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Education Financial Planning in Asia
**Implementing Medium-Term
Expenditure Frameworks**

Thailand

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Abbreviations

BOB	Bureau of the Budget
BOT	Bank of Thailand
CGD	Comptroller General's Department
DGE	Department of General Education
ESA	Education Service Area
FY	Fiscal Year
GDP	Gross Domestic Product
GFMS	Government Finance Management Information System
ICL	Income-Contingent Loan
LAO	Local Administrative Organization
MOE	Ministry of Education
MOF	Ministry of Finance
MOI	Ministry of Interior
MTBF	Medium-Term Budget Framework
MTEF	Medium-Term Expenditure Framework
MTFF	Medium-Term Fiscal Framework
NEA	National Education Act
NESDB	National Economic and Social Development Board
OBEC	Office of the Basic Education Commission
OEC	Office of the Education Council
OHEC	Office of the Higher Education Commission
ONPEC	Office of the National Primary Education Commission
OPDC	Office of Public Sector Development Commission
OPM	Office of the Prime Minister
OPS	Office of the Permanent Secretary
OVEC	Office of the Vocational Education Commission
PEM	Public Expenditure Management
SPBB	Strategic Performance-Based Budgeting
THB	Thai Baht (currency)
UNESCO	United Nations Educational, Scientific and Cultural Organization

Foreword

Education Financial Planning in Asia: Implementing Medium-Term Expenditure Frameworks — Thailand is part of a series of in-depth studies on education financial planning in Asia, commissioned by the UNESCO Asia and Pacific Regional Bureau for Education - UNESCO Bangkok in 2008. The studies initially covered five countries, including Mongolia, Nepal, the Republic of Korea, Thailand and Viet Nam. Additional studies are now underway in Cambodia, Indonesia, Singapore and Tajikistan.

Medium-term expenditure frameworks (MTEFs) have been used in Organization for Economic Cooperation and Development (OECD) countries for a while, but their history of use in developing countries is more recent, having started in the late 1990s. Over the past decade, however, donor support has provided for MTEFs aimed at strengthening the link between policy, planning and budgeting in many developing countries. Some of the best well-known and studied experiences in introducing and using MTEFs come from African countries. In Asia, a number of countries have introduced or are planning to introduce MTEFs, but no studies had been conducted nor any attempts made to document the experiences that countries have had in using MTEFs until this research.

Thus, the country case studies commissioned by UNESCO Bangkok are an attempt to address this knowledge gap. They look at Asian experiences with MTEFs, and thereby contribute to understanding the diverse practical aspects of introducing MTEFs, in general, and for the education sector, in particular.

The case studies were written as part of UNESCO Bangkok's clearinghouse project on education financing for implementation of Education for All (EFA) programming in Asia and Pacific countries. The clearinghouse has been developed as an e-resource portal on the UNESCO Bangkok website. Through this portal, UNESCO shares the organization's long-standing experience and expertise in working with national and international partners on education policy analysis and planning. The portal also features more recent on-going work about education financing and the MTEF.

The portal has been designed for easy access by professionals who work on education planning and finance. Included in the portal is a range of practice-oriented information concerning modern planning techniques and medium-term planning and expenditure frameworks in individual country contexts. The site also contains training materials and tools, briefing notes on technical topics, updates on research and a glossary.

It is hoped that this reservoir of resources will provide Asia-Pacific countries with strengthened knowledge to use MTEF and, thereby, to contribute to effective implementation of their planned education reforms.



Gwang-jo Kim
Director
UNESCO Bangkok

Acknowledgement

This publication forms part of a series studying the application of the medium-term expenditure framework in financial planning in the education sector in Asia. The studies were initiated and their implementation co-ordinated by the Education Policy and Reform (EPR) Unit at UNESCO Bangkok. The unit was able to draw on a wide range of local and international expertise available at research institutes, universities and ministries in the participating countries.

The study in Thailand was written by Dr. Chaiyuth Punyasavatsut, Associate Professor at the Faculty of Economics of Thammasat University. The study has particularly benefited from input from Dr. Rungsun Maneelek, Director of the Policy and Planning Division, Office of Basic Education (OBEC); Dr. Somnuk Phimolsathian, Deputy Director-General, the Bureau of the Budget (BOB); Dr. Porametee Vimonsiri, Senior Advisor in Policy and Planning, Office of National Economic and Social Development (NESDB); and Dr. Pattama Teanravisitagool, Director of the Macroeconomic Office at NESDB. We thank them for their support and valuable information.

The data and information included within this report has been collected thanks to Burin Trakarnvanich (BOB), Lilin Songpasook (OBEC), Orachorn Kherdphibul (NESDB), Vijit Kunapongkul and Chan Tantithamthavorn (OEC), Chutimon Sindhuprama, and Jutamas Wongkantarakorn. The report also benefited from discussions with Thai participants during an August 2008 UNESCO meeting: Sawanne Sangsubhan (NESDB), Suppatthana Thongsuntara (NESDB), Kanda Choocherd, and Dr. Darunee Jampatong (OBEC).

The regional project receives a generous financial contribution from the Japanese Government.

Executive Summary

As the new century approached, Thailand undertook major reforms in the public sector, restructuring government agencies, devolving responsibility to local authorities, enhancing good governance in public administration, and adopting a new strategic performance-based budgeting system. Along with these wide public-sector reforms, education reform was also accelerated by the effects of the 1999 National Education Act (NEA), following the 1997 Constitution of the Kingdom of Thailand.

The 1997 Constitution states that all Thai people have an equal right to receive free, good quality basic education for at least 12 years. The 1999 NEA further mandated the Royal Thai Government to provide general subsidies for per-student expenditure for basic 12-year education, for both public and private educational institutions. The NEA also raised the level of compulsory education from six to nine years.

The education sector in Thailand, as in many countries, has by far the largest share of the total budget. In the fiscal year 2007, Thailand spent 355,242 million Thai baht (THB) on education, amounting to 4.19 percent of Gross Domestic Product (GDP) and 22.7 percent of the total government expenditure. Even so, demand on the education budget has continually increased. This stems from the expansion of basic education from nine to twelve years, demands for improvements to the quality of public schools, the prohibition of additional fee collection and parental contribution, and the shrinking role of the private sector in providing education.

Tight budget resources and increased demands on the education budget create strong pressure for sound financial planning and management, and efficient allocation of these limited resources. To improve the allocative and operational efficiency of public expenditure, Thailand started the Public Expenditure Management (PEM) review in 2005. It is a new public financial management programme which encompasses policy formulation, planning, allocation of resources and budgeting, and implementation. Thailand's PEM is mainly focused on the development of linkage between national priorities and budgeting in a framework of sustainability, and the creation of legal frameworks and institutional arrangements for public spending.

To facilitate this development, the medium-term expenditure framework (MTEF) was introduced in 2006. The MTEF is used as a planning tool for projecting the budget burden for four years, based on key economic assumptions and fiscal targets. It is a rolling plan in which expenditure needs to be adjusted at the beginning of each budget cycle to reflect changes caused by policies of new government, new budget allocation strategies, social and economic environments, and agency output performances. In Thailand, the MTEF is used in conjunction with government four-year and annual budget cycles.

To date, Thailand's MTEF is still in the initial stages and has some shortcomings. First, the annual budget framework still lacks detail on specific fiscal programmes. Annual budget documentation identifies quantitative risks, but these are usually outlined in general terms. The government does not disseminate the underlying budget framework or the range of alternative fiscal scenarios. Second, the annual budget report does not currently show the MTEF of the country, or of each sector. Third, in the education sector, the budget submission is greatly in excess of final budget allocations. The large discrepancy between the bottom-up submissions and the budget allocated for the sector undermines the purpose of the MTEF. Fourth, one major dispute between the MOE and the BOB is the efficiency of public resource uses. Explaining relationships between budget inputs and outputs, especially in the education sector, should be the responsibility of the MOE.

