

**EDUCATION SECTOR ANALYTICAL AND CAPACITY DEVELOPMENT PARTNERSHIP
(ACDP - 006)**

**FREE BASIC EDUCATION
STRATEGY DEVELOPMENT**

**SUPPORT FOR POOR FAMILIES IN MEETING
THE PERSONAL COSTS OF BASIC EDUCATION**

May 2013

EDUCATION SECTOR ANALYTICAL AND CAPACITY DEVELOPMENT PARTNERSHIP (ACDP):

The Government of Indonesia (represented by the Ministry of Education and Culture, the Ministry of Religious Affairs and the Ministry of National Development Planning/ *BAPPENAS*, the Australian Agency for International Development (AusAID), the European Union (EU) and the Asian Development Bank (ADB) have established the Analytical and Capacity Development Partnership (ACDP) as a facility to promote policy dialogue and institutional and organizational reform of the education sector to underpin policy implementation and help reduce disparities in provincial and district education performance. The facility is an integral part of the Education Sector Support Program (ESSP) which consists of EU sector budget support with agreed arrangements for results-led grant disbursement, and earmarked policy and program-led AusAID sector development grant support consisting of a school infrastructure program, a nationwide district and school management development program and a program to accelerate the GOI's accreditation of private Islamic schools. This report has been prepared with grant support provided by AusAID and the EU through ACDP.

CONSULTING FIRMS:

The two consulting firms responsible for preparation of this Paper on Supplementary 'Pro-Poor' Policy Instruments to support implementation of FBE Policy (ver. 2013-05-15) are: **PT. Trans Intra Asia (TIA)**, Indonesia and the **Institute of Public Administration of Canada (IPAC)**. These firms are part of a consortium which includes five (5) associate partners - two (2) from Canada (**Queens University** and **Dalhousie University**) and three (3) from Indonesia (**Bogor Agricultural University**, **Faculty of Law-University of Padjadjaran**, and **The Institution for Development of Economics and Finance**).

THE CONSULTANTS WHO PREPARED THIS REPORT ARE:

1. **Chris Majewski**, Team Leader/Basic Education Policy and Governance Expert
2. **Achmadi Ringoringo**, Education Finance Expert
3. **Robertus Soeharno**, PFM & Decentralization Expert
4. **Umaedi**, Capacity Development Expert
5. **I Made Sumertajaya**, Data Analyst
6. **Jeffry Fanciscus Haloho**, Research Assistant

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS	i
LIST OF TABLES.....	ii
LIST OF ABBREVIATIONS.....	v
1. INTRODUCTION	1
2. KEY ELEMENTS OF THE LEGAL FRAMEWORK.....	1
3. PERSONAL COSTS OF BASIC EDUCATION	5
4. INDONESIAN GOVERNMENT APPROACH TO ASSISTING POOR FAMILIES WITH PERSONAL COST OF BASIC EDUCATION.....	6
5. EVALUATION OF BSM	9
6. FUTURE DIRECTIONS	10

LIST OF TABLES

LIST OF TABLES

Table 1. Main expenditure categories in basic education	1
Table 2. Average per-student' total costs incurred by parents for basic education 2003 - 2009 (values in original Rupiah and constant Rp 2011). Source: Susenas 2003,2006,2009.	5
Table 3. Average per-student costs incurred by parents for basic education 2011-12 and percentage paid directly to schools/madrasahs. Source: ACDP 006.....	6
Table 4. BSM scholarships provided to basic education students, years 2008 and 2012*	8
Table 5. Projected costs of BSM for junior secondary students in 2012.....	8
Table 6. Percentage of basic education students in poorest and richest quintiles receiving BSM, Year 2010.	10

