



P R A K A R S A

Welfare Initiative for Better Societies

Study on the Tendency in Public Spending and Privatization for Education in ASEAN Countries Post COVID-19

2024

**Study on the Tendency in Public Spending and Privatization
for Education in ASEAN Countries Post COVID-19**

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Reference to Cite:

Perkumpulan PRAKARSA. (2024). Study the Tendency in Public Spending and Privatization for Education in Asean Countries Post COVID-19. Perkumpulan PRAKARSA: Jakarta.

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Publisher:

Perkumpulan PRAKARSA

Komplek Rawa Bambu 1

Jl. A No. 8E Kel. Pasar Minggu, Kec. Pasar Minggu

Jakarta Selatan, Daerah Khusus Ibukota Jakarta 12520, Indonesia

Keywords:

ASEAN, education, incentive, policy, social equity, inequality

Disclaimer:

This report is based on the research titled "Study on the Tendency in Public Spending and Privatization for Education in Asean Countries Post COVID-19". The contents of the report are fully the responsibility of the researchers and authors.

ACKNOWLEDGEMENTS

This report was written by Bintang Aulia Lutfi, Phuong Le Ha, Victoria Fanggidae, Pham Van Long. This paper is part of a series written to inform public debate on development and humanitarian policy issues.

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Forewords

After the COVID-19 pandemic, we are facing a geopolitical crisis in several regions of the world which has a direct impact on the economy. Currently, many countries are experiencing inflation and challenges in fiscal sustainability. Even though the fiscal and economic resilience of ASEAN countries is quite good compared to other regions, ASEAN still needs to strengthen economic collaboration to face global challenges.

Foreign Direct Investment (FDI) in ASEAN faces challenges, especially with the emergence of the “race to the bottom” phenomenon. The theme for ASEAN Laos Chairmanship 2024 is “Enhancing Connectivity and Resilience,” which aims to integrate and connect the economies of member countries. ASEAN seeks to become a region with high economic vitality that is attractive to foreign investors. Through “Enhancing Connectivity,” ASEAN also prioritizes the role of children in behavioral transformation through education. We believe that state-funded education is an important element of fiscal justice because it can increase long-term productivity and provide more equal opportunities for society.

PRAKARSA’s research which titled “ Study on the Tendency in Public Spending and Privatization for Education in ASEAN Countries post COVID-19” that you are reading now is evidence to strengthen policies to improve the quality of public spending. This research is an inseparable part of previous research regarding “Assessing the Incentives Policies for Foreign Investment in ASEAN Member States 2021-2023”.

We believe that ASEAN should discourage the practice of “race to the bottom” for fiscal and non-fiscal incentives in ASEAN countries, because it will further reduce allocations that could be used to improve public services. Fiscal resilience of ASEAN countries is also needed to face the demographic bonus in the ASEAN region in the future, so that the goals of social welfare and justice can be realized.

This research aims to explore government policies in ASEAN countries with a focus on the management and allocation of public expenditure on education, identify trends and developments in the privatization of the education sector, and evaluate progress in educational equality throughout the ASEAN region. In addition, this research also examines efforts to mobilize domestic resources to support national development goals, thereby providing a comprehensive picture of how education policies are implemented and developing in ASEAN countries.



We hope that this research will not stop here. We expect the governments of ASEAN countries to follow up our recommendations, such as ensuring the development of stronger policies to guarantee and fulfill the welfare of many people. We encourage spending in the education sector to be more secure, not only improving policies from an economic perspective but also ensuring quality so that ASEAN can achieve the SDGs.

I would like to thank the research team from PRAKARSA in Indonesia and all those involved in preparing this report from other ASEAN countries, especially our colleague researchers from Vietnam. We hope that this report can enrich existing knowledge and provide encouragement to policy makers to be fully committed to economic growth in ASEAN and the welfare of society.

Jakarta, June 2024

Ah Maftuchan

Executive Director of The PRAKARSA



A person with a backpack is seen from behind, looking at a large map of Southeast Asia. The map shows countries like Thailand, Malaysia, Philippines, and Indonesia. The person is wearing a blue jacket and a backpack. The background is a blurred street scene.

Executive Summary

State-funded education is a key element in fiscal justice. It is a crucial public good that can improve productivity over the long run and provide more equal opportunities to the people. This report examines the impact of financial strategies on education across ASEAN countries following the COVID-19 pandemic, focusing particularly on public spending and the trend toward privatization.

This research aims to explore ASEAN government policies and to answer the following questions: 1) How is public spending on education being managed and allocated across the various ASEAN countries?, 2) What are the trends and developments in the privatization of the education sector within ASEAN countries?, and 3) How is the progress of educational equity being addressed and achieved across the ASEAN region? These questions will then be answered in this research. We are using a qualitative approach, which includes an extensive review of literature and data. The study provides insights into how these fiscal approaches are influencing educational equity and the mobilization of domestic resources.

Our analysis shows that there have been notable financial changes in the educational sector across ASEAN countries. Spending on education as a percentage of GDP and public expenditure in 8 of 10 ASEAN countries has decreased, even before COVID-19. This reduction in public funding varies by country, reflecting different economic situations and government priorities. The decline of the financing is concerning as it directly affects the quality of education and the availability of resources in public schools. From 2020 to 2022, there was a slight recovery in the share of government spending on education in Malaysia, Vietnam, Thailand, Indonesia, Cambodia, and the Philippines. Still, spending did not return to 2013 levels. Malaysia held the top position in 2013, while the Philippines led in 2022.

Only Malaysia meets UNESCO's recommended threshold of 4% of GDP when comparing government spending on education. While more than half of ASEAN countries achieved



UNESCO's minimum total public expenditure recommendation, some, including Vietnam and Indonesia, failed to meet this standard.

In terms of public spending structure, most public education spending is directed towards recurrent expenses. However, the balance between recurrent and capital expenditures varies across the region. Smaller nations allocate much more proportion to capital expenditures, whereas higher-income countries spend relatively less on capital expenses. Teachers' salaries account for most of the recurrent expenditure in most countries. However, the priorities for teachers in each country are different.

In response to the COVID-19 pandemic, most governments reduced their education budgets to reallocate funds towards urgent actions such as healthcare or economic growth. However, Malaysia and Indonesia were exceptions to this trend. However, while Malaysia consistently increased its education spending over the three years, Indonesia only allocated more funds for education in 2020. Afterwards, spending fell below pre-pandemic levels. Among the other countries, Singapore experienced the most significant decrease in education spending since the onset of the pandemic.

Alongside decreased public funding, there has been a rise in privatization within the education sector. More private investments are being made to fill the gaps left by reduced public expenditure. While this has introduced more educational opportunities, it also poses significant challenges. The most pressing issue is the growing inequality in access to education, with quality schooling increasingly available only to those who can afford it.

Public spending can have a significant impact on education. All ASEAN countries fall into the lower half of the Commitment to Reducing Inequality Index (CRII). Specifically, in terms of education coverage on the CRII, Myanmar, Cambodia, and Laos—the three least developed ASEAN nations—rank among the lowest globally. In contrast, Singapore, Malaysia, and the Philippines scored the highest on this indicator. While the gaps in access to education across genders, locations, and wealth levels are narrowing, disparities still exist among the poorest populations, particularly in Laos and Indonesia. Notably, Indonesia has the highest percentage of private education institutions, and Laos has shown the most significant growth rate in private schools.

Despite these financial challenges, some ASEAN countries have managed to maintain or even improve their educational standards, as shown by international evaluations like PISA. Most countries, except Singapore, still score lower than the OECD average. However, the scores in all categories of some countries are increasing. For HDI scores, while Singapore and Brunei are among the countries with very high human development, other ASEAN countries have Human Development Index (HDI) scores below the ASEAN regional average. Nevertheless, countries' HDI scores tend to increase over time. This suggests that some areas can still uphold high educational quality despite financial constraints.

However, higher educational achievement and greater equal access to educational

opportunities require increased educational investment. Unfortunately, mobilizing domestic resources for education in ASEAN countries faces several challenges: low tax progressivity, economic constraints, limited policy support for increased educational funding, and unequal distribution of resources.

Given these above challenges, in this research, there are two priority recommendations to the ASEAN secretariat and ASEAN countries, they are: 1) ASEAN countries' governments must focus their budgets on the education sector. This can be reallocated from the COVID mitigation budget, which has now begun to recover, and 2) ASEAN countries need uniform education data reporting standards. This standard will facilitate monitoring and assessment of each country's commitment and budget allocation to the education sector.





01 Introduction



In conjunction with our parallel research on ASEAN incentives policies for foreign investment 2021 - 2023. This study of public spending and privatization for education contributes to a holistic understanding of the region's evolving fiscal landscape. Through our findings, we aspire to advocate for strategies prioritising domestic resource mobilization to support vital public services, especially education.

Free, universal education is a fundamental human right critical for an individual's well-being, agency, and prosperity. In 2015, 193 member states unanimously adopted the 2030 Agenda for Sustainable Development and the 17 Sustainable Development Goals (SDGs), including Goal 4 on "ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all" (UNDESA, 2020).

The Covid-19 pandemic has worsened the learning crisis. Almost every low-income country has closed its schools at some point during the past two years. Approximately 23.8 million children and youth may have dropped out of education due to the lack of schools access and/or the decline in family income (UNESCO, 2020). Most countries had fully opened schools, but 46 countries had only six partially, and countries still had their schools fully closed education (UNICEF, 2022). Many countries with poor learning outcomes before the pandemic also tended to have more extended school closures and this exacerbated inequalities. School closures and lack of access to learning support (teacher contact) and materials during COVID-19 have had a devastatingly impacted reported levels of learning worldwide.



In many countries, education is being deprioritized in government budgets and plans. According to the 2021 Education Finance Watch (EFW) report, two-thirds of low and lower-middle-income countries have reportedly cut their public education budgets since the start of the pandemic (The World Bank, 2021). UNESCO data shows that countries have invested as much as 16 trillion USD, with 97% of this investment happening in high-income countries while only 2.9% is spent in lower-income countries (UNESCO, 2021). The uneven spending in investment could exacerbate the existing challenges in education in terms of access, inclusion, equity, and quality. Increasing the share, size, sensitivity, and scrutiny of education financing with comprehensive planning and resource allocation, as well as proper budget utilization, will be imperative to delivering quality education that is built on the principles of equity and inclusion and can reach and address the learning needs of learners from the most marginalized groups.

As a crucial public good that could improve productivity in the long run, and at the same time provide more equal opportunities to the people, state-funded education is a critical element in fiscal justice. However, due to the constraints in public revenues during and after the COVID-19 pandemic, ASEAN members' governments might have shifted part of their education expenditure to the public via privatized or semi-privatized education programs. This research aims to explore this phenomenon more closely in a document-based approach if there are any trends in ASEAN government policies.

- How is public spending on education being managed and allocated across the various ASEAN countries?
- What are the trends and developments in the privatization of the education sector within ASEAN countries?
- How is the progress of educational equity being addressed and achieved across the ASEAN region?

This research uses a qualitative approach through literature study: leverage reports, data portals, and other supporting documents as secondary data sources. With a focus on public spending policies on education in ASEAN countries, this study aims to describe how these policies responded during and after the pandemic. The analysis was conducted to understand the impact of policies on the education sector, how these countries navigated the challenges posed by COVID-19, and the policy adaptations undertaken to ensure the continuation of education amid the crisis. Thus, this study not only illustrates the current conditions but also provides insight into the effectiveness and efficiency of public spending in responding to education needs during the health crisis in ASEAN.





