

# **Decentralization of the Financing and Administration of Public Secondary Schools in Thailand: A Case Study in Chiang Mai**

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## ***Abstract***

*The research ‘Decentralization of the Financing and Administration of Public Secondary Schools in Thailand: a Case Study in Chiang Mai’ aimed at investigating the current secondary education from financial and management perspectives with a case study of a school in Chiang Mai. The methodology for data collection consists of interviews and documentary research. Interviews were conducted on 1 Deputy Director of Finance Management and 4 teachers at Yupparaj School whom were key informants, and 2 Deputy Directors of Chiang Mai Education Service Area 34. Since the National Education Act in 1999 which emphasizes decentralization of education and financial management on a per-student basis, funding was allocated directly to Education Service Areas in the form of block grants and later on distributed to schools. The case of Yupparaj School which is a large well-known school in Chiang Mai Province is the case study for this research. In terms of financing, Yupparaj School as the large size school and reputation so the school receives a large amount of total government subsidies on education per student each year (THB 52 million in 2014). Another aspect is the school’s financial management in that the school is capable of finding external sources of funding i.e. donations, selling self-branded bottled water, letting food stalls, and managing its own Trust Fund, the school director, school administration committee and alumni association are crucial key factors for raising external funding.*

*In terms of school administration, Yupparaj School as other schools in Thailand operate on the basis of school-based management, director of the school has a certain amount of authority in administration. A school needs to have a committee called school administrative committee which control the budget allocation to projects by each department. Moreover, the committee is responsible for finding external source of funding. Decentralization of financial policy is benefit for large size school and reputation, on the other hand, small schools, which have less students, do not have enough budgets to operate school efficiently.*

## **1. Introduction**

Thailand, a middle-income country, has focused heavily on education sector reform over the past two decades; however, recent national and international assessments of the Thai education system indicate “unsatisfactory” results. For instance, according to the World Economic Forum (2015), Thailand’s quality of education ranked 68th out of 140 countries.

Thai education reform, including decentralization, was mandated in the 1997 Constitution adopted immediately after the Asian Economic Crisis hit the country. This new and progressive constitution led to comprehensive reforms, as Thailand critically examined educational reform experiences from other countries to select the best practices relevant to the Thai context (Fry and Bi, 2013). Among the many features that Thailand has incorporated into its education policy, the main initiatives have been decentralization, student-centered learning, and the promotion of technology in education. Decentralization, in particular, was a result of the popular demand for political decentralization which was the essence of the 1997 Constitution (ibid.).

According to Kantamara et al. (2006), Thailand has engaged in several periods of educational reform and change. The National Education Act in 1999 reforming defined new educational aspirations and structures that represented radical changes in the educational traditions of Thailand. It provided for 9 years of compulsory education and 12 years of free education (Education for All), along with the re-engineering of the structure of the Ministry of Education (Fry and Bi, 2013). Decentralization, another key component of the reform initiative, included establishing 175 local Educational Service Areas (ESAs) with greater curricular, budgetary, and personnel authority (ibid.).

Despite a decade of education reform following the 1999 National Education Act, the quality of education remains low in Thailand. Ongoing political instability disturbed the continuity of both government and the policy process (Rupavijetra, 2014). This lack of continuousness, including frequent position shift of the Minister of Education, resulted in altering and dispersed directions in education policies, one of the deep-rooted problems of the Thai education system. This later led to other attempts to reform Thai education such as through the Second Decade of Education Reform Initiatives (2009-2018) aimed at increasing access to education, producing qualified teachers, and learning resource development. However, little has been achieved because of a bureaucratic, top-down approach and the country's focus on the economy and resolving political conflict. With the military takeover in May 2014, education yet again became a major focus as one of 11 major areas scheduled for reform.

This paper explores recent education reform and decentralization efforts in Thailand, focusing on public secondary schools in Thailand, from the perspectives of finance and administration, with a case study of a school in Chiang Mai.

## **2. Literature Review**

A consensus exists in the field of educational development that educational needs can be met at the local or school level, and that the decentralization of educational administration and financial affairs will improve efficiency (Bruno et al., 2011; World Bank, 2008). Moreover, most believe that decentralization will improve the quality and fairness of education. However, UNESCO (2009) indicated that decentralizing financial affairs could, in some cases, lead to unfairness such as in China, Indonesia, and the Philippines in which decentralization has widened the education gap. Also, the UNESCO report stated that in Nigeria financial decentralization has combined large disparities in education financing.

