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| FINAL REPORT |
| Annual Sector Financial Report (2012): An annual review of Indonesian education sector financing  04 April 2014 |
| Draft Report  For DFAT – Australian Aid only |
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# ABBREVIATIONS AND ACRONYMS

|  |  |  |
| --- | --- | --- |
|  | Bahasa Indonesia | English |
| ACER | Dewan Penelitian Pendidikan Australia | Australian Council for Educational Research |
| ADB | Bank Pembangunan Asia | Asian Development Bank |
| APK | Angka Partisipasi Kasar | Gross Enrolment Rate |
| APM | Angka Partisipasi Murni | Net Enrolment Rate |
| AusAID | Badan Australia untuk Pembangunan Internasional | Australian Agency for International Development |
| AWP | Rencana Kerja Tahunan | Annual Work Plan |
| Balitbang | Badan Penelitian dan Pengembangan | Centre for Research and Development |
| Bappenas | Badan Perencanaan Pembangunan Nasional | National Development Planning Agency |
| BEP | Program Pendidikan Dasar Australia-Indonesia | Australia-Indonesia Basic Education Program |
| BOS | BantuanOperasional Sekolah | School Operational Fund |
| BOS Buku | Bantuan Operasional Sekolah Buku | School Operation Funds for Textbooks |
| BSNP | Badan Standar Nasional Pendidikan | National Education Standards Board |
| CCR | Rasio Kelas-Ruang Kelas | Class-Classroom Ratio |
| CSAS | Kontraktor untuk Layanan Kepenasehatan Strategis | Contractor for Strategic Advisory Services |
| DFAT | Departemen Luar Negeri dan Perdagangan | Department of Foreign Affairs and Trade (Australian) |
| DG | Direktorat Jendral | Directorate General |
| EC | Komisi Eropa | European Commission |
| EFA | Pendidikan untuk Semua | Education for All |
| ESP | Rencana Strategis Pendidikan | Education Strategic Plan |
| ESSP | Education Sector Support Program | Education Sector Support Program |
| ESWG | Kelompok Kerja Sektor Pendidikan | Education Sector Working Group |
| GDP | Pendapatan Domestik Bruto | Gross Domestic Product |
| GER | Angka Pendaftaran Kasar | Gross Enrolment Rate |
| GoA | Pemerintah Australia | Government of Australia |
| GOI | Pemerintah Indonesia | Government of Indonesia |
| JSS | Sekolah Menengah Pertama | Junior Secondary School |
| KPI | Indikator Kunci dari ? | Key Performance Indicator |
| LAKIP | Laporan Akuntabilitas Kinerja Publik | Public Performance Accountability Report |
| MCPM | Kontraktor Pelaksana untuk Pengelolaan Program | Managing Contractor Program Management |
| MDA | Kajian Tengah Dekade | Mid-Decade Assessment |
| MoF | Kementrian Keuangan | Ministry of Finance |
| MoEC | Kemendikbud | Ministry of Education and Culture |
| MoRA | Kementrian Agama | Ministry of Religious Affairs |
| NER | Angka Pendaftaran Murni | Net Enrolment Rate |
| NFE | Pendidikan Non-formal | Non-Formal Education |
| PAM | Matriks Aksi Kebijakan | Policy Action Matrix |
| PCMU | Unit Pengelola dan Koordinasi Program | Program Coordination and Management Unit |
| PMPTK | Peningkatan Mutu Pendidik dan Tenaga Kependidikan | Quality Improvement of Teachers and Education Personnel |
| POM | Monitoring dan Pengawasan Kinerja | Performance Oversight and Monitoring |
| PSC | Komite Pengarah Program | Program Steering Committee |
| PTP Matrix | Matriks Sasaran dan Kinerja Program | Program Targets and Performance Matrix |
| PUSLIT | Pusat Penelitian | Center for Research |
| PUSPENDIK | Pusat Statistik Pendidikan | Center for Education Statistics |
| Renstra | Rencana Strategis | Strategic Plan |
| Rp. | Rupiah | Rupiah |
| SCR | Rasio Siswa Ruang Kelas | Student Classroom Ratio |
| SD | Sekolah Dasar | Primary School |
| SIKD | Sistem Informasi Keuangan Daerah | Regional Finance Information system |
| SMA | Sekolah Menengah Atas | Senior Secondary School |
| SMP | Sekolah Menengah Pertama | Junior Secondary School |
| SWAP | Pendekatan Sektor secara Luas | Sector Wide Approach |
| SPI | Indikator Kinerja Tambahan | Supplementary Performance Indicator |
| STR | Rasio Siswa Guru | Student Teacher Ratio |
| SUSENAS | Survei Sosial Ekonomi Nasional | National Socio-Economic Survey |
| TA | Bantuan Teknis | Technical Assistance |
| ToR | Kerangka Acuan Kerja | Term of Reference |
| UN | Perserikatan Bangsa-Bangsa | United Nations |
| USAID | Badan Amerika Serikat untuk Pembangunan Internasional | United States Agency for International Development |

# PREFACE

This report is intended to provide high level monitoring of national and district trends in education financing. The purpose of the monitoring is to inform the Governments of Indonesia and Australia as they implement the Education Partnership (2011-2016).

This is the sixth Annual Sector Financial Report (previously known as the Annual Financial Performance Report). It is a continuation of last year’s report published by the Performance Oversight and Monitoring team of the Education Partnership, and a series of three annual reports that were prepared by the same author for the Basic Education Program and delivered through the Contractor for Strategic Advisory Services. Copies of these reports are held by the Australian Embassy and the Indonesian Ministry of Education and Culture.

The author is Education Economist Mr. Adam Rorris. He has worked in close collaboration with, and has benefitted from the support of, the Ministry of Finance and the Ministry of Education and Culture (MOEC). The consultant acknowledges the support and advice of the many people that contributed to the study. Data analysis support was provided by Mr. Ahmad Evandri. The views and opinions expressed in this report are those of the author and do not necessarily reflect those of the Governments of Indonesia or Australia.

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# EXECUTIVE SUMMARY

Background

The Annual Sector Financial Report (ASFR) 2012 monitors and reports on trends in education financing in Indonesia. This is the sixth Annual Sector Financial Report (previously known as the Annual Financial Performance Report) and follows a series of reports produced by the same author for the AusAID supported Contractor Strategic Advisory Services (CSAS) team. The report is intended for the use of high level government officials and education sector experts in the Governments of Indonesia and Australia. It provides succinct analysis and is intended to be an accessible tool for operational planning. The objectives of this report are:

1. To identify trends in the quantum and distribution of education funding in relation to national policy and school needs.
2. To monitor education sector and school resourcing from the standpoint of the key RENSTRA themes of access, quality improvement and improved accountability.
3. To provide a record of education financing in those districts directly benefiting from Components 1 and 2 of the Australian-Indonesia Education Partnership (EP).
4. To inform the Government of Australia (GoA), the Government of Indonesia (GoI) and other donors of the effectiveness and efficiency of current school funding mechanisms.
5. To support the capacity of GoI institutions to monitor and report on school financing.

The report has a particular focus on district level expenditures. Indonesian district level expenditure patterns are increasingly important as districts have increased responsibility for education management under the Indonesian government’s decentralization policy. Monitoring patterns of expenditure by districts will become an increasingly important role for the Ministry of Education and Culture (MoEC) and the Ministry of Religious Affairs (MoRA) to ensure that national funding norms and procedures are being implemented appropriately. Financial analysis of education allocations therefore needs to have a district level disaggregation to assess the variability in fiscal capacity and actual allocations for education resourcing.

A wide range in the poverty status of districts, and the importance of education in lifting district populations out of poverty, mean that vulnerable groups stand to benefit most from well-targeted education investment. Monitoring and evaluation of district level education financing provides the tools to do so.

Key Performance Indicators and Analysis

The report analysis is framed by a set of Key Performance Indicators (KPI). The KPI focus attention on the main RENSTRA themes and the government’s financial commitment to education. Most of these KPI are reported on at a national level by the GoI as part of its international Education for All (EFA) reporting obligations.

Each of the indicators is described as being either a lead or lag indicator. Lag indicators are summative in nature. They describe the current state of progress toward an expected outcome. Lead indicators are those which capture the rate of movement towards an outcome or have a clear causal relationship to a desired outcome.

A summary of the results and findings for each of the indicators is presented in table format as part of this Executive Summary. This includes a summary assessment of the indicator result being positive, negative or uneven. A `Positive’ result indicates it is supportive of RENSTRA objectives; a ‘Negative’ result suggests it is contradictory to RENSTRA objectives; and an ‘Uneven’ result indicates large variation between districts.

This report has utilized the Enhanced Analytical Facility (EAF) as a database and warehousing tool. The EAF has brought together education, finance and socio-economic data sets from a very wide range of sources. Greater inter-relational analysis of these data sets and enhanced visualization capacity from new software adds power and improves readability of the report. The EAF was again updated for this 2012 report, with updates to financial and enrolment data for 2011 and the addition of new data for 2012.

**Key Findings**

1. ***Strong real growth in national public expenditure for education in 2012.***

The GoI had particularly impressive growth in real and nominal terms in 2006 and 2009. Since 2009, growth in education expenditures had marginally outpaced inflation, but there was a plateau in the real increase of national funding for education. In 2012 we see the first significant increase in real terms for education funding.

1. ***Government commitment to meet a 20% target for education expenditure share of national budget has been met for the fourth year in a row.***

The national expenditures for education in 2012 met the 20% target. Unlike the previous three budget years, this has generated a large year-on-year increase in real funds available for education. Education has benefited from total national public revenues and expenditures which have grown at a significantly faster rate than inflation.

1. ***Average district level education expenditures across Indonesia have increased from 27% of the total district budget (APBD) in 2006 to nearly 35% share in 2012****.*
2. ***Education expenditures at the district level rose from 31% in 2009 to 35% in 2012***

This demonstrates that districts have, on average, strengthened their commitment toward education spending during the period 2009-2012.

1. ***The lowest average share of budget allocation for education (at the district level) was found in Papua (16%) and Maluku island group (25%)****.*

While Maluku has shown growth since 2010, Papua has dropped again from an 18% education share of district budgets in 2010 to 16% in 2012. The island groups of Sulawesi, Kalimantan and Maluku went in the opposite direction and posted annual increases in the education share of district expenditures in 2012.

1. ***Nationally, there are 30 districts which allocated less than 15% of their total district budget (APBD) on education in 2012*.**

Of the 30 districts spending less than 15% of their budget on education, 22 are in the poorest quintile, and 17 of these are found in Papua.

1. ***The poorest districts have consistently committed the lowest proportion of their budget towards education during the period 2006-2012 (average 31% in 2012)***.
2. ***In 2012 nearly 100 districts (nearly 20%) posted a decline in their education budget.***

This is a marked deterioration from 2011, when only 22 districts posted a decline in their annual education budget allocation.

1. ***The problem of contracting education budgets is focused on Papua***.

Twenty of the 31 districts recording a decline in nominal annual district education expenditure are located in Papua.

1. ***Average district expenditure per student across the country grew but not as strongly as for 2011***.

Average education expenditure per student has grown to Rp. 3.1 million in 2012, from an average Rp. 2.8 million in 2011. Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.4 million per student.

1. ***The most striking aspect of the breakdown of per student expenditure is that the Papua island group declines in the annual per student allocation for education in 2012*.**

In Papua, per student allocations for education drop 12% from Rp. 6.26 million in 2011 to Rp. 5.48 million in 2012.

1. ***To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to grow their education spending more quickly and drive a stronger ‘equity slope’ in education funding distribution.***

During the four year period 2008-2011, Indonesia displayed overall growth in per student expenditures, with a linear trend for greater expenditures in the poorest districts. In 2012 the slope of this equity spending was halted, with slower growth in the poorest districts.

1. ***In 2012, the BOS grants have increased as a proportion of the district education budget (up to 14%)***.

This outcome is a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves. The per-pupil BOS allocation has increased from Rp 397,000 to Rp 580,000 per primary student and from Rp. 570,000 to Rp. 710,000 per junior secondary student per year in 2012.

1. ***There were six districts in 2012 that meet Critical Education Funding Status (CEFS) criteria compared to 2011 (2 districts), 2010(12 districts) and 2009 (16 districts)*.**

The CEFS diagnostic tool developed by the ASFPR identifies districts that have (i) low expenditure per student, (ii) small education share of the district budget, and (iii) weak annual growth in their education budget.

**Possible Impacts on the Sustainability of Benefits Stemming from EP Investments**

1. At a macro level, there is solid evidence to suggest that the GoI will continue to invest heavily in education. This should flow through in its support for district budgets. National funding for the education sector is expected to remain strong. Adherence to a proportional budget allocation for education enhances the ability of the education sector to anticipate future allocations and plan accordingly by creating a more stable financing framework. The proportional allocation approach toward education financing enhances predictability and steady growth of the education budget in a growing economy.
2. School systems require a substantial share of non-salary related expenditures to (i) provide a full range of resources (apart from teachers) to schools, and (ii) maintain buildings and provide for additional capital and equipment needs. Most recent data show the average salary share of expenditures in districts had come down to 75% of total district level expenditures. In the context of the additional salary costs associated with the teacher certification process, this is a very positive achievement. However, some districts spend well in excess of this on salaries, leaving these districts with very little to spend on PD or maintenance of school buildings.
3. Eighteen EP districts contributed less than the 20% national target for education, which is considerably lower than the 2012 national average of 35%. This low share of funding for education in specific districts may threaten the sustainability of EP investments in the future.
4. One recurring concern is that some districts with the highest poverty rates are persistently allocating a significantly smaller share (less than 15%) of resources for education than the national average (35%). This low commitment from some of the poorest districts makes it harder for them to catch up on educational development. It also indicates which districts may have further scope to grow their education budget and cover the cost associated with PD and the maintenance of new school buildings as might be funded under the EP.
5. Papua and Maluku stand out as two provinces that spend the least for education as a proportion of total district funds. Papua in particular stands out because on average it experienced a decline in expenditure per student in 2012 compared to 2011. There is scope to increase education funding in these areas to cover the additional but modest recurrent costs associated with the EP investments.
6. Most EP districts are showing growth in per student allocations for education. This provides a good financial base for further improvements. However in 2012, nearly 100 districts (of which 59 were EP districts) contracted their education budget compared to the previous year. There will be good and sound reasons for this in many cases, but where it reflects a shifting priority away from education it may jeopardize the ability of districts to meet future financial commitments to PD and building maintenance.
7. Growing BOS funds provide much needed discretionary funds to schools. The challenge for government will be to put in place the appropriate training, monitoring and support to enable the effective use of these funds as well as identifying the inevitable instances where these funds are not properly expended or adequately reported.

