

PROGRAM EXPENDITURE AND FINANCING ASSESSMENT

A. Expenditure Framework

1. Primary education in Bangladesh is under the supervision of the Ministry of Primary and Mass Education (MOPME) and implemented through the Directorate of Primary Education (DPE). The commitment of the Government of Bangladesh to make access to primary education inclusive for all children has been evident in the considerable improvement in universal access and gender parity in this education subsector. The Seventh Five-Year Plan (FY2016–FY2020) supports this commitment, and specifically lays out four goals for primary education: (i) improve the teaching and learning process in schools, (ii) ensure participation and reduce disparity, (iii) ensure decentralization and enhance effectiveness, and (iv) establish effective planning and management. The National Education Policy (2010) and the Sustainable Development Goal 4 back up the envisioned primary education development in the country.

2. The Fourth Primary Education Development Program (FY2019–FY2023) continues the sector-wide approach with joint funding by the government and development partners. Based on the achievement of the Third Primary Education Development Project (FY2012–FY2018) (the previous project), which used the disbursement-linked indicator (DLI) approach, the Asian Development Bank (ADB) will finance Supporting Fourth Primary Education Development Program (FY2019–FY2023) (the proposed program) through results-based lending (RBL) with a stronger link between program components and expected outcomes.

3. **Public expenditure on primary education.** Primary education expenditure has been projected at \$20.4 billion over the 5-year span from FY2019 to FY2023. This is based on (i) expected trends in primary school enrollment and the resulting demand for teachers, (ii) main cost drivers and their unit costs, and (iii) MOPME's projected administrative and operational expenditure. The need to reduce schools operating on double shifts and meet the coming student intake calls for investment in additional infrastructure and teachers. Meanwhile, to further lift the performance of the subsector, greater prioritization of the budget shall be given to measures to improve education quality and learning outcomes. In addition to the Fourth Primary Education Development Program, the MOPME has other investment projects under its budget and management, such as a school feeding program, primary education student stipends, and discrete civil works projects.

4. **Program expenditure.** The proposed program is estimated to cost \$14.7 billion, about 72.1% of projected expenditures in the primary education subsector during the same period. Substantial allocations are made to needs-based school infrastructure development, including the provision of classrooms and water and sanitation facilities. The other main allocations are for teacher education and training, teacher recruitment, the school level improvement plan (SLIP) and *upazila* (subdistrict) primary education plan (UPEP), and other quality-improving initiatives. The substantial allocation to the nondevelopment budget will include the payment of salaries. Table 1 sets out planned costs for the proposed program based on cost items and economic classification, and shows the program boundary agreed between the joint financing development partners.¹

¹ The proposed program excludes any land acquisition, as does the government's Fourth Primary Education Development Program. The ADB loan will support the proposed program's expenditure framework, except for (i) production (printing) of textbooks; (ii) information and communication technology equipment and accessories, furniture, and motor vehicles; (iii) pensions and/or gratuities; (iv) unadjusted advances or loans; (v) any civil works other than additional classrooms, and water, sanitation, and hygiene and other facilities at schools; and (vi) procurement of goods that require international procurement.

Table 1: Summary of Program Expenditure Framework, FY2019–FY2023
(in 2018 prices)

Item	Amount (\$ million)	Share of Total (%)
1. Development expenditures		
A. Investment cost		
a. Teaching and learning materials ^a	47.2	0.3
b. Training and capacity development ^b	541.7	3.7
c. Civil works ^c	2,098.2	14.2
d. Maintenance	375.9	2.6
e. SLIP and UPEP	236.9	1.6
f. Social awareness and campaign	8.2	0.1
g. Salaries of new teachers and personnel	355.1	2.4
h. All other items ^d	357.5	2.4
Total base cost	4,020.7	27.3
B. Contingencies ^e	163.0	1.1
C. Interest charge during implementation	38.9	0.3
Total development expenditures^f	4,222.5	28.7
2. Nondevelopment expenditures ^g	10,505.6	71.3
Total program cost (1+2)	14,728.1	100.0

SLIP = school level improvement plan, UPEP = *upazila* primary education plan.

^a It includes the curriculum, development of textbooks, and other teaching and learning materials (including e-teaching and e-learning materials) but excludes textbook printing, which is financed under the Ministry of Primary and Mass Education's other budget outside the Fourth Primary Education Development Program.

^b It includes teacher education and training (including information and communication technology training, local and overseas training), consultancy, studies, seminars, and workshops.

^c It includes classrooms and teacher rooms; water, sanitation, and hygiene blocks; and water sources, and excludes office buildings.

^d It includes costs for gender and inclusive education (including for out-of-school children), monitoring, program and school operations, review and development of policy guidelines, safeguards, and other program costs.