02 Public Spending for Education in ASEAN Countries



2.1. Socio-economic background and education system of the ASEAN region

There is a diverse range of economies among these 10 ASEAN countries in terms of their social-economic indicators ranging from population to economic development.

Singapore and Brunei, despite having the smallest populations in the region, possess the highest per capita incomes (Table 1). Notably, both countries rank among the highest GDPs per capita in the world, at over US\$55,000. In contrast, the remaining ASEAN member states record a more modest GDP per capita, typically falling below US\$30,000 in 2022. Among the other eight nations, the populations vary widely, with Malaysia, Lao, and Cambodia being smaller than 34 million in 2022, while those of the other five countries were above 54 million, Indonesia, with a population of 275.5 million. The percentage of the female population in ASEAN countries is relatively uniform, ranging from a low of 47.70% in Singapore to a high of 51.45% in Thailand.

There are slight differences across ASEAN members in the labor force participation rate. Singapore and Cambodia have the highest labor participation rates, 78.64% and 79.02%, respectively. In contrast, the Philippines and Lao have significantly lower participation rates, below 62%.



Table 1: Overview of ASEAN member states, 2022

Country	Population (million)	Female, population (% Population)	Labor force participation rate (% Population)	GDP (constant 2015, billion USD)	GDP, PPP (constant 2017, billion USD)	GDP per capita, PPP (constant 2017, USD)
Brunei	0.45	48.28	68.2	13	26.34	58,669.9
Cambodia	16.77	50.5	79.02	24.95	75.97	4,530.53
Indonesia	275.5	49.65	68.21	1,122.29	3,418.91	12,409.76
Lao DPR	7.53	49.6	61.38	19.57	59.84	7,947.66
Malaysia	33.94	48.9	69.46	385.94	960.97	28,315.37
Myanmar	54.18	50.23	64.37	73	223.46	4,124.49
Philippines	115.56	49.22	59.01	407.69	991.72	8,581.94
Singapore	5.64	47.7	78.64	379.71	609	108,036.1
Thailand	71.7	51.45	75.48	450.13	1,255.21	17,507.12
Vietnam	98.19	50.6	77.96	358.92	1,118.99	11,396.53

Source: World Bank's World Development Indicators

Note: Labor force data from Myanmar is for 2020, other countries are for 2021.

In most ASEAN countries, the primary school starting age is reported to be six years old, except for Myanmar (5 years old) and Indonesia (7 years old). Across the region, most countries follow a 12-year basic education structure, divided into primary school, lower secondary school, and upper secondary school (see Table 2). The detailed education sector structure varies among ASEAN members, with the 6+3+3 structure being the most common in the region.

Table 2: Education sector structure and total years of primary education in ASEAN countries, 2024

Structure	Total years	Countries
6+3+3	12	Cambodia, Indonesia, Thailand
5+4+3	12	Lao PDR, Vietnam
6+4+2	12	Philippines, Singapore
7+5	12	Brunei*
6+3+2	11	Malaysia
5+4+2	11	Myanmar

Source: Authors' review of legal documents of ASEAN countries

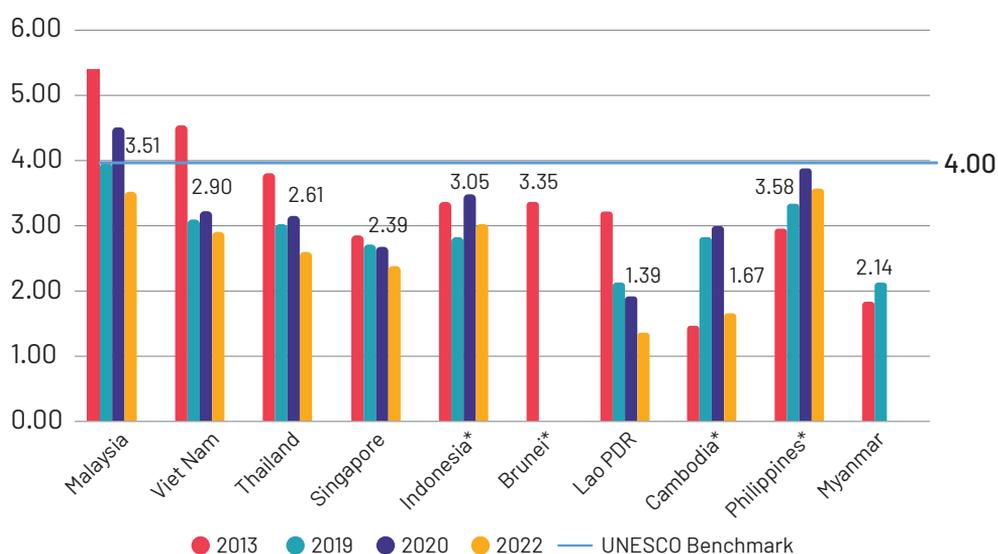
Note: * Brunei's primary education comprises 7 years in primary education, inclusive of 1 year in pre-school



2.2 Public expenditure on education

Investment in education is an investment in human capital, which can increase productivity and lead to innovations that drive economic growth. Therefore, ASEAN countries' legal and policy systems consistently affirm the importance of education development. For example, the 2013 constitution of Vietnam states that education development is a primary national policy to elevate the people's intellectual standards, trains human resources, and fosters talent. Accordingly, public expenditure on education serves as a reflection of a government's commitment to educational advancement. By allocating a substantial portion of their budget to this sector, governments demonstrate the prioritization of education within their national agenda.

Figure 1: Percentage of government expenditure on education in GDP in ASEAN, 2013 - 2022 (%)



Source: World Bank Education Statistics

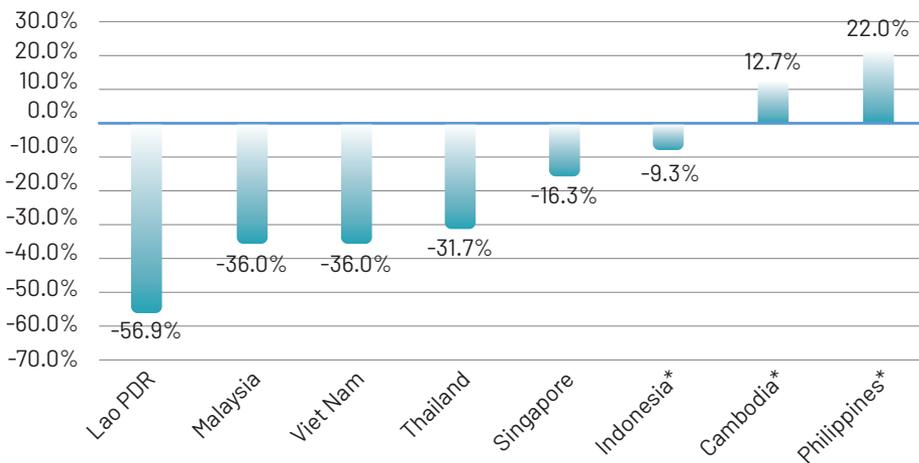
Note: *Due to data availability limitations, percentage data for Brunei and Philippines in 2013 reflects data from 2014. Similarly, data for Cambodia and Indonesia in 2022 reflects data from 2021.

Although there was an overall downward trend in the percentage of government expenditure on education as a proportion of GDP in ASEAN countries from 2013 to 2022, Malaysia, Vietnam, Thailand, Indonesia, Cambodia, and the Philippines saw a slight recovery in 2020 (See figure 1). However, spending in most countries did not return to 2013 levels. Malaysia, beginning as the highest spender in 2013 with 5.48%, observed a steady decrease to 3.98% in 2019 and further to 3.51% by 2022.

The Philippines consistently increased its educational spending from 2.93% in 2014 to 3.53% in 2022, demonstrating a strategic prioritization of education even during the pandemic. Malaysia held the top position in 2013, while in 2022, the Philippines emerged as the leading spender. Singapore showed the lowest variance throughout the period, with a minimal decrease from 2.85% in 2013 to 2.39% in 2022. Cambodia and Lao consistently have alarmingly low educational spending to the GDP, which could hinder them from achieving their academic goals. Cambodia allocated a modest portion of its GDP to education, with expenditure increasing from 1.48% in 2013 to 2.83% in 2019, reaching a peak of 3.00% in 2020, and then experiencing a notable decline to 1.67% in 2021. On the other hand, Lao PDR significantly decreased its GDP expenditure on education, reducing it from 3.23% in 2013 to 1.39% in 2022.

Furthermore, from 2013 to 2022, ASEAN countries' public spending on education displayed distinct patterns, indicating variations in each country's priorities and investment in education.

Figure 2: Change in education spending as percentage of GDP, 2013 – 2022 (%)

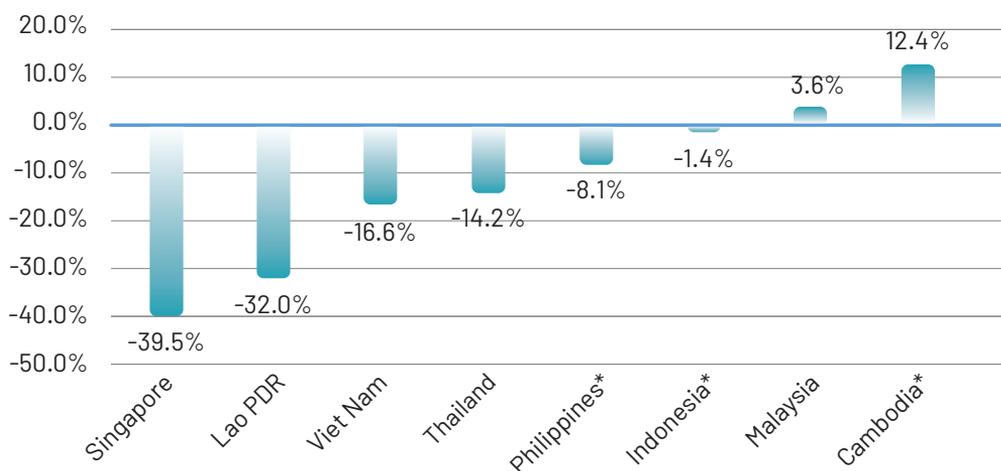


Source: World Bank Education Statistics, UNESCO.

Note: *Due to data availability limitations, percentage data for Philippines in 2013 reflects data from 2014. Similarly, data for Cambodia and Indonesia in 2022 reflects data from 2021.

Regarding government expenditure on education as a percentage of GDP, public spending on education in most countries tended to decrease, with exceptions being Cambodia and the Philippines (Figure 2). The countries with the largest increases in spending as a percentage of GDP were the Philippines (22%), followed by Cambodia (12.7%). On the other hand, the largest decline were Lao (56.9%) and Malaysia (36%).

Figure 3: Change in education spending of total Government Spending in ASEAN countries, 2013 – 2022 (% Government Expenditure)

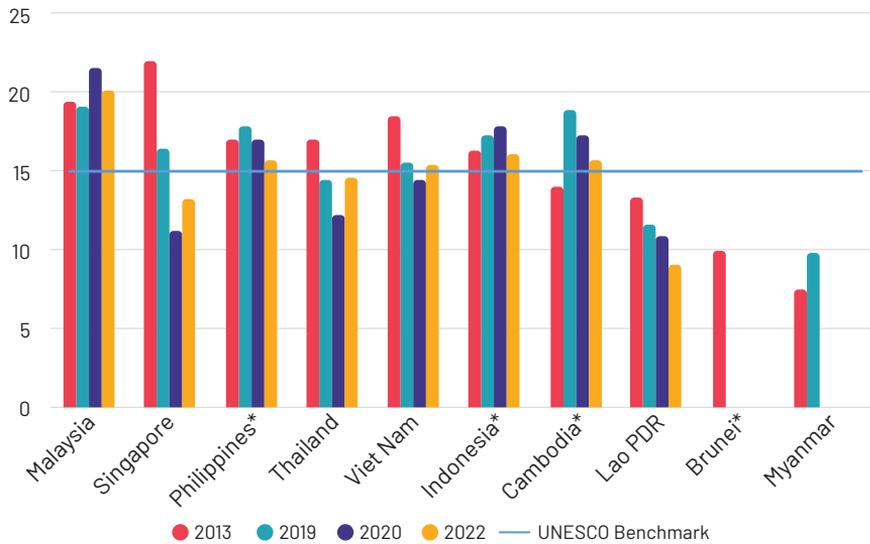


Source: World Bank Education Statistics, UNESCO.