Progress against Key Indicators

| **INDICATOR** | **DESCRIPTION** | **LEVEL** | **RELATED GOAL** | **RESULT** | **COMMENT AND IMPLICATIONS** |
| --- | --- | --- | --- | --- | --- |
| KPI 1  Share of public expenditure | Public expenditure on education as percentage of total public expenditure (covers MoEC and MoRA expenditure) | National | Government commitment | Positive | **Comment:** Significant growth in allocations as proportion of national expenditure, from 12% 2001 (12%) to 20% by 2012.  **Implications:** Stable growth in education financing is positive for further investment. |
| KPI 2  Share of GDP | Public expenditure on education as percentage of GDP | National | Government commitment | Positive | **Comment:** Education expenditure, as a proportion of GDP, increased from 3.3% in 2011 to 3.5% in 2012. |
| KPI 3  Share of non-salary resources | % share of education budget spending on non-salary costs. | National | Quality | Positive | **Comment:** No new data available for 2012. Non-salary share of expenditures in 2011 increased to 25% of total district level expenditures (up from 13% in 2010).  **Implications:** Growth in budget is not being solely consumed by salaries. New budget allocations were especially strong for capital items. |
| KPI 4  National commitment to non-formal learning | Public expenditure on literacy and non-formal education (NFE) as percentage of public expenditure on education | National | Equity/access | Negative | **Comment:** No new data available for 2012. NFE expenditure is approximately 1% of total expenditure for education.  **Implications:** Key advantage of NFE is its cost-effectiveness; increased levels of investment are needed to maximise possible economic and social returns. |
| KPI 5  Commitment to basic education relative to national wealth | Public recurrent expenditure on basic education as percentage of all public education expenditure | National | Equity/access | Positive | **Comment:** Report has updated data to most recent year available. In 2009 basic education accounted for approximately 56% of education expenditure. By contrast, less than 20% of MORA education expenditure was on basic education.  **Implications:** It is unclear what has been driving the fluctuations in the basic education share of MoRA expenditures, so difficult to assess implications. |
| KPI 6  District commitment to education | Education as % of total public expenditures | District | Government commitment  Equity/access | Neutral | **Comment:** The strong increase in the education share of district budgets in 2011 was reversed in 2012, with the education share dropping just over 1% from 36.7%.  **Implications**: Some districts showing negative growth should be monitored |
| KPI 7  Annual growth in spending in the poorest districts | Annual % change in public expenditures for education in lowest quintile districts compared to national % change in public expenditure for education | District | Equity/access | Negative | **Comment:** In 2012, 31 of the poorest districts experienced a contraction in their nominal education expenditure (before accounting for inflation).  **Implications:** Nearly one third of poorest quintile districts (100) reduced their annual budget allocation for education in 2012 |
| KPI 8  Average district expenditure per student | Public expenditure from APBD divided by total number of school students | District | Government commitment  Quality | Positive | **Comment:** Average expenditure per student across the country grew in 2012 but not as strongly as for 2011.  **Implications**: Some districts showing negative growth should be monitored |
| KPI 9  Actual education expenditure as % of planned expenditure | Realised APBD for education as % of planned APBD for education | District | Government commitment | Positive | **Comment:** No new data available for 2012. Districts in 2007 (the last year for which verified data are available) managed to spend nearly 100% of their planned budget. This was a significant improvement on 2006 where only 91% of funds were spent nationally.  **Implications**: Updated data are required to reach conclusions about possible changes in expenditure patterns |
| SPI 1  Discretionary school funds as % of total district school expenditure | Estimated BOS expenditure as % of total school expenditure | District | Quality | Positive | **Comment:** In 2012, the BOS grants increased as a proportion of the district education budget as a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves.  **Implications:** Principals and school committees have greater than ever funds for discretionary spending at school level |

Risk Areas for the Education Partnership

|  |  |  |
| --- | --- | --- |
| **#** | **FINDING** | **POSSIBLE CONSEQUENCES FOR THE EP** |
| RA1 | Some EP districts (including some with the highest poverty rates) are persistently allocating a very low share of their resources to education. | This low commitment may threaten districts’ ability to sustain recurrent expenditures associated with EP investments. |
| RA2 | Papua (and to a lesser extent Maluku) have many districts performing badly on numerous financing indicators. | EP investments in these two provinces run the risk of losing effectiveness if they are not supported by district financial commitment. |
| RA3 | In 2012, 59 EP districts contracted their education budget compared to the previous year. This may continue into the future. | Where this reflects a shifting priority away from education it may jeopardise the ability of districts to meet future financial commitments to professional development and building maintenance. |

Suggested Next Steps

| **NEXT STEPS (AND LEVEL OF URGENCY)** | **PRIME RESPONSIBILITY** |
| --- | --- |
| NS1: EP districts which have very small share of total district budget allocated for education should be monitored and engaged in a dialogue to understand current allocations and future plans (\*\*). | POM, with DFAT’s approval |
| NS2: Focus diagnostic and policy response efforts on the Papua and Maluku island groups to understand the factors driving (i) low education share of district budgets, (ii) the average decline in budget allocations in 2012 compared to 2011 (\*\*). | DFAT (with POM, where appropriate) |
| NS3: Engage in dialogue with a sample of EP districts that reduced their 2012 education budget allocations compared to 2011. Detailed diagnostics on (i) poorest EP districts that had an annual reduction in their 2012 Budget, and (ii) districts with annual drop greater than 10%. Diagnoses to understand reasons for drop and monitor change in allocations in 2013 and 2014 district budgets (\*\*). | MOEC and POM (with DFAT’s approval) |
| NS4: Liaise with MoEC and other central agencies so as promote the introduction of district report cards on education. These report cards should be produced on annual basis and include key educational development and financial indicators (\*). | DFAT |

*NB: Red - high urgency (\*\*\*); orange - medium urgency (\*\*); green - low urgency (\*)*

**Introduction, Approach and Methodology**

# INTRODUCTION, APPROACH AND METHODOLOGY

## **The Education Partnership**

The Government of Australia (GoA) has been investing in Indonesia’s basic education sector for a number of years, most notably through the flagship AUD 395 million Australia Indonesia Basic Education Program (AIBEP) (2006-2011) and now through the Australia-Indonesia Education Partnership (EP): a five-year, AUD 524 million program that operates from mid-2011 to mid-2016.

Australia is supporting the Government of Indonesia (GoI) to achieve its policy goals in relation to access, quality and governance of basic education (defined as primary and junior secondary education). The EP’s vision is to improve education service delivery in Indonesia. To achieve this, it focuses on three goals:

* To increase participation in Junior Secondary Education (JSE) schooling.
* To improve the quality of education in public and private schools, including Madrasah.
* To improve sector governance through increased use of evidence for decision-making.

The EP recognizes that these goals are aspirational and are influenced by a multitude of factors, many of which are outside the control or even direct influence of the Partnership. As such, the EP focuses its effort on the attainment of four End-of-Partnership-Outcomes (EOPOs):

* Enrolment in JSE in targeted districts increases.
* Management of schools and Madrasah improves.
* Quality of Madrasah improves in line with National Education Standards.
* Policy-makers utilize research findings to inform education sector policy, planning and budgeting.

These EOPOs describe the highest level of change over which the EP has significant influence (see Annex A). The EP uses various modalities to deliver its support, e.g. earmarked budget support (Components 1 and 2), project delivery (Component 3), and technical assistance to GoI agencies (Components 1-4). From late 2013, the majority of expenditure in Components 1 and 2 will be made through government systems.

## **The Annual Sector Financial Report**

### Objective

The objectives of the report are:

1. To identify trends in the quantum and distribution of education funding in relation to national policy and school needs.
2. To monitor education sector and school resourcing addressing the key RENSTRA themes of access, quality improvement and improved accountability.
3. To provide a record of education financing in those districts directly benefiting from Components 1 and 2 of the Education Partnership.
4. To inform GoA, GoI and other donors of the effectiveness and efficiency of current school funding mechanisms.
5. To support the capacity of GoI institutions to monitor and report on school financing.

### Scope of Analysis

District Level Disaggregation

District governments have an increasing importance in education provision under the GoI decentralization policy. Financial analysis of education allocations therefore needs to have a district level disaggregation to assess the variability in fiscal capacity and actual allocations for education resourcing.

Key Performance Indicators

The Key Performance Indicators (KPI) focus on the three main RENSTRA themes, and the government’s financial commitment to education. These indicators have been chosen based on the available data so as to enable a quick snapshot to be presented without need for additional surveys and interviews.

One Supplementary Performance Indicator (SPI) sits below the KPI. The SPI offers a more nuanced perspective across the three RENSTRA themes by assessing education expenditure at a district level.

Lead and Lag Indicators

Each of the indicators are described as being either a lead or lag indicator[[1]](#footnote-1).

Lag indicators are summative in nature. They describe the current state of progress toward an expected outcome. For example, a lag indicator measuring government financial commitment towards education is the percentage of total public expenditure allocated towards education.

Lead indicators are those which capture the rate of movement towards an outcome or have a clear causal relationship to a desired outcome. For example, a lead indicator of government commitment towards financial commitment towards education might be annual percentage real increase in the education share of total public expenditure.

Selection of Indicators

The indicators have been drawn from a number of sources. One group of Key Performance Indicators is used by GoI as part of its EFA reporting obligations. Another set of indicators focuses mainly on the district level of analysis. These have been selected to be of use for the Indonesian government and the Education Partnership in promoting development of the basic education sector across Indonesia. These indicators can be of use at the district level for planning and budgeting purposes.

## **The Evidence Base**

### Data Sources and Collections: Financial Data

National Level Financial Data

This report has been able to update some of the historical data used in previous reports. Data for the period 2001-2005 remains unchanged but there have been revisions for the period 2006-2008. The government compiled comprehensive multi-year data on national and sub-national expenditures on education in its submission to the Supreme Court case on its legal obligation to allocate at least 20% of the national budget towards education (Supreme Court Decision Number 13/PUU-VI/2008). These data have replaced the previous estimates generated by the World Bank in 2006 and 2007, and CSAS for 2008.

Detailed financial data for 2009-2012 has been collected from Financial Note and Indonesian Revised Budget Papers 2010-2012. These documents are published by the Ministry of Finance.

District Level Financial

District level financial data have been collected from the Ministry of Finance (MoF) Regional Financial Information System (SIKD). For district financial data for the years 2006-2007 the author worked with the Officers of the SIKD section to be given access to the available SIKD records. The SIKD collects in hard copy the budget and actual expenditures of all districts and provinces. A painstaking process of manually sorting through the paper financial records of all districts and provinces was undertaken.

From 2008 onwards it has been possible to access the electronic records of district budgets submitted to the SIKD. Near complete financial records for all districts and provinces were obtained for 2007 and for approximately 78% of all districts in 2006. Data collection from 2008 onwards has been direct from the electronic records within the SIKD section of the MoF.

### Data Sources and Collections: Non-Financial Data

Education

Data for student, teacher and school facilities are derived from the statistical collection of the Education Census conducted by MoRA and MoEC. These data have been collected and stored in the Enhanced Analytical Facility (EAF) that is kept with MoEC Balitbang. This database has been built from available government statistical collections and represents authoritative government-sanctioned data. The database includes population data collected from the Bureau of Central Statistics (BPS).

Poverty

Poverty is an important analytical filter for the ASFR. Financial data analysis includes an examination of poverty by segregating districts into poverty quintiles. The Poverty quintiles are based on the “P0” poverty scale developed by Survei Sosial Ekonomi Nasional (SUSENAS). This scale captures the incidence of poverty (the proportion of people living below the poverty line)[[2]](#footnote-2). The ASFR indicators and analysis are available to be used and incorporated within existing mandatory reports of MoEC and MoRA.

The data underpinning most of the indicators at the district level are sourced from GoI statistical collections. This should mean the indicators can be reported within other regular reports. At the district level, these indicators will be useful and could be incorporated within their reporting systems.

# 

**Financial Performance at National Level**

# FINANCIAL PERFORMANCE AT NATIONAL LEVEL

## **Introduction**

Public funding for education in Indonesia is provided mostly by the central and provincial levels of government, with the provincial level providing a smaller share. National level analysis of aggregate public expenditure is complicated because of these different sources of funding and the subsidization of salaries and services provided by the central level of government.

The national trends in the public financing of education are analyzed in this section. Key Performance Indicators (KPIs) provide a macro-level assessment of government commitment towards education. Each KPI has been assigned a ranking that indicates change on the year before (neutral, positive, negative).

For the period 2001-2005 this report relies on data collected by the World Bank and presented in its publication *Investing in Indonesia’s Education (*World Bank, 2007). For the period 2006-2008, the GoI compiled comprehensive multi-year data on national and sub-national expenditures towards education in its submission to the Supreme Court case on its legal obligation to allocate at least 20% of the national budget towards education (Supreme Court Decision Number 13/PUU-VI/2008).

Detailed finance data for 2009 and 2010 has been collected from *the Financial Note and Indonesian Revised Budget 2010*, section III-2, (published by MoF, 2010), and from Financial Note and Indonesian Proposed Budget 2011, section iv-100, MoF 2010. Financial data for 2012 have been collected from *Nota Keuangan dan Rancangan Anggaran Pendapatan dan Belanja Negara Tahun Anggaran* (published by MoF 2012). An English language version of this publication could not be accessed for 2012.

The key financial data that have been assembled to drive the national level financing are presented in the table over-page.