### 3. Education Finance in Thailand

The National Education Act in 1999 emphasizes decentralization and financial management on a per-student basis (Punyasavatsut, 2013). Meaning that, the Act defined government budget allocation on education to both public and private education providers of basic education by taking the number of students in calculating the budget.

The budget, however, is not distributed directly to schools but as block grants to the local Education Service Areas (ESAs). These funds which the ESAs will later on allocate to schools are called ‘general subsidies for per-student expenditure’ (Punyasavatsut, 2013). In the present, Thailand has 183 local Education Service Areas supervising primary education and 42 Secondary Education Service Areas supervising secondary education (Royal Thai Government Gazette, 2010). ESAs were also established under the Office of the Basic Education Commission in response to the decentralization of authority for educational administration as stipulated in the 1999 Act (UNESCO, 2008).

As for the number of schools in Thailand, there are currently 30,816 public schools under the Office of the Basic Education Commission (OBEC, 2015) and 3,845 private schools (Office of the Private Education Commission, 2015). After the implementation of the 1999 National Education Act and several major attempts to reform education, the Ministry of Education (MOE) has been receiving a large portion of the government budget and since 2008, education became the greatest share.

Thailand’s education expenses were 4.12 % of GDP and 21.39 % of total government expenditure in 2012 (Table 1). As a result of decentralization of education finance, ESAs received 12 percent of the national budget, which is equivalent to 60 percent of MOE’s budget. Within the budget managed by the Education Service Areas, the greatest portions are personnel salary (74%) and per-student subsidies (13%). As for government expenditure on education (Table 2), expenditure per student per year has gradually risen through the years.

**Table 1: Government education expenditure in Thailand**

Government expenditure on education														
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
as % of GDP	4.83	5.25	4.81	3.86	3.72	4.03	3.93	4.05	3.60	3.50	3.86	3.51	4.80	4.12
as % of total government expenditure	18.97	28.38	24.21	16.22	20.86	21.45	20.54	22.00	18.48	18.16	18.17	16.22	22.63	21.39

Source: UNESCO Institute for Statistics (various years)

**Table 2: Government expenditure per student**

Government expenditure per student (in US dollar)														
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Primary student	670.1	640.7	***	***	622.8	***	***	***	1,008.5	1,167.5	1,033.8	1,833.4	1,660.5	
Secondary student	***	606.8	***	***	686.7	***	***	***	374.9	444.4	790.0	803.9	1 110.3	
Tertiary student	1,355.4	1,245.4	***	***	1,114.8	1,139.5	1,358.4	***	1,083.3	1,086.0	903.1	1,095.0	1,100.8	

Source: UNESCO Institute for Statistics (various years)

As mentioned above about the ‘general subsidies for per-student expenditure’ in which the government allocates to the Education Service Areas (ESA) to distribute to schools covers three main items: Student Activities Grants, Teaching-Learning Grants, and School Uniforms and Stationary Budgets:

- The Student Activities Grant is calculated based on a per-student basis. Primary level receives THB 480 per head per year, lower secondary level receives THB 880 per head per year, and upper secondary level receives THB 950 per head per year (Office of the Private Education Commission, 2013).
- The Teaching Learning Grant is also calculated based on a per-student per-year basis. Primary level receives THB 1,900 per student per year, lower secondary level receives THB 3,500 per student per year, and upper secondary level receives THB 3,800 per student per year.
- In the budget for school uniforms and stationary, every student receives two sets of school uniforms per year. Primary level students receive THB 360, lower secondary students receive THB 450, and upper secondary students receive THB 500 (ibid.). The annual per-student budget for stationary for the primary level is THB 195 (USD 5.94), lower secondary is THB 210, and upper secondary is THB 230.

#### **4. Methodology**

We conducted field research in Chiang Mai. The research is based primarily on interviewing teachers on decentralization of finance and administration at school level and analyzing the school’s financial documents with teachers. We selected Yupparaj School, a public secondary school in Chiang Mai Province, as a case study. We selected this school because it aims to provide high quality education under the guidelines of education reform and decentralization. It is one of the largest schools in the area, with nearly 3,500 students and approximately 250 teachers and staffs, and one of the oldest, founded in 1899. The school offers both lower and upper secondary level education (Mathayom 1-3 and Mathayom 4-6), allowing us to observe both levels in one school. The school also provides lessons in several special programs other than the standard curriculum, including English, International, Science, and Gifted Student programs.

