

Sources and Patterns of Education Sector Financing: Options and Challenges in Bangladesh

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Abstract

Bangladesh's education system depends heavily on public financing both for recurrent and development expenditures. One major exception is secondary education where there is significant private financing. Though education is by far the largest recipient of budgetary funds in combined Annual Development Program (ADP) and recurrent budgets, the total government expenditure on education is currently about only 2.5 percent of GDP and 14.2 percent of total government spending (BANBEIS 2008 and Human Development Report 2007/2008). The expansion of primary education took place both within and outside the public sector, while the rapid expansion of secondary education occurred mainly through partnerships with private providers. The large expansion in primary enrollment eventually resulted in increased demand for continuing into the secondary level. To achieve rapid expansion of secondary enrollment, the Government should opt more seriously for even wider partnership with the private sector, which will allow lower per-pupil costs. A high share of government education expenditure at all levels is directed to teachers' salaries and salary-related subsidies to non-government institutions. Salaries and salary-related subsidies accounted for 97 percent of recurrent expenditure at the primary level and 80 percent at the secondary level. Thus little funding is available for other inputs such as teaching materials supplies, in-service training, and maintenance. Construction is another large item in education budgets. In tertiary level the allocation for research is really disappointing. The Government should increase substantially the non salary budget for education sector.

Key Words: Subsidy, Budget, Education, Public and private financing, Development, Revenue, Public-private partnership.

1. Introduction

The household sector represents the most important source of education financing in Bangladesh. Starting from the primary level, schools collect fees or contributions to cover costs, and households pay for supplementary educational materials, private tutoring, and other education-related expenditures. Annual expenditures per student for households equal government expenditures per student at the primary and tertiary levels. At the secondary level, however, private expenditures exceed government spending by a large margin. Secondary education in Bangladesh is not free, and households incur extremely high costs for private tutoring geared towards passing the public secondary

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school certificate (SSC) and higher secondary certificate examinations. Large private spending is both a strength and a weakness of the system. It is strength in the sense that it reflects a high willingness on the part of parents to invest in education. It is a weakness in the sense that the spending is for out-of-school tuition, where the focus is to prepare the students to pass examinations. This spending exacerbates the inequities in education, since the poor cannot afford the out-of-school tutoring. The objective of this article is to identify the sources and patterns of education sector financing in Bangladesh and to find out the options and challenges of financing of that sector. The paper has been organized as follows: section 2 shows the works which have been done before that are related to this study, section 3 discusses the Methodology of the study which explores the sources of data and the method I have followed, section 4 analyzes the sources of education sector financing, section 5 describes the patterns and trends of education sector financing in Bangladesh, section 6 presents the policy challenges of education sector financing, section 7 identifies policy options of education sector financing in Bangladesh, finally section 8 puts forward conclusion.

2. Literature Review

Bangladesh spends only 2 percent of its GNP on education, compared to 3.2 percent in an average low-income country and 6 percent in an average high-income country. Low investment in education results in low literacy (only 35 percent), which in turn results in low productivity, low incomes, poor health and, above all, high population growth. The paper concludes that school interventions, such as more and better schools, better trained and educated teachers, more female teachers, and better water and sanitation facilities in schools are able to promote literacy and improve school participation and school attainment rates. These results are independent of the household- and community-based demand-side factors. More importantly, the effects of these interventions are more pronounced for girls than for boys, which suggest that girls would benefit more than boys from such education projects (Khandker, Shahidur, 1996).

Decentralization in post-Mao China has widened regional gaps in the provision of basic education. Reforms since 1994 have not reversed that trend. More recently, the government started centralized spending projects on rural education, which have significantly narrowed the urban-rural gap in education spending since 2001. However, inter-provincial disparities remain large and growing. To ensure the regular operation of the grassroots state and the need of rural compulsory education, from 2001 on the national finance will arrange for an expenditure of Y103 billion (\$12 billion) every year, including Y78 billion (\$9.7 billion) of central fiscal transfer payments per year (Guo Gang, 2007).