Table 1 National Level Education Financing Data 2001-2012*[[3]](#footnote-3)*

| **ITEM** | **2001** | **2002** | **2003** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Nominal National Education Expenditures (Rp trillion) (1) | 42.3 | 53.1 | 64.8 | 63.1 | 78.6 | 122.99 | 142.2 | 154 | 207.41 | 225.2 | 243.3 | 286.6 |
| National Education Expenditures (Rp trillion 2001 prices) (2) (3) | 42.3 | 47.8 | 55.4 | 50.4 | 52.1 | 76.1 | 82.2 | 79.2 | 106.4 | 109.4 | 109.9 | 124.8 |
| Education Exp. As % of National Public Exp. (% Total National Exp.) | 12.0% | 15.8% | 16.0% | 14.2% | 13.9% | 17.6% | 18.9% | 15.6% | 20.0% | 20.0% | 20.2% | 20.2% |
| National Education  Exp. (% GDP) | 2.5% | 2.8% | 3.2% | 2.8% | 2.9% | 3.7% | 3.6% | 3.1% | 3.7% | 3.5% | 3.3% | 3.5% |
| Total Nominal National Expenditures (Rp trillion) | 352.8 | 336.5 | 405.4 | 445.3 | 565.1 | 699.1 | 752.4 | 989.5 | 1037.1 | 1126.2 | 1202.0 | 1418.5 |
| GDP at Current Prices (4) (Rp trillion) | 1684.0 | 1897.8 | 2013.6 | 2273.1 | 2729.7 | 3339.2 | 3949.3 | 4954.0 | 5613.4 | 6436.2 | 7427.1 | 8241.9 |
| Total Real National Expenditures (Rp. Trillion 2001 prices) | 352.8 | 302.7 | 346.3 | 356.0 | 374.5 | 432.7 | 435.0 | 508.8 | 532.2 | 547.3 | 543.1 | 617.5 |

1. Financial data for 2005-2008 from (CC: Constitutional Court Decision PUU-13/2008) where Government of Indonesia provided a detailed breakdown of expenditure allocations. Data for 2001-2004 collected by World Bank and presented in its publication *Investing in Indonesia's Education* (WB, 2007).
2. Inflation data for 2001-2006 from BPS Key Indicators of Indonesia Table 5.2 Inflation Rate Year on Year 2002-2007 Statistic <http://dds.bps.go.id/eng/download_file/Booklet_indikatorkunci.pdf>. This line compares expenditures at constant 2001 prices to remove the cost of price inflation across years
3. Inflation rate for 2007-2009 from BPS Statistical Yearbook 2009 Table 12.5 Composite Inflation Rate 2006-2009. **I**nflation rate For 2010-2012, BPS Statistical YearBook 2012 http://www.bps.go.id/eng/flip/flip11/index3.php
4. GDP at current prices from Bureau of Statistics 2001-2009, For 2010 - 2012, BPS Gross Domestic Product at Current Market Prices By Industrial Origin (Billion Rupiahs), http://www.bps.go.id/eng/tab\_sub/view.php?kat=2&tabel=1&daftar=1&id\_subyek=11&notab=1

## **Key Performance Indicators**

### KPI 1: Education Expenditure as Proportion of Total Public Expenditure

****Figure 1: Education Expenditure as Proportion of Total National Public Expenditure, 2001-2012****

| **KPI 1** | **EDUCATION EXPENDITURE AS PROPORTION OF TOTAL PUBLIC EXPENDITURE** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive | Data availability | Full |
| Observations | * GoI’s commitment to meet a 20% target for education expenditure share of national budget has been met for the fourth year in a row (see Figure 1). * The nominal value of public expenditures for education increased from 207 trillion in 2009 to 287 trillion by 2012 (see Figure 2 over-page). * The public expenditure for education (not accounting for price inflation) increased by approximately 38% between 2009 and 2012. * The real value of public expenditure for education increased by 17% during the period 2009- 2012. Almost all of the real increase in funding occurred in 2012. * In 2001 constant prices, national education expenditures increased more than 2.6 times their original 2002 value of Rp. 48 trillion to more than Rp. 124 trillion by 2012. * Annual increases in national education expenditure have been uneven. The growth in public expenditure (while still positive) has been uneven in its nominal value and 2001 constant prices. Sharp increases in public expenditure for education in the years 2003 and 2006 were followed by contractions in 2004 and 2008. * Annual growth in national public expenditure for education in 2012 exceeded price inflation for the first time since 2009. The GoI had particularly impressive growth in real and nominal terms in 2006 and 2009. Growth in education expenditures had marginally outpaced inflation since 2009 but there was a plateau in the real increase of national funding for education. In 2012 we see the first significant increase in real terms for education funding. When accounting for the eroding impact of price inflation over time, the real increase in funding for education can be observed. The periods 2003-2005 and 2007-2008 saw a virtual pause (or even a slight decline) in real education expenditures | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * The national expenditures for education in 2012 met the 20% target. Unlike the previous three budget years, this has generated a large year-on-year increase in real funds available for education. Education has benefited from total national public revenues and expenditures which have grown at a significantly faster rate than inflation. * Adherence to a proportional budget allocation for education should enhance the ability of the education sector to anticipate future allocations and plan accordingly by creating a more stable financing framework. The proportional allocation approach toward education financing (i.e. 20% of available national public budget) will enhance predictability and steady growth of the education budget. The exception to this will be in the case of an economic downturn that depresses GoI revenues or where there is a change government fiscal policy settings, leading to reduced public expenditure as a proportion gross domestic product. | | |
| For the performance of the Education Partnership | * National funding flowing to schools should not be reduced and total funds available are unlikely to be reduced. | | |

Figure 2: National Public Expenditure on Education, Rp. Trillion 2001-2012

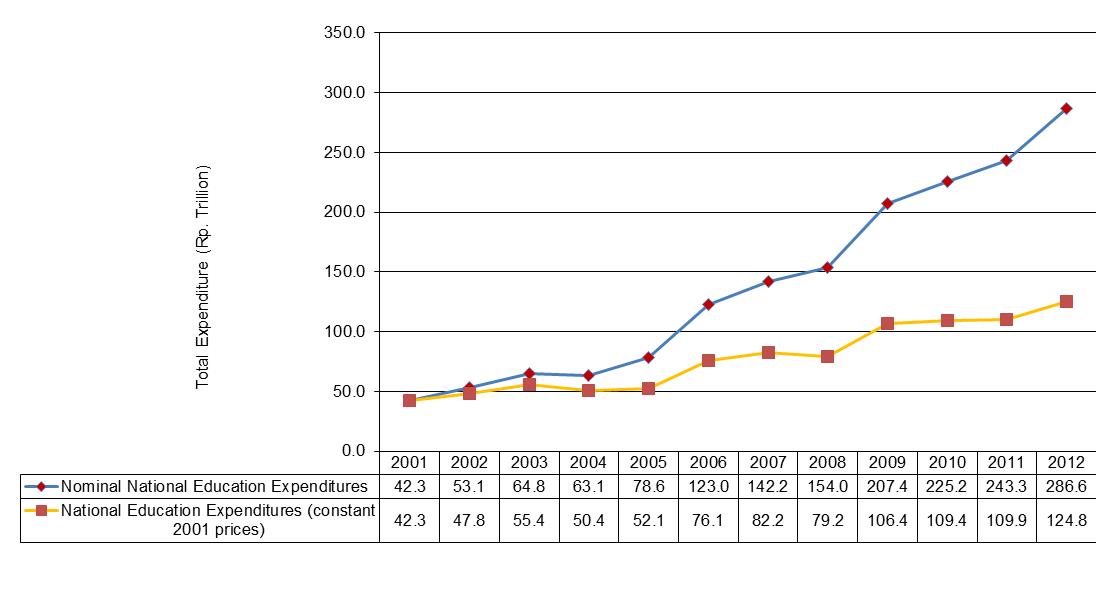
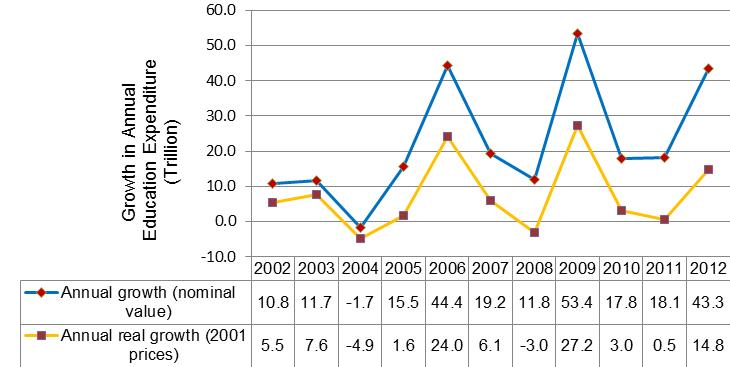


Figure 3: Annual Growth in Education Expenditure (Rp. trillion), 2001-2012



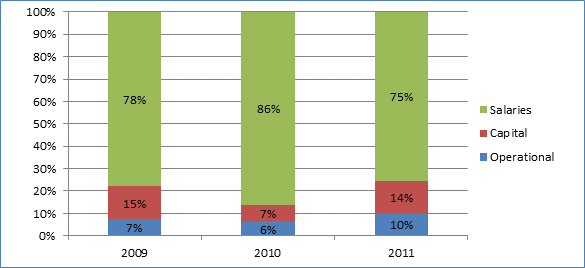
### KPI 2: Education Expenditure as Proportion of GDP

Figure 4: Education Expenditure as Proportion of GDP, 2001-2012

| **KPI 2** | **EDUCATION EXPENDITURE AS PROPORTION OF GDP** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive | Data availability | Full |
| Observations | * This indicator captures the national public commitment towards education in relation to the economic wealth being generated. By mapping education expenditure with GDP it avoids comparison problems with other countries which may have different sized public sectors. The indicator is also useful for comparing expenditure trends in a country which has altered the size of its public sector across time. Generally, this indicator is used in tandem with “education share of public expenditure”. * Education expenditure as a proportion of GDP increased from 3.3% in 2011 to 3.5% in 2012 (see Figure 4, above). Education as a percentage of GDP rose from 2.5% in 2001 to a high point of 3.7% by 2009. In 2007 when the latest comparison figures are available, Indonesian education expenditure as a share of GDP (3.6%) was equal to the East Asia regional average. * While national education expenditure grew at the same pace as national public expenditure for the period 2008-12, it has grown unevenly but marginally faster than GDP during this period. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * Expressed as a percentage of GDP, future growth in public allocations will become contingent on an increase in public expenditures as a proportion of GDP. In a year such as 2012 where government grows public expenditures at a faster rate than GDP, then public expenditure as a proportion of GDP will increase if government enforces its policy setting of a minimum 20% allocation for education expenditure. Education expenditure as a percentage of GDP may decline if (i) fiscal settings reduce public expenditures as a proportion of GDP, and (ii) the government does not exceed the 20% target for education as a proportion of total public expenditure. | | |

KPI 3: Education Non-salary Expenditure as Share of Total Expenditure

Figure 5: Composition of Aggregate District Education Expenditure, 2009-2011

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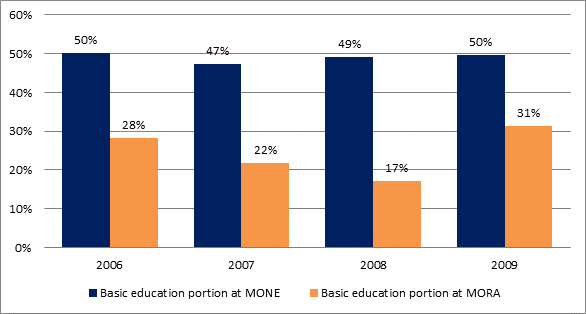
| **KPI 3** | **EDUCATION NON-SALARY EXPENDITURE AS SHARE OF TOTAL EXPENDITURE** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive | Data availability | Limited to 2011. District supplied data from 2009 onwards. Data only refers to the district tier of government and does not include considerable non-salary payments likely to be flowing from central level government to districts and schools. |
| Observations | * School systems require a substantial share of non-salary related expenditures to (i) provide a full range of resources (apart from teachers) to schools, and (ii) maintain buildings and provide for additional capital and equipment needs. * In 2011 the salary share of expenditures of total district level expenditures had come down to 75% from 86% the year before (see Figure 5). In the context of the additional salary costs associated with the teacher certification process, this is a very positive achievement. * New budget allocations were especially strong for capital items which doubled from 7% of total district budgets in 2010 to 14% in 2011. * Budget allocations for operational costs also grew strongly from 6% in 2010 to 10% in 2011. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * In 2011 there was a significant year-to-year improvement in the share of resources being allocated to non-salary expenses within the education budget. Unfortunately there is little room for complacency in this respect due to the ongoing fiscal impact of remuneration for teachers attaining teacher certification. Certified teachers will garner at least 100% pay increases once they are certified. The cumulative impact of these increases will act to severely constrain future increases in non-salary expenditures. It will be increasingly important for districts and schools to ensure that non-salary expenditures are effective and efficiently distributed. | | |
| For the performance of the Education Partnership | * District budget allocations for non-salary items in education will be very important to support the improvement in the quality of education. In particular the Professional Development of principals and teachers will require the financial support of districts beyond the EP funded interventions. EP districts which have very little funding allocated for operational activities (outside of salaries) should be monitored and engaged in a policy dialogue to understand current allocations and future plans. | | |

### KPI 4: Expenditure on Basic Education as % of All Education Expenditure &

### KPI 5: Expenditure on Non Formal Education as % of All Education Expenditure

Figure 6: Education Expenditure by Sub-Sector, 2008 and 2009

Figure 7: Basic Education Share of Central Level Expenditures for MoEC and MoRA, 2006-2009



| **KPI 4&5** | **EXPENDITURE ON BASIC EDUCATION AS % OF ALL EDUCATION EXPENDITURE &**  **EXPENDITURE ON NON FORMAL EDUCATION AS % OF ALL EDUCATION EXPENDITURE** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive for Basic Education  Negative for Non Formal | Data availability | Data updated to year 2009. Analysis of central level expenditures for basic education is provided to give some idea of resourcing. |
| Observations | * Basic education in 2009 accounted for approximately 56% of total funding (see Figure 6, above), which is significantly down from more than 70% in 2004. Senior secondary will begin to make a stronger resource claim in future as the universal policy expands access. Districts carry the bulk of expenditure for basic education and remain a key site for interventions. * Analysis of central level expenditures for the period 2006-2009 shows commitment to Basic Education is holding firm within MoEC at around 50% (see Figure 7, above). Within MoRA there was greater fluctuation with basic education dropping to as low as 17% of education expenditure in 2008 before climbing again in 2009 to 31% (see Figure 7). It is unclear what has been driving the fluctuations in basic education share of MoRA expenditures. * The financial allocations for non-formal education in 2004 were very low at 1% of total sector expenditure. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * Maintaining the share of basic education will be important even as access to secondary education is expanded. Investment in basic education builds a strong base in literacy and numeracy, and economic development suffers when basic education expenditure is neglected in favour of investment at higher levels. * NFE expenditure was approximately 1% of total expenditure for education in 2004. While a key advantage of NFE is its cost-effectiveness, increased levels of investment are needed to maximise the possible economic and social returns. | | |

**Financial Performance at District Level**

# FINANCIAL PERFORMANCE AT DISTRICT LEVEL

## **Introduction**

District-level expenditure patterns are increasingly important because districts have increased responsibility for education management under decentralisation. Monitoring patterns of expenditure by districts will become an increasingly important role for MoEC and MoRA so they can better ensure that national funding norms and procedures are being implemented appropriately. The wide range of districts’ poverty status and the importance of education in lifting district populations out of poverty also mean that vulnerable groups stand to benefit most from well-targeted investments in education.

These district level analyses also can support the Australian government funded EP at the district level. Most directly, the sustainability and success of Component 2 will depend on districts being able and willing to finance professional development of key personnel, e.g. principals and supervisors. As such, it is important to monitor trends in district level education financing.