LIST OF ABBREVIATIONS

LIST OF ABBREVIATIONS

ACDP	Analytical and Capacity Development Partnership
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
Bappeda	Badan Perencanaan Pembangunan Daerah (Regional Agency for Development Planning)
Bappenas	Badan Perencanaan Pembangunan Nasional (National Agency for Development Planning)
BOS	Bantuan Operasional Sekolah (School Operations Funds)
BSM	Bantuan Siswa Miskin (Scholarships for Poor Students)
EMIS	Education Management Information System
FBE	Free Basic Education
FGD	Focus Group Discussion
Gol	Government of Indonesia
HLTWG	High Level Technical Working Group
MI	Madrasah Ibtidaiyah (Primary Madrasah)
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoRA	Ministry of Religious Affairs
MSS	Minimum Service Standards
MTs	Madrasah Tsanawiyah (Junior Secondary Madrasah)
NES	National Education Standard
SD	Sekolah Dasar (Primary School)
SMP	Sekolah Menengah Pertama (Junior Secondary School)
SNP	Standar Nasional Pendidikan (National Education Standards)
SUSENAS	Survei Sosial Ekonomi Nasional (National Socio-Economic Survey)
TNP2K	National Team for Accelerating Measures for Countering Poverty
ToR	Terms of Reference

MAIN TEXT

1. INTRODUCTION

This paper forms a part of the work of ACDP 006 project on **Free Basic Education Strategy Development**. The objective of the project is to develop a comprehensive strategy for the implementation of Free Basic Education (FBE) in Indonesia, covering policy, funding, accountability, capacity development and system requirements.

The strategy also has to address the particular needs of that section of Indonesia's population which finds it difficult to meet the costs of basic education even where there is no requirement to pay school fees.

The costs of basic education fall into the following budgetary categories:

Table 1. Main expenditure categories in basic education

Expenditure categories	Examples
Capital <ul style="list-style-type: none"> major minor 	school buildings, classroom furniture teaching aids, office equipment, small generators
Operational <ul style="list-style-type: none"> personnel non-personnel 	teacher and auxiliary staff wages consumables, transport
Personal	uniforms, transport, stationery

This paper focuses on the personal costs associated with basic education. It comprises the following main elements:

- a summary of key elements of the legal framework relating to funding of basic education;
- an overview of current Indonesian practice in supporting poor families with personal costs of basic education, with particular attention to the main program in this area, the *Bantuan Siswa Miskin* (BSM);
- an evaluation of BSM; and
- recommendations for the future taking into account international best practice.

In addition to national and international secondary sources, including Indonesian national statistics, the paper draws on data from ACDP 006's own study of parent contributions to basic education, administered in May-June 2012.

2. KEY ELEMENTS OF THE LEGAL FRAMEWORK

Summary of key relevant legislation

A form of basic education was already provided in Indonesia during the colonial era, although it was available only to some. Post-independence, the Indonesian education system was brought into being. The development of the most important legislative and regulatory elements affecting basic education in Indonesia and their application to the funding of free basic education and to helping poor students with personal costs of education are outlined below.

The 1945 Constitution

The Constitution states that enriching the intellectual life of the nation is one of the goals of independence and that every Indonesian citizen is entitled to education. Basic education is compulsory, and the government is obliged to provide financing for the program.

Law No 4 /1950 and Law No 12 /1954

All children aged six have the right, and all aged eight are obliged to attend school for at least six years.

Government support for private schools is permitted provided that they comply with regulations. The nature and quantity of the subsidy is determined by government regulation.

In government primary and special schools school fees are forbidden. In all other government schools, students pay charges set by the school, in accordance with their financial capacity. In middle schools and vocational schools students pay for the equipment and materials used in practical subjects. Students who are able to succeed at a given level of education but who cannot pay are not required to pay.

Law 2/1989

The levels of education are identified as basic, middle and high, with basic education covering the first nine years. Basic education is compulsory for those between seven and fifteen years of age.

All students are obliged to pay fees except those who are relieved of this responsibility.

The government is responsible for the wages and allowances of educators working in government schools. Wages and allowances of educators working in private schools are the responsibility of the individuals or organisations managing those schools. Government can provide assistance to private schools in accordance with regulations.

Law 20/2003

Education will be managed democratically, fairly, without discrimination and with respect for human rights, religious values, cultural values and the diversity of the nation.

Formal education consists of three levels: basic, middle and high. Basic education includes primary schools and primary madrasahs as well as junior secondary schools and madrasahs. All citizens between seven and fifteen years old are obliged to participate in basic education, and their parents are obliged to ensure that this happens.

National and local governments guarantee that at least basic compulsory education will be free of charge. Society as a whole shares the responsibility for delivery of compulsory education, but the government has a special obligation to help poor families by providing scholarships.