^e The contingencies could be applied to other planned cost items.

^f It excludes discrete projects under the Ministry of Primary and Mass Education's management outside the Fourth Primary Education Development Program.

^g It includes management and administration costs, such as the salaries for existing teachers and personnel, and other recurrent costs.

Sources: Ministry of Primary and Mass Education, and Asian Development Bank estimates.

5. **Assessment of the expenditure framework.** ADB's RBL financing will be channeled through the government's consolidated fund, based on the assessment made of the program expenditure framework in terms of effectiveness, efficiency and economy, and adequacy.

6. **Effectiveness.** Bangladesh has been highly successful in extending access to education with gender parity, but it still needs to further improve quality and equity in primary education, supported by a well-managed primary education system. The main issues that may limit the effectiveness of the expenditure framework for the proposed program are (i) inadequate budget allocation as per the Fourth Primary Education Development Program expenditure framework, (ii) lack of revenue generation capacity by the autonomous institution (National Academy of Primary Education [NAPE]) in improving teacher education, (iii) inefficient deployment of teachers between and within districts, (iv) delayed approval of infrastructure planning, (v) constrained institutional capacity to develop and implement the out-of-school children subcomponent, and (vi) limited budget allocations to the SLIP and UPEP.

7. The proposed program aims to tackle the above issues by (i) ensuring a robust medium-term budget framework (MTBF) consistent with the proposed program's expenditure framework for appropriate annual budget allocations; (ii) establishing an integrated education management information system to enhance the efficiency of monitoring program implementation results and sector performance; (iii) treating the NAPE as a cost center with budget allocation for program activities such as updating the Diploma in Primary Education program with better quality

assurance and developing training for teacher educators; (iv) revising the SLIP to support enrollment-linked financing, and implementing the UPEP with needs- and performance-based funding, by increasing the allocation for the SLIP (and now also for the UPEP) from about 3% of the total development budget of the previous project to about 5.6% of that of the proposed program; (v) increasing teacher positions for both pre-primary and primary education, and implementing a stronger teacher management information system for better information on teacher profiles, recruitment, deployment, and training; (vi) using prior results for DLI disbursement for timely planning and approval of the teacher recruitment plan and the infrastructure plan; and (vii) scaling up the partnership with nongovernment entities for serving out-of-school children.

8. **Efficiency.** Budget inefficiencies remain, however, and will need to be rectified under the proposed program. The execution of the development budget has been problematic, with expenditures under the previous project more than 30% below the original budgets in FY2015, FY2016, and FY2017. In FY2016, needs-based infrastructure and school physical environment activities together accounted for nearly two-thirds of all funds that had been budgeted but were not expended by the previous project. The main reasons for the poor execution of the development budget are as follows:

- (i) **Weak planning and budget preparation.** Budget management is highly centralized and the authority to spend against budgets rests centrally with DPE because of the top-down nature of the annual development plan. Budget management and execution authority should be devolved to the local level, where supporting documentation can be more rapidly reconciled with the budget to expedite payment. A multiyear infrastructure implementation plan that is monitored at least quarterly and has updated information on the progress of contracts is also essential and will be supported using the Primary Education Properties Management Information System software. A program coordination unit will be established at DPE to improve planning, coordination, and reporting of the program implementation. The proposed program will roll out the web-based advanced Integrated Budget and Accounting System (iBAS++) to drawing and disbursing officers (DDOs) at all levels, and adopt the new classification of budget codes that details for all levels of various expenditures in the budget system, which will improve budget planning and tracking. An infrastructure implementation plan will be prepared and approved at the start of the proposed program. Budgeting the updated UPEP and SLIP for all schools is expected to improve timely budget planning and increase the involvement of local entities.
- (ii) **Delayed procurement process, budget release, actual expenditure, and utilization.** Significant delays occurred in the procurement processes for many of the large contracts—e.g., school infrastructure, textbooks, school computers—and further delayed budget execution under the previous project. Devolving authority for expenditure and advances against the budget from headquarters to local DDOs is often a slow process. Likewise, significant delays in releasing the development budget from the fund release authority to all DDOs in the early months of the financial year has affected implementation of the previous project, resulting in underspent development budget each year. Although overall payment processing has improved significantly, some districts and *upazilas* continue to lag far behind in this regard. Furthermore, the recurring cost implications of major capital investments need to be properly considered in annual plans and budgets. In the proposed program, the rollout of iBAS++, which enables online bill reconciliation, aims to improve the quarterly budget release based on timely

clearance of advances. The attached training to all levels of iBAS++ users will help improve financial management capacities. The proposed program will also set up a designated procurement division in the DPE, expand the use of the electronic government procurement system, and require early approval of the infrastructure plan and annual procurement plan to step up procurement capacity and actual expenditure and budget utilization.