Note: *Due to data availability limitations, percentage data for Philippines in 2013 reflects data from 2014. Similarly, data for Cambodia and Indonesia in 2022 reflects data from 2021.

As shown in Figure 3, from 2013 – 2022, the trends in education spending as a percentage of total government spending have also decreased. The countries with by far the most significant increase in the percentage of total expenditures were Cambodia (12.4%) and Malaysia (3.6%). On the other hand, Singapore and Lao saw the most significant reduction in education spending as a percentage of GDP. Interestingly, during the surveyed period, Malaysia’s government decreased the percentage of GDP spent on education. Still, the percentage as a share of total public spending increased, indicating a possible prioritization of education spending within the public budget. Alternatively, this could be due to Malaysia’s total public expenditure growing faster than its GDP. In contrast, the Philippines increased spending on education as a percentage of GDP but saw a decline in the percentage of education expenditure as a share of public spending.

Figure 4: Percentage of government expenditure on education in total government expenditure in ASEAN countries, 2013 - 2022 (%)



Source: World Bank Education Statistics

Note: *Due to data availability limitations, percentage data for Brunei and Philippines in 2013 reflects data from 2014. Similarly, data for Cambodia and Indonesia in 2022 reflects data from 2021.

The percentage of government expenditure on education as a part of total government expenditure in Singapore, Philippines, Thailand, Vietnam, Indonesia, and Lao fluctuated throughout the period (Figure 4). Despite some slight fluctuation, Malaysia consistently spent a higher percentage of its budget on education than other ASEAN members. The country was the second-highest spender at 19.5% in 2013, and since 2019, it has surpassed Singapore to become the highest spender and maintained this position. On the other hand, Lao experienced a significant decrease in educational spending, dropping from 13.3% to 9.1% over the given period. Cambodia saw a remarkable increase in educational expenditure, rising from 14.0% in 2013 to a peak of 18.9% in 2019 before decreasing to 15.7% in 2021.

Comparing government spending on education with UNESCO’s recommended threshold of 4% of GDP (figure 2), in 2013, Malaysia and Vietnam exceeded the UNESCO benchmark, while other countries fell short. In 2019, all other countries, except Malaysia, failed to meet the guidance level. Since the COVID-19 outbreak, the percentage of government expenditure on education in GDP for almost all ASEAN countries was significantly below the 4% recommendation.



Figure 4 also compares government spending on education as a percentage of total government expenditure by ASEAN countries against UNESCO's recommended threshold of 15%. Most countries initially met or exceeded this benchmark, but some experienced declines, possibly due to the financial impact of the pandemic. In 2013, countries such as Malaysia, the Philippines, Vietnam, Thailand, and Singapore exceeded the benchmark. However, Lao, Cambodia, Brunei, and Myanmar fell below the recommended level. Six years later, Cambodia saw an impressive increase in its educational expenditure, climbing above the benchmark. At the same time, Vietnam experienced a drop but remained above 15%. In 2020, characterized by the COVID-19 pandemic, Malaysia reached its peak expenditure relative to the threshold, surpassing other countries. Moving to 2022, there is a noticeable decline across most countries, in which Lao saw further reductions, with educational investment dropping significantly below the recommended level at 9.1%.

Table 3: Number and percentage of ASEAN following UNESCO's expenditure recommendations before (2013-2019) and after (2020-2022) the COVID-19 pandemic.

	Minimum recommended GDP spending		Minimum recommended public expenditure		Within both recommendations	
	Before (2013 - 2019)	After (2020 - 2022)	Before (2013 - 2019)	After (2020 - 2022)	Before (2013 - 2019)	After (2020 - 2022)
No.	1	1	7	5	1	1
%	10%	10%	70%	50%	10%	10%

Source: Authors' calculation based on data collected from World Bank Education Statistics.

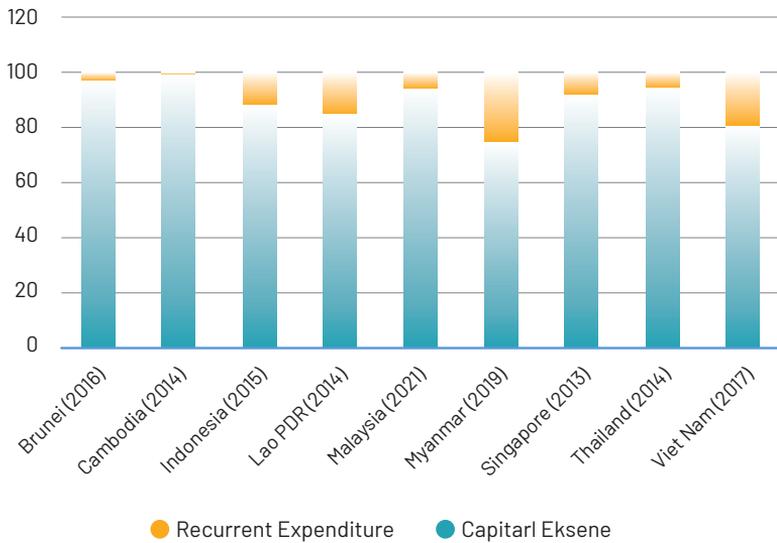
Based on available data during two periods, only 10% of ASEAN countries with available data (1 country - Malaysia) met UNESCO's minimum GDP benchmark (See Table 1). Meanwhile, the figure for public expenditure recommendations before the COVID-19 pandemic was 70%. It decreased by two-thirds to 50% during and after the pandemic period. Just one-tenth of ASEAN members met both benchmarks throughout the whole-time frame from 2013-2022.

While some countries typically satisfied the international benchmark, they failed to reach their own country's standards. For example, the Vietnam 2019 Education Law regulates that the State shall ensure that educational and training expenditures take up at least 20% of the State budget. However, the average share of government spending on education in Vietnam between 2013 and 2022 was only around 16%. Meanwhile, the Lao PDR 2015 Educational Law states that the State prioritizes and increases the national budget expenditure ratio to education, reaching 18% upward. Still, the actual educational



spending in Lao had not reached this level. For the Indonesian case, the constitution mandates allocating 20% of government spending to education since 2009. Data from the Department of Finance in 2024 shows Indonesia allocated IDR 665 trillion (around 20%) out of a total state expenditure of IDR 3,304 trillion. However, World Bank data from 2013–2021 shows a different picture, with the percentage barely reaching 20% and only reaching about 16% in 2022. These countries fall short of their national benchmarks, suggesting a discrepancy between policy goals and actual resource allocation in the education sector.

Figure 5: Proportion of educational spending on recurrent vs capital expenditure in ASEAN countries, latest available year 2013 – 2021 (%)



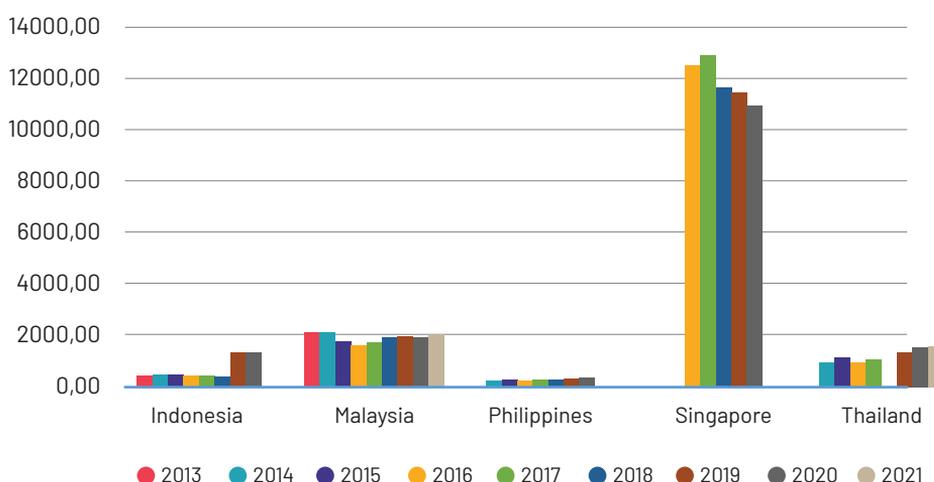
Data source: UIS.Stat., and Vu Sy Cuong (2020)

In ASEAN, Malaysia increased the proportion of its recurrent expenditure from 90.5% in 2013 to 94.4% in 2021. Meanwhile, Vietnam spent a stable percentage of its public spending on recurrent expenditure, hovering around 81%. Limited data shows mixed trends in other countries. Spending patterns on recurrent and capital expenses differ across the region. Small nations like Myanmar, Lao, and Vietnam allocated significantly higher capital expenditures, suggesting a greater need for infrastructure such as classrooms and school improvement. On the other hand, higher-income countries like Brunei and Thailand showed minor capital expenditures, indicating a lower demand for infrastructure financing. The exception was Cambodia, which, despite being one of the lowest-income countries in the region, recorded a very high percentage of current expenditure, reaching 100% in 2013 and decreasing by 99.5% in 2014.

2.3. Educational spending on individual

Total public expenditure on education per student in ASEAN countries varied between 2013 and 2021 (Figure 6). Singapore demonstrably invested the most heavily in education per capita, averaging US\$11,895.17 per student throughout the period despite a downward trend in later years. Malaysia followed distantly with an average of US\$1,933.69 per student. Malaysia's data showed significant fluctuations, including a high starting point in 2013, a drop in 2016, a subsequent recovery, and a peak in 2021. Thailand and Indonesia occupied the middle range, averaging US\$1,248.84 and US\$705.28 per student, respectively. While Thailand's data suggested a relatively stable investment per student over time, Indonesia's expenditure fluctuated. The latter nation experienced a modest downward trend from 2013 to 2018, followed by a surge in 2019. Despite starting with the lowest figures, the Philippines consistently increased expenditure per student throughout the period, illustrating a strong commitment to progressively increasing education funding. The country spent an average of US\$311.67 per student.

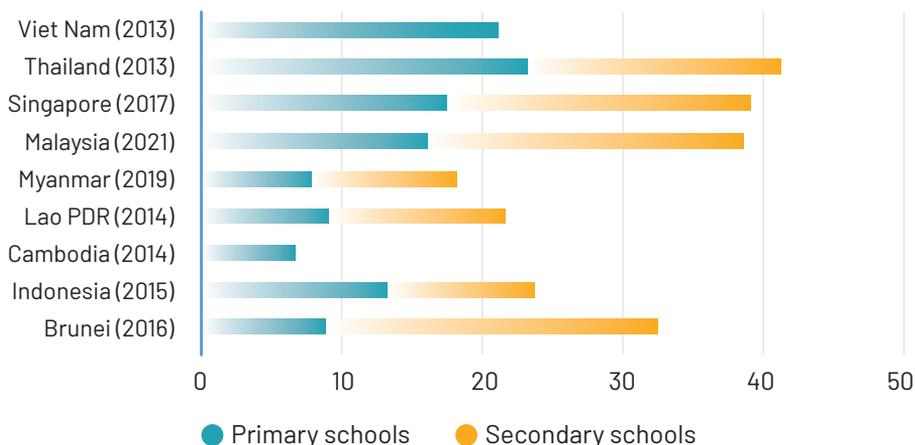
Figure 6: Total public expenditure on education per student in ASEAN countries, 2013 - 2021 (USD)



Data source: IMF World Competitiveness

Education spending per student, as measured by GDP per capita also shows contrasting patterns across educational levels and countries (figure 7).