#### **5. Discussion**

##### **5.1 Yupparaj School Financing**

The finance of Yupparaj School is an interesting case study due to the considerable size of the school and its budget. Yupparaj School receives its annual funding through ESAs in the form of subsidies per student per year, calculated in the same way as all other public schools. According to the Deputy Director of Finance, the school received government funding of THB 54 million (nearly USD 1.6 million) for the academic year 2016. This amount excludes teacher salaries, which were provided separately by the Ministry of Education.

Most schools in Thailand self-manage their finances, by assigning responsibility to teachers who graduated in accounting and/or teach Career and Technology, supervised by the Deputy

Director of Finance. Large schools like Yupparaj can afford to hire two professional accountants, in addition to appointing two of its own Career and Technology teachers as inspectors. Moreover, interested teachers from other departments can also take part as auditors. According to Yupparaj's Deputy Director of Finance, involving teachers in the school's financial management creates problems: 1) they have to sacrifice teaching time, either handing their classes over to student teachers or dismissing the classes altogether and 2) given teacher workloads; the financial reports are often delayed.

In addition, while the school receives substantial funding from the government, it is still not enough to achieve the quality of education for which Yupparaj strives, according to the Deputy Director of Finance. The school must seek external funding sources to try and fill the gap. Yupparaj is fortunate as it is a long-established and well-known school, with alumni in leading roles throughout society; as such, the alumni and parent association is a potential source of funding. The school also generates income from other donations, selling self-branded bottled water, letting food stalls in the cafeterias, and managing its own Trust Fund.

## **5.2 Yupparaj School Administration**

Another result of the Education Act and its decentralization mandate is that schools must use 'school-based management'; as such, school Directors now have more authority over a school's administration than before. Furthermore, schools must establish a 16-person 'School Administrative Committee' to control budget allocations to projects proposed by each department (the number of committee members is flexible for private schools); as a result, at least in theory, this committee is much more powerful in school administration than the Director. Moreover, the committee is responsible for finding external sources of funding. These committees meet annually. In practice, however, these committees at many schools only play a participatory role, without much influence.

In terms of the role of Education Service Areas (ESAs) on school administration, the Deputy Directors of the Chiang Mai Education Service Area 34 which oversees secondary education pointed out that Education Service Areas (ESAs) customarily allow schools to operate freely, and only intervene at school's request. As for Chiang Mai Province, there are six Primary Education Service Areas and one Secondary Education Service Area. Surprisingly, the seven Education Service Area Offices for the province have never met together to discuss coherent education strategies and plans until the recent Order of the Head of the National Council for Peace and Order No.11/2559 on Public Administration of the Ministry of Education Regional Office with the aim to enhance cooperation among ESAs.

The Deputy Director of the Chiang Mai Education Service Area and the Deputy Director for Finance of Yupparaj School also suggested that large and well-known schools, such as Yupparaj, have coped better with the decentralization of education financing than smaller schools as student counts largely drive the resource allocation process. With more students choosing to study in large and well-known schools, these schools receive more of the total subsidies per student per year grant. Moreover, larger schools are more able to mobilize income from external

sources. On the other hand, small schools receive less of the total subsidies per student per year in this scheme due to the less students. In addition, financial management is more difficult in smaller schools as they do not have the resources to hire accountants, relying solely on in-school teachers.

### **5.3 Challenges for School Financing and Administration**

#### *a. Despite the size of government's education expenditure, the results remain unsatisfying*

Although government expenditure on education is high, findings on students' academic performances and teachers' abilities on average remain rather disappointing (Saengpassa, 2010). Part of this is because the greatest share of the education budget actually goes to teacher/personnel salary which amounts for 75 percent of the annual education budget. According to the central Ministry of Education (2009), most high school mathematics, science, and computer teachers practically fail their professional competency test. Another large portion of government expenditure on education is also distributed as subsidies to make education free for all children. The term free education in Thailand includes free tuition, free textbooks, free school uniforms, free teaching materials and free supplementary courses. The Education for All policy established since the government of Premier Minister Thaksin Shinawatt and Premier Minister Aphisit Vejjajiva continued, respectively.

#### *b. Advantage of large schools over smaller schools*

As mentioned above in the case of Yupparaj School, decentralization of education finance tends to benefit large schools more than smaller ones due to the total subsidies received per head per year from the greater number of students. Large schools thus become more affluent and capable of developing education provision. Moreover, large schools have more capability in obtaining funds from external sources. While in the case of smaller schools, government budget is much less and external sources of income are scarce.

