IMPROVING QUALITY OF SPENDING IN INDONESIA
2017 BUDGET AND BEYOND

PER Update Phase II
Education sector spending

Reduced version
Outline

SUMMARY OF KEY ISSUES AND RECOMMENDATIONS

ANALYSIS

1. Allocation of education expenditure
   a. Overall budget allocation of education expenditure
   b. Intra-sector allocation: central government education spending

2. Key education sector programs:
   a. Teacher management and certification
   b. BOS – Bantuan Operasional Sekolah (School operational assistance)
   c. PIP – Program Indonesia Pintar (Indonesia Smart Program)

3. Service delivery at the facility level
   a. Aligning allocation with needs performance in education sector
The 2002 Constitutional amendment mandated a total (central + sub-national spending) budget allocation of at least 20% to education effective since 2009. Two-thirds of education spending is managed by sub-national governments (province + districts). National education expenditure increased nearly eleven-fold in nominal terms and quadrupled in real terms over 2001-2016.

Education spending has increased dramatically and is dominated by subnational spending ....

National education expenditure by level of governments, 2001-2017
(LHS: IDR trillion; RHS: % GDP and total spending)

<table>
<thead>
<tr>
<th>Year</th>
<th>Central, LHS</th>
<th>Districts, LHS</th>
<th>Provinces, LHS</th>
<th>Total education spending as % GDP, RHS</th>
<th>Total education spending (2010=100), LHS</th>
<th>Total education spending as % national spending, RHS</th>
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<tbody>
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<td>2016</td>
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<td>2017</td>
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<td>3,3</td>
<td>19,6</td>
<td>19,6</td>
<td>19,6</td>
</tr>
</tbody>
</table>

Source: World Bank COFIS database using MoF data
Notes: Sub-national government education spending data is only available until 2016. Total government national spending comprises: 1) CG spending, including subsidies and interest payments, but excluding transfers; 2) Provincial spending; and 3) District level spending. Total education spending comprises of CG education sector/function spending, excluding transfers, Province education sector/function spending and District education sector/function spending.
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   a. Aligning allocation with needs performance in education sector
CG spending on education is dominated by three line ministries (~90%): MoEC, MoRA, and MoRTHE

- CG Education spending increased sharply in 2015:
  - An introduction of PIP (Indonesia Smart Card-scholarship for the poor) (IDR 5 trillion) and expanding BOS beneficiaries at the secondary level (IDR 2 trillion)
- ... but it declined in 2016 due to re-allocation of BOS spending (for secondary schools) from MoEC expenditure to transfers to SNGs and across the board budget cuts.

### Trend of CG education expenditure by line ministries, 2011-17
(Bar – nominal IDR trillion; Line – real IDR trillion)

#### Composition of CG education expenditure by line ministries
(% expenditure, average 2015-17)

- MoEC; 32,1
- MoRTHE; 25,5
- MoRA; 33,6
- Other line ministries, 8,8

Note:
- MoRA: Ministry of Religious Affairs; MoEC: Ministry of Education & Culture; MoRTHE: Ministry of Research, Technology, and Higher Education
- These charts only cover budget of Education Function (Function 10)
- Some spending of DG Higher Education was still in MoEC in 2015 & 2016 (around IDR 8 trillion, each year)
- 2011-2016 are realization, 2017 is budget data
Early childhood development (ECD) spending remains negligible; central spending on secondary and tertiary education has been gradually increasing since 2013

- Since the launch of 12-Year Compulsory Education (Pendidikan Menengah Universal, PMU) program in 2013, spending for secondary education has been gradually increasing.
- In 2016, allocation of BOS for secondary education was reallocated from CG spending to transfers to SNGs. Taking into account for BOS in 2016 and 2017, spending/budget allocation senior secondary reaching IDR 22.2 T and IDR 22.5 T
- ECD spending is a negligible share of central government spending, despite being a key objective of the Government.