Figure 7: Percentage of public expenditure per student as in GDP per capita by level in ASEAN countries, latest available year 2013 – 2018 (%)

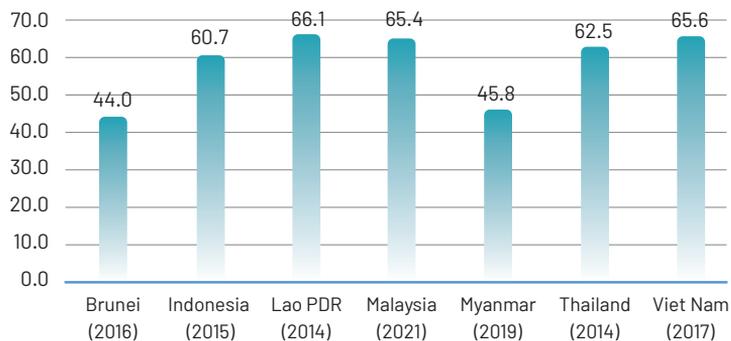


*Note: No data available for secondary education in Vietnam and Cambodia
Data source: World Bank Education Statistics*

Regarding educational levels, Thailand and Indonesia prioritised spending on elementary school learners, allocating 23.3% and 13.2% of GDP per capita, respectively. In comparison, secondary school students received 18% and 10.5% of GDP per capita, respectively. In contrast, other countries spend more on secondary school students than on primary ones. The largest funding gap was seen in Brunei, where secondary school students received more than double the amount invested in primary school students (23.6% compared to 8.9%).

Across countries with available data, Thailand and Vietnamese elementary school students received the highest percentage of public expenditure per student as in GDP per capita, while Cambodian students receive the lowest. For secondary school students, Brunei and Malaysia allocate the highest proportion of public expenditure per student (as measured by GDP per capita), at 23.6% and 22.6%, respectively.

Figure 8: Teacher salaries as a percentage of total education expenditure in public institutions in ASEAN countries, latest available year 2014–2021 (%)



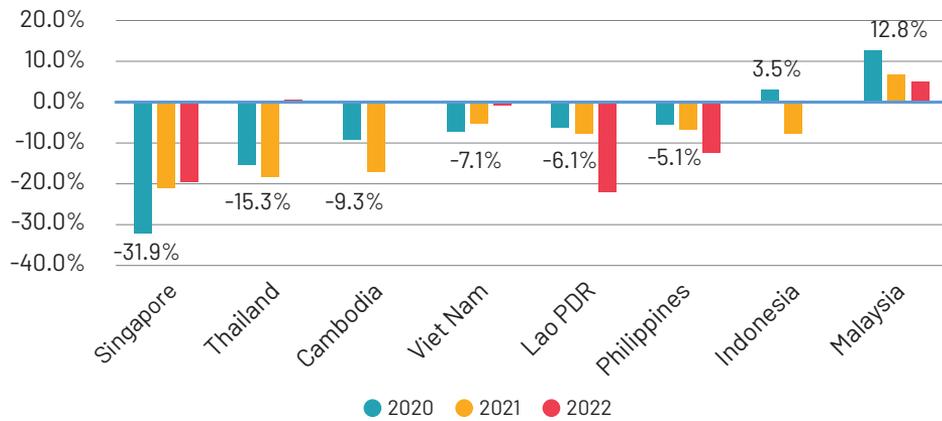
Data source: UIS.Stat., and Vu Sy Cuong (2020)

Seven ASEAN countries publish data on teaching staff compensations (salaries). The latest available data from 2014 to 2020 (see Figure 8) shows that the percentage of education expenditure for teacher salaries ranges from 44% to 66%. The highest figure is in Lao, one of the least developed countries in ASEAN. On the other hand, Brunei, the highest income country among those countries spends the least proportion of educational spending on their teaching workforce. Interestingly, the country spent similar proportions on teacher salaries as Myanmar – the lowest GDP per capita ASEAN member in 2022 (at 45.8%).

2.4. Response to COVID-19

COVID-19 related spending on education as a proportion of public expenditure for ASEAN countries, with available data for 2020, 2021, and 2022, is shown in Figure 9. Based on available data, most governments implemented a budget reduction strategy to reallocate funds towards urgent actions in response to the COVID-19 outbreak, with exceptions like Malaysia and Indonesia. However, while Malaysia consistently increased its education spending over the three years, Indonesia only allocated more funds for education in 2020. Afterwards, spending fell below pre-pandemic levels. The greatest percentage change was seen in Singapore, which reduced its educational expenditure by over 30% at the pandemic's start.

Figure 9: Percentage point change in spending on education as a percentage of public expenditure in ASEAN in 2020, 2021, and 2022 compared to 2019 (pre-COVID-19 period)(%).



Source: Education Statistics, 2023

ASEAN countries enacted various educational policies in response to the COVID-19 pandemic. Policies and interventions were relatively diverse in the ASEAN region; however, they can be divided into five main groups: financial support, sanitary support, health and nutrition support, material and technology support, and e-learning support (see Table 4). Additional policies, especially technology support implemented during the pandemic, are expected to be temporary solutions to school closures and substitutes for existing education policies as e-learning and home learning become increasingly popular.

Table 4: ASEAN countries' education policies in response to the COVID-19 pandemic

Categories	Countries	Policies
Financial Support	Indonesia, Vietnam	Additional assistance for professional allowances of teachers, lecturers, and education staff
	Malaysia	Offer a tax relief on net savings
		Assist students in tahfiz institutions and short schools
	Thailand, Vietnam	Tuition support for students
	Vietnam	Exempt, reduce, and extend the settlement time for 2019 taxes and exempt taxes arising in Q1 and Q2 2020 for educational institutions.



Health and Nutrition Support	Indonesia	Assistant COVID-19 medical aid for Public and Private Higher Education Hospital
	Singapore	Provide subsidies for meals purchased from the school cafeteria and consumed in school
		Vaccinate students
	Lao PDR	Set-up hotline for mental health and psychosocial support
Sanitary Support	Lao PDR, Myanmar	Provide free face masks, shields, thermometers, and additional hand washing stations
	Lao PDR, Thailand, Vietnam	Support for cleaning, disinfection, and sanitation in all educational institutions
Materials and Technology Support	Cambodia, Indonesia	Free internet connection to support distance learning
	Lao PDR, Philippines	Print and distribute education textbooks, learning materials and teacher guides
	Lao PDR	Provide video conferencing equipment, Microsoft Teams accounts, and Zoom licenses
	Malaysia, Singapore, Vietnam	Loan laptops or tablets, Internet enabling devices to students
	Malaysia	Upgrade, repair obsolete infrastructure and equipment to ensure internet connectivity
E-learning Support	Cambodia, Indonesia, Lao PDR, Philippines, Vietnam	Support Home Learning Activities in collaboration with radio, television channels, and social networks
	Singapore	Implement one day of home-based learning (HBL) per week before the circuit breaker to prepare for the possibility of full-time HBL
	Cambodia, Philippines, Singapore, Vietnam	Provide guidance, training on planning, design, and creation of e-learning resources, sparking creativity and collaboration among teachers
	Cambodia, Lao PDR, Philippines, Singapore, Thailand, Vietnam	Apply e-learning during the pandemic

Other	Thailand	Send teachers on personal household's visits (fuel costs and teacher allowances were covered by the government)
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Source: Authors' review and classification, based on Dabrowski et al., (2022); Lao PDR MoES et al. (2021); MoEYS (2020); Vandeweyer et al. (2021); Decision 09/2022/QD-TTg; Decision 24/2022/QD-TTg





03 Privatization for Education in ASEAN Countries



The private sector can be involved in education in many ways, such as full-fee private schools, privately managed and publicly sponsored schools (like voucher programs), community schools, private funding (donations and fees) for public schools, and private tutoring (UNESCO Bangkok, 2014). Although most of the basic education in ASEAN nations is given by the government or public institutions, the private sector—including communities and families—is very important in many countries.

In ASEAN, governments have acknowledged the private sector's contribution to addressing the demand for education and have worked to strike a balance between operators' and investors' interests while ensuring the infrastructure and high service standards. For example, the Constitution of Vietnam says that the state should prioritize investment in and attract of other education sector's financing sources. Vietnamese government issued Resolution No. 35/NQ-CP 2019 on increasing social resources for investment in education development for 2019-2025. The Cambodia Law on Education also states that the State shall strongly encourage and support private institutions in establishing of partnerships providing all kinds of educational services at all levels.



Table 5: Investment incentive for only private education in ASEAN countries, 2023

	Standard CIT	CIT preferential level for education institution?	Other incentives
Cambodia	20%	No	Tax exemption from 2024 to 2028
Indonesia	22%	No	Super Deduction Tax is a tax incentive given by the government to industries involved in vocational education programs, including research and development activities to produce innovation.
Lao PDR	20%	No	A reduced profit tax rate of 5% specifically for training and research centers
Malaysia	24%	No	Tax Deduction for Sponsorship of Smart Artificial Intelligence (AI)-Driven Reverse Vending Machine. Section 34(6)(h) of the Income Tax Act 1967 offers tax deductions to individuals and entities involved in community projects that benefit the public, covering various fields such as education, health, infrastructure, and environmental conservation.
Philippines	25%	10%	<ul style="list-style-type: none"> • A nonstock and nonprofit educational institution shall not be taxed. • Government educational institution shall not be taxed.
Viet Nam	20%	10%	Tax exemption for four years, 50% reduction of tax payable in the following year for enterprise income from implementing new investment projects in the field of socialization in areas not on the list of difficult socio-economic conditions areas that are specified in the appendix issued with Decree 218/2013/ND-CP.

Source: Authors' review of legal documents of ASEAN countries

Private educational institutions are considered businesses. Table 5 compares standard CIT rates to the CIT rates with the highest preferential levels for education institutions in ASEAN countries. In most ASEAN countries, businesses need to meet certain conditions,

depending on regulations in each country, to enjoy profit-based incentives (VEPR et al., 2020). However, two countries—Vietnam and the Philippines—offer the most attractive preferential tax rate for private enterprises, resulting from investment in education without other specific conditions. In Viet Nam, private schools can enjoy a preferential tax rate of 10% throughout their operational period. In addition, in the Philippines, proprietary educational institutions that are nonprofit shall pay a tax of 10% on their taxable income. Other countries, including Cambodia, Indonesia, Lao, and Malaysia, apply other tax incentives, such as tax exemption and tax deduction.