The Thai MTEF will have more impact if it can: improve transparency in the fiscal framework; improve the medium-term budgeting framework; increase predictability in budget allocations; and support policy-based budget analysis in the MOE.

I. Education System

Thailand's education framework is based on the 1997 Constitution and the 1999 National Education Act (NEA). They provide the principles and guidelines for the provision and development of Thai education. The 1997 Constitution states that all Thai people have an equal right to receive free good quality basic education for at least 12 years. The 1999 NEA has introduced a new framework and principles for comprehensive reforms in Thai education. The 1999 NEA, section 60(1), has obligated the Royal Thai Government (RTG) to provide general subsidies for per-student expenditure for a basic 12-year education, in both public and private educational institutions. This education covers primary and secondary education and, in 2004, pre-primary education was added. The NEA also increased the length of compulsory education from six to nine years, enforcing the enrolment of all children at the lower secondary level.

The NEA covers nine areas: educational rights and duties; the educational system, national education guidelines; educational administration and management; teachers, university staff and educational personnel; resources and investment for education; and technology for education. It calls for major reforms in three areas: learning; teaching staff, and educational quality assurance.

Under the amended 2002 National Education Act¹, the Thai education system was divided into formal, non-formal, and informal sectors. Formal education includes two levels: basic education and higher education. Basic education covers pre-primary and the 12 years of education from primary to upper secondary levels. Higher education is further divided into two levels: university degree and diploma levels. Non-formal education includes early childhood education and adult learning. Lastly, the informal sector covers self-study and home-school learning.

The MOE is responsible for: promoting and overseeing all levels and types of education; formulating education policies, plans and standards; mobilizing education resources; monitoring and evaluating education providers; and supporting religious affairs, art, culture and sports as they relate to education.

State education is administered and managed at three levels: central, sub-national, and institutional. At the central level, the administration and management is divided among five main offices.

- The Office of the Permanent Secretary (OPS) is responsible for general administrative works, preparing the Ministry budget and work plans, and coordinating activities within the Ministry.
- The Office of Basic Education Commission (OBEC) supervises basic education provision which include pre-primary, primary and secondary education. The OBEC is responsible for creating basic education policies, work plans, standards, core curricula, mobilizing resources, monitoring and evaluation, and teaching innovation.
- The Office of the Higher Education Commission (OHEC) is responsible for the same provisions as the OBEC, but for higher education.
- The Office of the Vocational Education Commission (OVEC) is responsible for overseeing technical and vocational education at the upper secondary level and for post-secondary education.
- The Office of the Education Council (OEC) is responsible for: preparing the National Education Plan, education policies, plans and standards for implementation; coordinating and promoting

¹ The Public Administrative Reform Bill in 2002 transferred all religious and cultural affairs, previously under the Ministry of Education, to the newly created Ministry of Culture. To reflect this revision, the 1999 NEA was amended in 2002.

research in educational development; and providing advice on relevant laws and ministerial regulations, as stipulated in the NEA.

At the sub-national level, there are two major administrative bodies: education service areas (ESA) under the MOE, and local administrative organizations (LAO) under the Ministry of Interior (MOI). The ESAs have been established under the jurisdiction of the OBEC to handle education management at a decentralized level. An ESA is responsible for: overseeing, monitoring, evaluation and dissolution of basic education institutions; coordinating and promoting private institutions in the area; coordinating and promoting Local Administrative Organizations (LAO); and allocating budgets to schools in the area.

Each ESA is administered by its Area Committee for Education. This committee involves community representatives, the LAO, the teachers' association, educational administrator associations, the parents' association, and educational scholars.

The Constitution enshrines the right of the LAOs to participate in providing education. LAOs can provide education at all levels of education according to their capabilities and local needs. The MOE must devolve its authorities in providing education services to LAOs, which operate under the supervision of the MOI. At present, the MOE is responsible for issuing criteria and procedures to evaluate an LAO's readiness and for ensuring policies and educational standards exist.

The LAO can be divided into four types: provincial administration organizations, municipalities, sub-district administrative organizations, and special local administrative organizations like the Bangkok Metropolitan Administration and Pattaya City.

In educational institutions, the administration and management can be divided into two categories. At the basic education level, the institution is responsible for its own administration and management including academic matters, budgets, personnel, and general affairs. It is monitored by its board, consisting of representatives of parents, teachers, community groups, local administrative organizations, alumni, and scholars. At the higher education level, state universities are encouraged to become state-supervised institutions which can function as legal entities. Under the new management structure, each university has greater flexibility and academic freedom under the supervision of the university council.

Parallel to the state education system, the private sector can provide education at any level and of all types. The MOE is responsible for overseeing the administration and management and monitoring the quality and standards of private institutions.

Policies and Planning

Thai educational policies during 2007–2008 have focused on the acceleration of educational reforms. These aim to develop Thailand into a knowledge society led by moral standards, and to provide all citizens with equal access to free, high quality basic education within three years, i.e. by 2010. In addition, government policy aims to decentralize central administrative power to the ESA offices and schools, and support local participation in education.

Thailand's education policy is laid out in the 15-year National Education Plan and also in the Four-Year Action Plan of the Ministry of Education. The five-year National Economic and Social Development Plan is not specific to the education sector, but provides the framework for sector development.

The 15-year National Education Plan (2002–2016) is a comprehensive plan bringing together the principles and guidelines of the NEA and the Constitution. This long-term plan has three aims: to achieve a knowledge-based economy and society; to promote life-long learning; and to promote the participation of all elements of society in educational provision.

The National Education for All Plan of Action (2002–2016) conforms to the timeframe for the 15-year National Education Plan. Policy directions related to the development of secondary education are defined as “equal rights and opportunities for nine-year compulsory education and twelve-year basic education.” The operational goals are divided into two phases: Phase 1, from 2002 to 2006, will promote the transition of all Grade 6 and 9 graduates to lower and upper secondary levels; and Phase 2, from 2007 to 2016, will ensure access for all school-age children to twelve-year basic education.

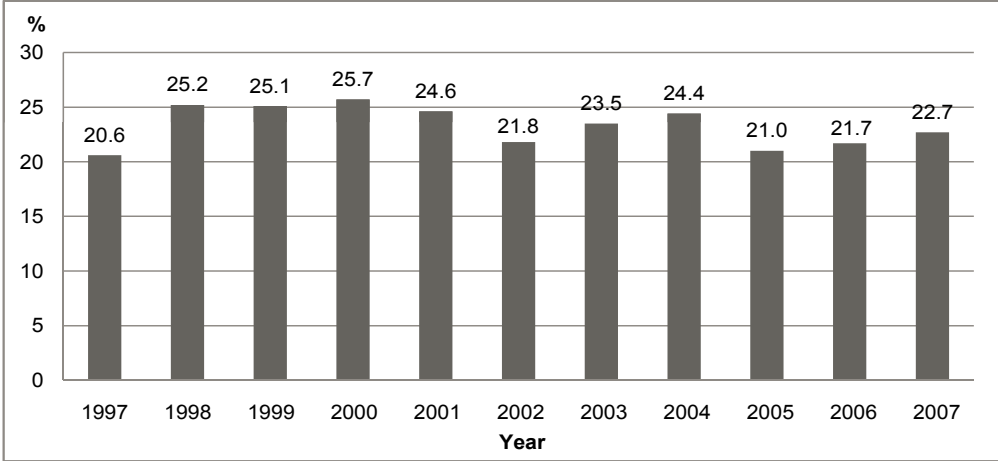
The Four-Year Action Plan (2005-2008) of the Ministry of Education provides visions, missions and strategic targets in education. This plan must align with the key issues declared in the Four-Year Public Administrative Plan (2005-2008). Educational targets in this plan include the attainment of a minimum of lower secondary education by 50 percent of the labour force; an increase to an average of nine and a half years of schooling among the population; and educational access for all villages via caravans.

