

# **Education Governance – National Partnerships for Education Study**

**(ACDP – 034C)**

## **Final Report**

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for:

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The Government of Indonesia (represented by the Ministry of Education and Culture, the Ministry of Religious Affairs, and the Ministry of National Development Planning / *BAPPENAS*), the Government of Australia, through Australian Aid, the European Union (EU) and the Asian Development Bank (ADB) have established the Education Sector Analytical and Capacity Development Partnership (ACDP). ACDP is a facility to promote policy dialogue and facilitate institutional and organizational reform to underpin policy implementation and to help reduce disparities in education performance. The facility is an integral part of the Education Sector Support Program (ESSP). EU's support to the ESSP also includes a sector budget support along with a Minimum Service Standards capacity development program. Australia's support is through Australia's Education Partnership with Indonesia. This report has been prepared with grant support provided by Australian Aid and the EU through ACDP.



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## Abbreviations

ACDP	Kerjasama untuk Pengembangan Analisis dan Kapasitas	Analytical and Capacity Development Partnership
Bappenas	Badan Perencanaan Pembangunan Nasional	National Development Planning Agency
Bappeprov	Badan Perencana dan Pengembangan Provinsi	Provincial Planning Agency
BOP	Bantuan Operasional Pendidikan	Education Operation Funds
BOS	Bantuan Operasional Sekolah	School Operational Fund
BOSDA	Bantuan Operasional Sekolah Daerah	Regional School Operational Fund
DAK	Dana Alokasi Khusus	Special Allocation Fund
DAU	Dana Alokasi Umum	General Allocation Fund
DIPA	Daftar Isian Pelaksanaan Anggaran	Budget Implementation Documents
DPRD	Dewan Perwakilan Rakyat Daerah	Regional Legislative Assembly
FGD	Kelompok Diskusi Terfokus	Focus Group Discussion
GOI	Pemerintah Indonesia	Government of Indonesia
Kandep	Kantor Departemen	Ministerial Office
Kanwil	Kantor Wilayah	Regional Office
KMK	Keputusan Menteri Keuangan	Ministry of Finance Decision
LPMP	Lembaga Penjaminan Mutu Pendidikan	Centre for Education Quality Assurance
MDG	Tujuan Pembangunan Millenium	Millenium Development Goals
MOE	Kementerian Lingkungan Hidup	Ministry of Environment
MOEC	Kementerian Pendidikan dan Kebudayaan	Ministry of Education and Culture
MOF	Kementerian Kehutanan	Ministry of Forestry
MOHA	Kementerian Dalam Negeri	Ministry of Home Affairs
MONE	Kementerian Pendidikan Nasional	Ministry of National Education Now referred to as MoEC
MORA	Kementerian Agama	Ministry of Religious Affairs
MTEF	Kerangka Pengeluaran Jangka Menengah	Medium Term Expenditure Framework
PAD	Pendapatan Asli Daerah	Province Own Revenues
PBB	Anggaran Berdasarkan Kinerja	Performance Based Budgeting
PMK	Peraturan Menteri Keuangan	Ministry of Finance Regulation
RCGP	Perwakilan Pemerintah Pusat di tingkat Provinsi	Representative of the Central Government in the Province
TOR	Kerangka Acuan Kerja	Term of Reference

# Executive Summary

The purpose of Paket 034C is to “provide options for a strengthened partnership in education governance”. The Terms of Reference (TOR) place the strategic options for a new partnership for education within the context of perceived structural inconsistencies affecting governance of education in Indonesia. Thus the analysis first addressed these perceived structural inconsistencies in order to identify the actual situation as a basis for providing options to address these conditions. This report begins with analysis of the perceived structural inconsistencies and options to address the actual conditions. Only then are the strategic options for the new national partnership presented.

The report begins by identifying three types of structural inconsistencies contained in the TOR:

- structural inconsistency of decentralization vis a vis national unity
- structural inconsistency in employment and deployment of teachers
- structural inconsistency in the mismatch between sources of funding and responsibility for activities

For each category of perceived structural inconsistency, the current state of the matter (“as is”) is described, including many recent reforms which have addressed the inconsistencies. Once the current state of affairs has been clarified, options for further actions are identified.

The analysis of perceived structural inconsistency between decentralization and national unity is based on the legal and regulatory analysis activity as well as the international comparison activity. The analysis indicates that the perceived structural inconsistencies are, to some degree, the result of historical misunderstanding of the objectives of decentralization. The analysis also shows that Indonesian decentralization practices are consistent with international good practice. Two options are developed to address the remaining issues:

Option 1 Extend the performance based budget system to provinces and, especially, districts with regional sectoral performance targets derived from (or linked directly to) central sectoral targets.

and

Option 2 Provide effective monitoring of district performance on achieving performance indicators. Provide rewards for successful districts and clinical supervision (rather than sanctions) for less successful districts.

Analysis of the perceived structural inconsistencies in teacher employment and unemployment are analyzed using the results of the legal and regulatory analysis activity and the “as is” mapping of current situation activity. The analysis demonstrates three important points. First, any discussion of oversupply of teachers derived from “national” student/teacher ratios using macro level data must be carefully defined as to which teachers are intended (civil service, various types of contracts, etc.). Macro analysis also over simplifies enormous differences in geographical distribution (regions and within regions) as well as the over weighting of primary schools, which have special staffing characteristics. Thus such numbers have limited usefulness as a basis for policy. The second feature of the teacher employment inconsistency is the very central role played by staffing rules (minimum service standards MSS, accreditation rules, etc.). The frequently stated “stylized fact” that districts

try to hire more civil service teachers in order to increase their budget allocations from the national budget is shown to be inaccurate. The weaker version of the argument, that civil service teachers are a “free good” to districts also does not explain excessive recruitment in the absence of staffing rules which encourage over staffing. Finally it is apparent that civil service reforms enacted since 2011, if enforced effectively, will address the general issue of civil service teacher planning and recruitment. Three options are identified to address the remaining issues:

Option 3 Enforce the civil service reform to ensure that new teacher hires are deployed based on need.

Option 4 Encourage districts to use the alternative delivery mechanisms in order to achieve participation rates in remote and sparsely populated areas. Re visit the MSS minimum distance to school standard in cases where alternative delivery systems are feasible.

and

Option 5 Integrate contract teachers into the formal system (MSS and accreditation rules). Allow contract teachers who fulfill certain criteria (such as full time, certain level of continuous experience, etc.) to become certified by participation in the professional education program<sup>1</sup>. The certification salary supplement would only be paid as long as they were employed full time as teachers.

Analysis of the perceived structural inconsistencies between funding and management uses all four activity analyses: legal and regulatory, “as is” mapping of current conditions, international comparison and comparison with procedures for other decentralized sectors in Indonesia. The analysis shows that the perceived inconsistencies are based on misunderstanding of the funding mechanisms, in particular confusion between flows of funds through (district) budgets and funds over which districts have decision making authority. The reforms of the national planning and budgeting system have addressed most of the issues with the exception of adequate funding for maintenance of physical structures. Options to address the remaining issues are:

Option 6 Ministry of Finance MOF to publish general allocation fund (dana alokasi umum DAU) allocations broken down into basic and fiscal gap allocations.

Option 7 Develop simple, operational guidelines for school maintenance planning and implementation as part of the school based management materials. Task the Education Quality Assurance Institutes (Lembaga Penjaminan Mutu Pendidikan LPMP) with monitoring maintenance as part of the quality assurance supervision activities.

and

Option 8 Provide an additional BOS-for-maintenance supplement to BOS. Use the MOF “quadrant” system to determine priorities. The “four quadrant” approach pioneered by MOF classifies districts on two dimensions, in application to education: achievement of education quality indicators and fiscal capacity. For each dimension, districts are classified as above or

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<sup>1</sup> Note that achieving certification via professional education is different from the portfolio evaluation method now being used for certification of practicing civil service teachers. The portfolio consists of previous and current education and activities, which are evaluated for points. There is no additional cost to the teacher (except for administrative costs). Certification via professional education requires a major investment of time and money (in addition to administrative costs). It would indicate a serious and permanent commitment to the teaching profession.

below the national average. Districts which are above the national average on both dimensions do not require additional assistance. Districts with above average fiscal capacity and below average maintenance indicators would be assisted to determine where the problems lie before being given additional financial resources.

After the structural inconsistencies are addressed and options provided, the report continues with additional options for a new national education partnership. The options address three areas of partnership identified in the TOR and Inception Report workshop:

- inter governmental transfers
- vertical and horizontal synergies
- public – private cooperation.