Psacharopoulos George et al (1986) show that adverse macroeconomic conditions and keen inter sectoral competition for public funds have reduced the ability of LDC governments to continue expanding education. Their article discusses three broad policy options which address the current crisis in education: recovering the public cost of

higher education and reallocating government spending toward the level with the highest social returns; developing a credit market for education, together with selective scholarships, especially in higher education; and decentralizing the management of public education and encouraging the expansion of private and community supported suburbs.

There is a major crisis of quality in higher education in developing countries due to economic recession, unchecked private demand, and political naivete about the functions of higher education. This crisis is widespread but not universal: higher education in The People's Republic of China, the petroleum exporting economies of the Middle East and, perhaps, India, are exceptions. But there are large areas of Africa, the Middle East, East Asia and Latin America where a crisis of quality does exist, and where future policy decisions — what kind of higher education is most necessary; how it should be managed and financed; and the timing of new forms of higher education — raise questions we believe to be universal (Etienne Bernadette, 1988).

3. Methodology

The data and information used in this paper have been obtained from secondary sources like, Bangladesh Bureau of Statistics (BBS) publications; different issues of Bangladesh Economic Review (2006, 2007, 2008); BANBEIS; “Human Development Report 2007/2008” by UNDP; web sites of ministry of finance, ministry of education and BANBEIS.

4. Sources of Education Sector Financing

In primary education, the Government, involved as financier and provider, directly operates about half of all schools, accounting for 60 percent of overall enrollment. Registered nongovernmental primary schools account for 25 percent of primary schools and 24 percent of enrollment. Another large group of schools, the ebtedayee madrasahs (religious schools), accounts for an additional 9 percent of primary schools and 5 percent of enrollment. Most of these schools are heavily subsidized by the Government, which provides on average 80 percent of teachers' salaries and free textbooks. All primary schools adhere strictly to the national curriculum developed by the National Curriculum and Textbook Board (NCTB), which is also responsible for preparing, printing, and distributing all textbooks at the primary and secondary levels. NGO-run schools (not supported by the Government) provide non-formal primary schooling to about 2 million children (about 10 percent of total enrollment in the 6-10 age group).

The mass education system is designed to provide (i) non-formal education for children ages 8-14 currently out of school, to enable their transition to the formal schooling system upon completion of their non-formal course, and (ii) adult literacy training. In adult literacy about 330 NGOs directly implement the non-formal education programs of

the Government, which aim to cover nearly 30 million adult learners. Most secondary schools (covering grades 6-10 and 11-12) are privately managed (98 percent of all secondary schools, 94 percent of enrollment), but a substantial part of their expenses is covered by government salary subvention payments for teachers and staff and block grants for construction and maintenance. The Government also supports the religious secondary schools known as dakhil (grades 6-10) and alim (grades 11-12) madrasas.

The low quality of instruction in the schools puts those who cannot afford private tuition at a substantial disadvantage and risk of losing the investment made in their education. Secondary schools in rural and urban areas differ in terms of quality. Such differences are essentially a reflection of a privately managed system without adequate public supervision and compensatory financing. But they are also a result of systemic flaws such as centralized management leading to weak supervision and limited institutional capacity. Parents attempt to supplement their children's secondary schooling by arranging private tutoring so that their child can get high marks in the HSC and SSC exams. Private tutoring is the largest item in household expenditures on education. Anecdotes suggest that parents spend nearly ten times more on private tuition than on school fee. Not surprisingly, the high performers in the HSC and SSC exams generally tend to be the ones who had most access to private tutoring. The tertiary education system is intended to prepare high-level manpower for professional, technical, and administrative positions in the labor market; generate new knowledge through research; and extend that knowledge to the society at large. Pressed by lack of employment opportunities at lower levels and attracted by high rates of return (over 10 percent annually), about three out of four students who pass the higher secondary certificate (HSC) examination go on to some form of higher education. About 15 percent of the entrants are admitted to the universities, and the rest are channeled into the nearly 1187 degree colleges, most of which are non-government. The Bangladesh Open University was established in 1992 in order to make university education more accessible.