Table 6: Number of private schools in some ASEAN countries, available year (2013 – 2022)

		Number of private schools	Percentage of private schools in total schools
Cambodia	2019	999	9.44
	2020	970	9.16
Indonesia	2019	15,461	40.1
Lao PDR	2016	82	4.9
	2022	129	7
Malaysia	2013	132,541	2.69
	2021	136,200	2.98
Philippines	2016	21,988	29.1
	2020	21,764	27.8
Thailand	2013	4,011	11.48
	2021	3,989	11.92
Vietnam	2014	586	2.03
	2021	719	2.74

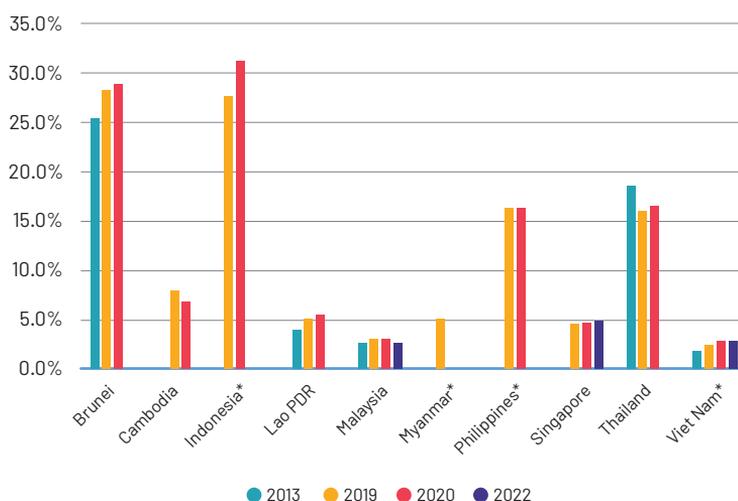
Source: Authors' calculation based on data collected from statistical yearbooks of Malaysia, Philippines, Thailand, Vietnam; Cambodia Private Education Statistics & Indicators; and UIS.Stat.

Note: Upper secondary schools in Lao provide education at both lower and upper levels.

Table 6 shows the number and percentage of private schools compared to total schools at all education levels—primary, lower secondary, and upper secondary—in selected ASEAN countries over different years. While Cambodia and the Philippines see a decrease in the percentage of private schools, Lao PDR, Malaysia, and Vietnam are experiencing an increase. Interestingly, these latter countries also show a downward trend in public

spending on education. This suggests a potential inverse relationship between private schools' prevalence and public education investment. Despite an attractive CIT rate for education investors, Vietnam has the lowest percentage of private institutions within the region. Indonesia and the Philippines currently have the highest percentages of private schools, at 40% (in 2019) and 27.8% (in 2021). Meanwhile, Lao PDR is experiencing the fastest growth, with the percentage of private schools in total schools jumping from 4.9% in 2016 to 7% in 2022. Notable data was seen in Thailand: when the number of private schools decreased, their share of total schools increased, indicating a potential reduction in the number of public schools.

Figure 10: Percentage of enrolment in private schools in ASEAN countries, 2013 – 2021 (%)



Source: Author's calculation based on data collected from statistical yearbooks of Malaysia, Philippines, Thailand, Viet Nam; Cambodia Private Education Statistics & Indicators; and UIS.Stat.

Note: *Percentage from Myanmar, Philippines, Viet Nam in 2013 reflects data from 2014; Percentage from Myanmar, Indonesia in 2019 reflects data from 2018.

As seen in Figure 10, the percentage of enrolment in private schools tends to increase, except for Cambodia, the Philippines, and Thailand. Indonesia and Brunei consistently had one of the highest enrollments in private schools, at over 25%. Conversely, Laos, and Vietnam had significantly lower private school enrollment rates, remaining below 5% throughout the period. The Philippines presented moderate levels of private school enrollment at over 16%, with the rate slightly increasing over the years.

Compared across the educational stages, private education enrolment is not uniform. In most countries, the enrolment rate in private institutions increases with the educational level, except for Brunei. In Brunei, private education seems preferred from pre-primary to lower secondary levels. Meanwhile, Singapore, while having high enrolment at the primary level, shows declining trends in higher education.

The Philippines exhibits the opposite trend, with higher enrollment rates in upper secondary education compared to primary education. Conversely, Indonesia shows high enrolment in both primary and lower secondary but has a decreasing trend in higher education. These contrasting trends indicate a complex and changing landscape of private education across ASEAN countries, varying not only between nations but also across different educational stages within the same country.

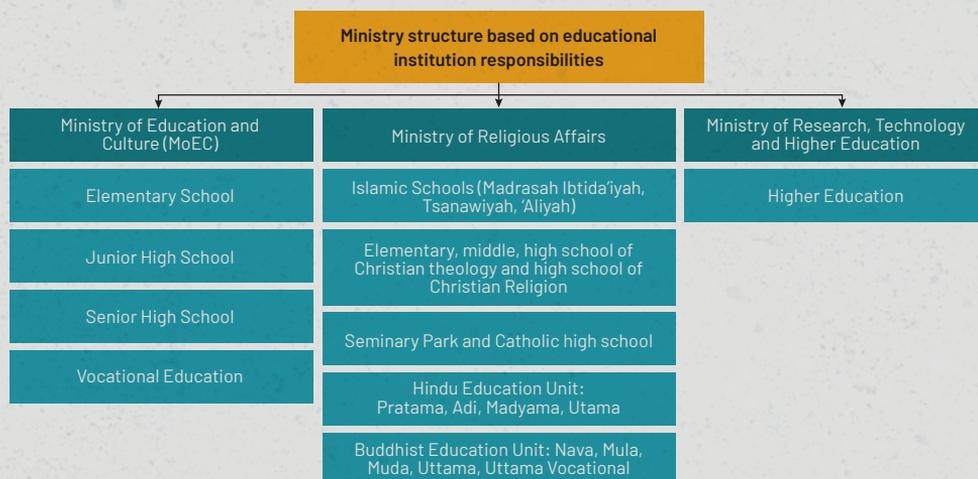
The increasing demand for private education in most ASEAN countries can be attributed to two factors. Firstly, students and their parents are increasingly seeking personalized, modern, and international learning environments. Secondly, public schools are often overcrowded, leading some students to look for alternative choices.



Box 1: Spending on education in Indonesia

Indonesia is a country that has a slightly different system in the education sector, where Indonesia places more than one ministry to work on the education sector. Based on ADB, 2015 Primary education, junior high school education (SMP) and high school education (SMA) are managed by districts/cities, with the Ministry of Education and Culture (Kemendikbud) responsible for the overall governance of the system. Islamic Schools and other Religion-Based Schools are managed and regulated centrally by the Ministry of Religion (Kemenag). Formal vocational education is offered at the Vocational High School (SMK) and Higher Education (PT) levels. The Ministry of Education and Culture is responsible for vocational education, while the Ministry of Research, Technology, and Higher Education (Kemenristekdikti) is responsible for higher education.

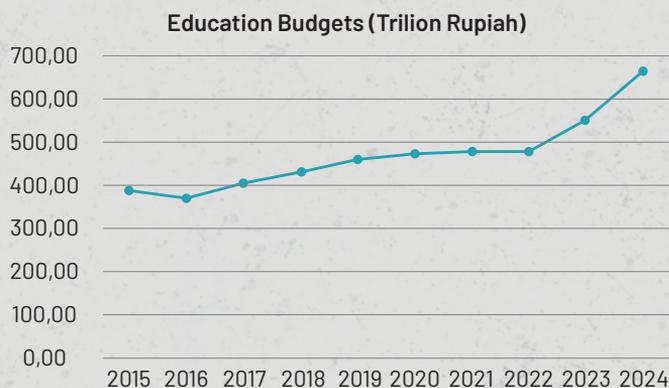
Figure 11. The structure of the Ministry based on the responsibilities of educational institutions



Source: Author

Overall, the education budget in Indonesia has shown an increased trend. This is quite consistent every year despite the COVID-19 pandemic in 2020 – 2021. The Indonesian government allocated funds for education facilities for their learning participants of up to 10 trillion rupiah during the pandemic based on refocusing and reallocation of the 2020 budget to support the program to prevent the spread of the Covid-19 pandemic and the National Economic Recovery program in accordance with Presidential Regulation No. 54 of 2020. For example, internet voucher assistance for school children from home, work allowances for teachers, medical assistance, etc. The Indonesian educational budget increases is due to the mandate from the country's Constitution.

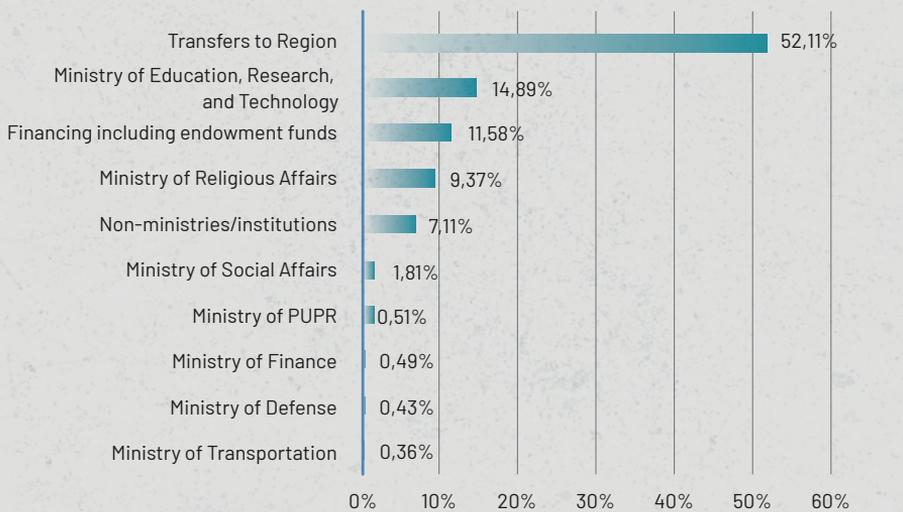
Figure 12. Indonesia Education Budgets (2015 – 2024)



Source: Ministry Of Finance, 2024

Indonesia has a mandatory education budget allocation of 20 percent of the APBN/APBD (national budget plan/local budget plan) in the 1945 Constitution article 31 paragraph (4). The Indonesian government claims that its education budget has been consistently at 20% of the total national budget. However, in the budgeting itself, it can be seen that the proportion of the budget used for education funds is divided into several ministries, not only the Ministry of Education as the main education affairs stakeholder. This budget is divided into Ministry programs that have slices with activities related to education.

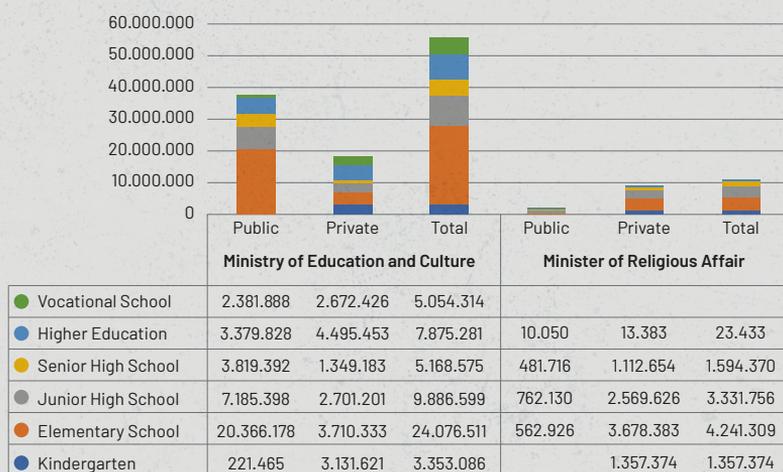
Figure 13. The proportion of the education budget spread across several ministries and transfers to regions (2024)



Source: Ministry of Education, 2024

On the other hand, Indonesia has a large number of private school students. According to BP-Statistics Indonesia (2023), private schools account for 32.6% of the total students under the Ministry of Education. In terms of proportion, the Ministry of Religious Affairs has a much higher number of private school, where 83% of schools under the Ministry of Religious Affairs are private schools. This fact should also be read in a historical context. Since the colonial era, formal schooling for native Indonesians were started by religious affiliated organizations with their branches throughout the country, in according to the colonial ruler's established schools.