This section provides comparisons of district-level education expenditures for 2006-2012. The year 2006 is a useful benchmark to identify the nature and extent of education spending at the district level because it is before the commencement of the Australian government funded expenditures through the BEP program that preceded the current EP.

The district-level analysis provides comparisons in district expenditures between (i) rural and urban districts, (ii) EP and non-EP districts (with some reference to the earlier Australian funded BEP districts, (ii) districts sorted into poverty quintile rankings, (iv) provinces, and (v) island groups.

The district poverty analysis is driven by the distribution of all districts (rural and urban) into poverty quintiles. This means there are approximately 100 districts in each quintile. Quintile 1 (richest) ‘hosts’ the 100 districts which have the lowest percentage of individuals living in poverty. This measure of poverty is taken from the BSP PO poverty index that is widely used for measuring poverty in Indonesia.

The ASFR is based on data collected electronically for the period 2010 to 2012. District data prior to this period have been collected directly from the SIKD section of MoF. The SIKD collected in hard copy format the budget and actual expenditures of all districts and provinces. The non-financial data (teacher and enrolments) have been collected from MoEC. Since 2010, these data have been supplemented by data collected electronically from the MoF. The 2010 ASFR was the first to have an entire year that was derived entirely from electronic records provided by SIKD MoF. The data provided by the MoF is subjected to logic tests and assessed for it completeness.

The district analysis utilizes five KPIs to examine district financing of education across Indonesia. The financial data only captures district government expenditures within each district. The financial analysis does not therefore capture the allocations made by central or provincial governments which may flow into the education sector within each district. It does not capture the MoRA allocations for public and private Madrasah which are central government allocations. The district analysis is therefore only useful as an indicator of district government priorities and expenditure patterns.

The figure below presents the number of districts which have supplied data to MOF and MOEC that has been used monitor the KPIs of the district level analysis.

Figure 8: Number of Districts Included in ASFR Analysis, (2006-2012)



## **Key Performance Indicators**

### KPI 6: District Financial Commitment to Education

Figure 9: Education Expenditure as % of Total District Budget (APBD 2006-2012)



| **KPI 6** | **DISTRICT FINANCIAL COMMITMENT TO EDUCATION** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Neutral | Data availability | Financial data for 2012 was available for 487 districts and enrolment data for 496 districts out of a total 497 districts. |
| Observations | * Average district level education expenditures across Indonesia have increased from 27% of the total district budget (APBD) in 2006 to just over 35% in 2012 (see Figure 9, above). * The strong increase in 2011 was reversed in 2012 with the education share dropping just over 1% from 36.7%. * This small reduction in the average education share of district budgets in 2012 came after a sharp increase in 2011. This mitigates its negative significance. * The overall increased share of education expenditures at the district level from 31% in 2009 to 35% in 2012 demonstrates that districts, on average, strengthened their commitment toward education spending during the period 2009-2012. * The slight reduction in share of allocations towards education is consistent for urban and rural areas. Rural areas dropped from average 37% share in 2011 to 36% in 2012, with urban 35% to 34% respectively. * While these averages show maintenance of financial commitment to education, it does disguise some variation between districts, provinces and islands. Comparison of the fluctuations of individual districts may not be useful as their expenditure may be significantly affected by one-off large annual investments. * The lowest average share of budget allocation for education was found in Papua (16%) and Maluku island group (25%). While Maluku has shown growth since 2010, Papua has dropped again from an 18% education share of district budgets in 2010 to 16% in 2012. * Districts in Bali had a significant drop in the average education share of district budgets, from 39% in 2011 to 34% in 2012. * The island groups of Sulawesi, Kalimantan and Maluku went in the opposite direction and posted annual increases in the education share of district expenditures in 2012. * Nationally, 30 districts allocated less than 15% of their total district budget (APBD) to education in 2012. Of the 30 districts, 22 are in the poorest quintile, and 17 of these are found in Papua. * Nineteen districts allocated less than 15% of their total district budget (APBD) to education for four years in a row during the period 2009-2012. * Analysis of districts by their poverty quintile, shows that the poorest districts have consistently committed the lowest proportion of their budget (average 31% in 2012) towards education during the period 2006-2012. * The poorest quintiles (4 and 5) are the ones to have recorded the biggest annual drop in the education share of district expenditures. | | |
| Observations about EP districts | * On average, the EP districts committed a greater proportion of their budget towards education than the non-participating districts. On average, Component 1 districts allocated 39% of their budget in 2012, compared with 32% for the non-participating districts. * Eighteen EP districts contributed less than the 20% national target to education. They were also considerably lower than the national average of 35% for education in 2012. * Reflecting a positive high level of financial commitment towards education, 36 EP districts committed more than 50% of their total district budget towards education in 2012. | | |
| Observations about AIBEP districts | * Most positively, the poorest BEP districts have increased their education share of expenditures from 28% in 2009 to 35% by 2012. * More negatively, from 2009 to 2012 there are nine (9) BEP districts which have dedicated less than 20% of their budget towards education in every year. Most of the BEP districts that report spending less than 20% of their budget on education are located on Maluku. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * The recurring concern is that some districts with the highest poverty rates are persistently allocating a significantly smaller share (less than 15%) of resources for education than the national average. * Papua and Maluku stand out as two provinces that spend the least on education as a proportion of total district funds | | |
| For the performance of the Education Partnership | * Focus diagnostic and policy response efforts on the Papua and Maluku island groups to understand and improve district school funding in the near future. | | |

Discussion

The average total district budget in 2012 (for all areas of expenditure, including education) grew by approximately Rp. 125 billion on 2011 allocations (16% growth). This was faster than the growth in the education expenditure, which grew at just over 11% year to year (2011-2012; see Figure 10, below).

While annual district education expenditure in 2012 grew by a healthy 11%, as a proportion of the total district budget, it dropped off on the previous year. This one off event needs to be considered in relation to the previous year when there was a massive growth in education expenditure (more than 30%) which was far greater than the annual growth in total district expenditures.

Figure 10: Average District APBD and APBD for Education, 2006-2012



Both urban and rural districts have retained a high allocation of the district budgets towards education (more than 34%). While rural districts have remained largely unchanged in their proportionate share for education, urban areas slightly dropped to 36% (see Figure 11, below).

Figure 11: Rural and Urban District Education Expenditure as % of Total District Budget (APBD 2006-2012)



Districts in most poverty quintiles increased their average allocation share for education between 2006 and 2011, with the single major exception of quintile 3 which had a significant fall, and the smaller decrease of poorest districts (quintile 5) in 2010 (see Figure 12, below). The year 2011 marked a change with significant increases in the education share of district budgets across districts from all poverty quintiles.

In 2012 there is a change with reduced allocation share towards education across districts in all poverty quintiles except for the richest which recorded a small increase.

Poverty quintile analysis still shows that the poorest districts have consistently committed the lowest proportion of their budget (average 31%) towards education during the period 2006-2012.

More concerning is that the poorest quintiles (4 and 5) are the ones to have recorded the biggest drops in the education share of district expenditures. The poorest quintile has had the biggest drop and allocates less than any other quintile (31.5%).

Figure 12: Education Expenditure as % of Total District Expenditure by Districts according to Poverty Quintile, (APBD 2006-2012)



From 2009 onwards, the average size of district global budgets (for all sectors) directly corresponds to their poverty quintile status. The richest quintile districts have an average district budget in 2012 of Rp. 1.1 trillion compared to the poorest districts Rp. 700 trillion. The other three quintiles are distributed within this range according to their quintile rank.

In education expenditure, the poorest quintile districts are the clear outlier with an average district education budget of Rp. 216 trillion compared to the all the other quintiles which are grouped between Rp. 338 – 363 trillion (see Figure 13).

Figure 13: Average District APBD and APBD for Education, by poverty quintile 2006-2012



Following the big increases in education expenditure in 2011, there were moderate declines in education share of expenditure in the island groups of Java, Sumatera and Papua. There was a significant drop of more than 5% in Bali.

Of particular concern, is that Papua alone remains below the average 20% commitment of district funds towards education. It has further retreated from the 20% commitment, with expenditures declining from 18% of funds in 2011 to 16% in 2012.

The island groups of Sulawesi, Kalimantan and Maluku went in the opposite direction and posted an annual increase the education share of district expenditures in 2012 (see Figure 14, below).

Figure 14: Education Expenditure as % of Total District Expenditure by Island Grouping (APBD 2006-2012)



Education Partnership (EP) districts

On average, the districts participating in the EP (see Annex B) have been committing a greater proportion of their budget towards education than the non-participating districts. On average Component 1 districts were the highest and allocated 39% of their budget in 2012, compared with 32% for the non-participating districts (see Figure 15, below).

Figure 15: EP Districts - Average Education Allocations as Proportion of District Budget, 2012



Eighteeen EP districts contributed less than the 20% national target for education and therefore were considerably lower than the national average of 35% in 2012 (see Figure 16, below).

Figure 16: EP Districts with Low Budget Allocation for Education (< than 20% of district budget), 2012



Reflecting a positive high level of financial commitment towards education, 36 participating districts in 2012 committed more than 50% of their total district budget towards education (see Figure 17, below).

Figure 17: EP Districts with high Budget Allocation for Education (>than 50% of district budget), 2012



Nationally, 30 districts had less than 15% expenditure on education in 2012. Of these districts, 19 have allocated less than 15% of their total district budget (APBD) ***every year*** during the period 2009-2012.

Figure 18, below, shows every district that allocated less than 15% of their district budget on education in any of the three budget years during 2009-2012. It would be useful to understand why the education budget share is so low in these districts and to what extent they represent policy related or demand side factors as well as possible misreporting to the MoF.

Figure 18: Districts with very low financial share for education (less than 15% of APBD Expenditure) 2009 -2012



\* Districts that are blank for one year have exceeded the benchmark for that year.

Looking at the 30 districts which in 2012 committed less than 15% of their budget towards education, we find that 22 of these districts belong to the poorest quintile of districts. Of these 22 poorest quintile districts, 17 are found in Papua and 5 are in Maluku (see Figure 19, below).

Figure 19: Poorest Districts with very low financial share for education (less than 15% of APBD Expenditure) 2012

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It is interesting to look at the experience of the GoA funded BEP districts to see how their education expenditure patterns have evolved during and since the GoA investments.

Figure 20: APBD Education Expenditure as % of Total district Expenditure in BEP and Non-BEP Supported Districts (APBD 2006-2012)



While BEP districts have committed a share of their district budget that is broadly in line with the national average, there are some BEP districts that have spent considerably less.

This report presents three years of results from 2009 to 2012 showing there have been 9 BEP districts which have dedicated less than 20% of their budget towards education in every year.

Most of the BEP districts that report spending less than 20% of their budget on education in both are located on Maluku. While some of the low figures may be due to poor reporting, the persistence of these low allocations shares in consecutive years suggest there are other factors involved.

Figure 21: BEP Districts with low financial share for education (less than 20% of APBD Expenditure) 2009 and 2012



\* Districts that are blank for one year have exceeded the benchmark for that year.

KPI 7: Annual Growth in Education Spending for the Poorest Districts

Figure 22: Annual Growth in APBD Education Expenditure, 2007 -2011, by Poverty Quintile



| **KPI 7** | **ANNUAL GROWTH IN EDUCATION SPENDING FOR THE POOREST DISTRICTS** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Negative | Data availability | Financial data for 2012 was available for 487 districts and enrolment data for 496 districts out of a total 497 districts. |
| Observations | * On the positive side, poorest districts (i.e. those in the bottom quintile) recorded a 7% average annual growth in their 2012 education budget on the previous year. This follows a very strong positive growth (40%) in 2011, a mild contraction in 2010, and annual growth of 10% and 5% between 2007-08 and 2008-09 budgets (see Figure 22, above). * On balance, however, it is a poor result for the poorest districts which have the lowest average percentage increase in budget allocations for education of all the poverty quintiles. Their growth of education budgets is marginally above the annual inflation rate. * In 2012 100 districts (nearly 20%) showed a decline in their education budget. A marked deterioration from 2011, when only 22 districts experienced a decline in annual education budget allocation. * Looking specifically at the poorest quintile districts in 2012, the problem of contracting education budgets is again focused on Papua. Twenty of the 31 districts recording a decline in nominal annual district education expenditure are located in Papua. * In 2012, 31 of the poorest districts experienced a contraction in their nominal education expenditure (before accounting for inflation) compared to the previous district annual budget. This is a retreat from the previous year when only 6 poorest quintile districts experienced an annual decline. * Urban districts with an average annual growth of 14% in year to year allocations grew more strongly than urban districts (11%). | | |
| Observations about EP districts | * In 2012 EP districts on average grew their education budgets by 12% on the previous year’s budget. * However, 59 EP districts showed an annual contraction in their education budget compared to the previous year. | | |
| Observations about AIBEP districts | * In 2012, BEP districts within all poverty quintiles showed annual growth in education expenditure. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * Poorest districts had the lowest average percentage increase in budget allocations for education of all the poverty quintiles. Their growth of education budgets is marginally above the annual inflation rate. * In 2012 nearly 100 districts (nearly 20%) showed an annual decline their education budget; a deterioration from 2011 when only 22 districts showed an annual drop in their education budget allocation. * A diagnostic assessment should be considered for Papua and those poorest districts which are reducing their education expenditures. | | |
| For the performance of the Education Partnership | * There is merit in speaking with those EP districts that reduced their 2012 education budget allocations compared to 2011 * There may also be merit in running detailed diagnostics on (i) a sample of poorest EP districts that had an annual reduction in their 2012, and (ii) a sample of districts with annual drop greater than 10%. The diagnoses could be used to better understand reasons for the drop and to monitor change in allocations in 2013 and 2014 district budgets. | | |

Discussion

The average annual growth rate of district education budgets in 2012 was a strong 12%. This follows a very strong growth in 2011 (36%). Although the chart may show a dip from the previous year, a 12% annual growth in education spending is very healthy. The strongest growth was shown by the urban districts, which had annual growth of 14% compared with an 11% annual growth of urban districts (see Figure 23, below).

Figure 23: Annual Growth in District Education Expenditure, (APBD 2007-2012)



In 2012, 31 of the poorest districts experienced a contraction in their nominal education expenditure (before accounting for inflation) compared to the previous district annual budget. This is a retreat from the previous year when only 6 poorest quintile districts experienced an annual decline in the dedicated 2011 district budget funds for education (compared with the 2010 district budget allocations).

Papua remains the focus of the decline - twenty of the districts recording a decline in nominal annual district education expenditure (out of 31) are located in Papua.

Figure 24: Poorest Districts (Quintile 5), Negative Annual Growth in Education Expenditure, (APBD 2010-2012)

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Poverty quintile analysis of districts with declining education budget allocations in 2012 shows them to be distributed across all quintiles although 31 of the 97 are from the poorest quintile.