Composition of 3 main ministries’ spending by level of education (IDR trillion, 2011-2017)

Composition of 3 main ministries’ spending by level of education (% spending, average 2015-2017)

Note:
- These charts only cover Education Function spending under MoEC, MoRA, and MoRTHE
- Sub-function 2, formerly known as “Basic Education” is later classified as ”Basic & Secondary Education”. It is taken into account and data are readjusted accordingly as much as possible, but Basic Education in the above chart may still be overestimated
- Other includes: in-service education, facilitation services to education, education R&D, youth & sport founding, and cultural development (Sub-function 5, 7, 9-11, and 90)
- Budget for madrasah (Islamic schools) is allocated in Sub-function 2 (“Basic & Secondary Education”); while budget for pesantren (Islamic boarding schools) is allocated in Sub-function 8 (“Religious Education”)
The majority of MoEC budget goes to basic education; Budget allocation for vocational remains low at 9% of total MoEC budget.

- Within basic and secondary education, basic education receives the largest budget allocation (56%) and is almost twice larger than secondary.
- Vocational education receives only 16% of total basic and secondary education program, or 9% of total MoEC budget.
Despite the fact that basic education has been decentralized, MoEC still spends a significant amount on this function

- Following the creation of MoRTHE in 2015, MoEC is responsible for ECD, basic & secondary education; while MoRTHE is only accountable for tertiary education
- 41% of MoEC’s spending on basic education goes to PIP (IDR 6.6 T)
  - The remaining of PIP budget (IDR 2.2 T) is allocated in secondary education

### Spending across ministries and levels of education (by sub-function)

<table>
<thead>
<tr>
<th>Sub-function</th>
<th>MoRTHE</th>
<th>MoRA</th>
<th>MoEC</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECED</td>
<td>0,4</td>
<td></td>
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</tr>
<tr>
<td>Basic Education</td>
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<td></td>
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<tr>
<td>Secondary Education</td>
<td>0,1</td>
<td>6,5</td>
<td>2,7</td>
</tr>
<tr>
<td>Tertiary education</td>
<td>4,7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religious Education</td>
<td></td>
<td>9,7</td>
<td></td>
</tr>
<tr>
<td>Non-formal &amp; Informal Education</td>
<td>0,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>14,4</td>
<td>15,4</td>
<td></td>
</tr>
</tbody>
</table>

Note:
- Sub-function 2, formerly known as “Basic Education” was reclassified as "Basic and Secondary Education". Data have been adjusted accordingly as much as possible to split Basic Education and Secondary Education, but Basic Education in the above chart may still be overestimated.
- In the case of MoRA, budget for ECD was classified in Sub-function 2 (Basic and Secondary Education), data have been adjusted to split ECD from Sub-function 2 where possible. Budget for madrasah (Islamic day schools) is classified in Sub-function 2 ("Basic & Secondary Education"); while budget for pesantren (Islamic boarding schools) is classified in Sub-function 8 ("Religious Education")
- Other includes: in-service education, facilitation services to education, education R&D, youth & sport founding, and cultural development (Sub-function 5, 7, 9-11, and 90).
MoEC’s large transfers to SNGs for school construction, rehabilitation and equipment potentially overlap with SNG responsibilities; MoEC spends the most on travel

- 66% of MOEC’s material spending transferred to SNGs (spent by CG Office or Kantor Pusat) where it is allocated to: classrooms rehabilitation/school renovation (IDR 3.6 trillion), construction of new schools and classrooms, (IDR 1.1 trillion), and school equipment (IDR 1.9 trillion) – this potentially overlaps with SNG responsibilities (DAK Education)*
- While “Material transferred to SNGs” by MoRA’s and MoRTHE is relatively low, despite the fact that these ministries are fully centralized without provinces and districts to share their responsibilities.
- Official travel spending by MoEC is nearly 3 time the spending by MoRA and MoRTHE, both in nominal terms and as a share of ministry’s spending
  - This also reflects travel spending for teachers undertaking training

![Material spending (52) across ministries](image)

<table>
<thead>
<tr>
<th>Ministry</th>
<th>Goods (521)</th>
<th>Services (522)</th>
<th>Maintenance (523)</th>
<th>Travel (524)</th>
<th>BLU (525)</th>
<th>Material transferred to SNGs (526)</th>
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</thead>
<tbody>
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<td>0.3</td>
<td>1.1</td>
<td>0.7</td>
<td>0.3</td>
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<td>MoRA</td>
<td>3.8</td>
<td>4</td>
<td>1.1</td>
<td>1.1</td>
<td>0.7</td>
<td>0.7</td>
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<td>MoEC</td>
<td>10.0</td>
<td>7</td>
<td>6.8</td>
<td>3.8</td>
<td>7</td>
<td>10.0</td>
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</tbody>
</table>