The Law specifically addresses the situation of students who have the ability to participate in education, but who are constrained from doing so because of their families' economic situation. Chapter 5, Article 12, Section 1 states that:

Every student...has the right to:

(c) receive a scholarship if they are able but their parents cannot afford the cost

(d) receive payments required for education if their parents cannot afford the payments.

Those who are responsible for the management of private education institutions are obliged to foster and develop the education staff in their institutions.

National and local governments are obliged to support the guidance and development of education staff in formal private education institutions.

Government Regulation 19/2005

This regulation established the National Education Standard (NES), which consists of a comprehensive list of standards relating to the full range of services and activities related to the provision of education. Several additional Ministerial regulations provide detailed guidance in relation to the standard.

Government Regulation 65/2005

This regulation established the basis for Minimum Service Standards (MSS) in a range of government activities, including education.

Government Regulation 47/2008

This regulation builds on Law 20/2003, outlining that compulsory basic education covers the first nine years of education, and that responsibility for funding the program is shared between national and local governments.

Government Regulation 48/2008

Identifies the categories of funds used in the delivery of education, including capital, personnel, operational non-personnel and personal expenditure.

Ministerial Regulation 15/2010

Outlines the 27 criteria which form MSS for basic education.

Government Regulation 60/2011

Sets out regulations about charging of school fees and about receipt of voluntary parent contributions. This regulation was re-interpreted by Regulation 44/2012, below.

Ministerial Regulation 44/2012

Specifies that government schools and madrasahs delivering basic education are not allowed to charge compulsory fees. Voluntary contributions are allowed. International Standard schools and madrasahs are allowed to charge fees, with particular conditions attached, but poor families have to

be exempt from fees. Private providers of basic education are allowed to charge fees for capital expenditure where there is a gap between the current condition of the school/madrasah and the standards specified in MSS or NES. If providers of private education receive operational funding from government, they are allowed to charge fees for operational expenses to bridge the gap between the current condition of their schools/madrasahs and the MSS or NES standards. If they refuse such assistance from government, they are not allowed to charge fees for operational expenses. It is not clear whether the definition of operational expenses is the same in this regulation as in Government Regulation 48/2008, where both personnel and non-personnel items are included in the definition of "operational".

Obligation of parents, schools/madrasahs and governments in ensuring basic education for all children

The legislative framework stresses the compulsory nature of basic education. All children, including those from poor families, are obliged to attend nine years of compulsory education: six years in primary schools/madrasahs and three years in junior secondary schools/madrasahs. Parents have to ensure that their children attend the education program, regardless of their families' financial circumstances. Poverty is not an acceptable reason for non-participation.

For schools/madrasahs delivering basic education, this means enrolling and teaching children from poor families without demanding any financial contribution, even in those institutions which are permitted to charge fees. Although they don't pay, poor students have to be taught the full national curriculum as outlined in the regulations.

For government at all levels, there is a clear obligation to fund basic education for all students of compulsory education age. There is a particularly strong obligation to ensure that students are not disenfranchised from basic education services because of their families' financial circumstances. The central government has addressed this obligation by mandating that mainstream government schools and madrasahs delivering basic education are not allowed to charge compulsory fees. International Standard schools and madrasahs and private schools and madrasahs are allowed to charge fees to bridge the gap between their existing conditions and the conditions outlined by either MSS or NES, but they must exempt students from poor families.

3. PERSONAL COSTS OF BASIC EDUCATION

Ensuring that poor students are exempt from any charges levied by schools/madrasahs addresses only a part of the challenges faced by poor families who want their children to complete nine years of schooling. Table 2 (below) shows the average total basic education costs, per student, incurred by Indonesian families between 2003 and 2009. The data is taken from the Education and Social Module of the national census (Susenas). The Module is administered every three years, and is being re-administered in 2012. The timing means that data from this year's survey will not be available before 2013.

Table 2. Average per-student' total costs incurred by parents for basic education 2003 - 2009 (values in original Rupiah and constant Rp 2011). Source: Susenas 2003,2006,2009.

