

Chapter 5

Cost and Finance in Education

In *Thailand*, the fiscal year begins on the 1st of October and ends on the 30th of September of the following year. The sources of educational finance can be classified into 5 categories : central government budget, local funding, non-governmental budget, foreign loans and technical assistance, and provision of education by the private sector.

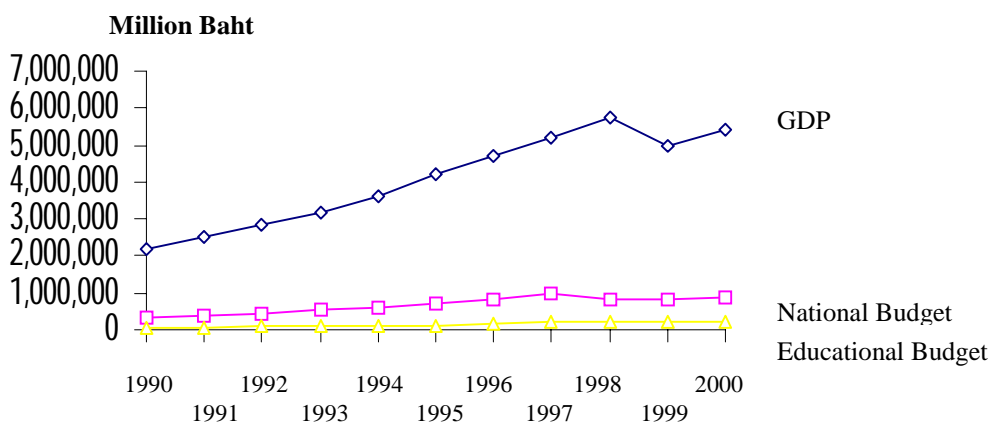
5.1 Central Government Budget

Government funding has been the main source of financial resources for educational development in *Thailand*. The education sector has received the largest share of total public expenditure since 1991. In 1998, due to the impact of the economic crisis, the total Government budget for education was reduced to 201,707 million Baht or about 3.9 percent of GDP. However, the share of public expenditure for education in fiscal year 1998 and 1999 was about 25 percent of the total expenditure which was larger than ever before. Similarly, the budget appropriation for education approved by Parliament for the fiscal year 2000 is about 221,051 million Baht or about 25.7 percent of the total budget (Figure 5.1). This reflects the Government's concern about the importance of education for the economic rehabilitation of the country.

Nearly half of educational funding in 1999 was allocated to pre-primary and primary education, amounting to 43.9 percent. At secondary education level, with 24.0 percent of the total public expenditure for education, general education received a larger share while vocational education was provided with the smaller portion of the budget. The shares of higher education and non-formal education in 1999 remained at nearly the same rates as in 1998.

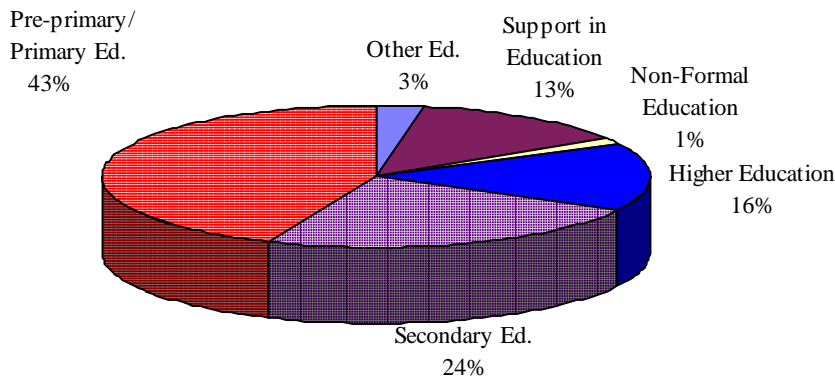
As in previous years, the highest percentage distribution of educational budget proposed in the budget bill for the fiscal year 2000 is for pre-primary and primary education as shown in figure 5.2.

Figure 5.1 Comparison of Gross Domestic Product, National Budget and Educational Budget : Fiscal Year 1990-2000



Source : Budget Bureau, Office of the National and Social Development Board, Office of the National Education Commission, Bank of Thailand.