Share of travel (524) spending as % of ministry’s spending, 2017

- MoRTHE: 3.1%
- MoRA: 3.6%
- MoEC: 9.6%

*) Note: Prior to 2016, material transferred to SNGs was classified as social aid (57) spending, also spent by CG Office.
Professional allowance for teachers/lectures accounts for the largest personnel spending

- Professional allowance for teachers and lecturers (PNS & non-PNS) accounts for 51% of personnel spending (or equivalent to IDR 27.1 trillion).
- In addition, professional allowance for PNS teachers under MoEC, which is allocated as transfers to regions, stands at IDR 55.6 trillion in 2017.

**Personnel spending (51) across ministries**

(IDR trillion, 2017)

<table>
<thead>
<tr>
<th>Category</th>
<th>MoRTHE</th>
<th>MoRA</th>
<th>MoEC</th>
</tr>
</thead>
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<tr>
<td>Basic salary (511111)</td>
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<td></td>
</tr>
<tr>
<td>TPG Non-PNS teachers (511152)</td>
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<td></td>
</tr>
<tr>
<td>TPG PNS teachers (511152)</td>
<td></td>
<td></td>
<td>IDR 27.1 T or 51%</td>
</tr>
<tr>
<td>TPG Lecturers (511153)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Allowance for Non-PNS teachers/lecturers (511521)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Meal allowance (511129)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Special allowance/Bureaucracy Reform (512411)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:**
- TPG (*Tunjangan Profesi Guru*) = Professional Allowance. PNS = civil servant
- TPG for PNS teachers under MoEC is allocated as transfers to regions, hence not seen in the chart above
- In MoRA, IDR 4.4 tln (77%) of allowance for non-PNS teachers (budget account number: 511521) goes to professional allowance
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3. Service delivery at the facility level
   a. Aligning allocation with needs performance in education sector
The number of teachers increased dramatically following the enactment of the Teacher Law 2005

- Teacher Law 2005 allowed certified teachers to receive a certification allowance equal to their base salary.
- Total increase in number of PNS teacher and non-PNS teacher (from 2005-2015) are 15% and 49% respectively.
- Current DAU formula, where basic allocation component is calculated based on total salary of local civil servants including PNS teacher, likely creates perverse incentive for districts to have more civil servant teachers.

**Number of teachers and % change between 2005-2015**

- Non-PNS teacher: 63% to 108%
- PNS teacher: 119% to 13%
- Non-PNS teacher: 13% to 5%
- PNS teacher: -9% to 32%
- Non-PNS teacher: 17% to 77%

PNS = Civil servant teachers; Non-PNS = others (honorarium teachers, etc)
Source: World Bank staff calculation using National Education Statistics (MoEC)
The certification program increased sharply and absorbed a significant portion of education spending

- Spending on teacher professional allowance increased nearly 5x in real terms between 2010-2016
- The proportion of teacher salaries and allowances increased to more than 60% of total CG education spending in 2017 from above 50% in 2009.

Source: 2009 numbers are based on Education PER (World Bank, 2012), 2017 numbers are from Presidential Regulation No. 97/2016 regarding the Education budget details for 2017.
Conflicting regulations makes teacher management and distribution more difficult (1/2)

The central government has issued multiple regulations regarding teacher management and distribution. Some regulations are conflicting and create gaps in teacher distribution.