II. Financing the Education Sector

Education Sector Budget

For the past decade, the education sector has received the largest share of total public expenditure. Expenditure on this sector as a percentage of total public expenditure was between 21.8 and 25.7 percent during the period from 2000 to 2007 (see Figure 1). Thailand's education budget was well above the OECD average of 13 percent in 2003.

Figure 1. Education Budget as Percentage of Total Public Expenditure

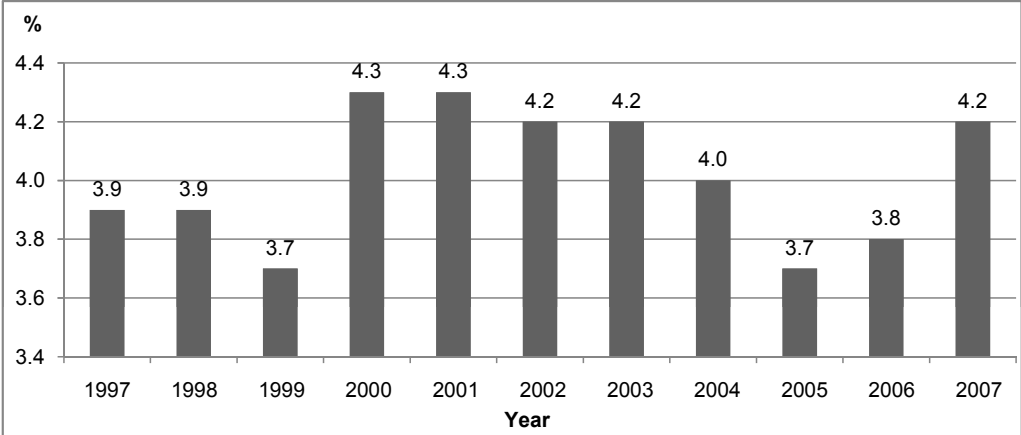


Source: OEC, 2007.

Public expenditure on education as a percentage of GDP ranged from 3.7 percent to 4.3 percent (see Figure 2). This rate is lower than that of Korea and Malaysia, but still higher than that of Indonesia or the Philippines.

The major share of the education budget is spent on basic education, including pre-primary, primary and secondary education, amounting to THB 245,488 million. This represented 69.1 percent of the education budget or 2.89 percent of GDP in the fiscal year (FY) 2007. The share of the overall budget has increased slightly but steadily, as seen in Table 1. Around 16 percent of the total education budget is allocated to higher education.

Figure 2. Education Budget as Percentage of GDP, 1997–2007



Source: OEC, 2007.

Table 1. Basic Education Budget as a Percentage of GDP and of the Total Education Budget

Year	% of GDP	% of Total Education Budget
2000	3.0	67.2
2001	2.8	68.1
2002	2.8	68.1
2003	2.8	69.3
2004	2.8	71.5
2005	2.6	70.2
2006	2.6	69.0
2007	2.9	69.1

Source: OEC, 2007.

Education expenditure can be divided into current and capital investment expenditures. Table 2 shows that around 94 percent of the total budget for five line authorities of the MOE was allocated to current expenditure, with a corresponding 6 percent allocated to investment. Out of the total education budget, personnel expenditures (including salaries, permanent wages and non-permanent wages) take up the largest share, at 65 percent.

Table 2. Basic Education Expenditure by Categories from Five Major Agencies in MOE

Expenditure Categories	FY 2005		FY 2006		FY 2007	
	THB Million	%	THB Million	%	THB Million	%
	202,520.81	100	223,939.26	100	280,319.97	100
Personnel	134,484.74	66.41	145,807.14	65.11	179,754.73	64.12
Operating	16,518.12	8.16	18,097.49	8.08	24,055.78	8.58
Capital	11,841.92	5.85	11,655.70	5.20	17,333.09	6.18
Subsidy	37,623.13	18.58	46,573.30	20.80	55,623.59	19.84
Other	2,052.90	1.01	1,805.61	0.81	3,552.78	1.27

Source: Committees on Budget System, 2007.

Agencies in the Budget Process

The mechanisms for the coordination and management of the budgetary process are well established. The key government agencies are the Bureau of the Budget (BOB), the Ministry of Finance (MOF), the National Economic and Social Development Board (NESDB), and the Bank of Thailand (BOT). Table 3 summarizes the responsibilities of these key agencies in setting the macro fiscal framework and other tasks under the current budget planning process.

The BOB is responsible for approving budget allocations, setting ceilings for ministries and line agencies, developing macro fiscal projections and setting medium-term budget ceilings or medium-term budget framework (MTBF). It also ensures flexible and effective public administration. The BOB reports directly to the Prime Minister.

The NESDB is a central planning agency, responsible for formulating five-year national economic and social development plans and appraising development projects. The current plan is the tenth, and covers the years 2007 to 2011. The main responsibilities of the NESDB in the budgeting process are to prepare baseline macroeconomic forecasts, to develop the

Government Administrative Plan, to set policy priorities and to determine national budget allocation strategies.²

The MOF is responsible for preparing baseline revenue forecasts and aggregate fiscal targets for budget formulation. The MOF also gives the medium-term fiscal sustainability projection using macroeconomic projections.³

The BOT supports other agencies in making those economic forecasts and ensures alignment with monetary policies.

Table 3. Responsibilities of Key Agencies in the Budget Process in Thailand, for the Current Budget Planning Process

Task	Cabinet	MOF	NESDB	BOT	BOB	LM
1. Macro Fiscal Framework						
Prepare baseline economic forecast		P/R	L	P/R	P/R	
Prepare baseline revenue estimates		L	P	P	P/R	
Project MTEF and future commitments		S			L	S
Prepare aggregate fiscal targets	A	L		S	S	
2. Budget Allocation Policy						
Develop Government Administration Plan and set policy themes	A	S	L		P	I/S
Define spending priorities	A				L	P
Set public debt, fiscal risk projections, and identification of capital projects	A	L	S		P/R	
3. Budget Ceilings						
Set ministry spending limits	A				L	P
Set departmental spending limits	A				L	P

Note: MOF = Ministry of Finance; NESDB = National Economic and Social Development Board; BOT = Bank of Thailand; BOB = Bureau of the Budget; LM = Line Ministry; A = approve; L = Lead; P = Participate; I = Initiate; R = Review; S = Support

Source: Phimolsathian, 2006b, p. 8.

Annual Budget Preparation Process

The fiscal year in Thailand runs from 1 October to 30 September. The annual budget process begins immediately after the previous fiscal year. Table 4 shows the budget preparation timetable. The key agency in the process is the Bureau of the Budget.

To determine the aggregate ceiling, the BOB will work with three other government agencies: the NESDB, the MOF and the BOT. Each agency will first propose its own estimates of key

2 The role of the five-year national socio and economic development plan has changed as Thailand has adopted a system of four-year National Administrative Plans. The key difference is these four-year administrative plans streamline all action plans specified by ministries and line agencies, so that administrative actions will be carried out to fulfill the government goals and political agenda. The five-year plan emphasizes national development strategies and goals that set frameworks for budget appropriation.

3 A numerical model for fiscal sustainability analysis is accessible via the internet at the Fiscal Policy Research Institute Foundation or www.thailandoutlook.com/main_sector/economic_forecast/simulation.asp.

macroeconomic variables based on different economic assumptions. The MOF is responsible for the revenue forecast. The initial forecasts from these agencies are normally different. Consensus must be reached through meetings among key agencies. Difficulties are largely due to macroeconomic instabilities and the uncertain nature of public expenditures, which vary with government priorities or political agendas. The NESDB and the BOB prepare a draft of strategic budget directions and submit it to the Prime Minister for final approval by February. Then, after determining the ceiling framework at the macro-level, the BOB determines a preliminary ceiling for each government agency. The planning at this level focuses only on aggregate forecast. There are no comprehensive sectoral details in the forecasts.