Figure 5.2 Percentage Distribution of Educational Budget by Function : Fiscal Year 2000



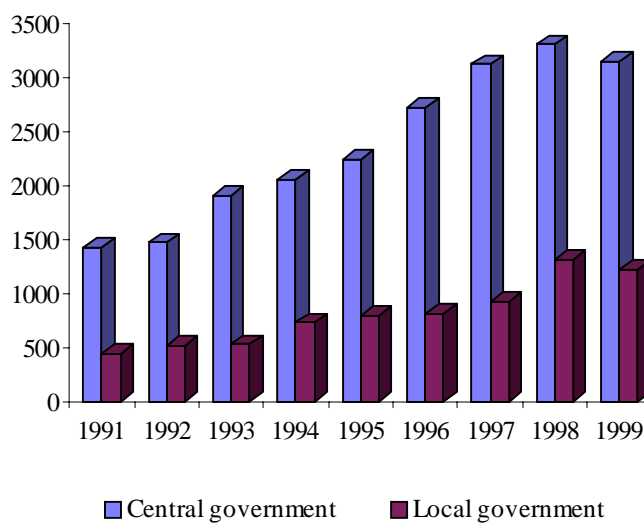
Source : Budget Bureau and Office of the National Education Commission.

5.2 Local Funding

The local administrative authorities have allocated their own budget to finance local education. Besides, the central government has also provided an educational budget to subsidize the provision of education by the local authorities.

As for the *BMA*, the total educational budget has increased from 1,875.6 million Baht in 1991 to 4,377.2 million Baht in 1999. However, it should be noted that this budget is subsidized by the central government which is the major source of educational expenditure of *BMA*. From 1991 to 1999, the share of central government subsidies has been fluctuating between 73.7 and 77.0 percent. In 1999, the share of local budget for education amounted to 1,230 million Baht or about 28.1 percent of the total educational budget of *BMA* (Figure 5.3).

Figure 5.3 Educational Budget Distribution of the Department of Education of *BMA* : Fiscal Year

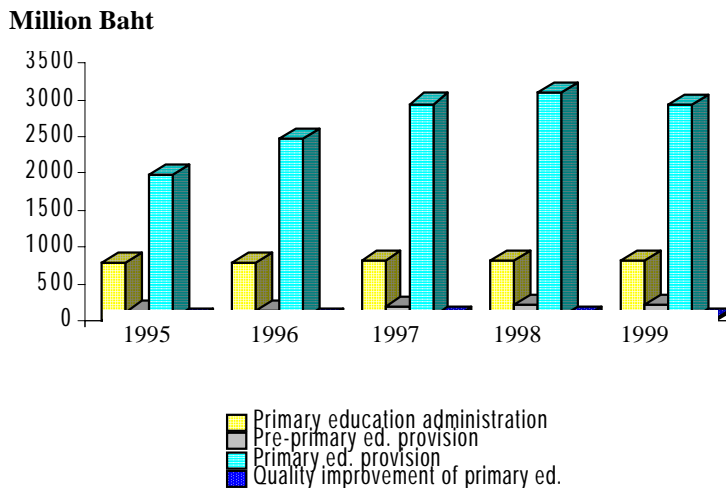


1991-1999

Source : Department of Education, *BMA*.

With respect to local funding of all municipalities, the major source of educational expenditure also comes from central government subsidies which increased remarkably from 2,926 million Baht in 1995 to 4,168 million Baht in 1998. In 1999, the central government subsidies for local education in all municipalities were reduced to 4,008 million Baht due to the financial and economic crisis. The largest proportion of the central government subsidies was allocated to the primary education programme as shown on Figure 5.4.

Figure 5.4 Central Government Subsidies for Local Education of the Municipalities and Pattaya City : Fiscal Year 1995-1999



Source : Budget Bureau, Office of the Prime Minister.

5.3 Non-Governmental Budget

1) Household Contribution

● Tuition Fees

Another source of income for education comes from tuition fees paid by students' families. They become the revenue of educational institutions which can be used to supplement the government budget revenue. However, there is a considerable difference between tuition fees of public and private schools, and among various levels and types of education in public schools. The proportion of tuition fees currently paid by public university students is relatively less than those of students at other levels. As a result, tuition fees, especially for higher education, should be increased to reflect the true cost of education.

In a study on the *Demand – Side Analysis and the Financing of Education*, private household expenditure as well as corporate and non – government contributions are estimated. Based on the data from Household Socio – Economic Surveys, household expenditure on education for 1996 was around 86,650.2 million Baht, representing about 34 percent of the total expenditure on education. Estimates of corporate and non – governmental contributions are made from data on corporate/non – governmental contributions and scholarships obtained from the *MOE* and *MUA*, which is an underestimation (Table 5.1).

Table 5.1 Public and Private Sector Expenditure on Education, 1996

| | Million Baht | Percent of Total Expenditure |
|--|---------------------|-------------------------------------|
| Total Expenditure | 257,067.20 | 100.00 |
| ● Public | 169,561.00 | 65.96 |
| ● Private household | 86,650.20 | 33.71 |
| ● Private corporate / non – government | 856.00 | 0.33 |

Source : Dr. Sirilaksana Khoman, **Demand – Side Analysis and the Financing of Education**, UNESCO – Bangkok, July 1999.

