



## **Budget for Education in Bangladesh** *An Analysis of Trends, Gaps and Priorities*

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### **Executive Summary**

Bangladesh has made impressive progress in terms of addressing inequities in schooling enrolment and as regards some of the learning outcomes. This is particularly reflected in Bangladesh's Millennium Development Goal (MDG) outcomes. However, this progress needs to be consolidated and further strengthened in view of a number of unfinished agendas and emerging challenges. Success attained in horizontal access to educational opportunities itself has brought to the fore increasing concerns regarding quality of education, learning outcomes, equity, and relevance of the learning content, from the point of view of skills and capacity building of learners. Indeed, ensuring equal access to quality education at all levels for all is a commitment which has been reaffirmed in both the Seventh Five Year Plan (7FYP) and the 2030 Agenda for Sustainable Development. From the vantage point of addressing these challenges, the national budget is a powerful tool and it is reckoned that if properly deployed, the budget could play a critically important role in achieving the relevant results and targets concerning education in Bangladesh.

The present study has made an attempt to analyse the current trends in education finance in Bangladesh, and examine and assess whether the level of finance is adequate to fulfil the national commitments to ensure quality education for all. With a view to assess the trends in national budget for education in Bangladesh, the study has followed a derived analytical framework. The budgetary allocation for education in Bangladesh has been examined from a number of angles: in terms of adequacy of resources from the perspective of allocation of finance and sources of financing; distribution of resources focusing on quality and equity in distribution; utilisation of resources from the point of view of efficiency and governance of resources allocated for education. In this connection, the study has made use of both primary and secondary data and information. Relevant national and international literature, including contributions of both CPD and CAMPE on relevant issues, have complemented the analysis undertaken for the study. As may be recalled, CAMPE had earlier organised public hearings on education budget, in partnership with Channel i, in six divisions of the country which were participated by about thirty three thousand people. Proceedings of these meetings and their recommendations have also informed this study.

### **Some Key Challenges Facing the Education Sector in Bangladesh**

The assessment carried out as part of the present study shows that there is a need to significantly reduce the level of absenteeism in, and dropout rates from, schools, at both primary and secondary levels. Formidable challenges remain in delivering quality education in Bangladesh.

Low teacher-student ratio, inadequate quality-enhancing training facilities for teachers and substandard early childhood development (ECD) programmes are some of the major challenges that need to be addressed to provide quality education. Challenges also persist as regards ensuring geographical access (including 'hard-to-reach' areas) to education and in reaching the marginalised groups. The contribution of non-formal education needs to be acknowledged in this regard, as also the need for making technical and vocational education and training (TVET) an integral part of the education system in Bangladesh, which the study has stressed. To be true, many of these challenges have been recognised in successive policies and plans of Bangladesh. However, mobilising the necessary resources, raising allocative efficiency and ensuring efficacy of resource utilisation continue to remain as highly challenging tasks.

### Trends in National Budget for Education

Analysis of the budgetary trends in the context of addressing education sector challenges, undertaken as part of this study, has come up with the following key findings.

***Current level of budgetary allocation for education is, by any standard, well below than what is required.*** The share of the education sector budget has declined over the recent years, both as percentage of gross domestic product (GDP) and as a share of total budget. Share of the education budget as a proportion of the total budget, decreased to 11.6 per cent in FY2016 from 15.9 per cent in FY2007. According to World Development Indicator (WDI) data, Bangladesh, with an education budget to the tune of 1.9 per cent of GDP, has been ranked 155 out of 161 countries in the world. In all other South Asian countries, the corresponding figures are higher (Afghanistan: 4.6 per cent, Bhutan: 5.6 per cent, Nepal: 4.1 per cent, India: 3.9 per cent, and Pakistan: 2.5 per cent). Indeed, the figure has remained around 2 per cent of GDP for the last 14 years. Regrettably, budgetary allocation for education is projected to decline further as a proportion of national budget as also GDP in the coming two fiscal years (FY2017 and FY2018), as is evidenced by the Medium Term Budgetary Framework (MTBF) projections.