Parallel to this, spending ministries submit their first budget bids. After receiving the budget bid forms from spending ministries, the BOB checks their alignment with the priorities of the National Administrative Plan. The BOB reviews each spending request using the following three criteria: its alignment with the national priorities of the four-year National Administrative Plan; the possibility of successful outputs as stated in the strategic plan and work plan of spending agencies; and the history of its capacity to implement its work plan.

When the macroeconomic forecast and the bottom-up medium-term expenditure framework from all spending agencies are known, the BOB will update its baseline estimates for the top-down MTEF. The BOB's baseline forecast for the following fiscal years is not published and is to be used internally. It is believed that there is no top-down MTEF figure classified by sectors for financial planning at present.⁴

After receiving a pre-ceiling budget from the BOB and guidelines from the ministries, line agencies revise their budget requests and then prepare the current action plan and the four-year action plan.

According to the 1959 Budget Procedure Act, a special budget debate must be tabled in Parliament before the end of July. The Budget Act then must be approved by both houses of Parliament before the end of September.

Budget data are reported on a gross basis, classified by sector, programme and function. Reported MTBF are added to existing budget formats, classified sources of funds and output targets.

⁴ Although the aggregate MTEF can be calculated by summing up the bottom-up MTEF as shown in budget documents, it is not reported.

Table 4. Budget Preparation Timetable

October - December	Line agencies review goals, strategies, targets, activities, and performance indicators from the previous fiscal year.
	Line agencies evaluate the previous year's work and budget spending.
	Line agencies review the four-year Action Plan, then prepare an updated Action Plan for the following year and seek for approval from the Ministry.
	Line agencies revise MTEF estimates to be consistent with the four-year Action Plan.
	Line agencies request the minimum necessary budget consistent with MTEF.
	BOB, MOF, NESDB and BOT prepare a budget proposal.
	BOB and NESDB prepare policy priorities and budget allocation strategies.
January - February	Cabinet approves budget policy.
	The Committee on National Administrative Plan prepares for the four-year and current National Administrative Plans.
	NESDB, BOB, BOT and MOF prepare economic assumptions and establish a budget ceiling.
	BOB updates baseline projections for MTEF.
	Line agencies prepare and submit their initial budget bids (while the overall expenditure ceilings remain undecided).
March	Cabinet approves the National Administrative Plan.
	Spending agencies prepare the current and four-year Action Plan, which aligns with the National Administrative Plan (including MTEF).
	BOB and NESDB agree upon strategic budget direction.
	BOB proposes budget ceilings for each ministry and seeks the Prime Minister's approval.
	BOB establishes pre-budget ceilings for individual ministries.
April	Ministries resubmit spending requests according to their ceilings via e-budgeting. In addition, detailed work plans are submitted separately in hard copy.
	BOB revises the requests using some discretionary guidelines.
May	Budget is finalized and submitted to Parliament.
	First reading of budget proposal by the government.
June - September	Budget is reviewed and scrutinized by budget committees.
	Second and third readings continue.
	An up-or-down vote for budget approval takes place.

Budget Process in the Education Sector

The budget preparation process of the MOE follows closely the annual Expenditure Budget calendar from 1 October to 30 September, although the school year is from 16 May to 31 March. Figure 3 shows key steps of the budget process for the MOE.

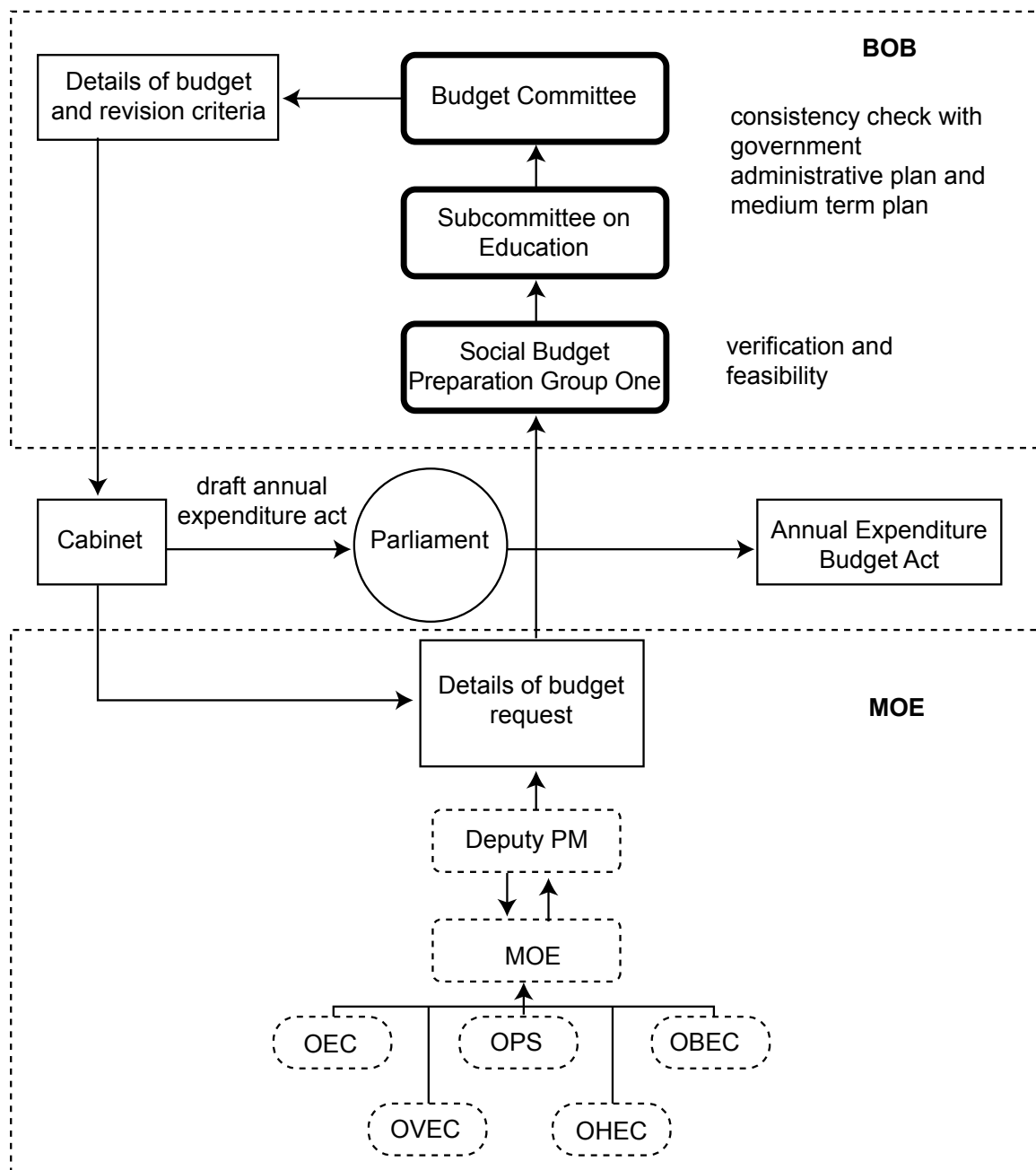
From October to December, the review process creates the foundation for planning. The five main offices of the MOE review output targets, strategy, activities and performance indicators from the previous fiscal year and then evaluate the work done and the actual budget spending in the previous year. The MOE and five line agencies review their Four-Year Action Plans, check their alignment with the National Administration Plan, and then submit a draft of the current Action Plan.

From November to mid-January, the planning process involves revision of MTEF estimates to be consistent with the Four-Year Action Plan, requests for minimum necessary budgets in relation to the MTEF, and details of budget requests.

Interim steps taken by the BOB and other agencies during this process include checks on verification and feasibility by the Social Budget Preparation Group One and checks for consistency with the current annual and Four-Year National Administrative Plans. After the review process, the budget request will go to the budget committee for opinions and revision, and then to Cabinet for approval.