Bangladesh's Technical and Vocational Education (TVE) system is relatively small, absorbing about 2 percent of the education budget and enrolling only 95458 students at the certificate and diploma levels combined. There are a few reasonably good-quality public training institutions, including some technical training centers (TTCs) under the Ministry of Labor and rural training centers under the Ministry of Youth. Good models for skills training are provided by some NGOs. The Technical Education Board is a small, self-supporting, and relatively effective organization for curricula, teaching materials, and trade tests (Bangladesh Public Expenditure Review 2008).

The primary instruments for financing education expenditures are the revenue and development allocations in the national budget. For the revenue budget allocations, the government draws from internal revenue resources. External aid finances are more than 50 percent of the government's development expenditures on education. The country has received loans from multiple donors, including IDA, ADB, and OPEC. External aid in the 90s from all major donors amounted to 1.14 billion dollar, of which about 32 percent

consisted of grants from several bilateral. This high level of external dependence is unavoidable in a country which has one of the lowest revenue-GDP ratios in the world (about 12 percent) (National Budget Speech, 2008-2009).

Three key public policies underpinned Bangladesh's education successes. These include (i) sustained injections of public resources; (ii) effective partnerships with the private sector for service delivery; and (iii) provision of subsidies to influence the demand for education in favor of the poor and girls. The expansion of primary education took place both within and outside the public sector, while the rapid expansion of secondary education occurred mainly through partnerships with private providers. The large expansion in primary enrollment eventually resulted in increased demand for continuing into the secondary level. To achieve rapid expansion of secondary enrollment, the Government opted for even wider partnership with the private sector, which allowed lower per-pupil costs. As a result, today more than 95 percent of secondary schools are non-government, with a unit cost per pupil of \$16, compared with \$68 in government secondary schools. This difference in unit cost is due to lower teacher-student ratios as well as lower teacher salaries (in non-government secondary schools the Government pays 90 percent of the base teacher salary; see World Bank 2000c). Despite high administrative leakage, the Government strategy to promote education of the poor and girls through demand-side interventions delivers results. Currently, two demand-side education transfer programs provide subsidies to selected schools and direct benefits to selected groups of students and their families. The Food for Education (FFE) program provides grain rations (recently monetized) to disadvantaged families if they send their children to primary school. The Female Secondary Stipends (FSS) program provides stipends and tuition waivers to girls residing in non-municipal areas if they attend grades 6-10. About 16 percent of all education ADP spending is devoted to FSS, and another 20 percent to FFE and primary stipends combined. Public primary education expenditures are strongly pro-poor.

5. Patterns and Trends of Education Sector Financing in Bangladesh

Education is by far the largest recipient of budgetary funds in combined Annual Development Program (ADP) and recurrent budgets (BANBEIS 2008)(Table1). But the total government expenditure on education is currently about only 2.5 percent of GDP and 14.2 percent of total government spending (Human Development Report 2007/2008). The education expenditure has been increasing over the period 1990 to 2007. But it increased dramatically (about 36 percent) in the early to mid 1990s, is high relative to other government expenditures, and focuses on basic education (table1). This is because of introducing free female secondary education and stipend. The sharp increases in education spending that occurred during the mid-1990s have been sustained (Table1)

Table 1 : Government Budget on Education, 1990-91 to 2006-07 (Tk. in million)

Fiscal Year	Total Education Budget	% of Growth	Revenue budget	Revenue budget as % of total budget	Development budget	Development budget as % of total budget
1990-91	14944.2	-	11820.1	79.10	3124.1	20.90
1995-96	35226.2	135.72	21514.5	61.08	13711.7	38.92
2000-01	58517.0	66.12	35996.6	61.52	22520.4	38.48
2001-02	58775.5	0.44	37398.7	63.63	21376.8	36.37
2002-03	65037.8	10.65	39627.1	60.93	25410.7	39.07
2003-04	67579.1	3.91	44748.0	66.22	22831.1	33.78
2004-05	71301.2	5.51	50813.9	71.27	20487.3	28.73
2005-06	91022.7	27.66	63471.4	69.73	27551.3	30.27
2006-07	109057.8	19.81	71204.8	65.29	37853.0	34.71