***Budgetary allocation for education-related social safety net programmes (SSNPs) remains inadequate.*** The share of the education-related SSNP budget, as percentage of the total SSNP budget, has been declining since FY2013 and stands at 6.4 per cent in FY2016. Indeed, overall allocation for SSNPs, as percentage of GDP, also remained unchanged over the past years. Furthermore, allowances (e.g. stipend per pupil) for education-related SSNPs were unchanged in terms of nominal value which has resulted in significant erosion of real purchasing power. The coverage of major education related SSNP has also remained stagnant or even suffered some erosion over the last six years except in case of the school feeding programme.

***'Disguised' allocations under education head, going to a number of government entities, is often not well-documented and well-scrutinised.*** Apart from the two core Ministries (Ministry of Primary and Mass Education and Ministry of Education), there are at least five other agencies which also receive allocation from the national budget for education-related purposes. When education resources are channelled through a diverse range of agencies, the rationale and justification of such allocations and criteria as regards optimal use of limited resources may get diluted; transparency and accountability of budgets may also be compromised. It is apprehended



that some of the decisions in this respect may be influenced by political expediency rather than the best interest of children's education and allocative efficiency.

***Lack of resources is a major reason for government's inability to provide adequate allocation for education.*** Domestic resource mobilisation (tax-GDP ratio), which account for almost 90 per cent of total education financing in Bangladesh, is one of the lowest (only 9.6 per cent of GDP) in the world. To make matters worse, the ratio has been declining in recent times. Apart from a few isolated years, the government missed its revenue collection targets for most years, which made it much harder to allocate additional resources for education. Foreign aid as a source of financing education has also lost ground in recent times. Concerned ministries related to education and local government have only a very limited capacity to generate their own resources. Cross-country data of 26 countries suggests, there is a strong correlation between domestic resource mobilisation and budgetary allocation for education. Lack of resources is often cited as a major reason for government's inability to provide adequate allocations for education. Curiously, over the last five years, between FY2011 and FY2015, the public expenditure had never reached the target level. For example, in FY2015, the budget deficit was Tk. 9,893 crore lower than the target; this was equivalent to about 31.3 per cent of total budget for education.

***Allocation of finance to priority education areas is less than adequate.*** Allocations for quality of education, promotion of market-responsive TVET and educational access to hard-to-reach areas as well as for people who are marginalised and disadvantaged remain inadequate vis-à-vis the expected outcome targets. As is widely known providing quality education is a heavily labour-intensive enterprise. Teachers' salary account for up to 80 to 90 per cent of the total expenditure in education. Operational or recurrent expenditure for teachers should not be considered as 'non-developmental' or inappropriate expenditure.

***Utilisation of allocated scarce resources for education falls short of the needed level.*** It was also found that, government agencies responsible for implementing the budget for education are often not being able to fully utilise their respective allocations. Indeed, incidence of leakages and misuse of funds is particularly observed in activities related to distribution of education-related SSNPs, and implementation of development projects.

## **Policy Recommendations**

Addressing the aforesaid challenges will not be an easy task, particularly in a country such as Bangladesh, which has one of the lowest revenue-GDP ratios globally; and these challenges cannot be solved over a short span of time either. In order to establish an equity-focused quality education system which would help sustain the impressive recent gains in terms of human capital accumulation and in view of the emerging and growing needs of the education sector, Bangladesh's budgetary policies and priorities will need to significantly change. Addressing these tasks is key to propelling Bangladesh to a higher stage of development through enhancement and advancement of its human capital. Keeping this in the purview, the present study has put forward a set of recommendations for consideration by the policymakers.

***Enhance budgetary allocation for education significantly.*** It is important that a comprehensive review is undertaken with a view to enhancing budgetary allocations for education sector. The

government needs to chalk out a plan in this context which is then gradually realised over a period of time. The plan will need to set the target of allocating 6 per cent of the GDP for education. The government needs also to set out a plan to raise the proportion of GDP available for the public education budget to at least 4 per cent, and eventually to 6 per cent (and/or 20 per cent of the national budget). The education budget planning ought to be informed by the aspiration of attaining the Sustainable Development Goals (SDGs) and 7FYP targets.

***Align 7FYP and sectoral education-related targets with the SDG4.*** Coherence between 7FYP and the SDG targets is important. This is particularly relevant to ensure appropriate distribution of budgetary allocations. Relevant objectives and policies will need to be backed by a set of quantifiable annual targets (indicators). Adequate resources will need to be invested to monitor these indicators. The exercise to enact a new education law is a good opportunity to improve the legal framework for some of these targets, provided that the law reflects priorities pertaining to education.