Figure 25: Total Number of Districts, with Negative Annual Growth in APBD Education Expenditure, 2007 -2011



In 2012 there was an increase in the number of EP districts (59 in 2012)that experienced a decline in their annual allocation for education compared to the previous year.

Figure 26: Number of Districts with declining annual education expenditure



A particular concern is to observe the number of poorest districts (bottom 20% by poverty ranking) which provided less for education than the previous year. In 2012 there were 22 EP poorest districts which provided less for education than their previous budget.

Figure 27: EP Poorest Districts with declining annual education expenditure (2012 vs 2011)



The following four tables provide (i) the name of those EP districts which had an annual decline their financial commitment towards education in 2012, and (ii) the percentage drop in their financial commitment to education compared to the value of the previous year’s budget .

Figure 28: Component 1 districts with declining annual education expenditure (2012 vs 2011)



Figure 29: Component 2 districts with declining annual education expenditure (2012 vs 2011)



Figure 30: Component 1 & 2 districts with declining annual education expenditure (2012 vs 2011)



BEP districts had a strong growth in education expenditures with a national average of 12% that was marginally above the national average growth for all districts.

Figure 31: BEP and Non-BEP Districts - Annual Growth in District Education Expenditure, (APBD 2007-2012)



In 2012 there were 97 districts showing a decline in the education budget. This is deterioration from 2011, where 22 districts experienced a decline in annual education budget allocation. In 2012, nearly 20% of districts showed a decline in budget commitment towards education.

Figure 32: Number of Districts, with Negative Annual Growth in APBD Education Expenditure (2007-2011)



### KPI 8: Average District Expenditure per Student

Figure 33: Average District Education Expenditure per all Students, 2006-2012 (Rp. millions.)



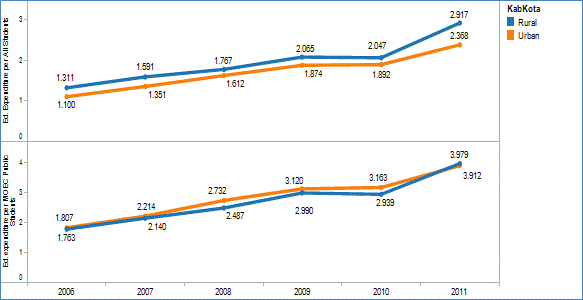
| **KPI 8** | **AVERAGE DISTRICT EXPENDITURE PER STUDENT** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive | Data availability | Financial data for 2012 was available for 487 districts and enrolment data for 496 districts out of a total 497 districts. |
| Observations | * Average expenditure per student across the country grew but not as strongly as for 2011. Average education expenditure per student has grown to Rp. 3.1 million in 2012, from an average Rp. 2.8 million in 2011 (see Figure 33, above). * Average per student expenditure is higher in rural districts and reached Rp. 2.9 million per student in 2012 compared to Rp. 2.4 million per student in the urban areas. * Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.4 million per student. * The richest quintile districts are the outliers with per student expenditures at Rp. 2.8 million. The poorest districts are on average allocating 28% more per student than the richest. * Districts in the far eastern region of the country tend to have significantly higher costs per student than districts in the western region because of the lower density of populations. Average expenditure per student in 2012 was again highest in the island groups of Papua (Rp. 5.5 million) and Kalimantan (Rp. 4.9 million). Lowest expenditure by a considerable margin is found on Java with Rp. 2.6 million per student. * The most striking aspect of the breakdown of per student expenditure is that the Papua island group declines in the annual per student allocation for education in 2012. In Papua, per student allocations for education drop 12% from Rp. 6.26 million in 2011 to Rp. 5.48 million in 2012. * The ‘per student allocation’ is greatly affected by the sparseness of population. More sparsely populated districts (such as those in the eastern region and many of those in the poorest quintile districts) have higher average salary costs. This is because of both lower student/teacher ratios and higher salary related costs associated with remote area allowances. * During the four year period 2008-2011, Indonesia displayed an overall growth in per student expenditures, with a linear trend for greater expenditures in the poorest districts. In 2012 the slope of this equity spending was halted, with slower growth in the poorest districts. | | |
| Observations about EP districts | * District expenditure per student has been increasing across EP participating and non-participating districts. * These increases disguise great internal variation in district allocations. Twenty-five EP districts allocate less than Rp. 2.2 million per student. On the positive side, 33 EP districts allocate above Rp. 6.2 million per student, which is more than double the national average per student allocation for education. | | |
| Observations about AIBEP districts | * Per student expenditure in BEP districts has started from a higher base but consistently grown over time at a similar rate to the other non-BEP districts. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to grow their education spending more quickly and drive a stronger ‘equity slope’ in education funding distribution. * The reasons behind the decline in per student allocations towards education in Papua districts need to be understood. | | |
| For the performance of the Education Partnership | * Most EP districts are showing growth in per student allocations for education which provides a good financial base for further improvements. * EP districts that have reduced their per student allocations in 2012. There is merit in monitoring 2013 and 2014 budget allocations for any continuation of a declining trend. | | |

A more nuanced analysis of per student education expenditure looks at district expenditures per public MoEC school students. This provides a more accurate measure because districts are only responsible for teacher salaries and other operational expenses of MoEC public schools. By excluding private school students from per student calculations it is possible to remove the bias of different rates of enrolment in private schools across districts.

The national average education expenditure per public students in 2011 was Rp. 4 million per student (from a previous year average of Rp. 3 million). Average expenditure per student for urban districts (Rp. 3.91 million) remains very close to rural districts (Rp. 3.98 million). Because there are proportionately greater numbers of private school students in urban areas, this indicator neutralizes the trend of the broader indicator *expenditure* *per all students.*

This analysis could not be undertaken for 2012 because student enrolment data for this year has been able to be disaggregated into public and private enrolments.

Figure 34: Comparison - Expenditure per All Students vs. Expenditure per Public Students, (Rp. millions)



Districts in the far eastern region of the country tend to have significantly higher costs per student than districts in the western region because of the lower density of populations. Average expenditure per student in 2012 was again highest in the island groups of Papua (Rp. 5.5 million) and Kalimantan (Rp. 4.9 million). Lowest expenditure by a considerable margin is found on Java with Rp. 2.6 million per student. To some extent the lower unit costs in java reflect the population density which makes it easier to run schools at maximum capacity and consistently high student: teacher ratios.

Figure 35: Average APBD Education Expenditure per Student (Rp. millions), 2008-12 by Island

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The most striking aspect of the breakdown of the 2012 per student expenditure is that the Papua island group declines in the annual per student allocation. In Papua, per student allocations for education drop 12% from Rp. 6.26 million in 2011 to Rp. 5.48 million in 2012.

The table below presents a breakdown of the average annual growth in district education budgets within the Papua island group. It shows that with the exception of Kota Sorong in one year (2010) the annual decline in district education budgets has only occurred in the poorest quintile districts. In 2012, seventeen (17) of the poorest districts in Papua (from a total 41 districts) showed an annual decline in their allocations for education.

Some districts showing negative growth in 2012 had recorded very strong annual growth in the previous year. This might be an explanation why expenditures leveled off in 2012. Many other districts did not have such strong growth and it is unclear why so many districts in Papua had an annual drop in their 2012 education allocations.

Figure 36: Papua: Average Annual Growth in District Education Budget, (Rp. millions) 2010-12

******

District expenditure per student has been increasing across EP districts. By 2012, the non-participating districts had a higher average allocation for education (Rp. 3.3 mill.) compared to participating districts (Rp. 2.8 – 3.2 mill.).

Figure 37: Average District Expenditure per Student, EP Districts and Others 2012 (Rp. millions)



These averages disguise great internal variation district allocations. For operational purposes it may be useful to identify the low and high end outliers in terms of per student allocations. Compared to the national average Rp. 3.1 million allocation per student, there are 25 EP disricts allocating less than Rp. 2.2 million per student.

Some caution needs to be exercised in interpreting these figures. A high percentage of student enrolments in the private school sector will provide a misleadingly low estimate the actual financing for schools. The private school enrolments are likely to have the biggest impact in the richest urban districts with a likely higher share of well resourced private schools. The table below shows there are six districts (out of 25) which are in the richest quintile and committing less than Rp. 2.2 million per student.

Figure 38: EP Districts with Low Expenditure per Student, 2012 (Rp. millions)



Conversely, there are 33 EP districts that are allocating more than double (Rp. 6.2 million) the national average per student allocation for education.

Figure 39: EP Districts with very high per student expenditure, 2012 (Rp. millions)



Unit cost calculations are greatly affected by the sparseness of populations and care needs to be taken when comparing districts. Care should be taken to compare like with like districts in order to get a true feel for the district government commitment and possible impact on quality.

Reasonable distribution of public education funds should generally provide greater funding per student to the poorest areas. This weighted distribution of government funds can enable the poorest communities to overcome a financial inability to pay for services. It also helps to cover the higher cost of servicing poor communities that are also in remote or difficult to reach areas.

Figure 40: Equity Slope of Funding - Average APBD Education Expenditure per Student (Rp millions), by Poverty Quintile, 2008-12



The chart above illustrates the ‘equity slope’ of district school funding. The ideal equity slope would begin low at the left hand corner (least public resources per student for the wealthiest districts) and slope upwards indicating that those districts with the lowest socio-economic profile and catering for the most remote communities have the greatest resources per student.

Indonesia has demonstrated a movement over time towards that kind of scenario. By 2011, districts from the two poorest quintiles had grown their allocations at a faster rate than others. This was a significant achievement in beginning to move away from a relatively flat distribution of district education funding per student across poverty quintiles. It showed government policies have been successful in moving towards a greater share of public resources being directed towards education in poorer districts.

In 2012, because annual growth in district education allocations in the poorest districts was less than for districts in other quintiles, there was a stalling in the move towards greater equity. The line for 2012 (the brown line in chart above) begins to flatten as it moves towards the poorest quintiles instead of preserving a linear increase in the allocations

To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to grow their education spending more quickly and drive a stronger ‘equity slope’ in education funding distribution.

There is good news for the government regarding the affordability of this approach. Analysis of the distribution of students across district poverty quintiles shows that there far fewer students in the poorest quintile than any other. In 2012, there were 6.3 million students in poverty quintile 5 compared to more than 12 million in the richest quintile. These reduced numbers will reflect both the lower net enrolment rate (NER) in these districts, but also the sparsity of the population. On the positive side, the cost of serving these districts is mitigated by reduced population density of these districts. Although of course, successful policies will solve access problems and push up enrolments, however the reduced population density means there will still be fewer students to service.

Figure 41: Cost and Student Load Comparison - Average APBD Education Expenditure per Student (Rp millions) and Numbers of Students, by Poverty Quintile, 2012

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A ***Critical Education Funding Status*** (CEFS) diagnostic tool is based on three Key Performance Indicators from this District level analysis (KPI’s 6, 7, and 8). The CEFS diagnostic tool identifies critical districts that have:

* low expenditure per student (less than Rp. 2.1 million)
* small education share of the district budget (less than 20%)
* weak annual growth in their education budget (less than 20%).

The figure below shows 6 districts that are meeting these criteria in 2012 (compared to only two in 2011). Overall, 2012 is an improvement on 2010 when there sixteen (16) meeting the CEFS criteria and another 12 districts in 2010. None of the 2012 CEFS districts had the same status in 2011.

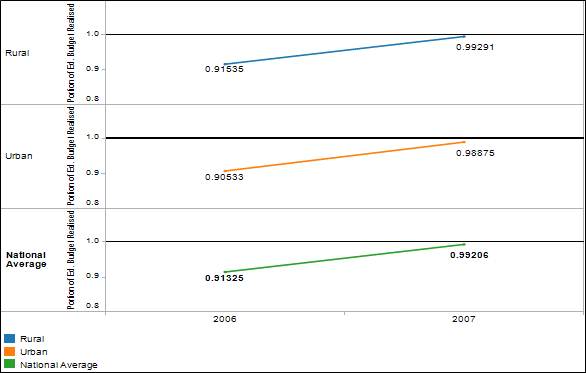
It is a good sign that districts do not remain in the CEFS category for more than one year. It suggests there is some corrective re-balancing occurring within districts to prevent those already spending substantially less than average from declining their commitments even further. It is suggestive however, of the need to retain a focus on the 2012 CEFS districts so they do not decrease per student funding in 2013 and beyond.

Figure 42: Critical Education Funding Status (CEFS) Districts – Districts with low growth in education budget, low share of district budget and low expenditure per student, 2010-2012

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### KPI 9: Actual district education expenditure as % of planned education expenditure

Figure 43: Realised Education Expenditure as % of Planned Expenditure 2006 -2009



| **KPI 9** | **ACTUAL DISTRICT EDUCATION EXPENDITURE AS % OF PLANNED EDUCATION EXPENDITURE** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Negative | Data availability | Financial data were limited up to the year 2007. |
| Observations | * Budget data for 2006 are from the ‘final revised budget’ documents and reflect the final allocation. Revised budget data for 2007 were not available. Data collected are from the ‘planned budget’ documents which reflect a bid by the district education office for funds. This budget may then be revised downwards in the ‘revised final budget’. The 2007 financial data are therefore not from identical planning documents and may be responsible for an upwards shift in percentage of budget realized as actual expenditure. * Data for 2008 and 2009 have been collected but are not robust to update this analysis from the previous report. * Districts in 2007 managed to spend nearly 100% of their planned budget. This was a significant improvement on 2006 where only 91% of funds were spent nationally. * Poverty quintile analysis shows that the top two poverty quintile districts on average overspent their planned education budget in 2007. The lowest average rate of realisation was with the poorest quintile districts that only spent 91% of their planned budget. | | |
| Observations about EP districts | * In 2007 EP districts were largely spending around the national average of 100% of budget funds, with the exception of Component 2 districts which were spending 90%. | | |
| Observations about AIBEP districts | * The average BEP district increased its actual expenditure to 100% of budgeted allocations in 2007. This was up from 92% expenditure in 2006. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * More recent actual expenditure data are required to make any comment on implications for the education sector | | |
| For the performance of the Education Partnership | * More recent actual expenditure data are required to make any comment on implications for the Education Partnership | | |

Figure 44: Realised Education Expenditure as % of Planned Expenditure 2006-09, EP and Non-EP districts

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Figure 45: Realised Education Expenditure as % of Planned Expenditure 2006 - 2009, by Poverty Quintile



***Policy Implications:*** Too many districts may be failing to expend their allocated annual education budgets. The difficulty of the poorest districts in expending their budgets is of a particular concern given the access and quality problems in these districts. The quantum of funds may not be the greatest problem facing some districts, and/or there may be other problems related to disbursement restrictions and reporting or planning requirements.

However, more recent data is required to confirm that these findings still apply or if there have been any significant changes.