Schools/madrasahs	Average Total Parents' Costs/Year/Per Student		
	Original and 2011 constant Rupiah		
	2003	2006	2009
Government SD	146,653 (2003)	(2006) 418,810 (2011)	(2009) 655,580 (2011)
Private SD	366,426 (2011)	(2006) 923,094 (2011)	(2009) 1,095,058 (2011)
Government MI	136,617 (2003)	(2006) 507,864 (2011)	(2009) 665,102 (2011)
Private MI	339,546 (2011)	(2006) 480,048 (2011)	(2009) 705,120 (2011)
Government SMP	383,474 (2003)	(2006) 931,230 (2011)	(2009) 1,035,700 (2011)
Private SMP	943,060 (2011)	(2006) 1,489,132 (2011)	(2009) 1,397,740 (2011)
Government MTs	301,232 (2003)	(2006) 730,172 (2011)	(2009) 1,004,112 (2011)
Private MTs	745,834 (2011)	(2006) 731,352 (2011)	(2009) 996,414 (2011)

ACDP 006's own survey of parental contributions to basic education administered in May-June 2012¹, shows that these contributions continue to be substantial, as demonstrated by Table 3, below. The level of parental contributions recorded by the survey is broadly consistent with to that reported by the World Bank, which in early 2012 advised that the annual cost of educating one child at secondary level ranged between Rp 1.8 million and Rp 2.6 million.

It should be noted that the survey's sample comprising 228 schools/madrasahs is not nationally representative and the sample exhibits a bias towards parents with a higher than average level of education. Nevertheless, the ACDP 006 data supports the data from the national census, showing that most of the expenditure incurred by families is not in the form of direct payments to schools. Students of private SMPs and MTs's pay the largest proportion of their total education-related expenditure in the form of direct payments to schools/madrasahs: 27.5% and 23.3% respectively. In the government sector, and especially in primary government education, this proportion is low or very low.

¹ See *Survey of Parent Contributions to Basic Education, ACDP 006, 2012*

Table 3. Average per-student costs incurred by parents for basic education 2011-12 and percentage paid directly to schools/madrasahs. Source: ACDP 006

Schools/madrasahs	Average Total Parents' Costs/Year 2011-2012 (Rp)	Percentage paid to directly to schools/madrasahs
Government SD	1,554,133	3.5%
Private SD	2,196,520	7.9%
Government MI	1,987,811	4.1%
Private MI	1,401,489	11.0%
Government SMP	2,326,732	15.2%
Private SMP	2,288,368	27.5%
Government MTs	2,548,133	17.2%
Private MTs	1,613,095	23.3%

The ACDP survey and Susenas data both show that the largest categories of expenditure incurred by parents were the cost of uniforms and transport between home and school, and that the amount paid for additional programs and courses offered by schools rose significantly over time. The ACDP 006 survey also found that pocket money given to students for buying snacks was a major expenditure item.

4. INDONESIAN GOVERNMENT APPROACH TO ASSISTING POOR FAMILIES WITH PERSONAL COST OF BASIC EDUCATION

Indonesia has been making impressive strides in poverty reduction. The 2011 World Bank Report, *Protecting Poor and Vulnerable Households in Indonesia*, indicates that between 1999 and 2011, the percentage of Indonesian families living in poverty has been reduced from approximately 23.4% to 12%. Indonesia's current Medium Term Development Plan aims to reduce this figure to 8% by 2014. Despite this progress, the figures indicate that currently there are still around 25 million Indonesian citizens living below the poverty line.

There is overwhelming international and national evidence which links school dropout rates to poverty. The Susenas Education and Social Module shows that a very high percentage of drop outs from basic education continue to be caused by financial factors. Families report that they don't have the funds required to pay for school-related expenses, and/or that they cannot afford the opportunity cost of not having their children working. This pattern is common to most developing countries in Africa, Asia and South America.

The Indonesian government has addressed the area of education-related personal costs since 1999, when its first program specifically designed to support the education of poor children was introduced. This School Grants initiative was a response to the Asian Financial Crisis which had a strong negative impact on Indonesia's economy, and in particular on those in the lower part of the socio-economic pyramid. The grants were a conditional cash transfer, officially tied to the targeted children's school attendance, but there was no process for checking that the funds provided were actually spent on education-related expenses.

The introduction of the *Bantuan Operasi Sekolah* (BOS) fund in 2005 was the next major step in providing assistance with education-related costs. BOS funds are provided directly to schools/madrasahs, based on their student enrolment numbers. From 2005 to the present day,

guidelines for the use of the funds have allowed them to be used as a direct cash transfer to poor students' families, to assist with personal costs of education. Although some BOS funds have been used in this way, the practice has not been widespread as most schools have prioritised spending the money on their own operational needs. Studies like AIBEP's *Small In-depth Study of Early Impact of AIBEP on School Financing and School Management* show that schools in poor areas are more likely to support poor students with funds raised directly by their school committees, though the amount of support offered in this way is also not large and is commonly restricted to the purchase of uniforms.