1. **The central government issued moratorium on teacher hiring (since 2010/2011)**
   - Moratorium policy has caused shortage of teacher in some schools. The shortage is also due to teacher attrition (retired/quit).
   - **Districts’ response:** Hired contract teacher to fulfill teacher needs

2. **Ministry of Home Affairs (MoHA) issued a circular letter restricting contract teacher hiring (2013)**
   - **Schools’ response:** Hired contract teacher using BOS funds to fill the gaps
   - **Selection criteria used to hire teachers varies among schools, most of the honorarium is below the minimum wage and the teachers are hired with temporary basis. This has caused teacher can teach with lower qualification (and salary) than what is required.**

Source: Effective Teacher Deployment study, World Bank, forthcoming
Conflicting regulations makes teacher management and distribution more difficult (2/2)

3. The central government issued regulation on teacher certification requirements

Regulation for teacher certification allowance: 24 teaching hours/week, teaching in a class with a minimum of 20 students

- District’s response: 30% of sampled districts manage the teacher GTT (temporary teachers) distribution and appoint the GTTs needed using APBD through Local BOS. The other districts support schools in teacher exchange by issuing the required approvals.

- Schools’ response: Initiating teacher exchange between schools to overcome the oversupply of teachers for particular subjects.

4. The central government issued regulation on the new curriculum (2013)

Reduced teaching hours for particular subjects (English, Mathematics, Physics, Chemistry, Natural Science) and deletion of ICT subject matter caused by curriculum changes (from KTSP to K-13). This implies the teachers for above subjects lack of teaching hours and are not able to meet the regulation to get certification allowance (point. 3 above).

Source: Effective Teacher Deployment study, World Bank, forthcoming
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   a. Aligning allocation with needs performance in education sector
BOS spending increased by eight times in nominal terms and nearly quadrupled in real terms in the past decade

In 2017 budget allocation for BOS is IDR 45 trillion or 11% of total education budget.

BOS aims to raise education outcomes through four main channels (based on Permendikbud No 8 Tahun 2017):

1. Direct support for school operating costs
2. Financial assistance for children from poor households
3. Improving enrollment rate and reducing drop-out rates
4. Improving the quality of learning at schools

Source: BOS portal, MoEC
BOS over spending on honorarium; while allocation for teacher professional development and support for poor students is negligible

- BOS under MoEC schools (80% of total schools) is largely used for teacher & staff honorarium, goods, learning and extracurricular activities.

- On average, BOS spending on honorarium accounts for 17% of total - exceeding the maximum threshold of 15% set by the Minister regulation (Permendikbud 8/2017)

- BOS expenditures data from schools under MoRA is lacking to allow similar analysis.

- BOS minimum allocation is also provided for private schools with minimum 3 years operational license and requirement to release tuition fees for all students. Private schools charging high tuition fees are not eligible for BOS.

Source: BOS portal, MoEC
The current BOS allocation formula does not accommodate equity and performance; a few SNGs have addressed this issue

- BOS formula is currently based on number of students enrolled. Regardless of school performance, the bigger schools get the higher allocation.
- The formula does not consider geographical factors such as urban/rural location, remoteness, etc.
- Lack of BOS monitoring impedes transparency and accountability in the use of funds.
- In 2015, DKI province introduced new local BOS (BOP/Bantuan Operasional Pendidikan) formula based on performance and equity.

<table>
<thead>
<tr>
<th>Allocation</th>
<th>Objective</th>
<th>Formula</th>
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<tbody>
<tr>
<td>Basic</td>
<td>Ensure schools meet their operational needs and minimum service standards.</td>
<td>Per-student allocation</td>
</tr>
<tr>
<td>Equity</td>
<td>Address the higher operational costs in remote areas.</td>
<td>Additional 20% for schools in remote areas (e.g. Kep. Seribu)</td>
</tr>
<tr>
<td>Performance</td>
<td>Provide incentives for higher performing schools and encourage schools to perform better.</td>
<td>Additional 20% for 25% top schools based on UN score (average and change from previous year).</td>
</tr>
</tbody>
</table>

- Supporting system – electronic-based school plan (e-RKAS) has also been implemented in DKI Jakarta to ensure transparency and accountability in BOS utilization.
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In 2016, only 54% of schools achieved the five selected criteria:

1. Maximum student per learning group is 32 (primary) and 36 (junior secondary).
2. All headmasters are certified and hold at least D4/S1 degree.
3. Primary: One teacher for every 32 students and at least six teachers in each school (four teacher in some special regions).
4. Primary: Minimum of two teachers with D4/S1 education qualification and two certified teachers.
5. Junior Secondary: Minimum of 70% of the teachers should have D4/S1 education qualification and half of them are certified.

However, district education spending is weakly correlated with MSS achievements. MSS achievement and district education spending.