Perceptions of structural inconsistencies in inter governmental transfers (IGT) focus on a dichotomy between sources of funds (primarily central government budget) and decisions about uses of funds (primarily at the district level). Analysis of the perceived structural inconsistencies uses the legal and regulatory analysis activity and the “as is” mapping of current situation activity, supplemented by comparisons to international good practice from the international comparison activity. The analysis indicates that the perceived structural inconsistencies arise from a misunderstanding of decision procedures and management responsibility at both the central and district levels. It is apparent that the recent reforms of the central government planning and budgeting process are not well understood outside the government bureaucracy. The remaining issues are primarily related to more consistent implementation of the reformed performance based budgeting system and incorporating regional (province and district) budgeting procedures into the system. The strategic option for improved governance of IGTs address these issues..

#### Strategic Option for Improved Governance of Inter Governmental Transfers (IGT)

Improve coordination and governance of inter governmental transfers through the incorporation of simple, quality assurance based performance indicators into plans and budgets at all levels of government and in schools.

##### Component 1:

Incorporate the MSS into the education quality assurance system in accordance with the interpretation of MSS as the “lowest step” of the quality hierarchy (consisting of MSS, national education standards NES and above NES). Formalize the MSS and NES as performance indicators for education at the central, regional and provider (school / madrasah) levels. School / madrasah development plans would focus on achievement of the accreditation indicators at the NES or “above NES” level.

##### Component 2:

Encourage regional governments to move in the direction of performance based budgeting, with performance indicators including achievement of minimum service standards and, specifically for the education sector, achievement of national education standards.

The second area of a new national partnership for education involves creating and/or strengthening synergies. The report considers two types of synergies:

- horizontal synergies between different sectoral agencies at the same level of government

- vertical synergies between different levels of government (applies only to decentralized sectors, i.e. MOEC but not MORA)

Analysis of the potential for improved horizontal synergies focuses on the role of MORA and the need for both central and regional MORA offices to be more proactive in their relations with regional education offices. The analysis emphasizes that regional education offices (dinas) are not extensions of the central MOEC while MORA regional offices are vertical extensions of the central ministry. Thus MOEC has no direct authority over regional education offices while MORA does have direct authority over its regional offices. However MOEC does have two channels of direct authority in the regions. The first is the role<sup>2</sup> of governor as representative of (all sectors of) the central government in the province. Thus the MORA central office can work directly through the governor. The second channel is through the Madrasah Development Centers (MDC) established by a former Asian Development Bank project. .

Strategic options for horizontal synergies:

MORA central office to instruct provincial and district offices to take the initiative in socializing the MOHA letter<sup>3</sup> to regional education service offices (dinas), regional budget teams and regional legislative assemblies (Dewan Perwakilan Rakyat Daerah DPRD). MORA central office to monitor implementation of the instruction.

MORA central office to coordinate supervision of the madrasah, where necessary, through the governor as representative of the central government in the province.

MORA central office to “re energize” provincial Madrasah Development Centers (MDC) with human and financial resources in order to become the partners of LPMP for quality assurance. One pre requisite for this option is that the MDCs be given legal status, job descriptions and budgets through appropriate regulations.

As noted above, vertical synergies are an issue only for MOEC because the regional education offices are not under the authority of MOEC. However MOEC does have offices located in the provinces, which are under the direct authority of the central MOEC. These are the provincial Education Quality Assurance Institutes LPMP.

Strategic options for vertical synergies:

Expand the role of the LPMPs to act as implementation units for all aspects of education quality in the province, under the coordination of the governor as representative of the central government in the province.

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<sup>2</sup> This role is completely separate from the governor’s role as chief executive of the province. There are separate budget flows and separate organizations (including separate staffing).

<sup>3</sup> There is significant misunderstanding of the content and context of this letter. An academic manuscript, later posted and widely disseminated on the internet, claimed that there were government regulations which forbade regional governments to provide funds to madrasah from the regional budgets (APBD). This claim was false. The regulations did not mention madrasah, either negatively (forbid) or positively (require). The ministerial letter does not “permit” APBD funds to be used to assist madrasah. It simply clarifies that there never was and currently is not any intention of prohibiting the use of APBD funds to assist madrasah.

The letter itself was widely misquoted in the mass media as forbidding the use of APBD funds to assist madrasah to the point where the Minister for Religious Affairs and members of Parliament issued statements demanding that the letter be retracted. These posts are still widely available on the internet and can create substantial misunderstanding of the entire issue.



Task the LPMPs specifically with feedback and follow up of the results of quality mapping, analysis and evaluation.

The final area of interest for the new education partnership is public – private cooperation. Public – private cooperation is understood as improved partnerships between government agencies (including schools / madrasah) and private stakeholders. There are two types of public – private cooperation to be considered:

- private schools
- school communities for government schools.

Strategic options for public-private cooperation between government and private schools/

Districts to ensure that private school teachers participate in formal teacher training and teacher subject matter discussion groups (musyawarah guru mata pelajaran MGMP).

Develop and implement alternative delivery mechanisms by private schools, especially private madrasah, in remote and difficult access areas with more intensive monitoring to ensure that the services are being utilized.

LPMPs to provide QA for teacher training and discussion groups to ensure that subject matter is appropriate and relevant and that good practice pedagogical methods are used by agencies providing the training. LPMPs to monitor utilization of services and, in cooperation with supervisors, to monitor implementation of improved practices in the classrooms.

Upgrade the quantity, quality and resourcing of (government) supervisors to provide adequate services to all schools / madrasah, including clinical supervision. Arrange the supervisor work schedules based on needs, not administrative uniformity (or geographical convenience).

MOF to provide realistic travel budgets with strict controls to avoid manipulation. Sanctions (not just reports) to be imposed for violations.

Strategic option for public-private cooperation between government schools and the community:

Task the principal with ensuring that the school committee members understand their roles and responsibilities. Task supervisors with providing back up support to principals in encouraging the school committee to be more active in performing its assigned roles and responsibilities.

In addition to the areas identified in the TOR and Inception Workshop, the analysis identified two other key supporting areas for a new national partnership for education: data management and policy approaches.

Strategic options for data management:

The massive data collection and information requirements established by the current regulations need to be re visited.

Strategic option for approach to policy:

Replace “once size fits all” policy with tailored policy using the MOF four quadrant approach. Different policies would be applied to different quadrants, for example: districts which are above average on both education indicators and fiscal capacity need different policies than districts which are below average on both dimensions. In particular districts with below average education indicators and above average fiscal capacity need assistance to identify the problems and implement solutions.

The report concludes that there is no need for a National Education Partnership Agreement as existing procedures and regulations are adequate. The key is consistency in implementation and enforcement.

In summary, GOI is doing most things right, by comparison with international good practice and the Indonesian context. However Indonesian is not yet reaping the full benefits on being on the right track because of weaknesses in the implementation and enforcement cycle:

- supervision (weak)
  - data (massive and mostly interesting rather than useful)
  - analysis (limited and mostly academic rather than evaluative)
  - feedback (virtually non existent)
  - follow up of feedback (even more so)
- which loops back to supervision.

# Chapter 1 Introduction

## 1.1. Background

The Deputy Minister of the Ministry for National Development Planning (BAPPENAS) has requested technical support to review achievements in the education sector, with a special focus on what has been achieved as a result of the Government's 20 % allocation of overall budget to education over the period 2007 – 2012. The review will serve a number of purposes including to: establish an accurate picture of the sector performance; identify key issues for reform; shape the education sector vision of incoming government (2014); identify future strategies for EFA and MDG planning; and inform the next National Medium Term Development Plan for Education (2015-19).

The National Partnerships for Education Study will provide options for a strengthened partnership in education governance to improve the coordination between management and spending between levels of government, schools and communities. The ultimate purpose is to contribute towards improving equity and learning outcomes.

## 1.2. Terms of Reference and Inputs from Stakeholders during the Inception Report Workshop

The Terms of Reference (TOR) requires the consultancy team to develop options for education sector governance reforms to improve the coordination between management and spending between levels of government, schools and communities to improve learning outcomes. The proposed options should consider different approaches and their relative merits in providing a stable and sustainable basis for providing national direction in the development of education while also supporting the development of local capacity to implement policy and manage their educational institutions. The options will consider the possible roles of the national, provincial, and district levels of government. The proposed options should consider the outline of a possible formulation for a National Partnership for Education Agreement between all levels of government. This could provide, for example, the basis for a simplification of the number of funding streams/mechanisms.

During the Inception Report Workshop, stakeholders emphasized the need for options to improve synergies, between levels of government, schools and communities and between government agencies. It should be noted that these are issues addressed by the governance section of the current education Strategic Plan (Renstra). The stakeholders also highlighted the importance of options for public-private partnerships.