Figure 14. Number of Student in Inter-Ministerial Schools (Public and Private)



Source: BP-Statistics Indonesia

The literature consistently demonstrates a difference in average study outcomes for students in public and private schools (Alexander & Pallas, 1983). In ASEAN, when comparing student performance between public and private schools, especially at the primary level, there is a large gap in favour of students in private schools in many countries, including Cambodia, Lao, and the Philippines. Private school students significantly outperformed public school students in reading, writing and mathematics (Lao PDR MoES & UNICEF Lao PDR, 2022; MoEYS, 2021; Philippines Department of Education & UNICEF Philippines, 2021). Moreover, students in primary private schools across these six countries (Cambodia, Lao, Malaysia, Myanmar, Philippines, and Vietnam) achieved higher average scores in reading and writing than the national average (Philippines Department of Education & UNICEF Philippines, 2021). The observed achievement gap may be partially explained by socioeconomic factors. Students enrolled in primary private schools often come from middle-class families with greater financial resources, which can contribute to their academic performance (Department of Education, Skills and Employment, 2021).

This gap may narrow at higher levels of education. In Thailand, secondary education students often a preference for public schools over private ones, believing that such enrollment enhances their prospects for admission to prestigious Thai universities (Department of Education, Skills and Employment, 2021). A similar pattern can be observed

in Vietnam. Vietnamese students often prioritize attending public schools and exceptionally gifted student programs, believing that this will give them an advantage in the competitive admissions process for both domestic and international prestigious universities. If Vietnamese students don't meet the entrance exam requirements of public schools, they will enrol in private upper-secondary schools (Glewwe & Patrinos, 1998). Meanwhile, in Indonesia, in 2019, national exam results exposed a heterogeneity in educational outcomes across different student groups (Table 7). While public schools achieved a slight edge in average scores, private schools boasted a higher concentration of top performers. Conversely, public schools demonstrated a marginal advantage in supporting lower-achieving students. In essence, private schools excelled at cultivating high-potential students, whereas public schools provided more robust support for struggling students.

Table 7: Comparing national exam scores (UNBK and UNKP) of public and private schools in Indonesia, 2019 (%)

Indicator	Public Schools	Private Schools
Average Total	53.00	52.27
Average of Top 10% Students	80.52	83.37
Average of Bottom 10% Students	35.54	34.55
Average of Top 10% Schools	72.90	75.79
Average of Bottom 10% Schools	38.97	37.74

Source: Authors' synthesis

While private education expands educational opportunities for children, it presents several challenges and concerns, primarily related to funding, affordability, and quality assurance.

The first challenge related to the privatization of education is funding. Private educational institutions are businesses, that operate independently and develop their administrative systems. However, this independence means that each private school is on its own to address its facility and financing needs. This includes the freedom to innovate and develop knowledge independently, fostering academic independence. Conversely, the limited government subsidies force universities to seek alternative funding sources, often through collaboration with the corporate sector for physical development and sponsorship. While corporate involvement can introduce innovation and financial resources, it also presents economic implications, potentially leading to increased tuition fees. While higher tuition fees can improve educational quality, they raise concerns regarding commitment to ensuring more comprehensive and equal access to education.



Second, quality assurance remains a concern as private institutions vary widely in the educational standards they provide. They may either adopt the national teaching curriculum or develop their curricula. Many private schools collaborate with international schools to maintain an international teaching standard, often integrating Western curricula with the countries' culture. However, this approach can lead to a lack of uniformity in the quality of education delivered. Furthermore, some ASEAN countries, like Vietnam, lack robust regulatory frameworks to ensure private institutions meet stringent educational standards. For instance, reports suggest that some private high schools in Vietnam have cooperation programs with 'ghost' schools abroad, raising concerns about the legitimacy of such partnerships (Đặng Nguyễn, 2018).

Box 2: Private Schools for Middle-Low Economics Class in Indonesia

Unlike private schools in general, private schools in Indonesia are not only luxury schools for the rich class. Many of them are poor private schools with very minimal facilities. Private schools are also managed by community organizations (such as religious organizations, for example) as shown in figure 15 where the Ministry of Religion oversees religious schools. For example, the first case, an Islamic private school in Mandalamukti Village, West Bandung, which has inadequate facilities. The picture shows the facilities of the half-finished classroom building.

Figure 15. Islamic private school in Mandalamukti Village, West Bandung that have improper facilities



(Source: KOMPAS/Bagus Puji Panuntun)

The second case is at Junior High School (SMP) PGRI 4 Bandar Lampung –under the management of Indonesian teachers’ association. This school must struggle to fund its activities because they might no longer receive school operational assistance (BOS, or funding subsidies from the government). The school also accommodates poor students where the number of students is limited (60 children) and most of them are orphanage children.

Figure 16. Junior High School (SMP) PGRI 4 Bandar Lampung has a limited number of students.



In addition, affordability remains a significant barrier. The high cost of private education can be prohibitive for lower-income families, creating an unfair situation where access to better resources and opportunities is depending on parental wealth. Table 8 compares the average monthly tuition fees of public and private high schools in Vietnam (Hanoi, 2023) and Indonesia (2021), along with the burden these fees represent over the average monthly income in each country. Overall, while Indonesian high school tuition fees are more uniformly moderate, Vietnam’s fees, especially for private schools, can substantially strain households financially. The financial burden of high school tuition in Indonesia and Vietnam (Hanoi) varies significantly, with distinct differences in affordability. In Indonesia (2021), the average monthly income is 2.7 million IDR, with public and private high school tuition constituting 22% and 27% of this income, respectively, indicating a moderate and relatively small difference in financial burden. Conversely, in Vietnam (Hanoi, 2023), where the average monthly income is 9.2 million VND, the range of tuition fees results in a much broader spectrum of financial burdens. Public high school tuition ranges from 3% to 66% of the average income, while private high schools’ tuition ranges dramatically from 8% to 1043%. The table suggests that private high school can be a significant financial burden

for families in both Vietnam and Indonesia, especially in Vietnam where private school fees can be much more significant than public school fees and a much larger percentage of average monthly income.

Table 8: Education expenditure in total income for Indonesia, 2021 and Vietnam (in Hanoi), 2023

		Public High school	Private High school
Indonesia (2021)	Tuition (Average)	0.6 million IDR/ month	0.75 million IDR/ month
	Burden over average monthly income	22%	27%
Vietnam (in Hanoi, 2023)	Tuition* (Average)	0.3 – 6.1 million VND/ month	0.8 – 96 million VND/ month
	Burden over average monthly income	3 – 66%	8 – 1043%

Source: Authors' calculation based on CEIC; Khánh An (2023); GSO (2023); and BPS-Statistics Indonesia (2021).

Note: *In Vietnam, there are several programs for high school level (Standard and High-quality). Here, for example, 0.3 million is the tuition for public high school's standard class and 6.1 million for public high school's high quality class.

Box 3: The burden of spending on education in Vietnam

During 2013 – 2023, public spending on education in Vietnam accounts for an average of 16% of the state budget, falling below the country's standard of 20%. Local governments are responsible for allocating the state budget for education. The proportion of education spending in local budgets shows whether the local government prioritize education. Most provinces increased their recurrent expenditure on education faster (or decreased it slower) compared to the enacted budget, suggesting that education remains a priority sector for local governments (BTAP et al., 2023).

Spending on education in Vietnam heavily depends on public spending. The structure of state budget spending is unbalanced, focusing on current expenditures (mainly for salaries) at around 80% – with limited investment and development spending (around 20% during 2013–2017) (State Budget Final Account Settlement of Vietnam State Treasury, as cited in Vu Sy Cuong, 2020). There is high demand for education infrastructure improvement in and the building additional classrooms. Still, limited investment and development spending likely leads to overcrowded classrooms in public schools. The problem of crowded classroom is more severe in urban areas. For example, the average number of students in a class in upper secondary school in Ha Noi during the 2022–2023 academic year was 41. This figure can exceed 60 in schools located in inner city districts. Over the last ten years, despite this school overload, almost no new high schools have been built in these inner-city districts.

Private investment is increasing (almost twofold, from VND 8,070 billion to VND 15,493 billion), but the percentage of private investment on education remains a small portion (less than 1%) of total investment. Furthermore, this proportion tends to decrease, especially since the COVID-19 pandemic (from 0.9% in 2013 to 0.65% in 2022) (GSO, 2024).

Educational donations are also limited due to a lack of preferential policies. The decreasing share of government spending on education, coupled with limited private investment and a scarcity of educational donors, has gradually shifted the financial burden to households and students, leaving those from disadvantaged backgrounds increasingly vulnerable and left behind (Parajuli et al., 2020; Trinh Ngoc Thach, 2019).

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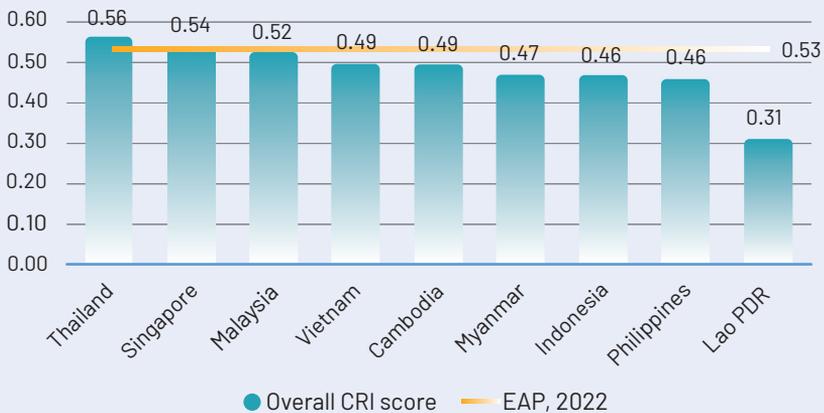


04 Impact on Inequalities and Inclusive Growth



DFI & Oxfam (2022) developed the Commitment to Reducing Inequality Index (CRII) to highlight the importance of public spending in various sectors, including education. All ASEAN countries are positioned in the lower half of this index. Thailand and Singapore have adopted the policies to tackle inequality, resulting in higher CRII scores than the EAP region's average.

Figure 17: CRII scores and rankings for ASEAN countries, 2022



Source: DFI and Oxfam (2022)



Inequality can be addressed effectively through budget spending on public services like education. The education coverage indicator measures completion rates in secondary education for the poorest quintile. Myanmar, Cambodia, and Lao, the three least developed ASEAN nations, were placed among the lowest-bottom countries worldwide by the CRIL for education coverage. Specifically, Myanmar was ranked 141st out of the 161 countries evaluated. On the other hand, Singapore scored best on this indicator. Malaysia and the Philippines also stand out as countries making significant progress in getting the poorest children to complete secondary education in the ASEAN region, with Malaysia reaching more than 63% coverage and the Philippines covering over 50%. In terms of world rankings, three latter countries performed among the upper half of the overall countries assessed.