Source: World Bank calculations using district education spending data from SIKD/Sistem informasi Keuangan Daerah & MSS achievements from Dapodik 2015. Note: Data only available for SD, SMP, and its equivalent under MoEC.

Kab. Sampang and Kab. Lamongan (in East Java) achieved about the same level of results (e.g., 50% of schools achieved 3 of the criteria above) despite a huge difference in education spending (IDR 4.7 vs. IDR 9.4 mil/student/yr, respectively).
DAK for education (*DAK fisik*) is somewhat correlated with local governments’ needs (school classroom condition)

- **Primary level (by districts)**

- **Junior secondary level (by district)**

- **Senior secondary level (by province)**

  - DAK fisik aims to address infrastructure issues in education sector at district level (e.g. damaged schools/classrooms, other school facilities).

  - DAK budget allocation 2017 is somewhat correlated with district needs for classroom renovation, especially for senior secondary level (indicator used: # damaged classrooms).

  - More detailed data on school’s facilities is needed to draw more precise analysis.
## Key findings and recommendations (1/7)

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Key Recommendations</th>
</tr>
</thead>
</table>
| **Overarching issue: data availability**                                    | - MoF to produce an annual “State of Indonesia’s Education System” Report on education spending and sectoral performance, broken down by district. The report should include:  
  - Data on spending by each local government against the education function, disaggregated by a) level of education (ECED, primary, junior secondary, senior secondary and other) and b) Economic classification/type of spending including: 1) salary and wages, 2) goods and services, 3) capital, and 4) subsidies  
  - Spending by MoRA and MoEC, disaggregated by district  
  - Sectoral performance data (for example, from the Education Achievement Index) disaggregated by district |

| **1a. Overall allocation and adequacy of spending**                          | - Overall public spending at 3.3 percent of GDP or near 20% of central government spending (including transfers to SNG) is relatively adequate considering other competing priorities and efficiency issues of current spending |

Insufficient data to allow more comprehensive analysis and inform decision making.

Total education spending increased significantly following 20% rule reaching 3.3% GDP (2017) and is dominated by subnational spending.
# Key findings and recommendations (2/7)

<table>
<thead>
<tr>
<th>Key Findings</th>
<th>Key Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1b. Intra-sectoral allocation of central government education spending</strong></td>
<td><strong>MoEC to increase budget for Early Childhood Education and Development (ECED) by:</strong></td>
</tr>
</tbody>
</table>
| Insufficient spending on Early Childhood Education (ECE), where the returns to investment are the highest | - increasing the coverage and unit cost of BOP (School Operational Assistance Grants to ECED) based on Dapodik data  
- linking the use of BOP to meeting National ECED standards |
| **Strengthen support to deliver quality ECE:**                               |                                                                                      |
| - **At national level:** (i) issue Minimum Service Standards as a basis for districts to allocate and manage resources; (ii) build district capacity to manage services based on ECED MSS standards  
- **At district level:** (i) Establish ECED units in Dinas and provide funding for staffing support; (ii) build capacity of supervisors (Penilik PAUD) to conduct quality assurance visits to ECE centers; (iii) support the provision of incentives and training for community teachers. |                                                                                      |
| **Leverage Dana Desa as an alternative funding source:**                      | include ECED in annual Dana Desa prioritization regulation (Ministerial regulation No. 22/2016 as an amendment by No. 4/2017) to support village planning to identify early childhood centers as priority programs for investment of Dana Desa |
| Allocation for vocational remains relatively low (9 percent of total MoEC)   | MoEC to increase its budget allocation to vocational education                        |
| A part of MoEC’s material spending (“Material transferred to SNG”), ~ IDR 6.6 T, potentially overlaps with SNG responsibilities funded by DAK Education | MoEC to re-allocate “Material transferred to SNG” (budget account number: 526) to DAK Education |
| Spending on official travels by MoEC is almost triple that of spending by MoRA & MoRTHE | MoEC to examine its high allocation for official travel, and ensure there are good reason for this to be higher than in MoRA and MoRTHE |
**Key findings and recommendations (3/7)**