The TOR identified four specific areas / issues,

- mapping of current governance and financing arrangements ("as is")
- identification of effective models of education sector governance in other countries (international comparison)
- legal and regulatory study<sup>4</sup>

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<sup>4</sup> In the TOR, this analysis was limited to identification of constraints, opportunities and required reforms. The Inception Report envisaged this study as an updating of an existing study prepared by USAID in 2010. However during the course of the work, key stakeholders indicated that the legal and regulatory

- analysis of lessons from managing national and sub-national relationships in other sectors (health and infrastructure comparison)

During the course of preparing these analyses, it became apparent that recent reforms, including reforms in areas outside the education sector proper such as introduction of performance based budgeting and civil service reform, had addressed some of the issues raised in the TOR.

### **1.3. Organization of the Report**

The next chapter of this report discusses the structural inconsistencies mentioned in the TOR in the context of these policy reforms. By clearing away misconceptions about the structural inconsistencies, the discussion in Chapter 2 provides essential background for the strategic options for a Strengthened Partnership in Education Governance presented in Chapter 3.

Chapter 3 contains the actual strategic options. The report closes with a section containing the National Partnership for Education Agreement.

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structure was the most crucial area of analysis. The scope of the output was thus revised and expanded to take account of these information needs.

## Chapter 2 Addressing the Structural Inconsistencies

The Strategic Background section of the TOR raises three areas in which the Indonesian education sector faces important challenges

- the evolving process of decentralization
- structural inconsistency in employment and deployment of teachers
- structural inconsistency / mismatch between the sources of funding and responsibility for activities

The dimensions of these challenges as laid out in the TOR are based on existing (secondary) literature, much of which has now been overtaken by policy reforms. This chapter discusses those reforms and their impact on the dimensions of the challenges. For each of the three challenges, the discussion is organized around four points:

- perceptions of the challenge
- problem identification, “as is” including recent reform
- options for further actions

### 2.1. Challenges of Decentralization vis a vis National Unity

#### 1) Perceptions of the challenge

The TOR notes that Indonesia’s diversity and disparities provide a “classic argument” for decentralization but there is also the need for “balance” between unity and diversity during the ongoing “transition” to a decentralized democracy.

#### 2) Problem identification

The international comparison can provide some clarity in defining the issues. International good practice and decentralization theory emphasizes that the key question in analyzing decentralization is not who (what level of government) does what but rather who decides what. The New Public Management NPM paradigm (of which performance based budgeting<sup>5</sup> is one component) stresses that funding flows from decision making authority, not necessarily from implementation responsibility.

Decentralization theory recognizes three types of division of decision making authority among levels of government:

- devolution: the entire authority and responsibility is located in the sub national government (SNG). This may be the result of transfer of central authority to SNG or it may reflect a federal arrangement in which authority resides in the SNG and (some) is transferred to the federal center. Other than federal countries (and not even all of those) devolution is rarely found in the education sector except for cases where ethnic / linguistic communities have full responsibility for educating their children. Examples include Belgium and Spain. Another example is devolution, not to SNG but to local “school boards”, such as in Korea. Even here,

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<sup>5</sup> Performance based budgeting is an approach for planning government budgets. It is based on the use of performance indicators, which are used to create budgets and then to evaluate achievement.

however, the central government retains responsibility quality assurance (national examinations).

- delegation: authority and responsibility are transferred from the center to the SNG but the center retains authority for setting policy and standards. This is the most common form of decentralization for sectors important to social welfare, such as health and education. In Indonesia, the original 1999 regional autonomy law seems to have been based on a concept of delegation. However the current (2003) law reforms the system and establishes a deputized<sup>6</sup> approach.
- deputization: decision making authority is retained by the central government, which also provides the funds to implement the decisions. SNG has the responsibility of implementing central policy and decisions.

The Indonesian government regulation concerning education management is very explicit: regional government (provincial and district) policy is central policy implemented in the region and school policy is central policy implemented in the school. The draft revision to the regional autonomy law (rancangan undang-undang) now being discussed in Parliament also explicitly states that regional government policy is implementation of central government policy in the (geographical area) of the region. The theory of “concurrent” responsibility, embodied in the various regulations which show identical tasks and responsibilities at different levels of government<sup>7</sup> with each level exercising the responsibility in its own sphere of authority, is another indicator of a deputized approach to decentralization.

### 3) Options for Further Actions.

The fact that the existing and draft revisions to regional autonomy laws and regulations all move in the direction of deputization rather than delegation<sup>8</sup> necessitates that options for further reform support this trend. Successful implementation of a deputized system requires that the central government have the capacity and willingness to monitor SNG activities and outcomes at the regional level. The Indonesian performance based budget (PBB) system, together with the national planning system as the source of performance targets, provides an excellent framework for implementation of a deputized approach to decentralization.

The options for further action would strengthen the existing system:

#### **Option 1**

Extend the performance based budget system to provinces and, especially, districts with regional performance targets derived from (or linked directly to) central targets.

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<sup>6</sup> The correct term is deconcentration, which is a technical term in the decentralization theoretical literature. Unfortunately it is also a technical term in the Indonesian planning and budgeting system, with a different meaning. Furthermore the inappropriate use of deconcentration funds by central ministry agencies (in particular by the Ministry of Education and Culture MOEC) is the subject of an ongoing reform effort by the Ministry of Finance MOF. In order to avoid confusion, the term “deputized” is used hereinafter as a substitute for deconcentration in its technical sense.

<sup>7</sup> E.g. the notorious Government Regulation 38/2007 concerning the division of authority and responsibility among the levels of government and Government Regulation 17/2010 concerning management of education..

<sup>8</sup> Devolution has been absolutely rejected as incompatible with Indonesia’s constitutional establishment of a unitary state (Negara Kesatuan Republik Indonesia NKRI) Specifically for the education sector, the Preamble to the Constitution assigns four sectors as the responsibility of the central government – one of which is education.

This is one component of the strategic option for vertical synergies. Details of the option are discussed below.

### **Option 2**

Provide effective monitoring, including feedback and follow up of responses to feedback, of district performance on achieving performance indicators. Provide rewards for successful districts and clinical supervision (as a first step before imposing sanctions) for less successful districts.

This is one component of the strategic option for budgets / inter governmental transfers. Details of the option are discussed below.

## **2.2. Structural Inconsistency in Employment and Deployment of Teachers**

### (1) Perceptions of the challenge.

The 2007 Indonesia Public Expenditure Review identified a “structural inconsistency” in the central – local spending composition. One of the symptoms of the inconsistency was teacher employment and deployment. The Review found an oversupply of teachers in urban areas and a significant undersupply in rural and remote areas. The Review did not make any specific recommendations to address this problem.

The 2009 Regional Public Expenditure Analysis also noted the unequal distribution of teachers, not only between provinces and districts, but also at the sub district (kecamatan) level within districts. The Review recommended more effective local government planning for teacher recruitment and allocation to address this problem.

The issue of teacher employment and distribution was taken up more comprehensively in the 2010 report on teacher management: Transforming Indonesia’s Teaching Force. One area of concern was low student – teacher ratios, particularly at the primary level. The source of the inefficiency was identified as an inconsistency between staffing rules which were designed for schools having 240 students, while the actual size of schools was much smaller: 78% of primary schools having fewer than 250 students.

There have also been suggestions in the literature that districts have a motivation to hire teachers because it increases the size of the General Allocation (dana alokasi umum DAU) transfer they receive from the national government, one component of which is civil service salaries. The 2007 Public Expenditure Review recommends a “quick win” for service delivery by removing full coverage of civil servants from the DAU because it was “penalizing local reformist governments that want to reform their civil service and reallocate funds to priority sectors” (p. xxiv) The 2010 teacher management report recommends de-linking teachers from the civil service (p. 2). The 2007 World Bank Staff report on investing in Indonesian education recommends gradually decreasing the teaching force by not replacing retiring teachers.