Table 9: CRIL scores for budget spending on education for ASEAN countries, 2022

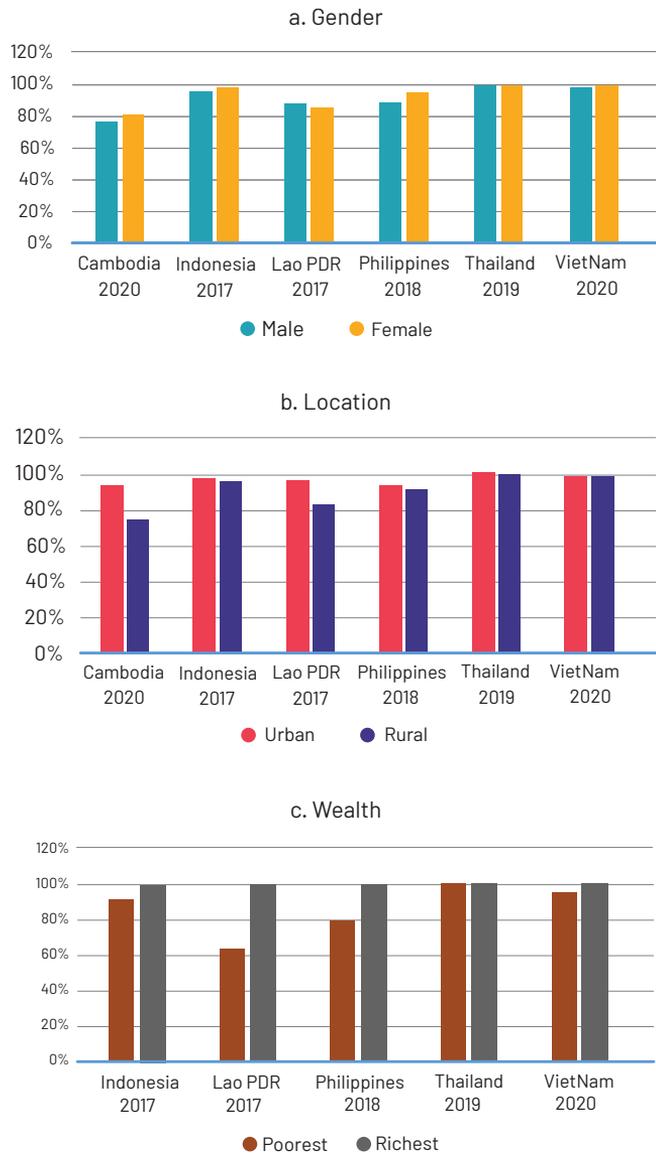
Country	Education spending as % total spending		Education coverage		Combined impact of three sectors spending on the Gini		Progressivity of Public Services
	%	Rank	Std Score	Rank	Incidence	Rank	Rank
Singapore	16.48	46	0.95	11	-0.028	110	80
Malaysia	20.35	17	0.63	65	-0.021	126	89
Philippines	15.55	59	0.52	74	-0.028	111	106
Thailand	12.14	101	0.48	79	-0.033	98	60
Indonesia	16.00	51	0.34	89	-0.022	123	112
Vietnam	14.82	70	0.21	101	-0.033	99	102
Lao PDR	11.76	108	0.05	131	-0.016	137	144
Cambodia	17.57	33	0.05	132	-0.016	138	126
Myanmar	14.02	80	0.02	141	-0.009	155	141

Source: DFI and Oxfam (2022)

This research also evaluates equality in access to educational opportunities in ASEAN countries based on gender, location, and wealth. Examining primary completion rates in some ASEAN countries show that the gap in accessing education across these categories is narrowing. However, disparities exist in rural areas and among the poorest populations.



Figure 18: Primary completion rate in ASEAN countries, latest available year 2017 – 2020 (%)



Data source: World Inequality Database on Education (WIDE)

Figure 18 illustrates the primary completion rate in ASEAN countries. As for gender equity, most countries are close to achieving parity in primary education completion rates, with Thailand and Vietnam showcasing exemplary equality. Thailand demonstrates remarkable consistency with high completion rates, reaching 100% in 2019. Similarly, Viet Nam shows high and improving completion rates, with near-perfect rates (98% for males and 99% for females) in 2020. However, there is a noticeable gender gap in other countries, with female



completion rates higher than those for males. As regards the location divide, urban areas generally have better completion rates, particularly in Cambodia and Laos. In Cambodia, the primary completion rates for urban and rural students are 93% and 74%, respectively, while the figures for Lao are 96% and 82%, respectively. In contrast, primary students in rural areas are not significantly behind in Indonesia, the Philippines, Thailand, and Vietnam.

Regarding socioeconomic factors, there is a visible gap between the poorest and wealthiest quintiles. There is a noticeable difference in Lao PDR, with the poorest achieving a 63% completion rate compared to 99% for the richest, indicating significant inequality based on wealth. This disparity is less pronounced in other countries. A visible gap between the poorest and wealthiest groups can also be seen in Indonesia. Noticeably, Indonesia has the highest percentages of private education institutions, and Lao shows the most significant growth rate of private schools.

We also added the gender parity index to see how inclusive education is in ASEAN countries regarding gender aspects of education participation.

Table 10: Gender Parity Index (GPI) school enrollment in primary school, 2013 – 2021

Country Name	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brunei	1.00	1.00	1.00	1.00	1.00	1.01	1.01	1.00	..
Cambodia	0.91	0.94	0.96	0.97	0.97	0.97	0.97	0.97	0.98
Indonesia	1.00	0.98	0.97	0.97	0.97	0.97
Lao PDR	0.94	0.95	0.95	0.95	0.96	0.96	0.97	0.97	0.97
Malaysia	1.01	1.01	1.01	1.01	1.01	1.01	1.01	1.01	..
Myanmar	..	0.97	..	0.97	0.95	0.96
Philippines	..	0.98	0.97	0.97	0.96	0.96	0.97	0.98	0.98
Singapore	0.99	0.98	0.98	1.00	1.00	1.00	1.00	1.00	..
Thailand	0.99	1.02	0.94	1.00	0.93	0.99	0.99	0.99	0.99
Vietnam	0.98	1.00	1.00	1.02	1.02	1.02	1.02	1.02	1.02

Data Source: WorldBank Data, 2022

Note: .. is data not available

Table 10 illustrates that the Gender Parity Index (GPI) for primary school enrollment from 2013 to 2021 across different countries offers a glimpse into how gender equality in education is evolving. Brunei, for instance, has shown remarkable consistency, maintaining a GPI hovering around 1.00 throughout the years, reflecting an even balance between male and female enrollments in primary schools. Similarly, Cambodia has made notable



strides toward gender parity, improving its GPI from 0.91 in 2013 to 0.98 in 2021, indicating a significant move towards equal educational opportunities for both genders.

Indonesia, however, saw a small disparity in male enrollment over females during that period, with a GPI decreasing from 1.00 in 2011 to 0.97 in 2016. Other countries, such as Lao PDR and the Philippines, have shown positive trends towards achieving gender parity in education, with both countries nearing a GPI of 1.00 in recent years. Malaysia's GPI remained stable at 1.01, indicating continuous gender parity. While data for Myanmar shows fluctuations, Thailand maintained a GPI close to parity despite a dip in 2015. Remarkably, Vietnam showed a significant improvement, moving to a GPI that indicates higher female enrollment than males from 2015 onwards, with a GPI above 1.02. These trends not only highlight the efforts made towards gender equality in education across these countries but also underscore the challenges and progress in ensuring equal educational opportunities for boys and girls.

Currently, several policies and initiatives across ASEAN promote inclusive education and address educational inequalities. These efforts focus on ensuring equitable access to education for all children, regardless of gender, location, or socioeconomic background. All ASEAN member states acknowledge inclusive education as a fundamental right for every child. This recognition is enshrined in their constitutions and education laws, leading to the development of several strategies to ensure that students from diverse backgrounds have equal access to educational opportunities. Some of key strategies are outlined in Table 11.

Table 11: Selected groups of strategies to equal access to educational opportunities in ASEAN countries

Category	Country	Strategies
Free education	All Countries	Free education for at least some levels of basic education, mostly for primary education
Scholarship and subsidies	Viet Nam	Subsidize and exempt or reduce tuitions for learners who are members of ethnic minorities in areas with challenging socio-economic conditions; orphans and helpless people; invalids meeting with economic difficulties
	Singapore	Singapore citizens will receive annual contributions from the start of their primary school education until they complete their secondary school education. Here's how much Singaporean children will receive this year (2024): <ul style="list-style-type: none"> • Primary school students: US\$230 • Secondary school students: US\$290



		Affirmation Scholarship for children of people who need special treatment to pursue a Master's or Doctoral Program.
	Lao PDR	Scholarships have been provided to students at ethnic boarding schools and for up to 40% of students in TVET institutions focusing on girls and students from poor families. The MoES has directed ODA mainly towards disadvantaged districts.
Students loan	Malaysia	Establish National Higher Education Fund Corporation(Perbadanan Tabung Pendidikan Tinggi Nasional, or PTPTN) to offer loans at low interest rates to students pursuing tertiary education, with repayments starting six months after graduation.
	Thailand	The Student Loan Fund (SLF) provides loans for tuition fees and living expenses to students who lack the financial means. Repayment starts one year after graduation and can extend up to 15 years.
	Vietnam	The government provides student loans through the Vietnam Bank for Social Policies at preferential interest rates. Loans are available to students from disadvantaged backgrounds (orphans, low-income household, etc) who attend universities, colleges, and vocational training programs.
Prioritizing disadvantaged groups	Indonesia	Direct support to an education affirmation program aiming to expand and improve access for people in 3T areas, special regions, and other special groups of society (poor families, people with disabilities, etc) to higher education services, especially secondary education and higher education.
	Myanmar	People with inabilities receive instruction through uncommon programs and administrations based on an extraordinary educational program planned to cater for the needs of the outwardly disabled, hearing-impaired, rationally debilitated and other learners.
		The governments set up classes for ethnic groups with their ethnic language as a medium of instruction at the basic education level.

	Vietnam	<p>Provide additional scores in the national exam for students from geographically disadvantaged backgrounds, such as those in remote and mountainous areas (Region 1) and rural areas (Region 2-NT), as well as students from ethnic minorities and children of wounded veterans.</p> <p>Implement special admission programs into universities for students from provinces facing particular challenges.</p>
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Source: Authors' synthesis and classification



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05 Achievements and Challenges: Education in ASEAN



5.1. Educational achievements in ASEAN countries

Over the years, ASEAN countries have shown efforts to attain higher educational achievement, as demonstrated by their scores on the OECD's Program for International Student Assessment (PISA). However, PISA scores in most of these countries fall below the OECD average. While some countries improve scores, some countries' scores tend to decrease.

Figure 19: PISA scores in math, reading, and science in ASEAN countries, 2018-2022



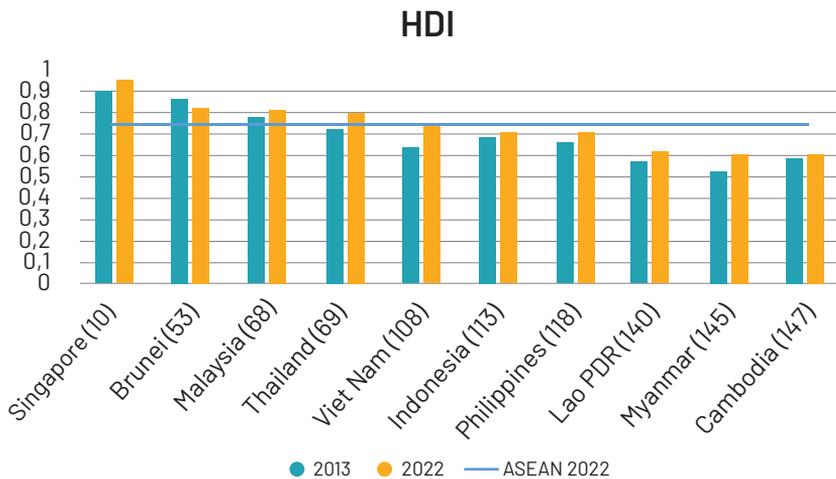
Source: PISA 2022 results



As Figure 19 illustrates, PISA scores in ASEAN countries varied significantly in 2022. Singapore stands out as a consistent top performer across all three categories, with scores considerably higher than the OECD average in both years. It could serve as a valuable benchmark or case study for other nations in the region. Vietnam also deserves recognition for consistently scoring close to the OECD average in all categories. However, other ASEAN countries consistently score much below the average. Cambodia’s scores are the lowest in all three categories, highlighting potential challenges in its education sector that require focused attention.