● Donations

Donations made by individuals and communities to the educational sector vary in terms of both cash and kind. The value of donations varies from year to year and is relatively lower than other sources of educational resources.

2) Other Revenues of Educational Institutions

Apart from the government budgetary revenue and the non-government budgetary revenue such as tuition fees and donations, educational institutions' resources also include other revenues of the institutions, for instance, those from academic services, students' products, and property.

5.4 Foreign Loans and Technical Assistance

Foreign loans for educational development in *Thailand* have come from the *World Bank*, *Asian Development Bank (ADB)*, *Overseas Economic Cooperative Fund (OECF)* and some countries such as Austria and Denmark. Technical assistance has been in various forms, for example, services of experts and volunteers, scholarships, equipment and grants.

The current loan projects for education are as presented in the table below.

Table 5.2 Current Loan Projects for Education

| Loan Projects | Responsible Body | Source of Funding | Duration |
|---|---------------------------|--------------------------|-----------------|
| 1. Science Education Improvement | RIs | The World Bank | 1997-2001 |
| 2. Technical Education | RIT | The World Bank | 1997-2002 |
| 3. University Science and Engineering Education | MUA | The World Bank | 1996-2000 |
| 4. Secondary Education Quality Improvement Project I | ONPEC | The World Bank | 1997-2001 |
| 5. Secondary Education Quality Improvement Project II | DGE | The World Bank | 1997-2001 |
| 6. Vocational Training | DVE | The World Bank | 1997-2001 |
| 7. Thai-Japanese Technology Transfer | Chula-longkorn University | OECD | 1995-2001 |
| 8. Postgraduate and Scientific and Technological Research Development | MUA | ADB | 1997-2001 |
| 9. Manpower Development for Production Industry | RIT | Austria | 1993-1999 |
| 10. Non-Formal Education At Secondary Level | DNFE | ADB | 1998-2000 |
| 11. Structural Improvement of Agricultural Education Institutions | DVE | Denmark | 1999-2002 |
| 12. Development of Industrial and Agricultural Industry Education | RIT | Germany | 1999-2004 |

5.5 Provision of Education by the Private Sector

At present most private institutions are proprietorial schools, with a few prestigious schools still associated with Christian denominations. The *OPEC* is given authority to supervise and subsidize private schools in *Thailand*.

There are two categories of private institutions : 1) general education private schools which range from kindergartens to primary schools, secondary schools, colleges and universities, and 2) vocational education private schools or colleges.

The *MOE* also classifies private schools into two categories :

1) Non-subsidized schools are private schools that are more prosperous and can be self-supporting including those set up after 1974 excluded from the benefit of government subsidies by *Cabinet* decision, and consequently the government does not control the ceiling of the school fees that the school may charge.

2) Subsidized schools are private schools established before 1974 and still dependent on financial support from the government. These schools can be divided into 2 sub-categories

: those receiving 100 percent of the per student recurrent costs and those receiving 40 percent of the per student recurrent costs.

The subsidized schools predominate in the country at present. Those private schools which receive 100 percent of the per student recurrent costs are usually connected with charity and religious foundations, whereas the 40 percent of subsidized schools are proprietorial.

The total annual subsidy which the government grants to private schools increased from 366.7 million Baht in 1977 to 4,353.4 million Baht in 1999.

Private education used to play a significant role in the provision of pre-primary, lower and upper secondary education, and relieved the government burden on educational financial resources. But the number of private students in pre-primary and secondary education has considerably decreased while the number of higher education students (Diploma in Vocational Education and Bachelor's Degree) is increasing substantially. A reduction in the role of private education is due to the control on tuition fees, and the expansion of public schools in both urban and rural areas.

As for higher education, a rapid expansion of private higher education under the *MUA* is due to an increase in the social demand for this level of education while public higher educational institutions can absorb only a small number of students. However, financial resources of private higher institutions only come from tuition fees which are much higher than those of public institutions. It is thus essential for the government to provide additional support for private institutions to promote the role of the private sector in educational provision and to relieve the government's burden on educational financial resources.

To sum up, the major financial resource for education in Thailand comes from government funding which is still the largest share of the total public expenditure. As regards local funding, local authorities have provided only a small percentage of the educational budget. Other sources of educational expenditure are tuition fees, donations, revenues of educational institutions, foreign loans and technical assistance. Besides this, the private sector has also participated in and contributed to the provision of education in Thailand.