9. **Adequacy.** The previous project's budget increased significantly, by 84%, from FY2014 to FY2018, mainly for two reasons. First, the personnel budget increased significantly in FY2016 because of the nationalization of registered nongovernment primary schools and their incorporation into the government system. This resulted in higher expenditures on salaries, and especially allowances, for teachers. Second, the capital budget increased by nearly 250% from FY2017 to FY2018 as the government stepped up funding to catch up with school infrastructure backlogs. The development budget of the previous project during implementation took up on average 18.5% of MOPME's total budget. For the proposed program, the planned development budget exceeds by \$570 million the estimated allocation based on the subsector budget trend and the existing development budget weight (Table 3). This increased investment will direct more fund to essential quality aspects, such as (i) curriculum and textbook revision for effective delivery of competency-based learning; (ii) development of teaching and learning materials (including e-resources) for enriched teaching and learning; (iii) an updated Diploma in Primary Education program to bridge gaps in teacher quality prior to service; (iv) continuous professional development for teachers and teacher educators to improve their competencies; (v) a new institutional setup to better plan, organize, and monitor examinations and assessments; and (vi) updates of the SLIP (with greater focus on students) and UPEP (with link to performance).

B. Financing Plan

10. **Resource envelope.** Three funding scenarios were projected based on different high and low assumptions regarding gross domestic product (GDP) growth and the share of the education sector budget as a proportion of GDP.² The second scenario is considered the most likely scenario since it models both current economic growth trends for Bangladesh and a stable ratio of education expenditures to GDP. Under this scenario, the government will be able to allocate \$20.9 billion to primary education during the period of the proposed program. It must be noted, however, that primary education expenditure per student is among the lowest in South Asia and Southeast Asia, measured in both amount per capita and as a proportion of GDP per capita. Renewed government commitment is needed to make additional funding available for primary education.

Table 2: Resource Envelope Scenarios, FY2019–FY2023

Assumption	Scenario 1	Scenario 2	Scenario 3
Real GDP growth rate (%)	7.0	6.5	5.0
Education's share in GDP (%)	2.5	2.3	2.1
Education sector resource envelope (\$ million)	52,222	46,439	39,804

² Scenario 1 is the high projection which, based on a real GDP growth rate of 7.1% in 2016, assumes it to remain at 7.0% during the proposed program period. It also assumes an increase in the education sector's share of GDP from 2.3% in FY2017 to 2.5% during the proposed program period, which however is still below the government's commitment under the 2015 Incheon Declaration to have education account for 4.0%–6.0% of the GDP. Scenario 2 is a mid-range scenario that projects a lower real GDP growth rate of 6.5%, in line with the current medium-term growth trends for Bangladesh, and a stable share of the education sector in GDP at 2.3%. Scenario 3 is the low scenario that projects a real GDP growth rate of 5.0% and a lower share of the education sector in GDP at 2.1% (the ratio was 2.1% in FY2016). Under all three scenarios, the share of primary education in the education sector budget is projected to be 45.0%, broadly the same level as at present.

Assumption	Scenario 1	Scenario 2	Scenario 3
MOPME resource envelope (\$ million)	23,500	20,898	17,912

GDP = gross domestic product, MOPME = Ministry of Primary and Mass Education.

Source: Asian Development Bank.

Table 3: Incremental Development Investment, FY2019–FY2023

Item	Amount (\$ million)
(i) Development budget allocation based on FY2018 budget and PEDP3 weight	3,652.4
(ii) Planned development budget for the proposed program	4,222.5
(iii) Additional development budget investment (ii–i)	570.1

FY = fiscal year, PEDP3 = Third Primary Education Development Project.

Source: Asian Development Bank.

11. **Comparison of the resource envelope and primary education costs.** Under the second scenario, the projected MOPME resource envelope of \$20.9 billion exceeds the planned primary education costs over 5 years of \$18.5 billion.³ In addition, the proposed program's budget of \$14.7 billion is 70.3% of this MOPME-projected resource envelope, indicating that MOPME will have adequate budgetary resources to sustain both the proposed program and its other projects, including also regular operational costs.

12. **Fiscal affordability and sustainability.** Given stable economic growth and the commitment of the government to sustain the education expenditures, it can therefore be concluded that fiscal space is available for the proposed program. It is expected that the government, through the MTBF, will reflect the need to increase education sector allocation (including primary education allocation), based on the results-based planning and the need to sustain or further increase the ratio of education expenditure to the GDP. Table 4 shows the financing plan for the proposed program.