Source: BANBEIS 2008

Revenue budget has never fallen over the period 1990-91 to 2006-07. However, development budget has fluctuated over the same period. Development budget has not ever crossed 40 percent of total education budget. On the contrary, revenue budget has never below 60 percent of the total budget. The growth of education budget has fallen drastically from 66.12 percent to 0.44 percent from 2001- 02 to 2002 -03. The growth Rate of revenue budget is greater than that of development budget (Table1). Primary education sector scores the highest development and revenue budget in the subsequent fiscal years 2005-06 and 2006-07 among all other educational sectors. Though the allotment remains consistent in case of revenue budget, development budget falls drastically from 61.51 percent to 52.65 percent over the period (Table 2 and 3).

Table 2 : Government Revenue Budget on Education by Sub-Sector, 2005- 06 and 2006-07 (Tk. in million)

Type of Education	2005-2006		2006-2007	
	Budget	%	Budget	%
Primary Education	20714.2	34.00	22782.5	33.71
Secondary Education	11970.5	23.26	15437.9	23.44
College (General) Education	7259.5	13.69	9141.6	13.82

Madrasah Education	5916.7	11.45	7754.6	11.59
Technical Education	445.3	0.85	700.7	0.88
University Education	4043.5	7.98	4919.0	8.24
Teachers Training	256.2	0.46	300.5	0.45
Others Administrative & Subsidiary Services Department	12865.5	8.31	10168.0	7.87
Total (Education):	63471.4	100	71204.8	100

Source: BANBEIS 2008

The lowest disbursement is allocated for technical education sector. This is the second lowest in revenue budget. Nevertheless, technical education is very important to uplift the poor by making skilled human capital; both the government and NGOs ignore this sector. In spite of the huge demand of developed and developing countries for the skilled work force, unfortunately we cannot meet up their demand. This is because technical education sector needs proper attention of the government and the NGOs to continue the flow of remittances. Combining information on enrollment across households with estimated per-pupil government subsidies reveals that the poor receive 56 percent of all government subsidies on primary education. Since the poor account for 50 percent of the total population, primary education spending is strongly pro-poor. In theory, the amount of subsidy accruing to a sub-group depends on the number of potential users, the rate of use among those users, and the level of per-user subsidy.

Table 3 : Government Development Budget on Education by Sub-Sector and Source, 2005-06 and 2006-07 (Tk. in Million)

Sub-Sector	2005-2006		2006-2007	
	Budget Allocation	%	Budget Allocation	%
Primary & Mass Education	16947.5	61.51	19927.8	52.65
Secondary & Higher Education	7459.6	27.07	9234.1	24.39
Technical Education	1252.3	4.55	1882.5	4.97
University Education	1878.2	6.82	1271.8	3.36
Own Project (MOPME)	-	-	2679.2	7.08
Own Project (MOE)	13.7	0.05	2857.6	7.55
Total	27551.3	100.00	37853.0	100.00

Source: BANBEIS 2008

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6. Policy Challenges of Education Sector Financing

There are currently 54 private universities, permitted for the first time in the 1990s, and 24 public universities. Private universities are not subsidized by the Government, and even though the official government policy is to encourage them, there are numerous bureaucratic hurdles to their establishment. The challenges faced in education sector financing are discussed below.

1. Accountability and incentive mechanisms and checks and balances for teachers and administrators are extremely weak. The Government's centralized administration and the lack of involvement of communities also handicap the efficiency and effectiveness of resources devoted to education.
2. Budgetary allocation in the social sectors is not so encouraging with education expenditure accounting for less than 3 percent of GDP. The allocation is less even by the standard of the neighbouring countries except Pakistan.