***Improve teaching quality through budgetary measures.*** The 2030 Agenda has called for quality education which critically hinges on availability of adequate human resources and skilled teachers. By far the largest expenditure item in education is on account of the teaching personnel. Budgetary measures have to provide for ensuring adequate numbers of teachers and optimum teacher-learners ratio. This would raise the productivity of the largest education budget head. In addition to improving current in-service training of teachers, measures have to be taken to make teaching an attractive first career choice for talented young people.

***Fund non-formal alternatives for out-of-school children more effectively.*** A second opportunity programme must be a part of the key strategy of universal primary education up to grade 8, but this can work only if a partnership is built with non-government actors such as the non-government organisations (NGOs). As is known, NGOs that have a proven track record of commitment and capacity in this area. For the sustainability of non-formal primary education (NFPE), the envisaged move from current donor dependence to domestic sources of financing should be the subject for close scrutiny.

***Invest in TVET on a priority basis.*** Taking the rising demand for skilled workers in both domestic and global markets into cognisance, more investment for TVET has to be a top priority. The TVET policy will need to consider the required self-employment skills, as also types of skills required for Bangladesh's growing manufacturing sector. Hence the TVET policy and its finances need to take cognisance of other relevant macroeconomic policies including trade and industry policies of Bangladesh.

***Provide adequate allocation for the education-related SSNPs.*** Education needs of the poor, disadvantaged and marginalised groups including persons with disabilities, and those of indigenous people, will need to be considered in allocating funds. It is important to review and revise, on a regular basis, the allowances for education-related SSNPs. Implementation of the recently adopted National Social Security Strategy (NSSS) is an important first step towards attainment of these objectives and allocations should be aligned with the NSSS.

***Put concerted efforts towards generating resources.*** The budget plan for education needs to be backed up by concerted efforts towards raising finance. Domestic resource mobilisation is key to raise adequate allocations for education. With the low revenue-GDP ratio as it is, it is unlikely that significantly increased resources will be available for education. Raising the revenue-GDP ratio will require increase in tax compliance, broadening of tax base, plugging the loopholes and putting in place good governance practices. An ideal scenario that could improve adequacy of education resources in Bangladesh would be through significant enhancement of revenue-raising capacity of local government bodies (union and upazila councils, municipalities, and city corporations). In the meantime, pragmatic measures should be considered to generate dedicated resources for investment in education – perhaps, an education cess (taking into account the positive and negative lessons from India in this connection).

***Redesign foreign aid strategy for education.*** Bangladesh’s foreign aid strategy for education will need to be redesigned in view of the 7FYP and the SDG targets. There is hardly any doubt that external assistance will be an important source for financing education, in spite of Bangladesh being a (lower) middle income country, at least till 2030. It is important that Bangladesh remained engaged in dialogue with the traditional and new development partners on a continuing basis in view of attaining the SDG 4 agenda. External assistance has to be aligned with national priorities and strategies, which in turn should be designed through broad-based stakeholder participation.

***Emphasise efficacy of resource utilisation to attain the envisaged outcomes.*** It is important to raise the efficacy of resources going to the education sector. Good governance should be established in the education sector, as well as other sectors. Proper implementation of development projects will depend on timely completion, and avoidance of wastages and cost overrun. If more resources are to be earmarked for the education sector, and these are to be then appropriately used, it will be extremely important that capacity of concerned institutions are significantly raised.

Bangladesh’s ambition is to have high quality education that will be a key driver in a skills and productivity driven economy. As is known, a new Education Act is expected to be enacted soon; the Act should reflect this aspiration. The law needs to be finalised by keeping in the purview the broad objectives of establishing a rights and equity-based education system in Bangladesh. However, it is important to recognise that the proposed Act itself can only outline the broad guidelines; the Act will need to be specified by appropriate follow-up rules and regulations. The enacted law must be backed up by the capacity and motivation of the people responsible for implementing these provisions and ought to be supported by strong political commitment and accountability. Finally, implementation of the aforesaid Act and attainment of the envisaged education-related targets will critically hinge on appropriate prioritisation of tasks, allocative efficiency and high efficacy of allocated resources.

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