Table 4: Program Financing Plan

Source	Amount (\$ million)	Share of Total (%)
Government	13,228.1	89.8
Development partners (pooled fund)	1,375.5	9.4
Asian Development Bank		
Ordinary capital resources (concessional loan)	500.0	3.4
World Bank	700.0	4.8
European Union	175.0	1.2
United Nations Children's Fund	0.5	0.0
Financing gap ^a	124.5	0.8
Total	14,728.1	100.0

^a Discussions between the government and other development partners, such as the Government of Canada and Japan International Cooperation Agency, are ongoing for possible cofinancing in a pooled fund. Financial needs will be monitored and further assessed during implementation. The government's annually issued medium-term budget framework will reflect necessary updates, if any.

Source: Ministry of Primary and Mass Education and Asian Development Bank estimates.

13. Long-term sustainability considerations are built into the design of the proposed program, by continuing and reinforcing the previous project's practices, and through (i) use of country systems for budgeting, accounting, reporting, and auditing; (ii) strengthening of local primary education institutions for planning, monitoring, and administration; (iii) updates of the SLIP and UPEP to allow schools and *upazila* education offices to plan and implement activities

³ The projected resource envelope models a progressive budget decentralization, whereas the projected primary education costs are based on the continued practice of allocating the budgets for all centrally managed programs. This accounts for the difference under the two projections. The planned primary education costs include the Fourth Primary Education Development Program (estimated at \$15.1 billion) and discrete projects (estimated at \$3.4 billion).

for improving their performances through formula-based funding; (iv) increase in transparency and accountability of public expenditures at schools through the SLIP social audits and disclosure of key school data in each school's public areas; (v) strengthened governance and management; and (vi) use of the DLIs to trigger results.

C. Managing Risks and Improving Capacity

14. An assessment of the expenditure framework led to the identification of risks for the Supporting Fourth Primary Education Development Program. Measures to mitigate these risks are summarized in Table 5 and are largely reflected in either the DLIs or the program action plan.

Table 5: Expenditure and Financing Risks and Mitigation Measures

Risks	Rating Without the Mitigation Measures	Key mitigation measures
Effectiveness. (i) Inadequate budget allocation as per PEDP4 expenditure framework, (ii) inefficient deployment of teachers between and within districts, (iii) delayed approval of infrastructure planning, (iv) lack of institutional capacity to develop and implement the OOSC education service, (v) limited budget for the SLIP and UPEP, and (vi) inadequate resources for NAPE program activities.	Substantial	An MTBF will be updated and approved by the MOF. Capacity strengthening initiatives will be implemented (DLI 9). Prior results are set for the program with regard to the teacher recruitment plan (DLI 2) and infrastructure plan (DLI 5). Partnership with nongovernment entities will be upscaled to provide education for OOSC. The NAPE will be treated as a cost center with program budget allocation. Updated SLIP and UPEP (DLI 9) will have increased funding.
Efficiency. (i) Highly centralized budget management and execution in headquarters, (ii) delay in the procurement processes for large contracts, and (iii) delays in releasing the development budget to DDOs.	Substantial	Allocation, release, and spending will be monitored under the program with an integrated EMIS subject to independent verification of results. A new classification of budget codes will be used during PEDP4, facilitating the planning, releasing, and tracking of budget for various expenses at local levels. Planned measures for procurement and financial management capacity will be implemented (DLI 7, PAP 2.1–2.7). An indicator in DLI 7 is set on budget execution.
Adequacy. Government may not allocate an adequate budget for the primary education subsector, especially for quality-related activities required for achieving results.	Low	Government's commitment to SDG 4 and the Seventh Five-Year Plan ensure strong government engagement. DLI financing is prioritized for quality-related results and outcomes under the joint development partners' financing.
Sustainability. Government's budget planning for the primary education subsector may not allow continued financing for quality-related activities at the same scale after 5 years.	Moderate	(i) Strengthening local primary education institutions on planning, monitoring, and administration (DLI 9) will sustain the subsector improvements. (ii) Increasing resource allocation to the SLIP and UPEP will allow schools and <i>upazila</i> education offices to plan and implement activities for further improving their performances. (iii) Continuing results-based management of the subsector will enhance future budget planning and execution.

DDO = drawing and disbursing officer, DLI = disbursement-linked indicator, EMIS = education management information system, MOF = Ministry of Finance, MTBF = medium-term budget framework, NAPE = National Academy for Primary Education, OOSC = out-of-school children, PAP = program action plan, PEDP4 = Fourth Primary Education Development Program, SDG = Sustainable Development Goal, SLIP = school level improvement plan, UPEP = *upazila* primary education plan.

Source: Asian Development Bank.