### SPI: Discretionary School Expenditure as Percentage of Total Education Expenditure

Figure 46: BOS Grants as % of Education & Culture Budget 2006-2010 (public schools only)



| **SPI** | **DISCRETIONARY SCHOOL EXPENDITURE AS PERCENTAGE OF TOTAL EDUCATION EXPENDITURE** | | |
| --- | --- | --- | --- |
| **STATUS AND TRENDS** | | | |
| Result | Positive | Data availability | BOS grants are used as a proxy variable for discretionary expenditure. |
| Observations | * The BOS grants distributed by districts provide a key source of discretionary funds available to schools under their own management. They have injected a dramatic new dimension to school resourcing. Direct payment to schools minimizes the opportunities for leakage before the funds reach the school. * BOS grants offer great potential for funding innovative and securely resourced interventions at schools that have an ongoing recurrent funding base. This allows school principals to plan around these allocations instead of pursuing submission based grant models. * In 2012, the BOS grants have increased as a proportion of the district education budget as a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves (see Figure 46, above). * The per-pupil BOS allocation has increased from Rp 397,000 to Rp 580,000 per primary student and from RP. 570,000 to RP. 710,000 per junior secondary student per year in 2012. | | |
| **IMPLICATIONS AND MATTERS ARISING** | | | |
| For the performance of the education sector | * BOS grants provide a critical injection of funds at the school level. It is important that these funds are utilised as effectively as possible. The injection of such a large scale of funds to schools poses an obvious fiduciary risk. This risk appears at the school level where there have been wide spread reports of funds not being used appropriately or not being accounted for as required. * The challenge for government will be to put in place the appropriate training, monitoring and support to enable the effective use of these funds as well as identifying the inevitable instances where these funds are not properly expended or adequately reported. | | |
| For the performance of the Education Partnership | * DFAT may wish to help clarify and strengthen the role of the school committees in the management of BOS funds as part of its current and/or upcoming programing. | | |

***Background:*** In 2011, the BOS grants were distributed to the district level of government which will then made payments to schools. This changed flow of funding was designed to reflect the function and responsibilities of local government towards education under the decentralization policy. It provided districts with significantly greater non-salary related resources to distribute amongst their schools. This was to help strengthen the relevance and importance of district monitoring and support teams for schools within their jurisdiction. However, the policy increased the pressure and expectations of schools that were relying upon the efficiency and effectiveness of the district offices.

The district management of the BOS distribution by district governments became a matter of national controversy during 2011. The widespread failure of many districts to manage these funds properly meant that delays and errors in the distribution of BOS funding were seen as a failure at the local rather than central level. By late 2011, the disbursement and general management of BOS funds by the district level was considered a gross failure. The program was subsequently brought back under the control of MoEC for the 2012 school year. BOS funds in 2012 were distributed by the province (acting as the representative of the central government) directly to the schools.

BOS grants, as a percentage of total education expenditure, are affected by the share of students progressing to secondary education. The per capita BOS grants for junior secondary students are 35% higher in value than grants for primary students. Districts with higher proportionate enrolment at secondary level have an increased proportionate weight in their BOS grants. As a consequence, inter-poverty quintile comparisons are distorted by differences in secondary level enrolment rates.

The significance of the BOS expenditures in comparison with total district expenditures declined for districts across all poverty quintiles between 2007 and 2008. This reflected the expanding outlays for education being made by the district levels of government during this period. However by 2009 and with the impact of the increase in the size of the per capita grants, the BOS had again risen in significance to 2006 levels.

In 2011, the BOS funds represented a smaller share of total expenditure as teacher salaries and allowances increased sharply. These salary and emolument increases are a flow on effect of the teacher certification process and will continue for a few more years (at least until 2015). In addition to salary increases, 2011 saw increases in district allocations for capital expenditures and other operational expenses.

In 2012, the BOS grants have increased as a proportion of the district education budget as a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves. The per-pupil BOS allocation has increased from Rp 397,000 to Rp 580,000 per primary student and from Rp. 570,000 to Rp. 710,000 per junior secondary student per year in 2012. The BOS program covers around 44 million students in 228,000 primary and secondary schools.

It is estimated that in 2012 the BOS program spent US$3.07 billion (Rp 27.67 trillion), which represents about 8 percent of total education spending in Indonesia. The BOS allocation has increased five-fold from US$560 million in 2005 to US$3.07 billion in 2012. By increasing the amount of discretionary funds available to schools, the BOS program can help pave the way for more effective expenditures at the school level.

The BOS grants represent a smaller proportion of total expenditures for schooling in the poorest districts. This is because of the higher teacher costs (such as remote area allowances) and the lower student: teacher ratios which increase the per student teacher cost in these districts. As a consequence, the BOS funds represent a smaller contribution to the overall cost of delivering services to these districts. All other poverty quintile districts are more closely bunched together.

Figure 47: BOS Grants as % of Education & Culture Budget 2006-2011, by Poverty Quintile



**The Bottom-Line**

# THE BOTTOM-LINE

## **What do the trends in sector financing mean for the education sector?**

1. ***Strong real growth in national public expenditure for education in 2012.***

The GoI had particularly impressive growth in real and nominal terms in 2006 and 2009. Since 2009, growth in education expenditures had marginally outpaced inflation, but there was a plateau in the real increase of national funding for education. In 2012 we see the first significant increase in real terms for education funding.

1. ***Government commitment to meet a 20% target for education expenditure share of national budget has been met for the fourth year in a row.***

The national expenditures for education in 2012 met the 20% target. Unlike the previous three budget years, this has generated a large year-on-year increase in real funds available for education. Education has benefited from total national public revenues and expenditures which have grown at a significantly faster rate than inflation.

1. ***Average district level education expenditures across Indonesia have increased from 27% of the total district budget (APBD) in 2006 to nearly 35% share in 2012****.*
2. ***Education expenditures at the district level rose from 31% in 2009 to 35% in 2012***

This demonstrates that districts have, on average, strengthened their commitment toward education spending during the period 2009-2012.

1. ***The lowest average share of budget allocation for education was found in Papua (16%) and Maluku island group (25%)****.*

While Maluku has shown growth since 2010, Papua has dropped again from an 18% education share of district budgets in 2010 to 16% in 2012. The island groups of Sulawesi, Kalimantan and Maluku went in the opposite direction and posted annual increases in the education share of district expenditures in 2012.

1. ***Nationally, there are 30 districts which allocated less than 15% of their total district budget (APBD) on education in 2012*.**

Of the 30 districts spending less than 15% of their budget on education, 22 are in the poorest quintile, and 17 of these are found in Papua.

1. ***The poorest districts have consistently committed the lowest proportion of their budget towards education during the period 2006-2012 (average 31% in 2012)***.
2. ***In 2012 nearly 100 districts (nearly 20%) posted a decline in their education budget.***

This is a marked deterioration from 2011, when only 22 districts posted a decline in their annual education budget allocation.

1. ***The problem of contracting education budgets is focused on Papua***.

Twenty of the 31 districts recording a decline in nominal annual district education expenditure are located in Papua.

1. ***Average district expenditure per student across the country grew but not as strongly as for 2011***.

Average education expenditure per student has grown to Rp. 3.1 million in 2012, from an average Rp. 2.8 million in 2011. Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.4 million per student.

1. ***The most striking aspect of the breakdown of per student expenditure is that the Papua island group declines in the annual per student allocation for education in 2012*.**

In Papua, per student allocations for education drop 12% from Rp. 6.26 million in 2011 to Rp. 5.48 million in 2012.

1. ***To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to grow their education spending more quickly and drive a stronger ‘equity slope’ in education funding distribution.***

During the four year period 2008-2011, Indonesia displayed overall growth in per student expenditures, with a linear trend for greater expenditures in the poorest districts. In 2012 the slope of this equity spending was halted, with slower growth in the poorest districts.

1. ***In 2012, the BOS grants have increased as a proportion of the district education budget (up to 14%)***.

This outcome is a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves. The per-pupil BOS allocation has increased from Rp 397,000 to Rp 580,000 per primary student and from Rp. 570,000 to Rp. 710,000 per junior secondary student per year in 2012.

1. ***There were six districts in 2012 that meet Critical Education Funding Status (CEFS) criteria compared to 2011 (2 districts), 2010(12 districts) and 2009 (16 districts)*.**

The CEFS diagnostic tool developed by the ASFR identifies districts that have (i) low expenditure per student, (ii) small education share of the district budget, and (iii) weak annual growth in their education budget.

****Table 2: Progress against Key Indicators****

| **INDICATOR** | **DESCRIPTION** | **LEVEL** | **RELATED GOAL** | **RESULT** | **COMMENT AND IMPLICATIONS** |
| --- | --- | --- | --- | --- | --- |
| KPI 1  Share of public expenditure | Public expenditure on education as percentage of total public expenditure (covers MoEC and MoRA expenditure) | National | Government commitment | Positive | **Comment:** Significant growth in allocations as proportion of national expenditure, from 12% 2001 (12%) to 20% by 2012.  **Implications:** Stable growth in education financing is positive for further investment. |
| KPI 2  Share of GDP | Public expenditure on education as percentage of GDP | National | Government commitment | Positive | **Comment:** Education expenditure, as a proportion of GDP, increased from 3.3% in 2011 to 3.5% in 2012. |
| KPI 3  Share of non-salary resources | % share of education budget spending on non-salary costs. | National | Quality | Positive | **Comment:** Non-salary share of expenditures in 2011 increased to 25% of total district level expenditures (up from 13% in 2010).  **Implications:** Growth in budget is not being solely consumed by salaries. New budget allocations were especially strong for capital items. |
| KPI 4  National commitment to non-formal learning | Public expenditure on literacy and non-formal education (NFE) as percentage of public expenditure on education | National | Equity/access | Negative | **Comment:** NFE expenditure is approximately 1% of total expenditure for education.  **Implications:** Key advantage of NFE is its cost-effectiveness; increased levels of investment are needed to maximise possible economic and social returns. |
| KPI 5  Commitment to basic education relative to national wealth | Public recurrent expenditure on basic education as percentage of all public education expenditure | National | Equity/access | Positive | **Comment:** In 2009 basic education accounted for approximately 56% of education expenditure. By contrast, less than 20% of MORA education expenditure was on basic education.  **Implications:** It is unclear what has been driving the fluctuations in the basic education share of MoRA expenditures. |
| KPI 6  District commitment to education | Education as % of total public expenditures | District | Government commitment  Equity/access | Neutral | **Comment:** The strong increase in the education share of district budgets in 2011 was reversed in 2012, with the education share dropping just over 1% from 36.7%.  **Implications**: Some districts showing negative growth should be monitored |
| KPI 7  Annual growth in spending in the poorest districts | Annual % change in public expenditures for education in lowest quintile districts compared to national % change in public expenditure for education | District | Equity/access | Negative | **Comment:** In 2012, 31 of the poorest districts experienced a contraction in their nominal education expenditure (before accounting for inflation).  **Implications:** Nearly one third of poorest quintile districts (100) reduced their annual budget allocation for education in 2012 |
| KPI 8  Average district expenditure per student | Public expenditure from APBD divided by total number of school students | District | Government commitment  Quality | Positive | **Comment:** Average expenditure per student across the country grew in 2012 but not as strongly as for 2011.  **Implications**: Some districts showing negative growth should be monitored |
| KPI 9  Actual education expenditure as % of planned expenditure | Realised APBD for education as % of planned APBD for education | District | Government commitment | Positive | **Comment:** Districts in 2007 (the last year for which verified data are available) managed to spend nearly 100% of their planned budget. This was a significant improvement on 2006 where only 91% of funds were spent nationally.  **Implications**: Updated data are required to reach conclusions about possible changes in expenditure patterns |
| SPI 1  Discretionary school funds as % of total district school expenditure | Estimated BOS expenditure as % of total school expenditure | District | Quality | Positive | **Comment:** In 2012, the BOS grants increased as a proportion of the district education budget as a result of slower growth in the district education budget, and an increase in the value of the BOS grants themselves.  **Implications:** Principals and school committees have greater than ever funds for discretionary spending at school level |

## **What do the trends in sector financing mean for the Education Partnership?**

### Possible Impacts on the Sustainability of Benefits Stemming from EP Investments

1. At a macro level, there is solid evidence to suggest that the GoI will continue to invest heavily in education. This should flow through in its support for district budgets. National funding for the education sector is expected to remain strong. Adherence to a proportional budget allocation for education enhances the ability of the education sector to anticipate future allocations and plan accordingly by creating a more stable financing framework. The proportional allocation approach toward education financing enhances predictability and steady growth of the education budget in a growing economy.
2. School systems require a substantial share of non-salary related expenditures to (i) provide a full range of resources (apart from teachers) to schools, and (ii) maintain buildings and provide for additional capital and equipment needs. Most recent data show the average salary share of expenditures in districts had come down to 75% of total district level expenditures. In the context of the additional salary costs associated with the teacher certification process, this is a very positive achievement. However, some districts spend well in excess of this on salaries, leaving these districts with very little to spend on PD or maintenance of school buildings.
3. There are 18 EP districts that contributed less than the 20% national target for education, which is considerably lower than the national average of 35% for education in 2012. This low share of funding for education in specific districts may threaten the sustainability of EP investments in the future.
4. One recurring concern is that some districts with the highest poverty rates are persistently allocating a significantly smaller share (less than 15%) of resources for education than the national average (35%). This low commitment from some of the poorest districts makes it harder for them to catch up on educational development. It also indicates which districts may have further scope to grow their education budget and cover the cost associated with PD and the maintenance of new school buildings as might be funded under the EP.
5. Papua and Maluku stand out as two provinces that spend the least for education as a proportion of total district funds. Papua in particular stands out because on average it experienced a decline in expenditure per student in 2012 compared to 2011. There is scope to increase education funding in these areas to cover the additional but modest recurrent costs associated with the EP investments.
6. Most EP districts are showing growth in per student allocations for education. This provides a good financial base for further improvements. However in 2012, nearly 100 districts (of which 59 were EP districts) contracted their education budget compared to the previous year. There will be good and sound reasons for this in many cases, but where it reflects a shifting priority away from education it may jeopardize the ability of districts to meet future financial commitments to PD and building maintenance.
7. Growing BOS funds provide much needed discretionary funds to schools. The challenge for government will be to put in place the appropriate training, monitoring and support to enable the effective use of these funds as well as identifying the inevitable instances where these funds are not properly expended or adequately reported.

### Implications for the EP Management: Risks and Opportunities

As the previous section would suggest, the evolving context poses several risks to the aspirations of the EP. The four most significant and realistic risks are captured in Table xx, below.