Table 4 : Public Expenditure on education in selected South Asian Countries
(As % of GDP) 2002-2005

Name of the country	Public Expenditure on education (As % of GDP) 2002-2005
Nepal	3.4
Maldives	7.1
Pakistan	2.3
India	3.8
Bangladesh	2.5

Source: Human Development Report, UNDP 82007/2008

3. There was a large expansion in primary schools in Bangladesh in the early 1990s, and by 1996 there were 37,710 government primary schools (GPS) and 19,683 registered non-government primary schools (RNGPS) operating in the country. In 2005, there are 37672 GPS, 42729 RNGPS in the country (BANBEIS2006). In fact, even after the growth in GPS and RNGPS leveled off in 1996, local communities continued to organize schools with government support. Though the rate of increase in government primary school is higher than that of private, compared with GPS, the RNGPS and community schools tend to have lower teacher salaries, a higher number of students per classroom, and higher student-teacher ratios resulting in overall worse quality education.
4. The Technical and Vocational Education System (TVES) system lacks links to the job market, has no impact on poverty reduction, and is almost entirely dependent on state subsidies.
5. Low quality and internal inefficiency manifest themselves in low attendance rates, low completion rates, limited relevance of the curriculum (particularly at the secondary level), limited teacher pupil contact time, and poor quality of instruction. Survey findings show that student attendance rates average 62 percent and are highest in informal NGO-run schools (CAMPE 1999). Absenteeism among teachers is over 20 and unregistered non- government schools, 13 percent in government schools, and 5.3 percent in NGO-run informal schools.
6. Low efficiency is due in part to unbalanced expenditures on labor and non-labor teaching inputs.
7. The tertiary sector, relatively small but in high demand, tends to subsidize private goods and does not focus enough on science and technology. It also fails to fully mobilize private resources.
8. Notwithstanding recent improvements in data collection and dissemination Bangladesh's education administration at the central level and the policy

planning and implementing agencies are not adequately equipped to perform their oversight role. They have minimal capacity to conduct policy research, do planning and budgeting, monitor and evaluate programs, and assess school performance. The ministries do not have sufficient capacity to monitor the financial aspects of the subvention system, not to speak of the quality of instruction. They have little control over the collection of information from schools, resulting in substantial delays in the production of basic statistics. Information about student and school performance and about finances is not always reliable, nor is it available to the public.

9. Given the Government's already overstretched capacity (financial and managerial) and the poor quality of the existing education system, the greatest challenge at this stage is to improve the quality of education services across the board, reach the poorest of the poor, and resist popular pressures to expand the Government's role as a provider of education.
10. Bangladeshi universities are deteriorating rapidly because of shortages of funding and the rapid politicization of campuses. Access to library, laboratory, and computer resources is very limited, and teacher salaries and related personnel costs absorb most of the resources. Few resources are available for research, even in the best universities. Within universities, resources are allocated among departments based on staffing and historical patterns instead of being responsive to the needs of students (or the economy). Most government funding is used to support purely private services (the degree training of undergraduates and master's degree candidates) and, within this category, those majoring in general studies instead of scientific and technical fields.
11. The other part of higher education, the degree colleges, account for about 85 percent of higher education enrollment. Although they are subsidized by the government (albeit at a much lower level per student than the universities), they finance about two-thirds of their costs through student fees. Because of the sub-system's rapid expansion, many of those teaching in degree colleges have limited education themselves. The degree colleges are nominally supervised by the universities, including the National University (NU), created expressly for this purpose, which currently supervises more than 900 degree colleges. However, the supervision is largely ineffective because of the limited capacity of the NU. It is difficult to justify the payment of subsidies to degree colleges, since the services they provide are mainly "private." It would be better to gradually terminate the subsidies that private degree colleges receive and privatize most of the remaining government degree colleges. The savings generated could be directed to the universities (public and private) to support their research programs.
12. TVET training programs do not produce the needed skills. No incentives are given to managers or instructors to consult with employers. On the contrary, the

centralized training system imposes rigidities on managers of institutions and limits the possibilities of capitalizing on local responsibilities and initiatives. TVET is almost exclusively geared to in-school male youth, while underprivileged youth outside the school system, especially girls, do not have access. Last but not least, TVET is expensive relative to degree colleges, and the beneficiaries-students and enterprises-share virtually none of the costs. The Government pays all the expenses, including providing trainees with stipends and subsidizing their accommodations. At the same time, equipment and consumable supplies are chronically underfinanced in most public institutions.