### (2) Problem identification

The Indonesian education system is under the authority of two central ministries,, the Ministry of Education and Culture<sup>9</sup> (MOEC) and the Ministry of Religious Affairs (MORA) although final

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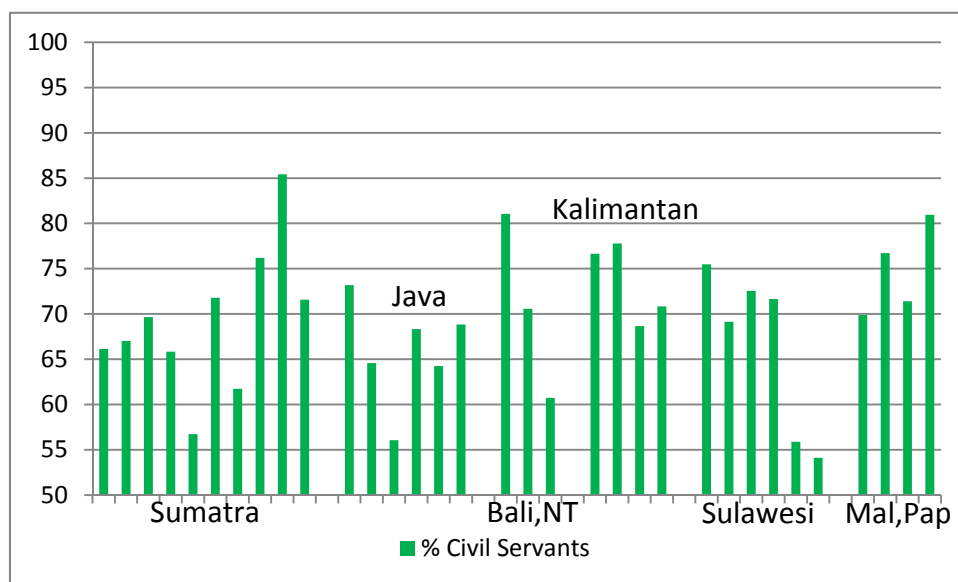
<sup>9</sup> The name of the ministry responsible for education has changed over time from Ministry of Education and Culture (MOEC) to Ministry of National Education (MONE) and back again. In this document the name

responsibility for the overall system is legally in the hands of MOEC. The MORA portion of the system is much smaller than the MONE portion, serving between 17% and 23% of the total student population, depending on level of education. MORA civil service teachers are all hired through the central ministry so issues of employment and deployment are different from MOEC teachers and are not considered further hereunder.

MOEC teachers are not a monolithic unit. There are teachers who are civil servants and teachers who are non civil servants and both types of teachers can be found in government (negeri) and private (swasta) schools. Primary schools are staffed predominantly by civil servants who work in government schools. At higher levels there are comparatively fewer civil servants and more teachers in private schools. Since primary teachers constitute 56% of the total teaching force in MOEC schools (junior secondary and senior secondary account for 19% and 17% respectively) primary teachers are an important target for analysis and potential reform

There is great diversity among provinces in the percent of the primary school teaching force who are civil servants, Figure 1. There does not seem to be a clear geographical pattern. Analysis at the district level would probably expose even greater diversity.

**Figure 1 Teachers as a Percent of Civil Servants**



Source: MOEC 2009/2010

There are also several types of non civil servant teachers. Private schools<sup>10</sup> hire non civil service teachers as permanent employees (guru tetap yayasan). Both government and private schools use teachers hired under contract either from the central MOEC office or from the District Education Service (Dinas) office. These teachers, referred to as assisting teachers (guru bantu) hold full time teaching positions on their own responsibility.<sup>11</sup> The government is committed to recruiting the

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MOEC is used when the ministry in general is intended and the name MONE is used for specific (dated) policy actions or laws and regulations issued during the time that the name MONE was in use.

<sup>10</sup> All permanent teachers in government schools are civil servants. In fact, that is the definition of a permanent teacher in a government school.

<sup>11</sup> They are not "assistant" teachers. Nor are they "honorary" teachers, which is based on a mistranslation of the term "honor" which means payment for a specific, one-off, service or action as opposed to salary (gaji) or wage (upah) which indicates an ongoing relationship.



non civil service teachers hired under government contract into the civil service to replace retiring teachers.

There are also non civil servant teachers who are hired directly by the school. These teachers account for about two thirds of all non civil service teachers in government schools and almost 90% of non civil service teachers in private schools. These teachers are paid out of the school's budget including – in many cases -- School Operational Funds (bantuan operasional sekolah BOS). The 2010 teacher management report is critical of this use of BOS for “temporary” teacher honoraria rather than direct assistance to poor students. (p.54) However considering that non civil servant teachers comprise almost half the teaching force in junior secondary schools, the use of BOS funding may be justified as producing improved quality for both poor and non poor students. Furthermore, although BOS began life as assistance to schools to help them retain poverty students during a period of economic crisis, it has now evolved into the main source of funds for all operational costs of schools. The task of assistance to poor students has been taken over the various poor student assistance (bantuan siswa miskin) programs.

The existence of these large numbers of contract teachers suggests that the estimated over supply of teachers is not solely motivated by the districts' desire to increase their DAU allocations. In fact the reverse seems to be true. A simple regression equation predicting fiscal space<sup>12</sup> as a percent of the district budget from teachers as a percent of the total district civil service is positive and statistically significant. For every two percent increase in the teachers, the fiscal space was decreased by one percent. Recruiting additional civil service teachers increases the amount of DAU to a district but it reduces the funds available to the district for discretionary spending.

These results hinge on the fact that “the DAU” actually consists of two separate funds flows. The “basic allocation” DAU covers salaries and other personnel costs of civil servants. Districts are not permitted to use the funds for any other purpose. The “fiscal gap” DAU is intended to provide some measure of equalization of financial capacity among regions.<sup>13</sup> It is calculated from a complicated formula. The fiscal gap DAU is untied: regions can use the funds for any purpose.

The link between civil service teachers and district budgets is complicated further by two factors. First from a budgetary point of view, not all civil service teachers are equal. MOEC data for the 2009/2010 academic year show that almost half (42%) of civil servant primary school teachers hold rank IV (the highest rank) while 36% hold rank III and only 22% hold rank II. Since base salaries rise for higher ranks, merely replacing retiring (more senior, higher rank) teachers with new hires (new graduates enter at rank II) would automatically reduce the personnel cost. Second, in addition to the certification salary supplement paid to all teachers (civil service and non civil service) who achieve certification, the central government also pays a salary supplement to non civil service teachers who are not certified. The certification salary supplement is budgeted as a tied<sup>14</sup> transfer flowing into district budgets while the non certified civil service supplement flows from the MOEC budget direct to beneficiaries' bank accounts.

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<sup>12</sup> Fiscal space is the amount of revenue available to the districts for discretionary / non tied spending, i.e. the amount of revenue for which the districts can make budget decisions.

<sup>13</sup> This reflects another issue in decentralization theory: the goal and purpose of inter governmental transfers IGT in a decentralized system. There are two basic alternative goals: needs based funding to cover the decentralized expenditure needs and equalization funding to ensure that all SNGs have access to similar levels of (per capita) funding. In most countries with decentralized education, including Indonesia, equalization is the primary goal with needs based funding as a secondary objective.

<sup>14</sup> A tied transfer is funds which flow through the regional budget but can only be used for a specific purpose. An untied transfer is funds which flow through the regional budget but are discretionary, i.e. they can be used for any purpose agreed between the regional Legislative Council (Dewan Perwakilan Rakyat Daerah DPRD) and the regional government. Semi tied transfers are discussed below, p. 14 below.

Based on the above discussion, the following issues related (and unrelated) to teacher employment and deployment as part of the structural inconsistency can be identified:

- Discussions of over (or under) supply of teachers and regional disparities in deployment need to be more specific about which teachers are intended: civil servants or all teachers (including the various kinds of contract teachers) and need to differentiate between civil service / non civil service and government / private schools since both types of teachers are found in both types of schools. The structural inconsistency in teacher employment and deployment as raised in the secondary literature relates only to civil service teachers as contract teachers are funded out of either the central ministry budget or district discretionary / untied funds (fiscal space).
- Disparities in availability of teachers, e.g. urban, rural, remote, among sub districts, etc. need to be separated from issues of budgets. Distribution issues also need to be separate from macro issues of under / over supply based on aggregate data.
- Recruitment of teachers needs to be separated from the more general issue of civil service reform at the district level. The central government has begun serious reform to the civil service recruitment process for both central ministries and regional governments. The reform is discussed below. .
- Recruitment of civil service teachers needs to be separated from the more general issue of district total budgets and district fiscal space.

Once these issues have been separated out of the structural inconsistency discussion, the remaining problem to be addressed is to what degree have the civil service reform initiatives redefined the structural inconsistency in the area of teacher employment and deployment. Serious civil service reform began in 2011 when all central ministries and regional governments were instructed to submit data to the Minister for State Apparatus and Bureaucratic Reform (MenPAN&RB) showing their current stock of civil servants (quantities, quality and job assignments) compared to their needs. MOEC has submitted all of the eight required documents except the five year forecast and the report of redistribution of existing staff. MORA has submitted all the required documents. About one third (35%) of districts have submitted all 8 forms and another 20% have submitted 7. However there are still some districts which have not submitted any of the required forms.<sup>15</sup>

For provincial and district levels, MOEC provided forms with which to calculate teacher demand needs, however the forms covered only civil service teachers in government schools and the level of need was based on MOEC staffing rules (minimum service standards and accreditation). As part of the analysis, central ministries and regions were also required to forecast their future civil service recruitment needs – a sort of medium term expenditure framework for civil service recruitment. At the same time, a one year moratorium on new civil service hiring was instituted but there were exceptions for medical personnel working in government health providers, and for teachers and contract teachers being recruited into the civil service; also there are exceptions for some districts (see below). The intake of new civil service teachers for 2013 was primarily focused on fulfilling the government commitment to recruit contract teachers.