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<th>Key Findings</th>
<th>Key Recommendations</th>
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| 2a. Key education sector programs: teacher management and certification (IDR 203.5 trillion or 49% of the total education budget) | **Key Findings**<br>Spending on teacher salaries and allowances has risen sharply in recent years but has not been associated with similar gains in learning outcomes<br><br>Weak link between teacher incentive with performance/ quality  <br><br>**Key Recommendations**<br>• MoEC to update existing Teacher Performance Management System to more directly link teacher allowances (DAK-Profesi Guru) with competency achievement, continuous professional development (CPD) and classroom performance<br>i. MoEC with MoRA to identify options for performance measures to directly link with allowances.<br>ii. MoEC, MoRA, MoF, MenPanRB, and MoHA to finalize pay for performance system based on step (i)<br>iii. Revise PP (Government Regulation) no. 74/2008 on teacher certification & responsibility to accommodate pay for performance program<br>iv. Revise Permenpan no. 16/2009 on teacher career progression to support step (iii)<br><br>• Commence a rigorous teacher re-certification process to ensure certification is more directly linked to achievement of key professional competencies, and make periodic re-certification a condition for teachers to continue to receive professional allowances and career progression.<br><br>• Support teacher Continuous Professional Development (CPD) through clear prioritization in annual School Budget and Activity Plans (RKAS), optimising use of BOS funds.<br><br>• Leverage and explore opportunity for scaling up from existing initiatives <br>Improving teacher performance and accountability (KIAT GURU)<br>i. Community Empowerment: explicit role to verify teacher presence and evaluate teacher service quality.<br>ii. Pay for Performance: Tying payment of teacher allowance with teacher attendance and performance.<br>Tunjangan Kinerja Daerah/TKD for teachers in DKI Jakarta: teacher allowance from DKI government. <br>i. Fixed allocation (70%), affected by presence. <br>ii. Variable allocation (30%), affected by job functions and related variables.
### Key Findings and Recommendations (4/7)

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<tr>
<td>2a. Key education sector programs: teacher management and certification (IDR 203.5 trillion or 49% of the total education budget)</td>
<td><strong>Redistribute teachers across schools within districts</strong></td>
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| Imbalanced teacher distribution across subjects and regions. Few districts have made an effort to address over/undersupply of teachers | i. Districts to identify oversupply & undersupply of teachers in their area. (*Data sources:* 1) school form R.10 on teacher needs 2) teacher census NUPTK, MoEC)
| | ii. Districts to map teacher needs and create a redistribution plan, in collaboration with teachers and schools, based on step (i)
| | iii. Districts to issue approval/instruction letters for teacher redistribution based on step (ii)
| **Redistribute teachers across districts or across provinces** | This is not currently possible due to Law no 23/2014 (authority to hire PNS teachers at primary and junior secondary level is within districts only). Proposed steps:
| | i. MoEC and MENPAN revise the Law no. 23/2014 and
| | ii. Issue a new Perpres (Presidential Regulation) on teacher redistribution to support step (i)
| **To standardized recruitment process for non-permanent teacher** | MoEC and MenPAN develop national guidelines for recruiting non permanent teacher that will teach the main subjects and extracurricular activities. The guidelines should cover the selection process, selection criteria, payment (payroll, budget source), contract term, and other requirements |
### Key Findings

#### 2b. Key education sector programs: BOS (IDR 45.1 trillion or 11% of the total education budget)

The current BOS allocation formula is not linked to measurements of equity or performance. Instead, the BOS formula is currently based on number of students enrolled.

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<td>LINK BOS allocations to equity, need, and performance. One methodology for this is that applied in by DKI province since 2015, which applies a formula with 3 components (Pergub no.59/2016):</td>
<td>Improve transparency and accountability of BOS spending through expansion of school planning and budgeting (RKAS – Rencana Kegiatan dan Anggaran Sekolah), and using electronic based where possible which has been implemented in DKI Jakarta and Surabaya:</td>
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<tr>
<td>• Basic allocation: based on number of students</td>
<td>• E-RKAS helps schools to manage their budget, activities, needs, and targets they want to achieve</td>
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<td>• Equity allocation: based on school location/special needs</td>
<td>• Goods and services are standardized in e-catalog</td>
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<td>• Performance allocation: based on improvement in national exams.</td>
<td>• E-RKAS helps to improve transparency and accountability as it is accessible by education office/governor/other stakeholders for monitoring</td>
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Nearly 60% of schools did not report BOS funds realization in 2015. Lack of BOS monitoring impedes transparency and accountability in the use of funds. More detailed data is needed to analyze the efficiency of BOS funds in fulfilling schools needs and achieving minimum service standards (MSSs).