13. At the secondary level the Government provides its subsidies directly to a "qualified" set of private schools. Once the schools have attained their eligibility to receive government subsidies, however, the subsidies continue to flow regardless of performance or community satisfaction. The Government has little leverage beyond periodic non-renewal of accreditation and discontinuation of subventions, measures it rarely employs. There is few ministry staff at the field level to monitor the quality of the services they are essentially purchasing. The consequence is a sub-system of uneven but generally poor quality, in which considerable rent-seeking behavior is alleged to occur.

7. Policy Options of Education Sector Financing

The quality of education is the main concern of civil society, parents, the public at large, and development partners. Intertwined with quality deficiencies are concerns about equity. Specific policy and management improvements in pursuit of better quality and equitable distribution of resources in education sector include:

1. Considering the pervasiveness and depth of poverty in Bangladesh and the country's vulnerability to calamities of all sorts, its education outcomes are indeed highly impressive, particularly in ensuring wide coverage and access to primary and, to some degree, secondary education. The achievement of gender and urban-rural parity in Bangladesh contrasts sharply with the experience of many neighboring countries. Unfettered commitments to education on the part of the Government and civil society and sustained injections of public resources on both the supply and the demand side have made this possible. However, enrollment expansion and gender parity have not been matched by improvements in the quality of education. Quality remains low because of the poor quality of education inputs and learning processes, weak accountability and incentive mechanisms, and inadequate checks and balances for teachers and administrators. The tertiary sector, relatively small but in high demand, subsidizes private goods and does not focus enough on science and technology. Public education expenditures now need to be directed to improving quality in basic education and providing access to the hard-to-reach poor. Policy changes are needed to make the tertiary system less dependent on the budget and transform it into one of quality and relevance.

2. Increasing funding for education from 2.5 percent of GDP currently to 4 percent by 2010 while giving the highest priority to improvements in the quality and equity of basic education. Analysis of public resource requirements under alternative scenarios indicates that in order to maintain the existing coverage with the existing “low quality” the share of education in the budget can stay at its current level (World Bank 2000c). Improving the quality and expanding the coverage of post-primary education would call for significant additional resources.
3. Rebalancing expenditures on labour and non-labour teaching inputs. Increasing the allocation for teaching and learning materials from the current 0.50 dollar per student to the UNESCO recommended norm of 5 dollar per student at the primary level is desirable.
4. Expanding the program of contracting the management of non-performing government schools and non-formal education to NGOs and the private sector. The non-formal basic education system provides good learning opportunities to large numbers of primary-age children, including some of the most disadvantaged and hard to reach. The nature of provision within this sub-system is varied and provides some examples of innovation in teaching practice.
5. Many of the strategies in the National Education Policy (2000) are essentially sound and consistent with both sector needs and with standard economic criteria of efficiency and equity. However, some of the proposed strategies need rethinking in terms of priority and sequencing. For example, extending primary education from five to eight years should be viewed as a less urgent objective than improving the quality of the existing primary education system. Expanding vocational education at the secondary level should not be provided as part of the regular school curriculum. Expanding university capacity in science and technology by establishing more new universities is less desirable than improving the quality of existing science and technology universities (which are starved of resources). Government policy should be more supportive of private universities while putting in place quality assurance mechanisms for both private and public universities as well as for degree colleges.
6. Using area-based poverty indicators more widely in the allocation of public funds under the recently monetized FFE (now called Stipends for Primary Education), in the distribution of free teaching and learning materials in primary education, and in the Female Stipends Program in secondary education.
7. Using examination results as well as other performance-based criteria (e.g., indicators of effective school management practices, number of qualified teachers) to direct subvention payments to performing schools, particularly at the secondary and degree college levels.
8. There is considerable scope to improve the pro-poor focus of government expenditures, even at the primary level. This is

especially important given the high dependence on households for education financing and the inability of poor households to match the contributions of the wealthier households.