The civil service reforms, have substantially addressed important aspects of the structural inconsistency. The role of districts in the overall recruitment process is not as autonomous as some of the literature seems to imply. Not only are overall totals of new civil servants and requests new civil servant teachers subject to approval by the central MenPAN&RB but the types / qualifications of teacher requests are also evaluated. Furthermore there is no substantive difference in the recruitment process between MORA (central recruitment and central budget) and MOEC (district recruitment and tied / non discretionary funds originating from the central budget). In both cases,

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<sup>15</sup> As of November 2013. [http://sdm.menpan.go.id/tampil\\_daerah.php](http://sdm.menpan.go.id/tampil_daerah.php)

the same data must be submitted to support requests for new civil service recruitment and the allocation decision is issued by MenPAN&RB. The fact that the letter of appointment for MOEC teachers is issued by the district government rather than the central ministry is administrative, not substantive.

The exception to the moratorium on new civil servant recruitment is for districts with < 50% of their budget expenditures for personnel expenses; this in effect penalizes districts which have relatively heavy civil service burdens. This addresses the issue of “reformist minded” districts raised in the literature. The use of detailed data to calculate civil service personnel requirements, including teacher requirements, together with the overall emphasis of MenPAN&RB to control the growth of the civil service, acts as a brake on any tendency for indiscriminate hiring of civil service teachers. The requirement that civil service recruitment requests be supported also by 5 year projections of new recruitment needs compels districts to engage in medium term human resource planning, including for the teaching force, and it encourages a rational approach to recruitment and deployment. The priority given to contract teachers and the requirement that candidates have been working full time continuously since 2005, which indicates that their performance was at least good enough to obtain successive contract renewals, suggests that current hiring practice may improve the overall quality of teachers.

### (3) Options for Further Actions

#### ***Option 3***

Enforce the civil service reform to ensure that new teacher hires are deployed based on need.

#### ***Option 4***

Encourage districts to use the alternative delivery mechanisms available in the 2010 government regulation on education management in order to achieve participation rates in remote and sparsely populated areas. Re visit the MSS minimum distance to school standard in cases where alternative delivery systems are feasible.

#### ***Option 5***

Integrate contract teachers into the formal system (MSS and accreditation standards). For example, allow small schools which cannot provide 24 hours / week class time to “share” properly qualified contract teachers. The “unique identity number” (Nomor Unik Pendidik dan Tenaga Kependidikan NUPTK) system reduces the risk of manipulation. Allow contract teachers to become certified by participation in the professional education program. This would not affect government budgets at either the central or regional levels because these teachers would not be eligible for the certification salary supplement as they are not permanent non civil service teachers.

## **2.3. Mismatch Between Sources of Funding and Responsibility for Activities**

### (1) Perceptions of the Challenge.

The TOR, following earlier literature, states that there is a structural inconsistency because districts “spend” the largest share of education funding but the funds go mainly for salaries while other needs (particularly infrastructure) is funded directly by the central government. The original source of this finding was evaluation of the 1999 central – regional fiscal balance system from the point of

view of a devolution<sup>16</sup> approach to decentralization. Subsequent reforms, such as the move to a deputation approach to decentralization and reform of the budgeting process have undermined this line of criticism as discussed in section 2.1 above. More recently, the reform of deconcentration funding and the uses to which it may be put has also brought actual funding flows into line with the intention of the laws.

The TOR also suggests that a national education partnership agreement among the levels of government could produce a “simplification of the number of funding streams / mechanisms”. One problem with this idea is that the DAU funds not only education activities (civil servants through the basic allocation and discretionary / non tied activities through the fiscal gap allocation) but also all other decentralized functions. The perceived complexity is more apparent than real because it is based on a misunderstanding of the difference between funds flowing through regional budgets and funds available for discretionary / united spending by regional budgets. Multiple funds flows causing confusion at the level of the school has also been raised in the literature. When donor agency monitoring and evaluation (M&E) teams interview respondents in schools, they frequently do not know the ultimate source of the project assistance. They only know that the assistance comes from “the government”. The situation is complex because each source of funds must account for its budget to MOF and the State Auditor (Badan Pemeriksa Keuangan BPK), thus requiring separate accountability / reports from beneficiaries. In the case of donor funds, it is the government which must provide accountability to the donor, not the ultimate beneficiary. Beneficiaries file accountability reports with whichever level of government is the executing agency for the project. It would be legally impossible, as well as contrary to the principles of performance based budgeting, to merge central government budget funding items into either provincial or district budgets.<sup>17</sup>

## (2) Problem Identification

The crucial distinction, as noted above, is the distinction between the amount of funds flowing through the district budget and the amount of funds over which the district has discretionary, decision making authority. Recent reforms by MOF in the funds flows systems have increased the former (moving salary supplements into the district budgets and BOS into provincial budgets) without a change in the latter. By the same token, moving BOS into the provincial budget does not “bring provinces closer towards resourcing” because neither the district (from which BOS was removed) nor the province (to which the BOS was given) have any discretionary authority over expenditure decisions. It is purely a matter of bookkeeping. The legal authority for expenditure of personnel expenses (salaries and supplements) as well as BOS resides with the directorate general in MOF who draws up the budget planning and implementation documents.

An analogous situation applies in the case of districts’ “hiring” civil service teachers while the central government pays them. A distinction needs to be made between decision authority at the two stages of the hiring process. The central government set the quotas governing the number of new civil servant teachers – and therefore the budgetary burden of additional civil service salaries. In fact, this burden is explicitly stated as one of the criteria considered during annual discussions among MenPAN&RB, MOF and Bappenas to set the new civil servant quota levels. The second stage of hiring, selecting individual to fill the quota slots, which has no budgetary effect,<sup>18</sup> is under

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<sup>16</sup> At this very early point in the decentralization process, when the “big bang” was still “banging” and the theoretical literature on decentralization was still undeveloped, each analyst brought his/her own definition of decentralization into the analytical process.

<sup>17</sup> Note, again, the distinction between activities funded through central government budget lines and activities funded through transfers, which flow through provincial or district budgets.

<sup>18</sup> But reportedly has a significant impact on political maneuvering as well as corruption, collusion and nepotism at the district level.

the decision making authority of the districts. Again, there is no mismatch between authority and budgeting.

The regional autonomy laws from the very beginning have obliged the central government to provide funding to cover the decentralized functions<sup>19</sup> – this is the theoretical basis for the DAU. On a strictly legal basis, this would require the BOS to flow through the district budget. This is the reason the BOS funding was moved out of the MOEC central budget in 2009. However experience demonstrated that implementation was more efficient and stakeholder satisfaction higher when the funds flowed through the provincial level budgets. Note that this pragmatic approach does not violate the letter of the law, which allows government funding for education to come from any level of government. The fact that guidelines are issued centrally rather than at the district level is legally supported from two directions: the notion that school level policy is national education policy implemented at the level of the school and the need to guarantee that all areas of the country provide at least a minimum level of education services to local residents.

The fact that MOEC funds construction of new (government) schools and rehabilitation of existing schools is more problematic from the point of view of perceived mismatches between sources of funding and responsibility for activities. Both are rooted in pre reform budget structures. Option 4 above addresses the infrastructure (new school construction) issue. The use of central funds for rehabilitation and, more recently “quality improvement” in existing schools has been justified as central government special priorities for decentralized functions, hence special allocation funds (dana alokasi khusus DAK) funding. It should be noted that the funds for “new school unit” (unit sekolah baru USB) packages, which include buildings, sanitary facilities and furnishings are funded as social assistance spending from the central government direct to the school, not to the district.<sup>20</sup> District submit proposals / requests for new schools based on central MOEC criteria and guidelines. The funds are transferred to a new school building committee<sup>21</sup>, including the candidate principal. The committee is legally accountable to MOEC central office for the use of the funds.<sup>22</sup>

Maintenance of existing schools is more clearly included in the decentralized functions assigned to districts. However funding formula rules are issued by MOF and provide insufficient funds for realistic maintenance costs (given the quality of original construction mandated under MOF funding rules for infrastructure). Although this is not strictly a structural inconsistency, the fact that MOEC central office feels the need to provide additional funds for maintenance contributes to the problem of inconsistency. Lack of capacity at both the school and district level for proper maintenance planning is also an issue. Donor projects have specifically addressed the latter issues at both the school and district levels but actual post project results – when the additional funding is no longer available – have been less than completely successful. Exit interviews with project stakeholders at the time of project completion reports tend to produce responses such as “yes, we will continue with these activities, as long as [the additional external] funds are made available”.

