is sponsored by the Primary and Mass Education Division (now the Ministry of Primary and Mass Education) and executed by the Directorate of Primary Education through the PESP Project Implementation and Management Unit.

The PIMU comprises 117 staff (82 managerial, 22 skilled, 13 unskilled posts) including:

- 1 project director (who previously administered the PES Project)
- 2 deputy directors (1 post not yet filled)
- 4 assistant directors (finance, administration, research and monitoring, MIS)
- 2 research officers
- 3 accounts staff
- 8 MIS staff
- 6 division monitoring officers (one per division)
- 64 district monitoring officers (one per district with 52 posts filled so far).

The posts of project director, deputy director and assistant director are filled by deputation. Officers and staff who previously worked for the FFE Program and PES Project were automatically transferred to the PESP PIMU. The Project Proforma notes that the PIMU posts are purely temporary and will be abolished at the end of the project, although it is generally expected that the PESP will continue beyond the five-year timeframe.

PESP oversight and policy guidance is provided by the Project Coordination Committee, which is chaired by the Secretary of PMED and includes the Joint Secretary, the head of Planning, and other representatives from the Ministry of Finance, Ministry of Planning, the ERD, and the Ministry of Women’s Affairs. Monthly ADP review meetings will deal with problems and issues that cannot be resolved exclusively by the PIMU.
The PIMU is responsible for:

- project planning and scheduling
- procurement of goods and service
- maintaining project accounts
- oversight and management of the release of funds and disbursement to cooperating banks, offices and parent/guardians
- liaison with co-operating banks
- report preparation
- management and/or conduct of training, workshops and seminars
- monitoring field activities

Implementation of the PESP involves every level of the education system, but primarily relies on the upazilla education offices. Unlike the FSSAP, there are no PESP offices or PESP personnel at the upazilla level where most of the PESP activities takes place. The existing Upazilla Primary Education Offices—staffed by the Upazilla Primary Education Officer, the Assistant Upazilla Primary Education Officers and support personnel—are responsible for field level operations, management and oversight. The UPEO will assess and verify the list of stipend beneficiaries and school reports on pupil attendance, grades and appearance at exams. The UPEO will also undertake the unscheduled inspection visits to determine whether the school is complying with the PESP conditions of attendance. The UPEO will also prepare the bill for stipend payment to be sent to the PIMU. The UNO (upazilla nirbahi officer or chief administrator), who is also head of the Upazilla Education Committee, will countersign the approved list of beneficiary pupils and supervise stipend distribution. The AUPEOs are expected to visit at least ten schools per month.

The 64 PESP district monitoring officers will assist the UPEOs in planning disbursements, answering questions about selection methodologies, and general trouble-shooting. They will also visit schools on a random basis (the goal is one school per week), and attempt to audit the beneficiary list by visiting pupils’ homes. They will report to the District Primary Education Officers and the PESP monitoring officers at the divisional level.

The 6 PESP monitoring officers at the divisional level will help supervise the work of the PESP district monitoring officers and report to the deputy directors of the divisional education office and the PIMU.

The PESP plan calls for training of all the personnel involved in project implementation and management, ranging from the head teachers, chairmen of SMCs, and union chairmen at the school level to UPEOs, UNOs and UEC members at the upazilla level, to DPEO and Deputy Commissioners at the district level. Over 375 lakh taka (nearly $700,000) has been set aside for upazilla level workshops and national seminars over the life of the project. So far, the PIMU has conducted training for all PESP divisional and district monitoring officers, supported one-day workshops conducted at the upazilla level for 100 SMC members, head teachers, bank managers, and UEC members, and conducted a national seminar in Dhaka City at the end of February 2003 for 250 participants from all levels.

A “Circular” describing the program was distributed to all concerned education offices, and “Policy Guidelines” spelling out the duties and responsibilities of each PESP level of
implementation and management was prepared and distributed at the national seminar. So far, the PESP has not prepared an operations/procedures manual and detailed operational guideline for beneficiary selection or assessment.