****Table 3: Possible Risks Affecting the EP****

|  |  |  |
| --- | --- | --- |
| **#** | **FINDING** | **POSSIBLE CONSEQUENCES FOR THE EP** |
| RA1 | Some EP districts (including some with the highest poverty rates) are persistently allocating a very low share of their resources to education. | This low commitment may threaten districts’ ability to sustain recurrent expenditures associated with EP investments. |
| RA2 | Papua (and to a lesser extent Maluku) have many districts performing badly on numerous financing indicators. | EP investments in these two provinces run the risk of losing effectiveness if they are not supported by district financial commitment. |
| RA3 | In 2012, 59 EP districts contracted their education budget compared to the previous year. This may continue into the future. | Where this reflects a shifting priority away from education it may jeopardise the ability of districts to meet future financial commitments to professional development and building maintenance. |

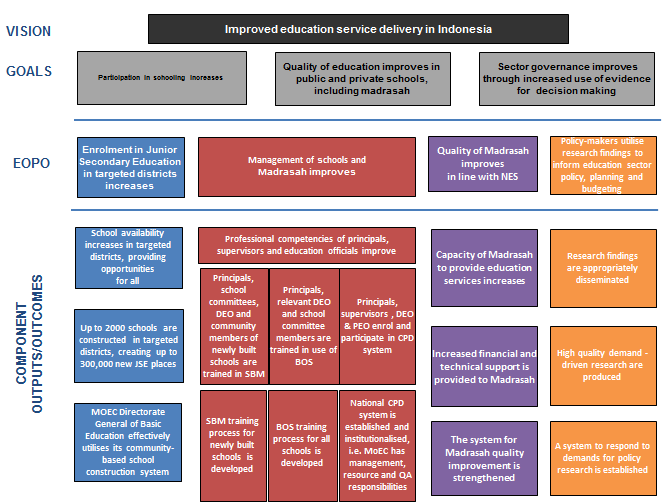
**Next steps**

# NEXT STEPS

| **SUGGESTED NEXT STEPS (AND LEVEL OF URGENCY)** | **PRIME RESPONSIBILITY** |
| --- | --- |
| NS1: EP districts which have very small share of total district budget allocated for education should be monitored and engaged in a dialogue to understand current allocations and future plans (\*\*). | POM, with DFAT’s approval |
| NS2: Focus diagnostic and policy response efforts on the Papua and Maluku island groups to understand the factors driving (i) low education share of district budgets, (ii) the average decline in budget allocations in 2012 compared to 2011 (\*\*). | DFAT (with POM, where appropriate) |
| NS3: Engage in dialogue with a sample of EP districts that reduced their 2012 education budget allocations compared to 2011. Detailed diagnostics on (i) poorest EP districts that had an annual reduction in their 2012 Budget, and (ii) districts with annual drop greater than 10%. Diagnoses to understand reasons for drop and monitor change in allocations in 2013 and 2014 district budgets (\*\*). | MOEC and POM (with DFAT’s approval) |
| NS4: Liaise with MoEC and other central agencies so as promote the introduction of district report cards on education. These report cards should be produced on annual basis and include key educational development and financial indicators (\*). | DFAT |

*NB: Red - high urgency; orange - medium urgency (\*\*); green – low urgency (\*)*

# Annex A - EP LOGIC ARCHITECTURE



# Annex B – Statistical Table Related to EP Districts

| **COMPONENT 1: 2012** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Island** | **District** | **Education Expenditure per All Students**  **(Rp. Million)** | **Education Share of District Budget** | **Education Budget Annual Growth** | **District Education Budget (APBD)**  **(Rp. Million)** |
| Bali dan Nusa Tenggara | Belu | 3.06 | 45% | 37% | 316,685 |
| Flores Timur | 4.55 | 44% | 24% | 277,521 |
| Kupang | 4.00 | 37% | 11% | 286,757 |
| Lombok Tengah | 2.66 | 51% | 0% | 505,807 |
| Sabu Raijua | 6.30 | 37% | 35% | 126,207 |
| Sumba Barat | 1.16 | 19% | -43% | 43,353 |
| Sumba Barat Daya | 1.75 | 37% | 18% | 159,586 |
| Sumba Timur | 3.00 | 36% | 8% | 218,650 |
| Sumbawa | 3.40 | 39% | 1% | 314,925 |
| Jawa | Bandung | 2.10 | 50% | -2% | 1,313,527 |
| Bandung Barat | 1.86 | 45% | 4% | 604,077 |
| Bangkalan | 2.39 | 42% | -7% | 508,449 |
| Batang | 3.64 | 51% | 27% | 470,784 |
| Bekasi | 1.53 | 33% | 28% | 805,877 |
| Cianjur | 1.66 | 47% | -10% | 795,934 |
| Garut | 2.12 | 53% | 7% | 1,221,553 |
| Grobogan | 2.40 | 50% | -1% | 635,214 |
| Indramayu | 2.53 | 51% | 9% | 877,127 |
| Kebumen | 2.80 | 52% | 2% | 723,605 |
| Kediri | 3.08 | 49% | 19% | 755,409 |
| Lebak | 2.01 | 49% | -4% | 595,738 |
| Pasuruan | 2.60 | 44% | 4% | 701,494 |
| Ponorogo | 4.18 | 50% | -3% | 620,269 |
| Probolinggo | 2.70 | 43% | 13% | 550,374 |
| Purwakarta | 2.26 | 39% | -8% | 426,055 |
| Situbondo | 3.82 | 45% | 15% | 440,419 |
| Tangerang | 1.19 | 30% | -6% | 732,582 |
| Tuban | 3.17 | 45% | 4% | 602,511 |
| Kalimantan | Balangan | 7.21 | 29% | 12% | 181,665 |
| Barito Kuala |  |  |  |  |
| Barito Timur | 7.48 | 29% | 22% | 160,630 |
| Bengkayang | 3.15 | 32% | -7% | 176,345 |
| Bulungan | 10.92 | 20% | 16% | 308,660 |
| Kapuas Hulu | 4.78 | 28% | 16% | 250,022 |
| Ketapang | 2.91 | 28% | -8% | 287,101 |
| Landak | 2.95 | 38% | 13% | 271,312 |
| Malinau | 15.30 | 14% | 42% | 269,389 |
| Sekadau | 4.22 | 37% | 25% | 183,515 |
| Sukamara | 9.04 | 21% | 22% | 94,661 |
| Maluku | Buru | 4.21 | 31% | -5% | 135,219 |
| Buru Selatan | 3.90 | 20% | 8% | 66,940 |
| Maluku Tengah | 4.38 | 52% | 5% | 466,427 |
| Sulawesi | Banggai | 3.60 | 38% | 17% | 287,854 |
| Banggai Kepulauan | 4.08 | 35% | 34% | 192,422 |
| Bolaang Mongondow | 3.81 | 34% | 13% | 184,391 |
| Bolaang Mongondow Selatan | 6.55 | 26% | 33% | 84,224 |
| Bolaang Mongondow Timur | 5.65 | 23% | -24% | 68,301 |
| Bulukumba | 4.02 | 50% | 5% | 361,992 |
| Buton | 2.49 | 38% | 0% | 203,226 |
| Kepulauan Sangihe | 8.90 | 40% | 31% | 224,250 |
| Kota Bitung | 3.65 | 30% | 13% | 156,191 |
| Luwu | 2.68 | 40% | 13% | 250,366 |
| Luwu Utara | 3.34 | 37% | 36% | 259,703 |
| Mamasa | 5.85 | 35% | 17% | 159,008 |
| Mamuju Utara | 3.12 | 16% | 8% | 71,030 |
| Muna | 3.66 | 41% | -12% | 300,546 |
| Pinrang | 3.52 | 43% | 19% | 298,655 |
| Poso | 6.58 | 43% | 52% | 309,403 |
| Sumatera | Batubara | 2.60 | 38% | 10% | 249,587 |
| Bintan | 5.73 | 21% | 15% | 171,999 |
| Dairi | 3.01 | 42% | 19% | 250,172 |
| Empat Lawang | 2.28 | 22% | -7% | 119,268 |
| Humbang Hasundutan | 4.00 | 42% | 14% | 222,765 |
| Indragiri Hulu | 3.62 | 33% | 7% | 325,311 |
| Karo | 4.37 | 45% | 4% | 369,862 |
| Kepahiang | 4.29 | 29% | 6% | 122,821 |
| Kota Payakumbuh | 4.69 | 35% | 28% | 169,677 |
| Labuhanbatu | 1.85 | 40% | 14% | 282,371 |
| Lampung Selatan | 2.56 | 49% | 20% | 517,572 |
| Lampung Tengah | 3.25 | 66% | 9% | 778,763 |
| Lampung Utara | 2.57 | 61% | -8% | 358,805 |
| Mandailing Natal | 2.61 | 45% | 2% | 305,352 |
| Merangin | 3.33 | 34% | 14% | 266,775 |
| Muara Enim | 2.92 | 36% | 7% | 491,545 |
| Muaro Jambi | 3.77 | 34% | 1% | 261,520 |
| Musi Banyuasin | 4.36 | 23% | 6% | 565,038 |
| Nias Selatan | 2.35 | 39% | 9% | 237,942 |
| Nias Utara | 2.03 | 25% | -32% | 81,266 |
| Ogan Komering Ilir | 2.97 | 37% | 11% | 462,206 |
| OKU Selatan | 2.50 | 28% | -3% | 175,903 |
| Pasaman Barat | 3.18 | 43% | 18% | 295,775 |
| Sarolangun | 4.62 | 32% | 23% | 282,089 |
| Seluma | 4.43 | 37% | 8% | 179,084 |
| Simalungun | 3.65 | 51% | 23% | 714,191 |
| Tanggamus | 3.03 | 43% | 13% | 368,257 |
| Tanjung Jabung Barat | 3.67 | 26% | 9% | 230,571 |
| Tapanuli Selatan | 3.37 | 34% | 2% | 241,005 |
| Tapanuli Tengah | 2.85 | 38% | -9% | 240,214 |
| Toba Samosir | 4.63 | 43% | 35% | 248,701 |
| Tulang Bawang | 1.83 | 25% | 11% | 167,358 |