Meanwhile, Figure 20 reveals a mixed performance trend across countries. Indonesia, Thailand, and Vietnam all saw a decline in scores for all three categories between 2018 and 2022. In contrast, Brunei’s scores increased during this period.

Figure 20: HDI rankings in ASEAN countries, 2022

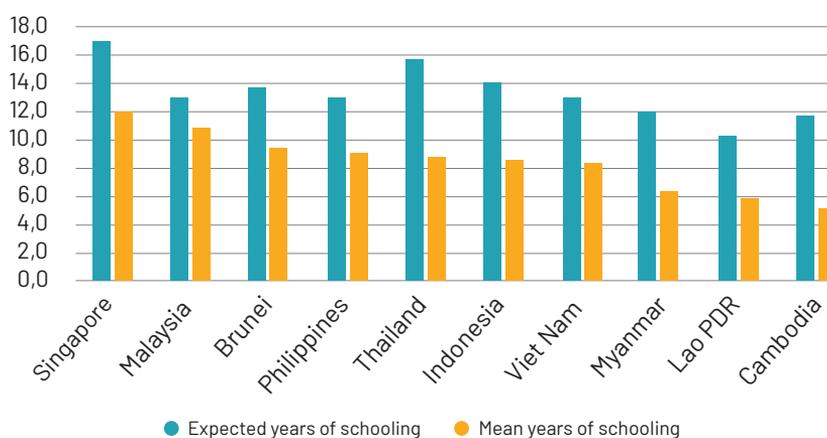


Source: UNDP (2024), UNDP (2014).

Note: International ranks of countries in 2022 are in parentheses.

As shown in Figure 20 over the 2013–2022 period, ASEAN countries’ HDI rankings slightly improve. Singapore and Brunei consistently have the highest HDI scores in the region, placing them in the group with very high human development. Meanwhile, six countries—Vietnam, Indonesia, the Philippines, Laos, Cambodia, and Myanmar—still have HDI scores below the ASEAN regional average.

Figure 21: Expected years of education and mean years of schooling in ASEAN countries, 2022



Source: UNDP (2024)

Figure 21 illustrates how expected years of education and mean years of schooling differ among ASEAN countries. There is a visible gap between expected years of schooling and mean years of schooling. The biggest difference appears in Cambodia, and the smallest difference appears in Malaysia.

5.2. Challenges for mobilizing domestic resources for education

Achieving higher educational achievement and greater equality of access to educational opportunities requires increased investment in education. Unfortunately, the mobilization of domestic resources for education in ASEAN countries faces several challenges.

First, based on ADB (2022), one of the challenges in domestic resource mobilization is that tax progressivity is generally low, especially when compared to developed countries. The average standard CIT rate across the ASEAN region is only 20.85% in 2023, compared to 23.6% for the OECD, and has tended to decline over the last ten years (PRAKARSA, 2024). Similarly, the application of wealth tax is limited to property and inheritance tax, both underutilized. The low tax restricts the government's ability to generate revenue for public services, including education.

Second, economic constraints are other challenges for mobilizing domestic resources to support education. In the context of the world economic slowdown due to the COVID-19 pandemic, government revenues are often limited, restricting the amount of public funds available for education. During economic downturns, education budgets are frequently among the first to be cut, forcing schools to operate with fewer resources. For example, during the COVID-19 pandemic period, most ASEAN countries significantly reduced their education budgets.

Furthermore, limited policy support for increasing educational funding can hinder domestic resource mobilization. In ASEAN countries, legal documents encourage private investment in education and autonomy in higher education. Funds for private education institutions and autonomous universities can come from tuition, fees and community sponsorship. Many countries have a tradition of community contributions to help pay university costs. These contributions come from various sources, including sponsorships from or cooperation with businesses, alumni donations, the university (through business activities or its companies), and profits from the university's capital (endowment). Public universities in Singapore and Malaysia have recently implemented policies to build their endowment funds (Trinh Ngoc Thach, 2019). However, some countries, like Vietnam, lack a policy environment for attracting education resources, which leads to difficulties in mobilizing resources for education.

Additionally, inequitable distribution of resources can limit mobilizing domestic resources for education. A lack of equitable distribution of educational resources creates disparities affecting the effectiveness and the perceived fairness of the education system. When resources are concentrated, they will struggle with inadequate facilities, teachers, and materials. For instance, if a government disproportionately allocates most of the educational funding to prestigious schools in big cities, schools in rural areas may struggle with outdated textbooks, poor infrastructure, and high teacher turnover due to less competitive salaries. This impacts the quality of education in underserved areas and undermines public trust and confidence in the equitable use of tax revenues. As a result, citizens may be less inclined to support increases in educational funding through taxes or other contributions if they perceive that the benefits are not distributed fairly, thereby limiting the overall pool of domestic resources available for education. This cycle of inequality and reduced funding potential hinders educational improvements and widens socio-economic gaps.



06 Conclusion and Recommendations



6.1. Conclusion

This report examines the impact of financial strategies on education across ASEAN countries following the COVID-19 pandemic, focusing mainly on public spending and the trend towards privatization.

From 2013 to 2022, public spending on education in ASEAN countries varied significantly, reflecting differences in each nation's priorities and ability to invest in education. In terms of government expenditure on education as a percentage of GDP, most countries saw a decrease in public spending. However, Cambodia and the Philippines were exceptions. The Philippines experienced the largest increase in spending, followed by Cambodia. Conversely, Laos and Malaysia saw the most significant decreases. In 2013, Malaysia had the highest spending, whereas the Philippines led in 2022. Throughout the period, Myanmar and Cambodia consistently had the lowest percentages.

Regarding government expenditure on education as a percentage of total government expenditure, the figures for Singapore, the Philippines, Thailand, Vietnam, Indonesia, and Lao fluctuated, showing a downward trend throughout the period. Cambodia and Malaysia experienced the most substantial increase in the percentage of total spending. Conversely, Singapore and Laos saw the most significant decreases in education spending as a percentage of GDP.



Only Malaysia met this benchmark when comparing government spending on education with UNESCO's recommended threshold of 4% of GDP. Although over half of ASEAN countries met UNESCO's minimum total public expenditure recommendation, many, such as Vietnam and Indonesia, did not satisfy their own country's standards.

In ASEAN, the majority of public spending on education is recurrent. However, spending patterns on recurrent and capital expenses differ across the region. Small nations allocate significantly higher capital expenditures, while higher-income countries show minor capital expenditures.

In response to the COVID-19 pandemic, most governments cut their budgets on education to redirect funds towards urgent actions, except for Malaysia and Indonesia. Singapore saw the most significant reduction in spending since the start of the pandemic.

In most ASEAN countries, the percentage of enrollment in private schools tends to increase, with Cambodia, the Philippines, and Thailand being exceptions. This trend reflects a growing demand for private education across the region, suggesting shortcomings in public education possibly, due to cuts in public spending. Two main factors can drive this trend: students and their parents seek more personalized, modern, and international learning environments, and public schools are often overcrowded, prompting some students to seek alternative options. While the rise in private education expands opportunities for children, it also raises challenges and concerns, mainly regarding funding, affordability, and quality assurance.

For the impact of public spending on including education, all ASEAN countries are positioned in the lower half of the Commitment to Reducing Inequality Index (CRII). In terms of the CRII for education coverage, Myanmar, Cambodia, and Laos are the three least developed ASEAN nations, ranked among the lowest globally. Conversely, Singapore, Malaysia, and the Philippines scored the highest on this indicator. The gap in accessing education across genders, locations, and wealth levels is narrowing. However, disparities remain among the poorest populations, especially in Lao and Indonesia. Noticeably, Indonesia had the highest percentage of private education institutions, and Lao showed the most significant growth rate of private schools.

ASEAN countries strive to improve educational outcomes, as evidenced by their scores on the PISA. However, most countries, except for Singapore, still score lower than the OECD average. Similarly, while Singapore and Brunei are among countries with very high human development, other ASEAN countries have HDI scores below the ASEAN regional average. However, countries' HDI scores tend to increase.

Improving academic achievement and ensuring fairer access to education requires increased spending on education. However, ASEAN countries encounter numerous challenges in mobilizing domestic resources for education, including low tax progressivity, economic constraints, limited policy support for increased educational funding, and unequal distribution of resources.

6.2. Recommendations

Maximizing domestic resource mobilization for education in ASEAN countries is important for reducing inequality and achieving sustainable growth. Increased investment in education can help improve the quality of employees, which can elevate economic productivity and innovation. Furthermore, by focusing on domestic resource mobilization, ASEAN countries can reduce dependency on volatile external funding, ensuring more stable and predictable investment in education. This approach also allows for tailoring educational programs to local needs, promoting inclusivity, and addressing specific socio-economic challenges unique to each country. Therefore, increasing education investment enables ASEAN countries to pave the way for equitable development and resilient economic structures that benefit all segments of society.

Given these above challenges, this report recommends that ASEAN countries take the following actions.

Recommendation 1

Increase and guarantee education financing at all levels

Governments in ASEAN countries need to focus their budgets on the education sector; this can be reallocated from the COVID-19 mitigation budget, which has now begun to recover. It is also concerning to note that Lao PDR has a declining trend in budget expenditure on education as a percentage of GDP. ASEAN countries must agree to increase or maintain the share of public spending on education towards the international benchmarks of at least 4-6% of GDP or 15-20% of public expenditure recommendation by UNESCO. By allocating more funds to education, governments can improve school infrastructures, teacher training, and student resources, making better-educated individuals more likely to participate effectively in the economy. Enhanced educational outcomes also increase individual earnings, translating into increased tax revenues.

Recommendation 2

Ensuring accountability and transparency in inequitable financing for education

ASEAN must establish a transparent and fair funding formula that ensures equitable distribution across all regions and schools. This formula should consider factors such as regional disparities, student needs, and socioeconomic status. Additionally, it is crucial to implement stronger oversight and accountability mechanisms to ensure funds are used effectively and reach their intended destinations. Encouraging community participation in school governance can also help ensure that local needs are met and resources are managed appropriately. Together, these measures can enhance trust in the system and facilitate greater mobilization of resources for education.

Recommendation 3

Ensuring availability of comparable reports and data on education developments in each ASEAN countries

ASEAN countries need uniform education data reporting standards to improve the management and evaluation of education policies. This standard will facilitate monitoring and assessment of each country's commitment and budget allocation to the education sector. Critical information that should be kept up to date includes primary and secondary education completion rates, the number of public and private schools, and the number of students enrolled. The importance of such data being available and shared between countries allows for consistent standards across the region. This standardization covers several critical aspects such as data format, relevant data fields, data security and storage, accessibility and monitoring compliance with data policies, and technical standards supporting uniformity of data format and content. Through this framework, ASEAN can harmonize its approach to improving the quality and effectiveness of education across the region.

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