From mid-January to May, the budget preparation process moves the emphasis to the field. The MOE receives the pre-ceiling limits and gives the guidelines to line agencies. Each line agency sets goals, and strategies in relation to the National Administrative Plan, the current Action Plan, and the Four-Year Plan.

Figure 3: Budget Process for the MOE



The BOB had developed an electronic system for the line agencies. When requesting their budget using e-budgeting, agencies must include eleven elements as follows:

- their vision;
- their mission;
- the connection between the National Administrative Plan and MOE Action Plan;
- the link between their budget and their outputs, with activities;
- their medium-term outputs and performance indicators;
- the connection between division strategies and allocation guidelines within the MOE;
- their MTEF including details of outputs and revenue sources;
- a summary of budget by plan;
- a summary of budget by output, by project or by activity;
- details of any Mega project; and
- details of Flagship programme budget.

Overall Resources for Education

Financial resources for education in Thailand come from both public and private sources. Public expenditure for education includes the budget from the central government, and subsidies from local funding. Private resources for education come from individual households, the business sector and non-governmental and non-profit organizations.

To date, there have been no official estimates for the overall resources spent on education in Thailand. Punyasavatsut and others (2005) give estimates of total spending on education in 2002, including low, medium and high estimates of expenditures by category. As shown in Table 5, the estimated total spending ranged from THB 285,955 million to THB 389,402 million. In terms of the GDP share, these estimated total spending provides a range between 5.26 and 7.17 percent.

Out of this total, the government is responsible for 59 to 79 percent. This amount includes both central government expenditure, including the allocations to local administrative organizations (LAOs), and the use of local government income. The contribution from LAOs was very limited.

The role of the household in education finance is obviously important, accounting for 19 percent to 31 percent of the total, depending on the estimate. Recently, as subsidies from the central government have increased, the contributions from households may have declined correspondingly.

The highest estimates from contribution of business sector, non-profit organizations, and international aids and loans were about 9.65 percent, 0.53 percent, and 0.25 percent of the total, respectively.

The National Education Act, in its Chapter Eight, addresses the importance of the mobilization of educational resources and investment from various sources to consolidate reform efforts. Two specific actions are included: issuing a law which authorizes the state and local administrative organizations to levy educational taxes, adding that in the case that the state is authorized to levy inheritance tax, such a tax shall be earmarked for educational purposes; and attracting more donations for education through simplified tax rebates and additional tax exemptions.

However, government funding of education is the major component, and will remain this way for some time, for two reasons. First, mobilizing resources for education through tax instruments and incentives has been very slow and is not forecast to be successful, because inheritance or land taxes have been politically unpopular for many decades. Second, the National Education

Act has legislated the government to provide a free, good quality basic 12-year education system. Rising demands for education and for improvements to educational quality will definitely increase the government share of total spending.

**Table 5. Three Estimates of Education Spending in Thailand for 2002:
Millions of THB and Percentages per Year**

Source of Funds for Education	Low	%	Medium	%	High	%
Direct government expenditure	225,235.00	78.77	226,357.00	61.81	229,724.00	58.99
Central government (including subsidies to private schools)	222,990.00	–	222,990.00	–	222,990.00	–
Local government (from own income)	2,245.00		3,367.00		6,734.00	
Household expenditures	53,219.91	18.61	116,258.04	31.75	118,980.45	30.55
Non-profit organizations donations to schools	2,072.15	0.72	2,072.15	0.57	2,072.15	0.53
Corporate/business sector (donations in-house training external training)	4,390.33	1.54	20,478.12	5.59	37,588.18	9.65
Expenditures by educational institutions from sources not included elsewhere	n.a.					
International aid and loans	1,037.30	0.36	1,037.30	0.28	1,037.30	0.27
Total	285,954.69	100.00	366,202.61	100.00	389,402.08	100.00

Source: Punyasavatsut and others, 2005.

III. Medium-Term Expenditure Framework

Thailand has adopted the Strategic Performance-Based Budgeting (SPBB) system since FY 2002. The SPBB has six core features: good governance, budget devolution, expanded budget coverage, monitoring and evaluation, results-based orientation, and the medium-term expenditure framework.

In Thailand, “MTEF” is the only common term used in medium-term planning. It appears in annual budget reports and the National Administrative Plan. It is defined as “a planning tool for estimating budget burden for four years ahead”. It is also characterized as “a rolling plan in which expenditure needs to be adjusted at the beginning of the next budget cycle to reflect changes caused by policies of new government, new budget allocation strategies, social and economic environments, and output performances of line agencies, etc. In addition, budget is only approved in a yearly basis.” (BOB, 2003). The four-year timeframe coincides with the electoral term of the government. The MTEF will be complemented with a statement of medium-term output targets for all government levels. The application of this framework started in FY 2006.

The top-down MTEF is the aggregate estimate of four-year budget projections that reflect government policies, the government Administrative Plan, and the National Investment Plan. The bottom-up MTEF is derived from the Four-Year Action Plans of ministries and line agencies, which are aligned with the above policies and plans. Both parts of the MTEF are also subject to long-term fiscal discipline.

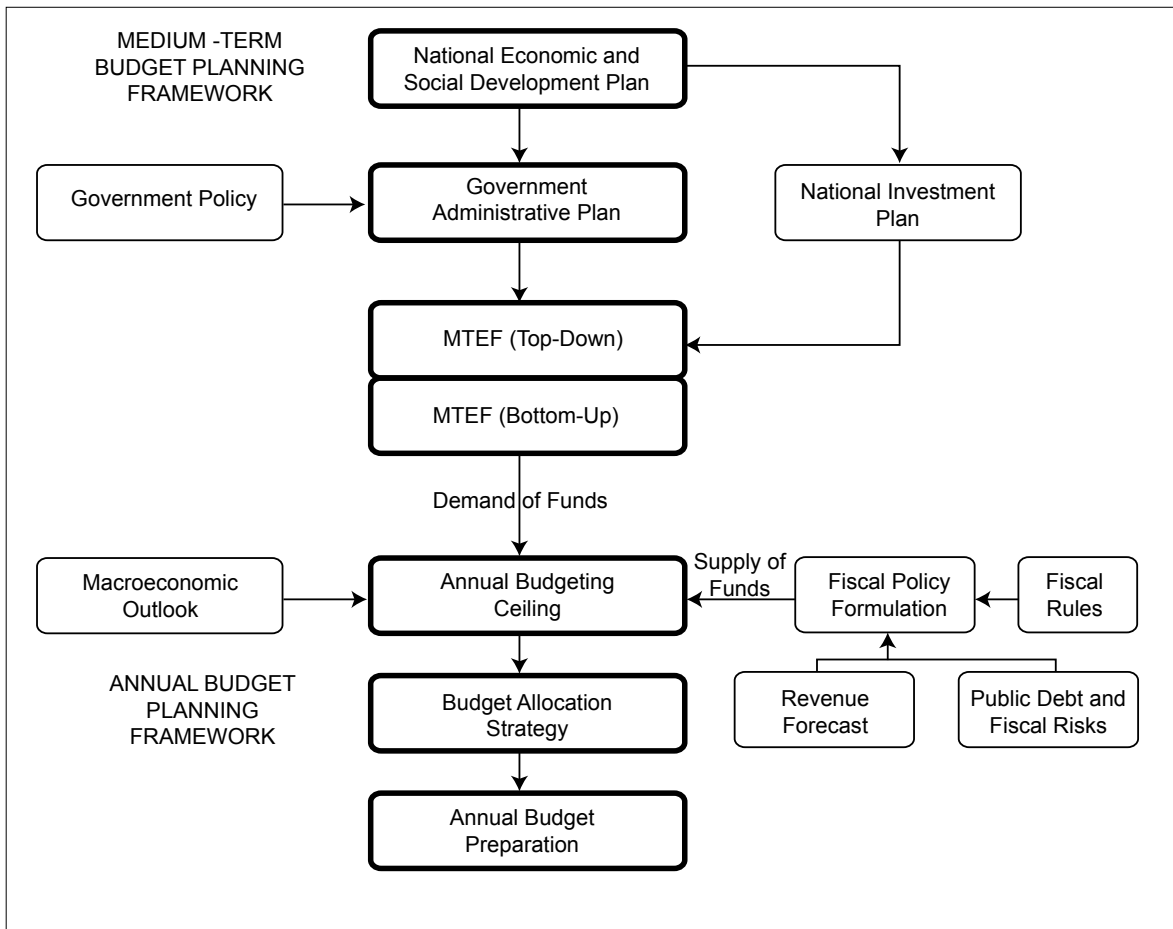
The top-down MTEF is based on the following four-year macroeconomic and public financial forecasting: economic outlooks, including exports, imports, GDP, and inflation; revenues; public debts; and budget policy (deficit, surplus and balance). In addition, it needs to reflect government policies, national economic and social development plans, and strategic budget directions.