### (3) Options for Further Actions

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<sup>19</sup> Inter governmental transfers (IGT) for needs based objectives.

<sup>20</sup> Districts are not eligible to receive social assistance spending activities, as the definition of social assistance requires that the beneficiary be non government (individual or organization).

<sup>21</sup> This is different from the School Committee which assists the principal in school based management.

<sup>22</sup> Under the integrated budget element of the performance based budget reform, all centrally funded activities are assigned to one “activity” (echelon 2 structural position). In the case of international donor assistance, a “project” office / team may be established for management and administration purposes, but the funds are still the legal responsibility of the activity to which they are assigned.

### **Option 6**

MOF to publish DAU allocations broken down into basic (civil service personnel expenses) and fiscal gap (untied / discretionary funds). This will reduce the area for misinterpretation of district budget decision making authority.

### **Option 7**

Develop simple, operational guidelines for maintenance planning and implementation as part of the school based management SBM materials including measurable indicators. Task the Education Quality Assurance Institutes (Lembaga Penjaminan Mutu Pendidikan LPMP) with monitoring maintenance as part of the QA supervision activities.

### **Option 8**

Provide an additional BOS-for-maintenance supplement to BOS. Use the MOF “quadrant” system to determine priorities. The four quadrant approach pioneered by MOF classifies districts (or even schools) on two dimensions: achievement of education quality indicators and fiscal capacity. For each dimension, districts are classified as above or below the national average. (Schools would be classified above or below the district average.) Districts (or schools) with below average resources and below average maintenance receive tied funds and technical assistance; districts (or schools) with below average resources and above average maintenance receive a semi-tied<sup>23</sup> reward; districts (or schools) with above average resources and below average maintenance receive clinical supervision from the LPMP.

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<sup>23</sup> Can be used for any activities within the general area of maintenance at the discretion of the school. The technical term is performance based grant. (Note that this is different from performance based budget, which is a total budget system, not just one type of funds flow.)

## Chapter 3 Strategic Options for a New National Partnership for Education

As noted above in the introduction, there are three areas for which strategic options are developed:

- options for improved governance, specifically improved coordination among levels of government (inter governmental transfers IGT) and between government and schools
- options to improve horizontal and vertical synergies, i.e. synergies across sectors (MOEC and MORA at all levels of government) and synergies between levels of government
- options for improved public-private cooperation;

For each of these policy areas, the discussion is organized as follows:

- the option(s) are identified
- assumptions and pre-conditions are identified
- strengths and weaknesses are pointed out and actions to address the weaknesses are noted.

### 3.1. Strategic Option for Improved Governance of Inter Governmental Transfers (IGT)

The perceived mismatch between funding sources and funding management (spending) has been discussed above p. 12 ff. The MOF reforms beginning in 2011 to enforce the distinction between central government functions implemented in the regions (funded through deconcentration) and central government priorities for decentralized functions (funded through DAK) have already reduced the lack of coordination between management and spending as noted in the TOR. However the MOEC case that regions (districts in particular) are unable or unwilling to use the central budget resources for achieving central government priorities is also relevant. The strategic options for improved governance of IGT are addressed to this problem.

#### (1) Description of the Option

Under a performance based budgeting system (PBB) the key is performance indicators. Indonesia's system, integrates national (and regional) planning with PBB as shown in

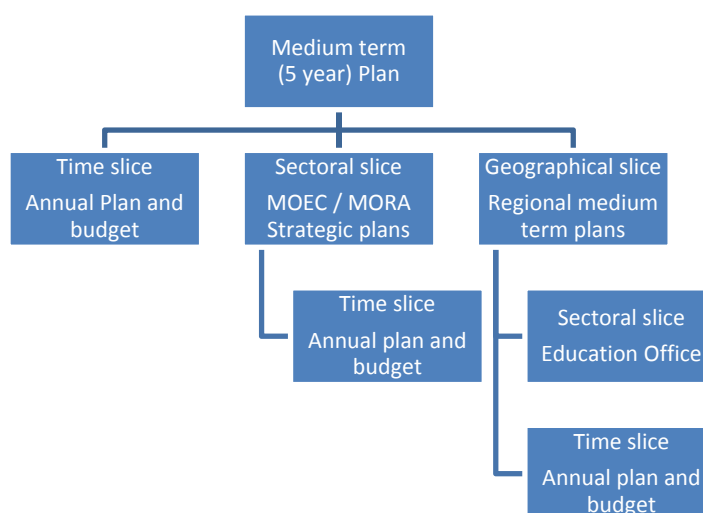
Figure 2 Integrated Plan **and Budget** p.15. The national medium term plan (which is, in itself a time slice of the long term plan) is the source for performance targets and indicators for national annual plans but also for sectoral strategic (5 year) plans and – theoretically – for regional 5 year plans<sup>24</sup> and subsequent regional annual budgets.

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<sup>24</sup> A major constraint to implementation of the “slice” approach is the fact that regional plans are drawn up after election of new heads of regions (governors, mayors and regents). The election schedule for elections of regional heads is not synchronized with the national elections for a new president – and therefore a new national medium term plan.



**Figure 2 Integrated Plan and Budget**



The current performance indicators at the central level are a mix of job descriptions (echelon I and II jobs are the “programs” and “activities” in the plan), the three traditional focus areas of Indonesian education policy (access, relevance and quality, governance) and various other desirable characteristics.<sup>25</sup>

**Strategic option:**

Improve coordination and governance of inter governmental transfers through the incorporation of simple, quality based, performance indicators into plans and budgets at all levels of government and in schools.

There are two components for this strategic option:

**Component 1:**

Incorporate the MSS into the education quality system in accordance with the interpretation of MSS as the “lowest step” of the hierarchy (MSS, NES and above NES). Formalize the MSS and NES as performance indicators for education at the central, regional and provider (school) levels. School development plans would focus on achievement of the accreditation indicators at the NES or “above NES” level.

**Component 2:**

Encourage regional governments to move in the direction of performance based budgeting, with performance indicators including achievement of minimum service standards and, specifically for the education sector, achievement of national education standards.

(2) Assumptions and Pre Conditions

<sup>25</sup> The annual evaluation of MOECs annual Performance Report (Laporan Kinerja LAKIP) by MenPAN&RB scores the ministry moderately low on “measuring performance” and very low on “evaluating performance”.

Once the performance indicators have been incorporated into the budgeting system, the key to implementation of a performance based budget system is evaluation and feedback of achievement of the performance indicators. MOF and Bappenas, together with the State Auditor BPK, provide evaluation of performance indicators within the framework of budget expenditure. Budget users receive reports of the evaluation, but follow up supervision is weak. MenPAN&RB provides evaluation of the annual reports on achievement of performance indicators LAKIP however the LAKIP indicators are not the same as the budget performance indicators and, again, follow up is weak. For MOEC in particular, the relationship between the strategic plan performance indicators and the LAKIP performance indicators is tenuous, in part because MOEC was one of the first (experimental) departments to introduce performance based budgeting and in part because of the reorganizations of MOEC which have required revision of the strategic plan.<sup>26</sup>

Implementation of this strategic option would require that the MSS and NES be matched with MOECs organizational and budget structure in order to allow their use as performance indicators. Note that this strategic option does not limit the performance indicators to quality based indicators but it does require that MSS and NES achievement be explicitly recognized.

### (3) Legal and Regulatory Changes Required

Component 1 would require a MOEC ministerial regulation incorporating MSS into the hierarchy of quality assurance indicators. Use of the QA indicators as performance indicators in the medium term plan and budget would not require explicit regulatory changes, They could be incorporated into the existing planning process.

Component 2 could be enacted in the form of a Ministry of Home Affairs MOHA ministerial regulation revising the existing planning and budgeting regulations.

### (4) Strengths and Weaknesses

The most important strength of this strategic option is that it would provide stability and sustainability of improved governance for IGT. It would also provide a simple, operational mechanism to improve coordination in IGT and transfers to schools because all stakeholders would be “singing from the same page” in terms of both objectives and indicators. Another strength is that this option is in line with the draft revision of the central – regional fiscal balance law currently being drawn up by MOF.

However its weakness is that it would require a large (and expensive) capacity for supervision, evaluation, feedback and follow up. These issues are addressed in the following strategic option.