The PESP reporting schedule includes:

1. Monthly progress reports—from the PESP monitoring officers to the PIMU.
2. Quarterly progress reports—from the PIMU to the Ministry of Planning (2 submitted so far).
3. Annual report prepared by the PIMU.
4. Annual Work Plan prepared by the PIMU.
5. Special research reports prepared by the PIMU.

No audit reports have yet been planned by the PESP. The PESP is still in the process of setting up its computer system, so most data (except disbursement bills and distribution) is still at the upazilla level, and has not been consolidated or entered centrally.

The PESP PIMU has finalized a TOR for a consultant to develop a monitoring and evaluation plan to assess the operational efficiency of the PESP. The PESP Proforma calls for such a review mid-way through each project year. The evaluations will be done by an external firm or government organization, as determined by MOPME. The TOR must be approved on an annual basis. The various PESP forms developed by the PIMU to collect data on disbursement, pupil performance on conditions, gender, single or multiple child household, type of school, and grade level. Other background variables could be of use in impact analysis, and should be included on the forms, such as parental education level, poverty level, etc.

While the PESP’s PIMU is responsible for monitoring and status reports, overall evaluation and official assessment of PESP progress and impact is the responsibility of the Directorate of Primary Education’s Monitoring and Evaluation Office. In general, one DPE officer will visit one school per upazilla per month to inspect, investigate complaints, etc. Six complaints about the PESP have been received so far. The M and E Office has not yet developed an evaluation plan or “checklist” for the PESP, but expects to report on the major student indicators, such as the GER/NER, completion rate, repetition rate, drop-out rate, attendance rate, and exam performance. As the PESP is part of the PEDP II, the M and E Office indicates that it must collect data according to the requirements and guidelines from the various funding agencies. No baseline or targets have yet been established for the PESP.

PIMU staff point to the lengthy chain of command as one of the greatest challenges to PESP implementation. With no PESP staff at the upazilla level, the PESP must rely on the UPEO and AUPEO to work with the schools, SMCs and local bank branches. The UPEO are busy (with at least 20 other projects), and reportedly view the PESP as an additional burden and complain the extra work comes with no incentives. (The upazilla education offices are considered to be most subject to corruption in the education sector.) PESP reports are not being done regularly, and PESP district monitoring officers say they expend the most effort in persuading the UPEO to schedule dates for disbursement and develop implementation plans for disbursement. The disbursement burden is a daunting one, requiring on average that disbursements be made at three school per day in each upazilla over a three month period. The PESP requires that 100-200 schools per upazilla be visited frequently. This means that the AUPEOs are responsible for 20 – 30 schools, and are expected to visit 10-12 per month. The 200 taka allowance provided by the
UPEO does not cover their expenses, and transport is not readily available. In all, the PESP stresses UPEO capacity beyond its limits.

The PESP district monitoring officers are not sufficient in number to compensate for the shortcomings of the UPEOs. They are responsible for more than 1000 schools, suffer similar transport problems, and expect the situation to worsen with the addition of urban schools.

The “straight-forward” tasks of pupil selection, stipend disbursement, and reporting for 5.5 million children requires considerable manpower, but the complications introduced by corruption and the need to verify pupil numbers and selection, pupil performance, school performance, disbursement, and bank records is staggering. Unless the PESP can develop rapid assessment/audit approaches that provide reasonable assurances of reporting veracity and detect fraud, then it is likely that both the quality and impact of the PESP will be diminished.

**Recommendations:**

- Explore options for “beefing” up PESP presence in upazillas (independent contractors, temporary personnel, etc.).
- Establish codified systems for quality control (rapid assessment techniques for district officers, PESP random audits).
- Review UPEO needs for support.
- Encourage exchange between PESP and other secondary level stipend programs to share problems and techniques for dealing with them.
- Provide evaluation plans used by FSSAP and other stipend programs to PESP for consideration in development of the M and E Plan.
- Assist in development of the M and E Plan.
- Include children’s background characteristics (poverty level, parental education, etc.) on data collection forms.