| **COMPONENT 2: 2012** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Island** | **District** | **Education Expenditure per All Students**  **(Rp. Million)** | **Education Share of District Budget** | **Education Budget Annual Growth** | **District Education Budget (APBD)**  **(Rp. Million)** |
| Bali dan Nusa Tenggara | Badung | 4.19 | 22% | 28% | 449,683 |
| Bangli | 4.83 | 34% | -4% | 200,862 |
| Gianyar | 4.62 | 43% | 10% | 428,140 |
| Jembrana |  |  |  |  |
| Klungkung | 6.35 | 40% | 13% | 234,932 |
| Kota Bima | 5.07 | 42% | 18% | 199,968 |
| Kota Denpasar | 2.30 | 30% | 3% | 367,497 |
| Lombok Barat | 2.23 | 8% | 10% | 324,303 |
| Sumba Tengah | 4.40 | 24% | 13% | 86,333 |
| Jawa | Bantul | 4.57 | 53% | 47% | 634,363 |
| Banyumas | 3.13 | 51% | 8% | 909,646 |
| Banyuwangi | 2.77 | 47% | 137% | 816,842 |
| Bojonegoro | 3.43 | 44% | 8% | 735,958 |
| Cilacap | 2.26 | 47% | 29% | 796,468 |
| Demak | 2.54 | 47% | 12% | 556,295 |
| Gresik | 2.29 | 35% | 11% | 516,099 |
| GunungKidul | 5.41 | 57% | 10% | 618,102 |
| Jombang | 2.23 | 46% | 10% | 587,419 |
| Karanganyar | 4.27 | 51% | 20% | 601,620 |
| Kendal | 3.08 | 48% | 11% | 561,553 |
| Kota Banjar | 3.16 | 30% | 10% | 128,119 |
| Kota Batu | 4.12 | 31% | 12% | 149,539 |
| Kota Bekasi | 1.65 | 31% | 0% | 738,032 |
| Kota Cimahi | 3.12 | 37% | 26% | 338,419 |
| Kota Depok | 1.33 | 26% | 6% | 403,762 |
| Kota Jakarta Barat |  |  |  |  |
| Kota Jakarta Selatan |  |  |  |  |
| Kota Jakarta Timur |  |  |  |  |
| Kota Jakarta Utara |  |  |  |  |
| Kota Madiun | 4.85 | 42% | 18% | 254,106 |
| Kota Magelang | 5.05 | 37% | 508% | 207,933 |
| Kota Sukabumi | 2.86 | 32% | 335% | 215,661 |
| Kota Surakarta | 3.55 | 45% | 10% | 535,444 |
| Kota Tangerang | 2.07 | 35% | 9% | 732,334 |
| Kota Tasikmalaya | 2.25 | 39% | 8% | 327,739 |
| Kota Tegal | 3.61 | 37% | 38% | 224,961 |
| Kota Yogyakarta | 3.12 | 37% | 10% | 342,630 |
| Kulon Progo | 5.42 | 51% | 13% | 422,278 |
| Lumajang | 3.09 | 47% | -3% | 544,505 |
| Madiun | 4.82 | 49% | 6% | 504,110 |
| Magelang | 3.86 | 58% | 22% | 791,133 |
| Malang | 1.82 | 35% | -7% | 752,250 |
| Ngawi | 3.94 | 51% | 562% | 562,406 |
| Pati | 3.14 | 47% | 22% | 705,089 |
| Pekalongan | 3.04 | 51% | 17% | 535,831 |
| Purbalingga | 3.51 | 54% | 21% | 597,521 |
| Purworejo | 4.27 | 55% | 11% | 610,358 |
| Semarang | 2.81 | 42% | 5% | 460,943 |
| Serang | 1.94 | 41% | 24% | 615,141 |
| Sidoarjo | 2.28 | 36% | 11% | 787,519 |
| Sleman | 4.00 | 47% | 43% | 676,502 |
| Sragen | 3.96 | 55% | 15% | 672,156 |
| Sukoharjo | 3.95 | 50% | 7% | 552,034 |
| Sumedang | 3.26 | 48% | 10% | 680,327 |
| Tegal | 2.18 | 49% | 3% | 642,077 |
| Kalimantan | Barito Selatan | 6.33 | 31% | 35% | 199,065 |
| Berau | 8.60 | 22% | 26% | 365,155 |
| Gunung Mas | 6.65 | 30% | -2% | 170,678 |
| Hulu Sungai Selatan | 6.77 | 44% | 16% | 284,572 |
| Hulu Sungai Utara | 5.57 | 35% | 0% | 255,689 |
| Kota Balikpapan | 3.55 | 23% | 3% | 427,360 |
| Kota Banjarbaru | 4.12 | 33% | 16% | 179,475 |
| Kota Banjarmasin | 3.30 | 40% | 11% | 430,336 |
| Kota Bontang | 7.99 | 22% | -27% | 288,848 |
| Kota PalangkaRaya | 5.66 | 45% | 7% | 297,085 |
| Kota Pontianak | 2.74 | 37% | 10% | 378,726 |
| Kota Samarinda | 3.47 | 28% | -12% | 550,786 |
| Kota Tarakan | 8.71 | 23% | 135% | 350,937 |
| Kotabaru | 4.52 | 26% | 19% | 280,564 |
| Kotawaringin Timur | 3.42 | 34% | 26% | 297,149 |
| Kutai Barat | 4.15 | 11% | 3% | 176,103 |
| Kutai Kartanegara | 8.36 | 24% | 19% | 1,204,014 |
| Penajam Paser Utara | 9.36 | 20% | 29% | 306,305 |
| Pulang Pisau | 7.20 | 37% | 21% | 201,049 |
| Tabalong | 4.56 | 24% | -14% | 224,523 |
| Tanah Laut | 5.25 | 35% | 33% | 314,047 |
| Tapin | 6.73 | 30% | 21% | 235,181 |
| Maluku | Halmahera Barat | 3.60 | 24% | 61% | 111,256 |
| Halmahera Utara | 1.30 | 12% | -3% | 67,148 |
| Kepulauan Aru | 4.40 | 25% | 41% | 114,855 |
| Kepulauan Sula | 2.06 | 15% | 4% | 96,858 |
| Kota Ambon | 5.00 | 55% | 15% | 391,943 |
| Kota Ternate | 4.70 | 34% | 7% | 202,286 |
| Kota Tidore Kepulauan | 6.73 | 34% | 31% | 167,747 |
| Kota Tual | 3.00 | 14% | -30% | 49,489 |
| Maluku Tenggara | 2.46 | 16% | -3% | 75,344 |
| Seram Bagian Barat | 3.26 | 37% | 11% | 181,257 |
| Papua | Fakfak | 6.42 | 18% | -1% | 126,136 |
| Kota Jayapura | 3.89 | 33% | 11% | 252,246 |
| Manokwari | 4.13 | 26% | -5% | 227,788 |
| Sorong | 5.69 | 20% | 13% | 151,971 |
| Sorong Selatan | 7.11 | 16% | -2% | 91,023 |
| Sulawesi | Barru | 5.77 | 47% | 8% | 233,105 |
| Bone Bolango | 6.17 | 42% | 32% | 194,191 |
| Gowa | 2.64 | 47% | 18% | 394,090 |
| Kepulauan Selayar | 4.83 | 29% | 7% | 135,390 |
| Kepulauan Talaud | 6.91 | 29% | 1% | 134,180 |
| Kota Gorontalo | 5.13 | 40% | 13% | 228,613 |
| Kota Kendari | 4.56 | 37% | 32% | 326,828 |
| Kota Palu | 4.56 | 46% | 18% | 348,282 |
| Kota Tomohon | 4.61 | 26% | 8% | 99,158 |
| Minahasa Utara | 5.41 | 40% | 69% | 211,621 |
| Sidenreng Rappang | 4.81 | 44% | 8% | 286,163 |
| Soppeng | 6.32 | 48% | 28% | 307,144 |
| Wakatobi | 4.96 | 33% | 14% | 142,923 |
| Sumatera | Aceh Barat Daya | 4.43 | 28% | 17% | 145,815 |
| Aceh Jaya | 7.87 | 30% | 6% | 134,124 |
| Aceh Selatan | 3.65 | 30% | -4% | 188,944 |
| Aceh Singkil | 3.30 | 25% | 7% | 100,066 |
| Aceh Tenggara | 3.12 | 30% | 8% | 168,960 |
| Belitung | 5.14 | 27% | 11% | 168,020 |
| Bengkalis | 3.50 | 13% | -39% | 489,789 |
| Bengkulu Selatan | 5.50 | 37% | 2% | 206,078 |
| Kota Banda Aceh | 5.99 | 42% | 39% | 332,980 |
| Kota Bengkulu | 3.42 | 42% | 5% | 265,456 |
| Kota Binjai | 3.41 | 37% | 25% | 243,864 |
| Kota Dumai | 3.82 | 26% | 9% | 234,915 |
| Kota Langsa | 3.72 | 39% | 9% | 156,589 |
| Kota Lhokseumawe | 3.74 | 30% | 15% | 171,635 |
| Kota Lubuk linggau | 3.45 | 32% | 17% | 180,469 |
| Kota Medan | 2.02 | 29% | 25% | 1,101,600 |
| Kota Metro | 4.70 | 39% | 19% | 208,597 |
| Kota Padang | 3.52 | 45% | 13% | 662,785 |
| Kota Palembang | 3.15 | 53% | 31% | 1,058,144 |
| Kota PangkalPinang | 3.88 | 29% | 6% | 158,443 |
| Kota Pariaman | 6.02 | 38% | 2% | 161,027 |
| Kota Sabang | 15.50 | 27% | 10% | 110,626 |
| Kota Subulussalam | 3.46 | 27% | 8% | 84,088 |
| Kota Tanjung Pinang | 4.31 | 24% | 10% | 184,661 |
| Lima Puluh Kota | 5.12 | 48% | 5% | 374,457 |
| Nagan Raya | 6.42 | 37% | 8% | 199,983 |
| Ogan Ilir | 3.34 | 34% | 2% | 286,299 |
| Pesisir Selatan | 3.91 | 52% | 19% | 443,278 |
| Samosir | 4.69 | 38% | 1% | 167,907 |
| Sijunjung | 4.94 | 38% | 4% | 238,223 |
| Simeulue | 5.41 | 32% | 26% | 129,278 |
| Tanah Datar | 4.53 | 48% | 11% | 342,207 |
| Tapanuli Utara | 3.64 | 45% | 0% | 313,278 |

| **COMPONENT 1 AND 2 (DISTRICTS WITH BOTH) : 2012** | | | | | |
| --- | --- | --- | --- | --- | --- |
| **Island** | **District** | **Education Expenditure per All Students**  **(Rp. Million)** | **Education Share of District Budget** | **Education Budget Annual Growth** | **District Education Budget (APBD)**  **(Rp. Million)** |
| Bali dan Nusa Tenggara | Alor | 4.17 | 36% | 15% | 216,410 |
| Bima | 3.22 | 46% | 10% | 402,789 |
| Buleleng | 4.42 | 50% | 2% | 581,071 |
| Ende | 4.56 | 47% | 42% | 319,529 |
| KarangAsem | 4.79 | 42% | 2% | 411,667 |
| Kota Kupang | 2.90 | 38% | 7% | 234,327 |
| Lembata | 4.03 | 29% | -4% | 122,098 |
| Lombok Timur | 2.45 | 49% | 13% | 625,105 |
| Lombok Utara | 2.77 | 26% | -8% | 106,684 |
| Manggarai | 2.54 | 40% | 22% | 225,815 |
| Manggarai Timur | 2.34 | 38% | 43% | 191,965 |
| Nagekeo | 4.06 | 35% | 38% | 144,312 |
| Ngada | 2.94 | 26% | -11% | 109,930 |
| Rote Ndao | 4.08 | 32% | 1% | 124,297 |
| Sikka | 2.93 | 34% | 9% | 213,090 |
| Sumbawa Barat | 5.59 | 24% | -5% | 144,755 |
| Tabanan | 5.83 | 42% | 10% | 423,184 |
| Timor Tengah Selatan | 2.62 | 43% | 4% | 320,882 |
| Timor Tengah Utara | 2.92 | 34% | 10% | 201,825 |
| Jawa | Blitar | 4.27 | 56% | 15% | 771,255 |
| Bogor | 1.11 | 34% | -12% | 1,132,804 |
| Bondowoso | 3.50 | 45% | 28% | 443,122 |
| Brebes | 2.27 | 50% | 4% | 783,166 |
| Ciamis | 2.89 | 58% | 1% | 845,289 |
| Cirebon | 2.07 | 44% | -1% | 886,234 |
| Kota Malang | 2.86 | 41% | 19% | 512,812 |
| Nganjuk | 2.80 | 45% | -2% | 549,303 |
| Pacitan | 5.09 | 52% | 12% | 466,943 |
| Pandeglang | 2.31 | 54% | 19% | 673,846 |
| Sukabumi | 1.77 | 48% | 10% | 897,862 |
| Tasikmalaya | 2.17 | 53% | -2% | 756,466 |
| Wonogiri | 4.73 | 57% | 12% | 761,471 |
| Kalimantan | Banjar | 4.35 | 41% | 27% | 397,411 |
| Kapuas | 4.63 | 38% | 18% | 372,570 |
| Katingan | 5.22 | 23% | 3% | 178,431 |
| Kayong Utara | 5.07 | 26% | 7% | 117,324 |
| Kota Singkawang | 3.77 | 34% | 3% | 185,154 |
| Kotawaringin Barat | 3.51 | 26% | 16% | 183,317 |
| Kubu Raya | 3.09 | 42% | 4% | 350,530 |
| Kutai Timur | 7.24 | 16% | 14% | 441,151 |
| Lamandau | 6.92 | 20% | 22% | 105,383 |
| Melawi | 3.63 | 29% | 9% | 165,689 |
| Murung Raya | 5.70 | 22% | -4% | 160,248 |
| Paser | 6.44 | 23% | 11% | 338,351 |
| Pontianak | 4.01 | 40% | 16% | 216,721 |
| Sambas | 3.37 | 43% | 0% | 390,117 |
| Sanggau | 3.99 | 40% | 6% | 357,047 |
| Seruyan | 3.87 | 16% | -2% | 114,662 |
| Sintang | 3.37 | 33% | 4% | 308,447 |
| Tanah Bumbu | 3.68 | 25% | -2% | 214,034 |
| Sulawesi | Bantaeng | 3.73 | 34% | -6% | 155,714 |
| Boalemo | 4.41 | 34% | 5% | 142,780 |
| Bombana | 4.12 | 30% | 48% | 154,926 |
| Bone | 3.11 | 41% | 81% | 493,643 |
| Buton Utara | 4.82 | 24% | 27% | 95,722 |
| Donggala | 3.65 | 42% | 11% | 281,470 |
| Enrekang | 3.78 | 36% | -9% | 198,598 |
| Gorontalo | 3.64 | 47% | 5% | 303,803 |
| Jeneponto | 2.78 | 36% | -2% | 237,760 |
| Konawe Utara | 5.42 | 21% | -4% | 96,532 |
| Luwu Timur | 3.19 | 27% | 23% | 193,839 |
| Majene | 7.48 | 39% | 11% | 186,229 |
| Mamuju | 3.13 | 39% | 11% | 186,586 |
| Maros | 3.07 | 35% | -2% | 226,796 |
| Minahasa Selatan | 4.04 | 39% | 15% | 184,201 |
| Morowali | 4.52 | 30% | 26% | 229,170 |
| Pangkajene Kepulauan | 4.65 | 46% | 13% | 337,959 |
| Parigi Moutong | 2.36 | 34% | 23% | 232,396 |
| Pohuwato | 4.90 | 33% | 32% | 153,330 |
| Polewali Mandar | 5.47 | 50% | 15% | 326,636 |
| Sigi | 5.24 | 40% | 34% | 230,435 |
| Sinjai | 4.67 | 50% | 17% | 281,268 |
| Tana Toraja | 2.99 | 33% | 35% | 203,550 |
| Tolitoli | 3.43 | 33% | 11% | 184,851 |
| Wajo | 4.06 | 34% | 25% | 298,791 |
| Sumatera | Aceh Barat | 5.83 | 46% | 26% | 251,263 |
| Aceh Besar | 4.74 | 41% | 12% | 316,403 |
| Aceh Tamiang | 3.59 | 38% | 11% | 225,338 |
| Aceh Tengah | 5.33 | 39% | 23% | 240,132 |
| Aceh Timur | 2.56 | 32% | 2% | 239,209 |
| Aceh Utara | 2.58 | 32% | -9% | 352,908 |
| Bangka | 3.79 | 32% | 12% | 226,523 |
| Bangka Barat | 4.17 | 30% | 17% | 152,231 |
| Bangka Selatan | 4.04 | 26% | 12% | 141,091 |
| Bangka Tengah | 4.33 | 27% | 55% | 135,324 |
| BanyuAsin | 3.24 | 42% | 17% | 473,570 |
| Belitung Timur | 7.27 | 25% | 6% | 151,749 |
| Bener Meriah | 4.60 | 33% | 0% | 155,391 |
| Bengkulu Utara | 3.25 | 33% | 9% | 200,918 |
| Bireuen | 3.90 | 44% | 7% | 369,076 |
| Deli Serdang | 2.44 | 45% | 22% | 913,822 |
| DharmasRaya | 4.14 | 35% | 2% | 174,371 |
| Gayo Lues | 5.14 | 23% | 32% | 114,061 |
| Kampar | 4.16 | 39% | 9% | 663,704 |
| Kaur | 4.86 | 30% | 18% | 126,676 |
| Kerinci | 4.42 | 33% | -1% | 234,105 |
| Kota Batam | 2.62 | 29% | 2% | 404,749 |
| Kuantan Singingi | 4.28 | 30% | -2% | 296,275 |
| Mukomuko | 3.65 | 24% | 7% | 144,264 |
| Ogan Komering Ulu | 3.18 | 29% | 21% | 245,003 |
| Padang Pariaman | 4.52 | 55% | 4% | 445,973 |
| Pelalawan | 4.10 | 20% | 22% | 271,561 |
| Pidie | 2.55 | 59% | -26% | 254,262 |
| Pidie Jaya | 3.90 | 34% | 9% | 137,336 |
| Pringsewu | 5.15 | 56% | 42% | 418,422 |
| Rejang Lebong | 3.71 | 36% | 36% | 222,888 |
| Rokan Hulu | 2.68 | 25% | 13% | 296,904 |
| Serdang Bedagai | 2.81 | 46% | 10% | 386,287 |
| Solok | 4.24 | 47% | 4% | 349,535 |
| Tebo | 3.36 | 37% | 20% | 237,203 |

**F:\WORK\EPOS\REPORT & STATIONARY\emf\Red stripe.emfAustralia’s Education Partnership with Indonesia**

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1. Conceptually, “lead and lag indicators” have originated in the development of performance scorecards for use by business analysts. They are adapted here for use within the education sector. [↑](#footnote-ref-1)
2. The official method for calculating the incidence of poverty in Indonesia is the basic needs approach developed by the BPS. The method is based on consumption related aspects of poverty with a poverty line determined using average consumption in Rupiah for a list of basic essential food items and non-food bundle items. An individual who is below the poverty line is considered to be poor. The PO index is the proportion of all people living below that poverty line [↑](#footnote-ref-2)
3. National level data captures expenditures from all Ministries, not just MOEC and MORA. [↑](#footnote-ref-3)