The MTEF, both top-down and bottom-up, is used as one of the core components in the annual budget planning framework. Figure 4 shows the link between the MTEF and the annual budget planning framework. The annual budget ceiling is determined by current macroeconomic outlook and aggregate fiscal discipline.

To improve operational efficiency in public expenditure, Thailand started the Public Expenditure Management (PEM) review in 2005. It is a new system of public financial management that encompasses policy formulation, planning, the allocation of resources or budgeting, and implementation. Thailand’s PEM is mainly focused on the development of linkage between national priorities and budgeting within the framework of sustainability, and the creation of legal frameworks and institutional arrangements for public spending.⁵ As shown in Figure 4, the MTEF top-down and bottom-up processes, fiscal rules, revenue forecasts, assessments of public debt and fiscal risks are all used to set the annual budget ceiling.

5 Current bases for Thailand’s PEM are SPBB, the decree on good governance and the Government Administrative Plan, OECD Best Practices for Budget Transparency, and the IMF Code of Good Practices on Fiscal Transparency. In 2006, Thailand was rated “enacted” for compliance with the IMF code on fiscal transparency.

Figure 4 Tools for Long-term Fiscal Discipline in the Budget Planning Process



Source: Phimolsathian, 2006b, p.7.

MTEF and the Ministry of Education

The main agency in preparing and negotiating the MTEF with the BOB is the Office of the Basic Education Commission. In practice, the OBEC prepares its budget and MTEF according to categories of expenses; income sources; and outputs or work plan strategies. There are five categories of expenses in the Thai budget: personnel expenses, operating expenses, subsidies, capital investments, and other expenses. Income sources can be categorized as budget incomes and off-budget incomes.

The key expense categories for the education sector are personnel expenses and subsidies. Personnel expenses refer to the costs for civil servants or other qualified employees. Subsidies for education are governed by the 1999 National Education Act. Rates of subsidies are determined on a per-student basis.

In preparing a medium-term budget, the OBEC used the following simple guidelines in FY 2007-2008:

Personnel expenses:

- add 6 percent from the baseline. This reflects a limit to the average annual increases in salaries of civil servants, set by the government.
- add 4 percent starting from FY 2008 as an adjustment of a new salary base.

- add an increase of approximately 30 percent to reflect higher payment for teachers' qualifications depending on the numbers of applicants and the pass rate for the exam.

Subsidies for students:

- use new rates of per-student subsidies as specified by Cabinet approval in 2006 and detailed in resource allocation. These subsidy rates will start at the full amount in 2008. The numbers of students enrolled in each level of education in MTEF are forecast by the IT division of the OBEC by applying its growth rates.

Operating expenses:

- add 15 percent to the base line for adjustments in day-to-day running costs, such as public utilities and internet connecting charge. However, the approved budget for this subcategory has been largely constant and shows a tendency to decline. Another subcategory of operating expenses is for projects that are funded under government policies or priorities. Overall, budget approval for this subcategory also remains constant in FY 2008.

Capital Investment Expenses:

- purchase equipment or acquire or construct capital projects. The OBEC determines investment budget according to central standards and the continuation of projects.

In recent years, the approved budget for the OBEC showed 6 percent to 10 percent increases from the previous fiscal year. These deviations are largely due to financing the government flagship programmes or the national agenda. Since the aggregate ceiling for the MOE is predetermined, the budget for these flagship programmes or national agenda must come from those already allocated to the MOE or from new sources.

The major portion of the education budget allocated to the OBEC is directly related to student numbers. Because the financial year overlaps with the school year, the budget is prepared before the actual number of students is known and there are differences in projections. More accurate student numbers are normally reported as of 10 June, after schools open in May. In the past, the discrepancy between the actual and the estimated numbers was so large that the BOB felt it needed to check aggregate numbers using information from various line agencies in the MOE.

The overestimation in the number of students has been one of the major disputes between the OBEC and the BOB. At present, because of a 13-digit student identification number, student numbers can be monitored under the supervision of the OBEC more easily and accurately. However, in preparing the MTEF, there are still disagreements over future projections of student numbers.

In practice, the BOB will not commit to provide budgets to continuing projects or to plans for the following year. For example, in FY 2007, the BOB approved extra budgets for upgrading small public schools, but reserved financing for this plan until the OBEC delivered promised outcomes. This means that the OBEC and the line agencies will have to submit details of their work plan each year before finalized budgets for continuing projects can be ascertained. This practice might raise some questions about the use of the MTEF in the education sector.

On the other hand, since the OBEC submits its initial bid before the overall budget ceilings are determined, this bid is often purposely overestimated. An interview source stated that the first bid from the OBEC for recent fiscal years is greater than the ceiling by almost 45 percent.⁶

6 Based on an interview with the OBEC team in June 2008

The OBEC and other line agencies appear to use high bids as a way to signal their needs, or because of competition among line agencies within the Ministry of Education. As a result, the amounts in the initial bids from the OBEC have been wildly in excess of the pre-ceiling budgets.

Developing the Bottom-up Framework

Bottom-up MTEFs are prepared by ministries and line agencies and must be in line with their Four-Year Action Plans. Thus, both ministry and line agencies must submit their own action plans including the MTEF associated with output targets with some support from the BOB. For basic education, the bottom-up MTEF for the OBEC will depend on numbers of students and the subsidy rates. Thus, the BOB does implicitly commit a minimum medium-term budget ceiling for basic education.

The subsidies that were revised in 2006 had been projected to be gradually adjusted to reach the full amount in 2010, but in 2008, the newly-elected government responded to political pressure for “truly free” education by implementing the full rates in 2009. As shown in Table 6, the approved expenditures rose by 48 percent over the previous year, creating disruption to the budget.

Table 6. MTEF Summary for the OBEC, FY 2008

Items (in THB million)	Fiscal Year				Total
	2008	2009	2010	2011	
1. Expenses for Routine Services (Base Budget, Recurrent)	180,273.80	249,890.30	270,643.80	296,156.40	925,664.30
1.1 Required Minimum Expenses	154,586.60	207,334.70	220,394.40	234,330.70	816,645.40
1.2 Interest Expenses	-	-	-	-	-
1.3 Expenses for Routine Services	25,687.20	42,566.60	50,249.40	61,825.70	109,017.90
2. Expenses for Existing Policy and New Initiatives	10,067.90	32,450.90	37,946.20	37,267.10	153,410.20
2.1 Existing Policy	10,067.90	19,867.30	21,705.40	20,818.10	107,528.20
2.2 New Initiatives	-	12,583.60	16,240.70	16,448.90	45,881.90
3. Loan Payments	-	-	-	-	-
Grand Total	190,341.70	282,341.30	308,589.90	333,423.50	1,114,696.40

Source: OBEC, 2008.

Table 7 is an example of part of a budget submission form, showing a service delivery goal and medium-term expenditure plans. Reports on expenditure against output targets can also be found in annual budget reports.