**Costs, Financing and Issues of Sustainability**

| What is the magnitude of PESP? |
| How is it funded? |
| What is the cost breakdown? |
| What are the trade-offs? |
| How does PESP fit into the sector financial plan? |

The PESP is the single largest expenditure in the GOB budget. Although the PESP is considered a key component of the Poverty Reduction Strategy, it is budgeted as a formal sub-sector program of the Primary and Mass Education Division (now MOPME), rather than part of the Ministry of Social Welfare. It has been included as a pro-poor strategy in PEDP II.

To finance the PESP, a sum of $120 million was approved in the GOB 2002/03 budget, to be repeated annually for a period of five years, for a total commitment of about $600 million. It is anticipated that this amount will increase with the addition urban areas in the next year. (There
were no reports of reducing either the number of participating rural children or the stipend amount to compensate for the additional expenditure).

Table 3 presents a breakdown of the five-year PESP budget. Approximately 96 percent of the budget is expected to be distributed in stipends to 5.5 million pupils. Of the remaining 4 percent, over half (2.4 percent) is allocated to bank service charges for fund disbursement, a quarter (1 percent) for stationary to be used for student forms at the schools and for upazilla reports, and the remainder (0.5 percent) for PESP staff and operations (including equipment, furniture, training, publicity campaigns, evaluations, and travel for monitoring and inspections).

Table 3: PESP Budget, 2002-2003 to 2006-2002

<table>
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<tr>
<th>Cost Item</th>
<th>Amount (Lakh Taka ‘00,000)</th>
<th>Resources</th>
<th>Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stipends</td>
<td>318347.75</td>
<td>5.5 million student/month</td>
<td>96.0 %</td>
</tr>
<tr>
<td>Manpower</td>
<td>553.90</td>
<td>117 persons</td>
<td>--</td>
</tr>
<tr>
<td>Transport vehicles</td>
<td>45.00</td>
<td>1 Jeep, 1 Micro-bus</td>
<td>--</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>11.75</td>
<td>Computers, server, printers</td>
<td>--</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>11.55</td>
<td>Desks, chairs, etc.</td>
<td>--</td>
</tr>
<tr>
<td>Training, workshops, seminars</td>
<td>375.00</td>
<td>1 divisional workshop/year</td>
<td>--</td>
</tr>
<tr>
<td>Social Mobilization</td>
<td>125.00</td>
<td>1 campaign/year</td>
<td>--</td>
</tr>
<tr>
<td>Distribution (Stationary)</td>
<td>3252.55</td>
<td>65,051 schools</td>
<td>1.0%</td>
</tr>
<tr>
<td>Bank Service Charge</td>
<td>7958.70</td>
<td>2.5% of stipends</td>
<td>2.4%</td>
</tr>
<tr>
<td>Evaluation</td>
<td>50.00</td>
<td>5 (1 per year)</td>
<td>--</td>
</tr>
<tr>
<td>Contingencies &amp; Miscellaneous</td>
<td>500.00</td>
<td>Office operations, utilities, travel allowances</td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td>331231.20</td>
<td></td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: PESP Proforma

As a percentage of the budget, the administrative and implementation costs of the PESP are remarkably low—in comparison with those cited for the FSSAP (18-20 percent) and with international rules-of-thumb that suggest levels of about 25 percent for scholarship programs. However, the massive size of the PESP has few precedents and economies of scale must apply. Moreover, the PESP budget does not capture many (perhaps most) of the costs associated with PESP operations, as the PESP significantly relies on both the schools and upazilla primary education offices to administer the program. With the exception of allowances for PESP-related stationary and some training, the added costs of PESP will borne through their routine operations budgets.

PESP is entirely (100 percent) financed by the GOB, out of the primary education development budget exclusively using local currency. The US $600 million estimated for the PESP over the period 2002-2008 represents at least 60 percent of the total development budget available to primary education (excluding donor inputs).