To alleviate the funding disparity between large and small schools, the government has issued additional subsidies scheme for 'Small Schools' since the Second Education Reform in 2009. These 'Small Schools' are primary schools with less than 120 students and secondary schools with less than 300 students (Ministry of Education, 2011). Since 2010, the Cabinet has approved that Small Primary Schools receive an additional THB 500 THB per student per year and Small Secondary Schools receive an extra THB 1,000 per student per year (Khaosod, 2010). However, many small schools still face difficulty in financing and administration as well as the possibility of being merged with another school or closed-down.

#### *c. Household education-related expenditure is still high in spite of the existence of the 'Free Education' policy*

Thailand's education system relies primarily on the government. In 2003, government expenditure on education was around 80% of total education expenditure from all sectors (Punyasavatsut, 2015). The other 20% of education expenditure comes from the private sector;

parents, families. Though the government has been subsidizing the education system and implement the Education for All policy to alleviate household's financial burdens, each year the household expenditure on education continue to rise.

As a result of the Education Act, household expenditure on tuition fees, uniforms, textbooks, and supplies have decreased. However, additional fees collected by schools have emerged such as student insurance, library membership, school computers maintenance, newsletters fees, etc. (The Thai Research Fund [no date]).

These fees occur because of Section 58 of the National Education Act 1999 and Amendments (Second National Education Act 2002) which states that 'there shall be mobilization of resources and investment in terms of budgetary allocations, financial support and properties from the State; local administration organizations; individuals; families; communities; community organizations; private persons...', enabling schools to mobilize resources from households as such.

Other than that, there are additional costs related to education which include transport and food expenses. Households have also used savings from Education for All policy to spend more on extra tutoring, art and music expenses (Punyasavatsut, 2013).

In 2009, households with children enrolled in public schools needed to pay an extra THB 8,403 per student per year for lower secondary education and THB 11,196 per student per year for upper secondary education (Table 3). For lower secondary education, household expenditure is THB 19,023 per student per year, and for upper secondary education, household expenditure is THB 32,780 per student per year.

**Table 3: Household education expenditure in Thailand (THB/head/year) by education level and school type, 2009**

	Tuition fees		Uniform		Books and equipment		Transport	
	Private	Public	Private	Public	Private	Public	Private	Public
Pre-primary	8703	1546	980	708	823	456	3612	2317
Primary	11031	1976	1315	880	1454	761	4794	2837
Lower Secondary	10894	2562	1507	1139	1600	1122	5022	3580
Upper Secondary	23643	4615	1430	1238	1809	1416	5898	3927
Vocational	12604	4565	1770	1443	2303	1528	6578	4645
Tertiary	37683	14461	1978	1636	3346	2459	8510	6231
Informal Education	2426	***	692	***	559	***	2418	***
<b>Total</b>	<b>13824</b>	<b>5120</b>	<b>1272</b>	<b>970</b>	<b>1500</b>	<b>973</b>	<b>5052</b>	<b>3533</b>

Source: OECD Development Centre's calculation based on Socio-Economic Survey (SES) data and National Statistical Office (NSO)

As there are still additional fees on education to be paid by households, there persist families who struggle to invest in education for their children. This leads to the drop-out rate in secondary education which remains nearly 1% of enrolled students in 2013. The drop-out rates from lower secondary education in academic year 2013 was 0.95 % while in upper secondary

education the rate was 0.91% (Ministry of Education, 2013). Among the reasons for drop-outs, financial difficulty is usually included. In 2006, financial problem of the students as a reason for drop-outs in Thailand was around 15 – 25 % (World Bank, 2006).

## **6. Conclusion**

The financial and budgetary administration of schools has been altered due to the Education Act which features decentralization of education finance. However, general subsidies for per-student expenditure allocated to Education Service Areas that are then granted to schools are insufficient in development and quality assurance especially for small schools with less potential. As for large schools, they receive large blocks of total subsidies due to the larger number of students. However, the schools still need to seek external sources of funding in order to deliver quality teaching and learning activities. Success in raising funds from external sources depends on the abilities of the School Director and School Administrative Committee which includes the president of the Alumni and Parents Association.

Education reform has also led to the Free Education policy initiative which aims at expanding access to education and reducing household expenditure on education. However, there still remain additional education expenditures to be covered by households for extra tutoring, student insurance, school computers maintenance fees which are collected by public schools.

Challenges of education finance and administration at the school level in Thailand need to be reviewed and discussed in different dimensions other than school-based management, decentralization, or finance management.

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