The BOB does not reveal the aggregate MTEF ceiling or produce the top-down MTEF by sector in the budget preparation process because it has been difficult to establish sound baselines, especially in the education and health sectors. Some attempts to create baselines for the health and education sectors have been made by the NESDB in the past, and they are now constructing a model for the top-down MTEF with details of sector forecasts.

**Table 7. MTEF and Service Delivery Goals of the MOE
Classified by Types of Expenditure, FY 2008, in THB Million**

Service Delivery Goals	Budget		Forecast medium-term expenditures		
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Grand Total	328,424.87	354,747.03	393,264.29	410,294.19	431,656.94
Total Budget	282,254.34	301,437.37	336,684.46	350,195.57	368,374.68
Total Off-Budget	46,170.52	53,309.66	56,579.84	60,098.62	63,282.26
Objective 1. Life-long Learning for All	294,857.00	316,560.59	349,955.49	363,229.37	381,993.84
Budget	269,962.68	228,123.43	319,343.25	332,148.45	349,638.36
Off-Budget	24,894.32	28,437.16	30,612.24	31,150.92	32,355.48
Income	24,887.26	28,432.04	30,607.53	31,146.10	32,351.52
Other	7.07	5.13	4.71	4.82	3.96
Objective 2. Skill Development for All					

Note: Table above shows only part of the submission form

Source: Budget Report FY 2008.

The MOE and OBEC attempted to use the modeling approach for provincial and ESA medium-term planning. The model is adapted from the UNESCO-ANPRO model and a UNESCO consultant provided training sessions in September 2007. However, because the information required for developing a more comprehensive model is currently incomplete, the model has not yet been applied to MTEF planning.

To have useful analyses and a better projection model for Thailand, many steps are recommended.⁷ First, it is necessary to obtain sound unit costs and expenditure estimates for sub-sector operation. Output costing for the education sector is quite complex and made more difficult since most schools do not reveal their true expenditures. Schools fear reduced support from the central government if they report income from the local community or parents.

Once accurate information is gathered, the model can be tested with real budget figures. Moreover, it can be expanded to cover other important MOE targets and goals. With data of some quality, this model can be used to project and test different assumptions.

⁷ Summaries from evaluation comments on the Capacity-Building for Provincial Education Planning in Thailand—Training Workshop for Core Trainers, organized by Thai MOE/OBEC and UNESCO Bangkok, 11-21 September 2007.

IV. Resource Allocation

General Subsidies for Per-Student Expenditure

Section 60(1) of the National Education Act (NEA) obligated the state to provide general subsidies for per-student expenditures for basic 12-year education, whether it is provided by state or private educational institutions.

The NEA has led to a major overhaul of the education system in Thailand. The NEA aims to decentralize authority over curricula and spending to local authorities in order to make education more responsive to local needs. School finance management should also be decentralized. Per capita funding for basic and compulsory education for all levels to all schools nationwide started in 2002. The funds were allocated directly to schools through ESAs in block grants. This school allocation fund is called “general subsidies for per-student expenditure.” In 2004, the subsidies were expanded from 12 to 14 years for each student to include pre-primary education.

To comply with this budget allocation requirement, the OBEC is responsible for developing the formula and methodology to calculate expenditure per head. This reflects the cost of basic education by students’ needs, and by level and type of education. The OBEC also has to determine criteria for allocating the capital budget and establish the database necessary for allocating and administering the budget for basic education.

General subsidies for per-student expenditure for basic education have been distributed to both public and private educational institutions since 2002. The current subsidy includes only non-salary expenditures at a flat rate, differentiated only by grade level (see Table 8). The subsidy amount is expected to cover educational institutions’ basic operating expenses.

Table 8. General Subsidies to State and Private Educational Institutions, per Student

Level / Type of Institution	From 2002-2008	After 2008	Increase
A. Formal Education			
Pre-primary	600	1,700	1,100
Primary	1,100	1,900	800
Lower Secondary	1,800	3,500	1,700
General Upper Secondary	2,700	3,800	1,100
Vocational Upper Secondary			
Industry	4,640	6,500	1,860
Commerce	3,040	4,900	1,860
Home economics	3,940	5,500	1,560
Fine Arts	4,940	6,200	1,260
Agriculture			
general	4,140	5,900	1,760
specific	9,140	11,900	2,760
B. Non-formal Education			
Primary	452	1,100	648
Lower Secondary	1,162	2,300	1,138
Upper Secondary	1,162	2,300	1,138

Source: MOE, 2007.

Thai public schools open in May. The official statistics for student numbers are based on the figures reported on 10 June of each year. So, a first installment of the per-student subsidy, 70 percent of the total, is given to schools in April, based on the forecasted numbers of enrolments by schools or the student enrolment in the previous semester, and the second one in August with an adjustment for the actual student enrolment. Normally, schools spend most of the second installment for public utility bills and other accumulated debts to local merchants.

General subsidies for per-student expenditure for those receiving compulsory and basic education are distributed according to guidelines as follows: Personnel expenses:

- Ordinary students receive a standard flat-rate subsidy. This amount does not cover expenses for uniforms and transportation. Within this, Table 8 shows the current rates of general subsidies for per-student expenditure to state and private educational institutions. There are differences according to: the classification of students; the types and levels of education; the different costs in provision of education; and, in vocational education, the fields of study.
- Disadvantaged students, that are students from low-income families and students with disabilities in designated schools, receive much greater subsidies than ordinary students.
- International schools and English-programme schools are allowed to collect fees for tuition and basic facilities, while not receiving the general subsidies.
- Public and private educational institutions receive the same rates of general subsidies for operating costs. In addition, both receive additional subsidies for teacher salaries. State educational institutions also receive capital costs support.

The Office of the Educational Loan Fund is responsible for assisting needy students to continue their upper-secondary education to undergraduate level in both general and vocational education. This includes students in non-formal education programmes who wish to further their study beyond lower-secondary level. The Office of the Educational Loan Fund allocates resources to universities on a quota basis. Students apply for loans through universities for tuition fees and living expenses. The loan, plus a low interest charge, must be paid in full within 15 years.

The Income-Contingent Loan (ICL), a demand-side financing loan, was established in 2005. The ICL is an interest-free loan and is available to university students regardless of their financial status. The loan amount is subject to the inflation rate and students are only required to repay the loan when they earn more than a threshold-level salary. This loan scheme aims to improve utilization, allocation and equity in education. It was anticipated that the scheme would stimulate competition among public and private higher education institutions.

The government allows private institutions to collect additional fees from students, but these should not exceed limits specified by the OBEC. Additional fees are allowed to improve the quality of education, and to cover some school costs.

While substantial progress has been made in education finance reform, the implementation of per-student funding is far from complete. Punyasavatsut and others (2005) considered that current funding via these subsidies has not been able to achieve the desired quality and efficiency in education. The existing allocation framework does not take into account the necessity for site-specific allocation and for differences in the scales of school operation, and this leads to inequitable education. Another source of this inequity is the fact that the allocation of teachers across schools is not yet efficient. Because teacher salaries are the

largest element of education costs, the omission of teacher salaries from the school-based funding framework is an issue.⁸

To date, no explicit school funding formula exists. All schools across the country, whether large or small, located in rich or poor areas, receive the same per-student subsidy for the same level of education. Apart from teacher salaries, subsidies in forms of block grant cover the major share of education expenditure. Thai educators are debating whether these subsidy rates provide adequate resources for the provision of good-quality standardized education.

Decentralization

One of the strategies adopted to decentralize the administration of education in Thailand was the establishment of ESAs and LAOs.

OBEC Allocation Rule to ESAs

Progress has been made in developing the budget allocation framework to ESAs. In FY 2007, the OBEC adopted funding formulas to allocate its budget to 185 ESAs. These budgets cover ESA administrative functions and work related to schools in the service areas. The funding formula is based on the concept of needs-based budget allocation. It consists of six components: a base allocation and various supplements for the differential needs of the ESAs. The OBEC provides capital investment to some schools and ESAs according to the degree of necessity.