The sheer magnitude of the PESP has two major implications for sector financing. First, since the budget envelope for primary education is delimited, this means that the choice to invest in the PESP will necessarily reduce or eliminate other investment options for primary education. Much of the analysis of primary education in Bangladesh in recent years has pointed to the imperative of improving educational quality to ensure that the 75-85 percent of school-aged children enrolled...
in primary school acquire basic literacy, numeracy, and problem-solving skills.\textsuperscript{27} The PEDP II estimates that a medium-term program to improve quality (and accommodate the concomitant increases in enrollment) will require a development budget for primary education of at least US $2.5 billion over the next five years, with between $600 million to $750 million in capital works alone.\textsuperscript{28} The Government development appropriation is projected to be about $900 million for the same period and the total development funds for primary education at about US $1.5 billion, assuming donors provide $600 million of this amount. Not only will there be a shortfall of US $1 billion in funds for recommended quality improvements, but the introduction of the PESP will necessarily appropriate two-thirds of GOB projected allocations and close to half (40 percent) of the total projected development budget for primary education. If the PESP results in the desired gains in student enrollments, then nearly all of the donor funds and much of the remaining GOB funds could be consumed simply by infrastructure needs, leaving between $150 million and $300 million available for all quality improvements over five years, an amount considered negligible compared to needs. Consequently, it could be argued that quality improvements that will benefit all primary school pupils (roughly 15 million pupils) will be sacrificed for a stipend program that at best will benefit 40 percent of the poorest pupils (5.5 million pupils). In short, a potential major trade-off of the PESP will more pupils rather than quality primary education.

Second, the PESP—if successful in increasing enrollment and retention—will strain the primary education system’s current capacity. If the desired increases in the number of pupils materialize, expanded infrastructure, more teachers, more materials, etc. will be required just to maintain the present levels of service and quality. And since the new pupils will be drawn from more vulnerable populations, it is likely that they will require more and greater supply-side interventions to even reach the existing (low) performance levels. Currently, more than 90 percent of the primary education revenue expenditure is spent on teacher salaries and benefits. Very little is left for quality enhancing activities, such as more teaching-learning resources, training, monitoring and supervision. Although MOPME planning and financial advisors indicated that primary education budgetary projections allowed for a progressive increase (exceeding population growth) in pupils numbers, they did not believe that sufficient provision had been made to maintain quality levels.\textsuperscript{29} Most analyses reviewed conclude that resources available to primary education need to rise substantially to meet the recurrent cost implications of either expanded access or improved quality, mainly for more and better qualified teachers. The Education Watch 2001 Report states that schools currently have a capacity to accommodate only about 60 percent of enrolled students.

At issue is not necessarily whether the PESP is sustainable. The GOB at the highest political level has committed to covering the PESP from its own funds, highly placed GOB officials have stated that the PESP will continue beyond 2007/08, and the PESP’s popularity with the public is such that it would be very difficult to terminate or even reduce support. The real issue is whether it is the best investment of the funds available to primary education. Very crudely, the debate seems to fall into two camps. Proponents of the PESP believe that the major constraint to primary education participation is the demand-side factor of poverty, and that additional funds are required by households to deal with the costs of education and supplement the free education, textbooks and supplies already being—at least in theory—provided. Stipends will promote private

\textsuperscript{27} See, for example, World Bank \textit{Education Sector Review} (2000), Education Watch 2000 \textit{Hope, Not Complacency}, Education Watch 2001 \textit{Renewed Hope, Daunting Challenges}, and PEDP II Analytic papers.

\textsuperscript{28} Based on data in the proposed \textit{Second Primary Education Development Program} (December 2002) with adjustments to provide for increased infrastructure and increased numbers of new teachers.

\textsuperscript{29} Note that the researcher was unable to examine the primary sub-sector budgets project projections prepared in relation to the PESP.
expenditure on educational quality. Proponents of quality improvement approaches (i.e. PEDP) believe that major constraints to educational participation are found on the supply-side, in the form of insufficient school places, inadequate instruction and under-resourcing of other quality inputs. Quality improvements will attract greater percentages of children to school, in addition improving student flow and learning outcomes.