## **3.2. Strategic Option for Improved Synergies**

In a strict theoretical sense, synergies are not applicable to the Indonesian system, as synergies refer to stakeholders who have different goals and objectives but who can improve the achievement (or reduce the cost) of those different goals by cooperation. In the Indonesian system, all stakeholders have the same goals, differentiated only by the level of coverage of their authority, i.e. national goals at the regional level and in schools. In the following discussion, synergies are defined as cooperative relationships which improve the achievement of central goals and objectives at all levels of government and in schools.

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<sup>26</sup> Because the “programs” and “activities” in the plan and budget are based on the organizational structure of the ministry, i.e. echelon I and II jobs. There have been 3 MOEC Strategic Plans for the 2010 – 2014 period.

## (1) Description of the Options

There are two types of synergies which much be considered:

- horizontal synergies between different sectoral agencies at the same level of government
- vertical synergies between different levels of government (applies only to decentralized sectors, i.e. MOEC but not MORA)

Horizontal synergies:

At the central level, mechanisms for horizontal synergies are already in formal operation and MOEC stakeholders feel that they operate successfully. MORA stakeholders are somewhat less sanguine. To some degree, this difference may be a result of the different institutional structures. MOEC is an entire ministry; madrasah schools have to share one directorate general in MORA with Islamic boarding schools (pesantren), Islamic tertiary institutions and Islamic education in non MORA schools.<sup>27</sup> The availability of human resources and institutional support for horizontal synergies, in addition to routine duties, is much more limited for MORA officials tasked with managing the madrasah sub system.

At the regional level, the problem is very different. Provincial and district education offices (dinas) are not “decentralized” MOEC offices.<sup>28</sup> They are completely independent of the MOEC central office. They are part of the “regional autonomous” provincial or district government and are legally responsible to the governor or district head. The central agency tasked with supervision of regional government is MOHA. The MORA provincial and district offices are not “decentralized”<sup>29</sup> either. They are an integral part of the MORA central ministry, physically located outside Jakarta. The district offices (Kantor Departemen Agama / Kandep) stand in a strictly hierarchical relationship to the provincial offices (Kantor Wilayah Agama / Kanwil) which stand directly under the minister. Each provincial and district office has sections representing all the directorates general within MORA, depending on the structure of religious affiliation of the population in the province or district. I.e. provinces and districts with very large Moslem populations will have larger sections for haji management and Islamic education while provinces and districts with large non Moslem majorities will have larger sections for services to the majority religion of the region. Government madrasah schools are the lowest level in the central MORA hierarchy. Their teachers are central MORA civil servants and their budgets are a line item in the central MORA budget.

Although education projects funded through the central MOEC include madrasah as beneficiaries, this difference in legal and budgetary status caused some districts to hesitate about providing funding from the district budget because the districts are only permitted to fund decentralized functions. In the past some regions with large numbers of madrasah and / or active MORA Kanwil / Kandep, have provided funding for madrasah out of their regional budgets and, in a few cases, the regional education office (dinas) has created a section for services to madrasah. These practices were given legal support in December 2012 by a circular letter from MOHA to all regional heads which stated that there was no legal impediment to the use of regional budget funds for assistance or services to madrasah.

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<sup>27</sup> Each of which is a directorate within the DG Islamic Education. From a budgetary point of view, each of these directorates is a budget “activity” under the budget “program” of Islamic education.

<sup>28</sup> The fact that some literature refers to the dinas as MOEC provincial or MOEC district offices has caused serious misunderstanding of the real issues involved.

<sup>29</sup> Or deconcentrated, which is a budget category applicable only to decentralized sectors.

**Strategic options for horizontal synergies:**

**MORA central office to instruct provincial and district offices to take the initiative in socializing the MOHA letter to regional education service offices (dinas), regional budget teams and regional legislative assemblies (Dewan Perwakilan Rakyat Daerah DPRD). MORA central office to monitor implementation of the instruction.**

**MORA central office to coordinate supervision through the governor as representative of the central government in the province<sup>30</sup> where necessary.**

**MORA central office to “re energize” provincial Madrasah Development Centers<sup>31</sup> (MDC) with human and financial resources in order to become the partners of LPMP<sup>32</sup> for quality assurance.**

Vertical synergies:

Section 2 above has already addressed the so called structural inconsistencies and shown that to the degree that the inconsistencies exist, they have been addressed by the civil service and budget reforms (performance based budgeting and bringing the structure of the central budget into congruence with regional autonomy<sup>33</sup>). The remaining issues to be addressed in strategic options for vertical synergies are essentially implementation issues: data collection and analysis; evaluation, feedback and follow up.

The key to improving vertical synergies for these areas is to recognize the non hierarchical relationship of provinces and districts. Although the provincial education offices (dinas) are given responsibility for quality assurance (QA) in the province, they have no authority to take any actions in or towards the districts. However the LPMPs, as part of the central MOEC agency come under the coordination of the governor as representative of the central government in the province (RCGP) and therefore can assist in his/her duties of supervision and evaluations. Education quality assurance is defined very widely in the laws and regulations but the specific indicators and measurement tools for QA are not well defined.

**Strategic option for vertical synergies:**

**Expand the role of the LPMPs to act as implementation units for all aspects of education quality in the province, under the coordination of the governor as representative of the central government in the province.<sup>34</sup>**

**Task the LPMPs specifically with feedback and follow up of the results of quality mapping, analysis and evaluation.**

For example, existing regulations task the central MOEC Research and Development Agency with quality mapping. However the agency does not have provincial level offices. The LPMPs could function as implementation units for the mapping, which would produce data that could be used as a basis for supervision of achievement of education quality indicators in the districts. LPMPs could also provide clinical supervision (supervision for the purpose of solving problems /

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<sup>30</sup> Explained below p.20 in the strategic options for vertical synergies.

<sup>31</sup> Originally created under an Asian Development Bank project.

<sup>32</sup> Explained below in the strategic options for vertical synergies.

<sup>33</sup> Specifically, reorganizing the system of tied transfers to regional budgets and transitioning the improper deconcentration items into DAKs.

<sup>34</sup> Note, again, that this does not include the provincial education office (dinas).

assistance, not for the purpose of control or sanctioning) to districts and schools which were currently not fulfilling required quality standards.

## (2) Assumptions and Pre Conditions

### Horizontal synergies:

Implementation of the strategic options would put a strain on MORA central resources, particularly the need for monitoring and follow up actions. This could be reduced by prioritizing districts with large numbers of madrasah, where cooperation with the regional government and / or legislative assembly has proved challenging. Re energizing the MDCs, while probably useful in itself, appears not to be a priority for MORA, because it has not been done. In the case of this option, upgrading the capacity of MDCs is dependent upon implementation of the strategic option for strengthening LPMPs.

### Vertical synergies:

Implementation of this option assumes that the Strategic Option for Improved Governance of IGTs (incorporation of MSS into a legally formalized system of performance indicators) has been implemented, as these indicators would form the basis of quality mapping, evaluation, feedback and follow up.

MDCs would need to be given legal status, job descriptions and budgets through appropriate regulations.

LPMPs would need to be upgraded and re focused on their expanded role.

Successful implementation would also require active assistance from the provincial governors. Potential constraints arising from this factor could be reduced by implementing the strategic option in stages, beginning with provinces where the governor is enthusiastic.

## (3) Legal and Regulatory Changes Required

### Horizontal synergies:

A MORA ministerial instruction to provincial and district offices would be formally sufficient however the monitoring activities would require allocation of additional human and financial resources. Cooperation between MDCs and LPMPs would require and MOU between MORAs DG for Islamic Education and MOECs Agency for Development of Education and Culture Human Resources and Education Quality Assurance (Badan Pengembangan Sumber Daya Manusia Pendidikan dan Kebudayaan dan Penjaminan Mutu Pendidikan BPSDMPK-PMP).

### Vertical synergies:

Incorporation of the MSS into a hierarchy of quality indicators would require a new government regulation. However there is precedent for a ministerial regulation to be issued while waiting for the government regulation.

Existing regulations would already support the expanded role of LPMPs under the coordination of the governor. Specifically for the quality mapping exercise, an MOU between the MOEC Research and Development Agency and the MOEC BPSDMPK-PMP.

MDCs could be given a legal basis through a ministerial regulation, however, since new institutional arrangements (and budgets) would be created, the regulation would require approval by both MenPAN and MOF.

#### (4) Strengths and Weaknesses

Again this strategic option would provide stable and sustainable bases for horizontal and vertical synergies. It would strengthen MOEC ability to detect and follow up on problems in achieving education goals and objectives across the entire national education system.