8. Undertaking several institutional and management changes that would also help improve the efficiency of service delivery, including:
 - * Refocusing the roles of the central Government and district- and upazila-level authorities in the sector. Management of primary and secondary education should be decentralized to the district and upazila levels, while the central Government's role in basic education should be confined to the provision of technical services, including transparently allocating resources among districts, setting standards, setting sector policy and curricula, conducting national assessments at regular intervals, conducting research, and disseminating research results and other education-related information to local governments and to the general public.
 - * Adopting a programmatic approach in the education sector for budgeting and accounting.
 - * Rationalizing (including phasing out) the publishing, printing, or distribution of textbooks for any level of schooling, including primary, while maintaining the Government's role in curriculum development and maintenance of standards in textbook contents.
 - * Streamlining the procurement processes for works, goods, and services, especially in the Facilities Department, where there are widespread governance problems. Strengthening monitoring and evaluation mechanisms.
9. As far as local participation is concerned, there is little delegation of authority to School Management Committees (SMCs) or local government. Even when SMCs are established, local elites often dominate, leaving little room for real representation by parents and objective community members. One of the best ways to get better education results is to make those who deliver education accountable to stakeholders and beneficiaries. The locus of managerial control over educational institutions needs to shift to those closest to the place of learning. This enables better adjustment of available resources to local needs and circumstances. In basic education, real authority over teacher appointments and school budgets should be put in the hands of local school boards or management committees while ensuring that they are genuinely representative of the local communities.
10. Reducing the dependence of public universities on the budget and instead tapping the resources available from a student population that is already buying private education-the most important measure, given the private good nature of tertiary education. At the same time, the Government needs to shift its university funding

from financing private services (undergraduate and master's degree-level education) to those functions of higher education that are more nearly public goods. Financial support for research should be the highest priority and should be equally accessible to public and private universities, independently of their ability to mobilize grant funding from the non-government sector (so as to prevent discouraging universities' entrepreneurial activity).

11. Introducing fees for university undergraduate and master's courses. These should be accompanied by a means-tested scholarship program and, if possible, a government-supported loan program. Additional resources for expanding university revenues and augmenting staff incomes could come from formalizing consulting work, establishing business offices, and forging links with industry and services (under appropriate safeguards).
12. Focusing Technical and Vocational Education and Training (TVET) expenditures on labor market research that could guide private investments in TVET. Over the long term the best hope for a vibrant TVET system is to turn it over to the nongovernmental sector, which has demonstrated the capacity to develop local needs-based curricula customized to the experiences of trainees and has achieved strong employment rates for graduates.
13. Teachers' wages are not related to performance. While teacher salaries are low, it is not clear that this is the reason for their poor performance, as manifested by their high rate of absenteeism. It appears that misgovernance in teacher recruitment, training, assignment to schools, salary payments, and supervision are some major factors behind the very low motivation on the part of the teachers to teach. Only these can explain why, despite being paid less than their counterparts in the government and government-aided schools, teachers in NGO schools seem to do better in classrooms.

8. Conclusion

As in many developing countries, in Bangladesh the central Government carries out a combination of functions emphasizing regulation, supervision, and implementation of policies. Since the line ministry manages the overall education budget, it has an incentive to recommend expansion and construction as a solution to most education problems. This is in contradiction to the expected role of the central Government, which in basic education should be confined to the provision of technical services, including transparently allocating resources among districts, setting standards, establishing sector policy and curricula, conducting research, and disseminating research results and other education-related information to local governments and to the general public. The task of creating an effective, decentralized management of primary and secondary education will require several years. It should proceed according to a plan, possibly on a phased basis (those districts that are judged ready to manage their schools effectively should be permitted to do so). Civil society, parents, all spheres of people at large, and

development partners are mainly concerned about the quality of education. Perking up the quality and spreading out the coverage of post-primary education would call for significant additional resources. Responsibility and inducement mechanisms, checks, and balances for teachers and administrators are extremely weak. The Government's centralized administration and the lack of involvement of communities also handicap the efficiency and effectiveness of resources devoted to education. The Technical and Vocational Education System (TVES) system needs links to the job market, has no impact on poverty alleviation, and is almost entirely dependent on government subsidies. For the effective use of budget for education government has to address these issues seriously.

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