At present it is impossible to test the advantage of either claim, although both are valid. The PEDP has produced estimates and projection models based on worldwide experience; the PESP is based on the GOB experience with other incentive programs, knowledge of the environment, and political calculations. Solely from a budget perspective, the PESP--while reaching large numbers of poor families--is likely to have a deleterious impact on education quality improvement by diverting development resources investments in the education sector to income support for families. The $600 million estimated for the PESP over the next five years represents the majority of the primary education development budget from GOB sources. Yet, the resources required to increase the number and quality of teachers, replace the double shift system, ensure adequate new classrooms, promote student-centered learning and other quality improvements would—by most estimates—absorbs not only the $600 million but much more. Arguably, a potential problem for the primary education sub-sector is that by “housing” such as large social welfare (as opposed to education) project in its budget, requests for significant budget increases in the future may not be looked on favorably. If PESP does result in higher enrolment, retention and completion, the increased demand for secondary education will add a further strain on Government resources and work against reallocations to primary education. Most probably, the PESP will cause the GOB to turn to external sources to fund essential quality improvements and delay its stated goal of reducing its reliance on loan assistance from external donors.

CONCLUSION

Irrespective of the PESP’s impact on primary education or its reaching the poorest 40 percent of families, the prevalence of poverty in Bangladesh is such that the PESP must be regarded as a positive move in improving social welfare, in that it represents a substantial redistribution or transfer of income from the wealthier sections of society to the poorer ones. Given the rural focus, its reasonable to expect that these cash transfers will have some impact on the economies of small rural communities. As households spend the PESP stipend on commodities (books, food, clothing, etc) and services (tutoring, medical, etc.), the effects will ripple through the community, generating additional income for merchants and suppliers. Insofar as mothers are the stipend recipients, it is expected that they will have decision-making authority over its use and their economic prestige will be enhanced somewhat. The political and social impact will also be positive as poor families and communities will appreciate the recognition of need and the benefits offered by the PESP. (Although if resources are exorbitantly lost to corruption, their approbation may turn to frustration.) Interest group jealousies and protests are thought to have been largely silenced as no one particular group or region has received preference (except the unassailably needy poor in rural areas, with urban ones soon to be added.)

Ultimately, much of the success of the PESP in combating poverty and helping families deal with the direct and opportunity costs of sending their children to primary school will depend on the validity of the targeting mechanism and on the real value of the stipend in offsetting those costs. At present, the targeting methodology does not appear sufficiently well-defined to ensure that the poorest families in Bangladesh benefit, but rather the poorer families relative to their specific locale (which may not be terribly poor). Costs associated with admission to primary school may
prove a barrier to poor families, placing them outside consideration for PESP. Weak management
capacity and corruption may distort the pupil selection process.

The stipend amount appears sufficient to cover the education costs of one child, but the PESP
often employs a rationale that double- and triple-counts the stipend, by stating that it will offset
direct costs, eliminate opportunity costs, and increase household income. It is unlikely that the
stipend is adequate to address all three at the same time. It does not appear to fully recognize that
the PESP will also cause the families—especially those with working children—to incur
significant costs that may not represent a net gain for the household (at least in the short-term).
The PESP may be too expensive for very poor households whose children are not already
enrolled, as the stipend amount is not sufficient to pay for education, compensate for lost
wages/production and increase household income as well.

Households may also attempt to maximize their welfare, not just that of the primary school
stipend recipient, by skimping on the minimal expenditures needed by a pupil to succeed in
primary school and/or by attempting to evade or finesse the PESP disbursement conditions.
Schools may be complicit in overstating attendance, marks, and primary scholarship exam sit-
rates so that their pupils are not punished or the school itself does not lose prestige. The PESP
current monitoring system is fragile and probably under-resourced. Finally, it is unlikely that the
PESP will be “100 percent rigging-free.” While the use of bank-mediated disbursement may help,
there are few other safeguards to prevent undesirable amounts of “leakage” or misappropriation
of funds. The experience of the female secondary school scholarship programs, which use similar
systems, show they have suffered unacceptable losses and have had to introduce more rigorous
controls, policing and penalties.