However implementation would require substantial additional resources, both human and financial, to be provided to LPMPs. These would have to flow through the MOEC central budget as LPMPs are part of the central MOEC agency. Deconcentration funds, which also flow through the central MOEC budget, could also be used to cover the additional costs incurred by the governor as RCGP.

### **3.3. Strategic Option for Improved Public-Private Cooperation<sup>35</sup>**

The strategic options for public private cooperation considered herein under deal with improved partnerships between government agencies (including schools) and private stakeholders including

- private schools
- school communities for government schools.

While the Constitutional Court upheld the rights to private schools (and madrasah) to retain their own characteristics, the government regulation on education management<sup>36</sup> makes it clear that private schools are also required to achieve national policy at the level of the school. The non discriminatory nature of the BOS and certification salary supplement transfers provides financial support to enable both types of schools to fulfill their obligations. The salary supplement for non certified, non civil service teachers moves even farther in this direction, as it applies only to permanent teachers in private schools. Once again, the issue is implementation.

#### ***Strategic options for public-private cooperation between government and private schools:***

***Districts to ensure that private school teachers participate in formal teacher training and teacher subject matter discussion groups (musyawarah guru mata pelajaran MGMP).***

***Develop and implement alternative delivery mechanisms by private schools, especially private madrasah, in remote and difficult access areas with more intensive monitoring to ensure that the services are being utilized.***

***LPMPs to provide QA for teacher training and discussion groups to ensure that subject matter is appropriate and relevant and that good practice pedagogical methods are used by agencies providing the training. LPMPs to monitor utilization of services and, in cooperation with supervisors, to monitor implementation of improved practices in the classrooms.***

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<sup>35</sup> The term used during the Inception Report Workshop was public private partnership. However this term has a technical meaning of cooperation between government and private business, which is obviously not the type of partnership intended.

<sup>36</sup> Promulgated after the court decision.

**Upgrade the quantity, quality and resourcing of (government) supervisors<sup>37</sup> to provide adequate services to all schools, including clinical supervision. Arrange the supervisor work schedules based on needs, not administrative uniformity (or geographical convenience).**

**MOF to provide realistic travel budgets with strict controls to avoid manipulation. Sanctions (not jut reports) to be imposed for violations.**

The mechanism for public-private cooperation between the (government) school and the community is, of course, school based management. Guidelines exist, but they are overly theoretical rather than operational, particularly for new principals and new school committee members.

**Strategic option for public-private cooperation between government schools and the community:**

**Task the principal with ensuring that the school committee members understand their roles and responsibilities. Task supervisors with providing back up support to principals in encouraging the school committee to be more active in performing its assigned roles and responsibilities.**

Note that this does not reduce the independence of the school committee. In fact, when the roles and responsibilities are clearly defined, the committee will be able to exercise more effective participation in school life.

## (2) Assumptions and pre conditions

In order to implement the strategic options for PPP between government and private schools, the private schools would have to be willing to accept the government assistance. This issue is particularly problematic in the case of private madrasah, which have a strong tradition of independence from government. Another factor influencing acceptance of new practices is demonstrated relevance and usefulness to each individual private school. While it is unrealistic to expect separate training materials to be developed for each individual school, it is clearly within the job description of the MGMP to assist teachers with individualizing the standard new practices for optimal implementation within their own classroom and school environments. LPMPs need to be able to support the MGMPs in upgrading their services to teachers.

The main pre condition for school based management is a clearer, more operational definition and operational (not theoretical) guidelines, perhaps with "checklists" of responsibilities and activities for each stakeholder. The guidelines should provide alternative organizational and implementation mechanisms for schools serving poverty communities and remote or difficult access areas.

## (3) Legal and Regulatory Changes Required

Aside from changes in guidelines and materials, there are no significant regulatory changes required for these strategic options. The main requirements are improved capacity for monitoring and increased funding, together with accountability mechanisms.

## (4) Strengths and Weaknesses

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<sup>37</sup> Phase out the practice of hiring retired district education bureaucrats as supervisors. Given the oversupply of teachers, the ministerial regulation permitting this practice should be cancelled.

As with the other strategic options, the main strength of these options is that they provide a stable and sustainable basis for improving public-private partnerships to improve the quality of educational services delivered to students. In common with the other strategic options, also, the main weakness is the need for substantial upgrading of monitoring, analysis, feedback and follow up, together with the associated costs.

### **3.4. Strategic Options in Support of the National Education Partnership**

There are two additional strategic options which would provide additional support to a new National Education Partnership. One is very specific and deals with the data required to support the monitoring, analysis, feedback and follow up in the options presented above. The other is a more general approach to policy making.

#### ***Strategic options for data management:***

#### ***The massive data collection and information requirements established by the current regulations need to be re visited.***

Existing data collection methods, which consist of sending out blank forms (or on line forms) to be filled in, should be replaced by more user friendly interfaces.

Sending out the same blank format every year could be replaced by a form which already contains information not expected to change (name, identification number, sex, birth date, subject matter specialty, teaching hours, etc.) and blank spaces only for data expected to have new values annually. Provision should be made for changing existing data if circumstances have changed.

User interfaces for on line forms should be changed from a tabulation approach (where each individual sub item must be entered separately and repeated for each new item<sup>38</sup>) into an intuitive interface, with a separate bridging software program to re format the data into tabulated format.

System design needs to realistically estimate time and money costs, not only for the initial data collection (including the costs of establishing the system) but also the costs of keeping the data current. Time and cost to respondents, not only in absolute terms but also in relation to other responsibilities (e.g. principals, teachers, supervisors) need to be considered. The costs of compliance (follow up to the original sources of data / schools) and verification (data cleaning) should also be included in the total estimate. Merely stating in a regulation that the new data collection required by the regulation must be "compatible" with existing systems is not a substitute to well thought out system design.

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<sup>38</sup> For example. The existing on line format for reporting university lecturer teaching loads requires: clicking the item to open a drop down list; searching down the list and clicking the chosen answer, clicking again to record the chosen answer separately for each of the following items:

- year (every year since the lecturer began teaching)
- semester in that year
- subject area specialty of course taught
- sub area specialty of course taught
- name of course taught (typed in)
- number of credits.

Since most lecturers teach the same courses every year, a more intuitive interface would allow the full information to be entered once and then "ditto" for subsequent semesters / years.



Far more important, however, is a plan for data analysis. Too often, the emphasis is on the indicators and technology (software and hardware) of the data storage system. Plans for analysis should be part of the original design of the system in order to ensure that all the data collected will actually be used. The uses to which the analysis will be put also need to be considered. Management information systems can quickly become very expensive if they are designed with a dual purpose – management and academic research – because the latter requires a large number of candidate explanatory (independent) variables in addition to the management information target (dependent) variables.

***Strategic option for approach to policy:***

***Replace “once size fits all” policy with tailored policy.***

Modern data storage technology removes the need for “recapitulation” of lower level data into macro values at the higher levels. Given the level of local (sub provincial and sub district) diversity, macro aggregations are of limited use for policy and may even be misleading. E.g. teacher employment and deployment policy based on DAU.

Use a modification of the MOF 4-quadrant approach for classification of schools, sub districts (kecamatan) and districts into groups, with different treatments for different groups, using education performance indicators (MSS and NES) as the performance variables and fiscal capacity (net of salaries and supplements) as the capacity variable. Districts which have not achieved certain performance targets and which have below average<sup>39</sup> fiscal capacity could receive a tied package of assistance including both financial (or in kind, such as physical facilities or teacher training) and clinical supervision in the management of the additional resources. The clinical supervision could be provided by the LPMPs. The clinical supervision approach by LPMPs would preserve the principle of non hierarchical relationships between district and provinces, as the LPMPs are central government units and would fit with LPMPs assignment of QA assistance services.

Districts which have achieved the QA targets with below average fiscal capacity could receive a package of semi-tied assistance to use as they decide within the entire range of QA activities. I.e. performance based grant assistance, subject to a negative list of activities which could not be funded. Districts which have not achieved the QA targets but have above average resources would be subject to compliance monitoring to determine where the problems lie.

### **3.5. National Partnership for Education Agreement**

The performance based budget and associated reforms of the budgeting system instituted by MOF and Bappenas, together with the Government Regulation 66 / 2010 provide an adequate framework agreement for the National Partnership for Education. The remaining problem is implementation of the new regulations, including providing adequate human and financial resources, targeted to the specific requirements of the new approaches as well as monitoring, analysis, feedback and follow up of implementation.

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<sup>39</sup> Per capita and taking differences in geography and local costs into consideration via a transparent formula. Such formulas already exist and are currently used by MOF for allocating various funds flows.

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