- **Proposed steps in expanding RKAS to national level:**
  i. Revise Permendikbud no 8/2017 on BOS technical guidelines
  ii. Nation-wide roll-out of a web-based school Self-Evaluation Instrument benchmarked against MSS/National Education Standards through which annual School Budget and Activity Plans (RKAS) are prepared.
  iii. Use of e-catalogues for good and services for school planning and budgeting to achieve value for money in the utilisation of school operational grants and other school-related funds.
  iv. Periodic, effective training to schools and their communities in how to conduct efficient, effective and transparent school self-evaluation and annual planning to optimise the use of BOS and BOP funds for education quality improvement.
  v. Performance agreements between districts and schools, reviewed annually by districts and schools, and reported to provinces (as BOS disburser).
  vi. Preparation of annual school report cards by districts, published online and distributed to provinces, school committees and parents.
### Key Findings and Recommendations (6/7)

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<td><strong>2c. Key education sector programs: PIP (IDR 10 trillion or 2.5% of the total education budget)</strong></td>
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| PIP targeting remains a challenge – 36% of beneficiaries is non-poor and non-vulnerable | • Improve targeting of PIP particularly for senior secondary level (SMA) through improvement of Unified Database system.  
• Enhance outreach, facilitation and beneficiary support modules to increase awareness of PIP program especially for eligible children who are not in the UDB (Unified Database) system to improve targeting, especially at the SMA level. |
| PIP benefit levels are still below the cost of attending school. This gap may discourage enrollment for PIP beneficiary families (particularly at the SMA level where the gap is the largest). | • MoF (with MoEC and MoRA) to allocate sufficient budget to raise the PIP benefit to reflect the full out of pocket cost of schooling |
| PIP is fragmented while institutional coordination is weak | • Enhance inter-ministerial coordination through a joint mechanism for providing and reviewing the effectiveness of management performance reviews, M&E, socialization campaigns, a grievance redress platform.  
• MoEC and MoRA (with MoSA) to develop an outreach plan to increase uptake of PIP by ensuring eligible children are brought into the unified database |
### Key Findings

District education spending is not correlated with district’s MSS (Minimum Service Standards) achievement.

Budget for DAK education (*DAK fisik*) is weakly correlated with local governments’ needs of classroom renovation.

### Key Recommendations

**Enhance national performance monitoring and accountability for sub-national government**

- Establish a transparent and publically accessible Education Achievement Index, referencing MSS/National Education Standards, to monitor the performance of SNG’s’ education service delivery.
- Utilize the Education Achievement Index to influence results through incentives and sanctions:
  1. Utilize the proposed *Sovereign Wealth Fund for education* to pay incentives to districts that achieve system strengthening improvements (additional incentives for educational excellence).
  2. Publish and socialize performance assessment results of sub-national governments against the Education Achievement Index.
  3. Provide capacity building and technical support to sub-national government to enhance their systems, focusing on the low performers.
  4. Apply financial sanctions in relation to DAK-fisik disbursement, where necessary.

- Education Achievement Index should be developed utilizing indicators that are:
  - Regularly collected on an annual or semi annual basis could include DAPODIK, Education Statistic office (MoEC& MORA);
  - Directly capture the outcomes of interest, for example:
    - Net Enrollment Rate (NER) at Early Childhood and at senior secondary level of education;
    - Effective distribution of teachers across geographical regions based on student enrollments;
    - Sufficiency and condition of educational infrastructure
    - Learning outcomes of students;
    - Utilization of budget at school and district level;
    - ECED participation rate
  - Weighted to take into account the needs of the various districts and regions (rather than setting different criteria for remote regions)
  - Transparent, and easy to understand at the levels of school, district and central management as well as the general public.
  - The Education Achievement Index should be publicized as the instrument to create public awareness as well as make hard decisions on utilization of budget.