Among its educational objectives, the PESP will most likely increase enrollment as the poor--at
least temporarily--enroll their children. (They may soon find that the financial burden of primary
schooling is too great and withdraw them or be disqualified for not meeting the performance
conditions.) Gains in persistence are most likely to occur among the less poor households who
have already committed to their child’s primary schooling. Since poverty is the defining targeting
variable, the PESP will have relatively little impact on overcoming other disadvantages that arise
from ethnicity, language, gender, disability or refugee status (except as far as they are poor.)

The PESP is least likely to be successful in improving the quality of education (as defined by
learning outcomes and completion rates), because it places the entire burden of quality
improvement on the child (maintaining high attendance) and household (purchasing educational
inputs to ensure good grades), rather than on the teacher or school. First, failure to achieve is
more often the result of poor instruction than of incapable students. Second, families targeted for
support are poor, and it is far more likely that the stipend will be used to provide additional food
and clothing for the family than purchase educational materials or tutoring for a primary school
child. And while it would not be reasonable to expect a stipend program to also be a quality
improvement program, the PESP may have negative consequences for educational quality of the
75-85 percent of primary school-age children already in school by diverting resources away from
needed supply-side improvements. The PESP ultimately seems to favor access over quality.

On balance, the PESP will certainly encourage some children who are not now attending primary
school to participate in schooling, and will encourage many who are in school to stay longer and
perhaps even complete all five years whereas they now complete two or three. The net result
should be an increase in enrollment until such time the children in households who can “afford”
the PESP are in school. Once that segment of the population is absorbed, the government will
have to consider further reductions in the cost of schooling (increased stipends) or increasing the
benefits of schooling (better quality). Encouraging—or enticing—more children to attend and complete school is one aspect of the development puzzle, but making that participation worthwhile in both the short and long term is another, essential element for sustaining enrollment gains and increasing the social and private returns on the educational investments made by government and households.

The challenge for the GOB is to find the means to guarantee the funds for continuing to improve the quality of the supply of primary schooling, while at the same time increasing the demand. Ideally, the PESP should be an addition to the funding required for quality improvements, and not a substitute. Given that the PESP is as much a social welfare/poverty reduction program, government priorities in other sectors or budget areas should be reviewed so that resources for primary education can be increased. The risk is that the PESP becomes a simple good-will gesture that helps some of the poor in the short-term, but does so at the expense of the nation’s long-term education goals. The Joint Secretary of MOPME notes that the PESP is the most important project of the GOB, not only because of its financial magnitude but also because of the government’s commitment to seeing every child enrolled, attending and succeeding in primary school. The PESP alone will not be able to achieve these goals.
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PERSONS INTERVIEWED

Government of Bangladesh
Kazi Farid Ahammed, Joint Secretary, Ministry of Primary and Mass Education.
A.K.M. Mahbub ul Alam, Joint Secretary and Project Director, Primary Education Stipend Project, Directorate of Primary Education, Primary and Mass Education Division.
Md. Nashir Uddin, Deputy Director, Primary Education Stipend Project, Directorate of Primary Education, Primary and Mass Education Division.
S.M. Shaukat Usman, Senior Assistant Secretary and Assistant Director, Primary Education Stipend Project, Directorate of Primary Education, Primary and Mass Education Division.
Monitoring, Research, Data Entry and Accounting Staff, Primary Education Stipend Project, Directorate of Primary Education, Primary and Mass Education Division.
Dr. Delwar Hossain, Documentation center, Directorate of Primary Education (DPE), Ministry of Primary and Mass Education.
Abdul Mazid, Director, Monitoring and Evaluation, Directorate of Primary Education (DPE), Ministry of Primary and Mass Education.
M. Abdul Hannan, The Cambridge Consortium Advisor, ESTEEM Project, Financial Management Unit, Ministry of Primary and Mass Education.