The OBEC allocates budgets to ESAs and schools in two categories: personnel and operating expenses. Personnel expenses, for salaries, wages, and compensation, are allocated to ESAs and schools by the Government Financial Management Information System (GFMS) using specific accounts. These accounts specify the existing numbers of teaching and support staff at schools and ESAs.

Most of the operating budget goes to the OBEC and the ESAs. For example, in FY 2006 most ESAs received THB 6 million. Of this, THB 1.4 million was allocated for the operating costs of the ESA, THB 2.3 million was for a school quality improvement plan to be proposed and run by the ESA, and the rest was reserved for a flagship programme from the central OBEC. In addition, ESAs receive budgets for civil service benefits and social security funds. The remaining funds are allocated to the ESAs for line items such as maintenance costs, repairs, meeting fees for school boards, transportation between schools and ESAs, and rental costs.

Subsidies for poor students are also distributed through the ESAs. Previously, this subsidy had limited the use of the money to food, clothes, learning materials and transportation; the new subsidy does not specify the use of the money. This subsidy replaces the earlier scholarship programme for poor students. The OBEC uses information from the Ministry of Interior to identify the poverty line and the numbers of poor students. The OBEC sends this criterion to the ESAs so that the ESAs can conduct surveys of their schools, and then submit their findings back to the MOE. Usually, the OBEC cannot provide subsidies for all the students who qualify because of budget limitations. Each ESA has its own criteria to further allocate this funding to schools in the area. Similarly, the allocation criteria at the school level depend largely on the principal.

⁸ Some school funding formulas for public school that cover recurrent expenses were developed by the OBEC, but they have never been piloted.

Local Administrative Organizations

Originally, the 1999 Decentralization Act demanded that at least 35 percent of total government revenues in 2006 be allocated to LAOs. Because it was thought that the LAOs have different capacities for absorbing a service delivery function and there are wide variations in terms of qualified personnel and local resource endowments, the cabinet agreed to slow down the decentralization process. The subsequent 2006 Decentralization Act stated that the LAO's share of total government revenue should not be less than 25 percent. In addition, the amount of funds transferred should correspond to the activities transferred to local governments. As a result, the revenues allocated to LAOs in 2007 and 2008 were 25.2 percent and 25.25 percent of total government revenues, respectively.

In educational funding, the revenue allocated to LAOs depends on the number of students in schools under their supervision. This, in turn, depends on the number of schools transferred to LAOs. In this regard, little progress has been made in implementing the decentralization of education services. In 2004, only some minor functions were transferred to LAOs. These included running child development centers, developing activities for pre-primary education, providing school milk and lunches, and overseeing sub-district libraries and village reading centers.

In 2006, many LAOs were ready to assume greater responsibility from the MOE. To ensure the capacities and readiness of the LAOs in school management, the MOE issued the guidelines and criteria for evaluation. However, the transfers were complicated by these guidelines and criteria. One of these criteria is that chosen schools must not be forced to transfer. Teacher expectations about job security and expected benefits have come to determine whether a school is transferred. In 2006, only 279 schools out of 2,120 public schools approved a transfer. Only 80 public schools were successfully transferred to the LAO. More than half of the schools transferred went to the Province Administrative Organizations, which can afford bigger budgets than those received from the central government. In 2005, the number of students in basic education under the LAOs was only about 6.2 percent of the total.

V. Issues for Further Consideration

Education Sector Finance Strategy

Thailand's biggest challenge in education finance policy is to provide a free, good quality basic 12-year education. Financing this policy has proven to be very costly. Recent government policy on "truly free" basic education has led to increased rates of subsidy and has added even more pressure on public resources. New strategies to circumvent this burden are to mobilize resources from the business and household sectors through tax incentives, and to enhance the role of the private sector in education provision. An amendment of the National Education Act to allow for flexible resource mobilization is also proposed.

Allocating education resources to achieve efficiency and equity goals is another challenge for Thailand. In basic education, government resources allocated to schools depend on the number of students and the approved per-student subsidy rates. Only non-salary costs are included in the calculation of per-student subsidies. Resource allocation using flat-rate subsidies for ordinary students, in a legal interpretation of the Constitution, has resulted in more inequitable results. Leaving salary costs outside these allocations exacerbates these problems.

Using formula funding to allocate these subsidies, including teacher salaries, to schools would ensure that allocation can promote horizontal and vertical equity in education. However, gradual and cautious steps must be taken to prevent unnecessary protest. Allowing public schools to have more autonomy and discretion over resources and management could enhance efficiency of their resource uses.

MTEF in Budget Planning

Thailand has been undertaking significant budgeting and public administrative reforms as part of overall public sector development since the 1997 Constitution. Budget reforms aim to improve the allocative and operational efficiency of public expenditure through reducing the centralized power of the Bureau of the Budget. The new budget system has been re-oriented toward output- or outcome-based performance. The new system has also emphasized aggregate fiscal discipline and strategic prioritization by incorporating the MTEF in FY 2006.

The Thai MTEF is a four-year rolling budget based on key economic assumptions and fiscal targets, and it is integrated into the budget process. As a strategic policy tool to serve national priorities, it relates to the Government Administrative Plans. The Four-Year National Administrative Plan and the current-year action plan serve as guidelines for integrated action plans from all ministries. Both top-down MTEF and bottom-up MTEF have been adopted in the Thai budgetary planning framework.

To date, Thailand's MTEF is still only at the initial stage. The MTEF can have greater impact and help improve budget processes and outcomes through:

- improving the transparency of the fiscal framework. The transparency conditions of the MTEF would allow evaluations of the Royal Thai Government's commitment. As argued by Oxford Analytica (2006), "The annual budget framework still lacks more detail on specific fiscal programmes. ... Annual budget documentation identifies quantitative risks, but these are usually outlined in general terms. Cost uncertainties are not factored into expenditure commitments; and the government does not disseminate the underlying budget framework or a range of alternative fiscal scenarios". In this context, it is very difficult to evaluate if a sound medium-term fiscal framework has been established.

- increasing the use of the medium-term budget framework. At present, the annual budget report does not show the MTEF for the country or the sectors. This could be an attempt to constrain rising public spending and use the MTEF to institutionalize incremental budgeting. It is the BOB's responsibility to issue these ceilings, and to choose between annual and three-year time frames. Clarity might help to prevent political manipulation of the budget. Reporting the medium-term expenditure ceilings of the country and sectors can enhance fiscal sustainability.
- supporting policy-based budget analysis in the MOE. One major dispute between the MOE and the BOB concerns the efficiency of public resource use. Efficiency issues, both allocative and operational, of budget allocation need to be more emphasized. It is this soundness that makes the implications of the budget clear to the legislature and public. Explaining relationships between budget inputs and outputs, and also budget inputs and outcomes in the education sector should be the responsibility of the MOE.
- increasing the predictability of budget allocations. In the education sector, the budget submission is wildly in excess of final budget allocations. The large discrepancy between the MTEF and the budget allocated for the education sector undermines the purpose of an MTEF. To solve this problem, the MOE needs to work on several important elements.
 - *First, the MOE needs to have a more systematic justification for their budget submission.* Output costing supporting the general subsidies of per-student expenditures for basic education must be systemically and reasonably estimated. Revealing the details of the true costs of publicly provided education to the public and politicians is necessary if the MTEF is to work.
 - *Second, projected output targets need to be improved.* The MOE has been attempting to use modeling to complete this task, but with less than satisfactory results. Timeliness and availability of education sector data, especially school-level budget data, is important to useful planning and in applying the modeling approach to MTEF. Also, the MOE and the BOB should reach consensus on the model to be developed. Technical assistance supports in this area are, thus, of importance.

With such elements in place, output-based budgeting will have greater potential for fiscal and education planning. These tasks can be successfully implemented with the active involvement and support of the MOE.

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