PEDP II
Brian Spicer, PEDP II Project Preparation Team Leader.
Dudley Blaine, PEDP II Project Preparation Team.

NGOs
Khondoker Ariful Islam, Program Manager, BRAC Education Programme.
Rasheda K. Chowdury, Director, Campaign for Popular Education (CAMPE).

Funding Agencies
Deborah Llewellyn, Education Officer, U.S. Agency for International Development.
Carol Horning, Director, Office of Democracy Governance and Education, U.S. Agency for International Development.
Ellen Marie Skaflestad, First Secretary, Royal Norwegian Embassy.
Hakon Bjornes, Counselor, Royal Norwegian Embassy.
Nazrul Islam, Advisor, Development Affairs, Royal Norwegian Embassy.
Mamadul Alam, Senior Education Economist, World Bank Office, Dhaka
Rosalynn Khan, Education Specialist, World Bank Office, Dhaka
INTERVIEW QUESTIONS ABOUT THE PRIMARY EDUCATION STIPEND PROGRAM

Impact:

- What was girls’ share, girls’ GER/NER, drop-out and completion rates in target upazillas in 2001, 2002, 2003?
- What was boys’ share, boys’ GER/NER, drop-out and completion rates in target upazillas in 2001, 2002, 2003?
- What percent of target group is being reached?
- What are the enrollment, drop-out, completion figures? Compared with previous years?

Origins and Objectives of the Program:

- What are main reasons for non-enrollment, drop-out and absenteeism in primary school in target areas? Demand (poverty) and/or supply?
- What was the design process for the stipend program? Were any studies done? By whom?
- Was there a consultation process?
- Were any donors involved in the design?

Targeting:

- Are all upazillas (#), excluding metropolitan areas, district towns and pourarsavas, included?
- Do all Food For Education and Primary Education Stipend Project students receive the PESP stipend? Or were they re-assessed?
- How are the poorest 40 percent identified? Does each school get to identify 40 percent of its poorest students? Do they identify 40 percent by grade or in general among the student body?
- What about children in grade 1 who are not enrolled? Must a student be enrolled for consideration?
- Who identifies students and selects them? How is this verified? What prevents bias in the selection? What is the schedule for selection?
- How can the UPEO’s and UNO’s verify and approve the list (how many primary schools per Upazilla)?
- How are ghost students prevented?
- How were the selection criteria established?
- How do they use the criteria? Do all criteria carry equal weight?
- Are girls given any preference?
- Is there any means testing?
Conditions:

- How are schools, students and parents made aware of the conditions?
- How is disqualification effected? How many/what percentage of schools were disqualified in 2002, 2003? What percentage of students were disqualified and for which reasons?
- Who determines disqualification?
- What happens if child does not get 40 percent grades? Is he suspended for the next year?
- How are attendance records, grades, etc. verified?
- Explain why schools could not fulfill the condition of sending 20 percent of for the primary scholarship examination?
- How long is the school disqualified? What has been parental reaction? What has been the effect on drop-out/attendance?
- How often are attendance checks made? Are they surprise visits? What does temporary suspension mean? What has happened at schools that have been suspended?

Stipend amount:

- Are families less likely to send one than one child to school due to the decline in stipend?
- What do they get if they send more than two children to school?
- Is the stipend amount sufficient?
- What about students in non-government schools who must pay tuition?

Awareness Campaign:

- How was this conducted? (media, materials)
- Was a circular the only publicity? Who was this distributed to?
- What does the social mobilization program entail?

Management and Monitoring:

- What is the management structure?
- What is the specific role of the Upazila education office?
- Are there specific personnel at the Upazilla level who are assigned only to the stipend program?
- How often are reports made, received, reviewed?
- How are local administration and public representatives involved?
- Who trains the SMCs?
Who collects the student and school-level data? Who verifies it? How often?
What evaluation, progress and/or research reports are prepared? How often?
Is there an evaluation plan? Who will conduct this?

Disbursement:

What is the schedule? Are they on schedule?
Who is money disbursed to and how is it verified?
What are the charges?
Why give to mothers?