In 2008, the Indonesian government introduced a new program, *Bantuan Siswa Miskin (BSM)*. The program, delivered in the form of cash transfers, is essentially a scholarship program. It operates at all education levels from primary to university and is funded entirely by central government. The program's objectives, as stated in the Ministry of National Education and Culture (MoEC) basic education program guidelines are:

- *in broad terms, to strengthen the government's ability to deliver the complete Nine Years of Compulsory Basic Education.*

Specifically, the objective is:

- *to the extent that it is possible, provide support to basic education students whose parents are affected by poverty;*
- *to help students in completing the required learning activities;*
- *to motivate students to work harder at school; and*
- *reduce the burden of parents who are too poor to meet the full costs of education.*

The funds provided by BSM can be used for items such as:

books, uniforms, sport equipment, equipment for shoes, teaching materials for practical subjects, transport to and from school, and other needs related to school programs.

Basic education students who are eligible to receive BSM are those who have been nominated as eligible by the relevant Director (primary or junior secondary) of MoEC. The students have to be enrolled as basic education students, and:

- *have a minimal attendance rate of 75%;*
- *have parents certified as poor by the school principal, with the knowledge of the school committee;*
- *demonstrate diligence and high discipline;*
- *fulfil all school requirements;*
- *follow all school rules;*
- *respect their parents, teachers and other members of the school community;*
- *don't smoke or use drugs; and*
- *be honest.*

In junior secondary schools, scholarship recipients can also be orphans, students with physical disabilities and students with more than three siblings under the age of 18.

For madrasahs, the students are required to be:

- coming from poor families, as certified by the village;
- at risk of dropping out of school due to barriers resulting from the cost of education;
- not in receipt of any other scholarship;
- of good character; and
- selected for the scholarship at a meeting the madrasah committee.

The annual per-student BSM payments have not been adjusted for inflation since their introduction in 2008, and for 2012 remain at Rp 360,000 for primary and Rp 550,000 for junior secondary students. The number of students covered by the program has more than tripled since 2008, as shown in Table 4, below.

Table 4. BSM scholarships provided to basic education students, years 2008 and 2012*

Schools/ Madrasahs	Total Of Targeted Students 2008	Total Of Targeted Students 2012
<i>Primary schools</i>	898,400	3,530,305
<i>Primary Madrasahs</i>	358,492	750,000
<i>Jun. Sec. Schools</i>	499,105	1,374,864
<i>Jun. Sec Madrasahs</i>	274,027	600,000
Total	2,030,024	6,599,683

*The numbers provided for 2012 are the numbers of students "targeted" in 2012. The actual number of scholarships delivered is not expected to vary significantly.

The amount spent on BSM for basic education students represents approximately half of the total outlays of the program, with the other half spent on senior secondary and tertiary students. The detailed projected cost of the BSM basic education program for 2012 is provided in Table 5, below.

Table 5. Projected costs of BSM for junior secondary students in 2012.

SCHOOLS/ MADRASAHS	TOTAL OF TARGETED STUDENTS	STUDENT PAYMENTS	TOTAL BUDGET
<i>Primary schools</i>	3,530,305	Rp 360,000-/Year	Rp.1,270,909,800,000
<i>Primary Madrasahs</i>	750,000	Rp 360,000-/Year	Rp. 270,000,000,000
<i>Jun. Sec. Schools</i>			
Yrs 7, 8	894,946	Rp 550,000-/Year	Rp. 492,220,300,000
Yr 9 (1 semester*)	479,918	Rp 275,000-/Semester	Rp. 131,977,450,000
New year 7 class (1 semester)	344,514	Rp 275,000-/Semester	Rp. 94,741,350,000
<i>Jun. Sec Madrasahs</i>	600,000	Rp 550,000-/Year	Rp. 330,000,000,000
Total	6,599,683	-----	Rp.2,589,848,900,000

*This class graduates from junior secondary school at the end of semester 1.

BSM for basic education is administered by MoEC through the directorates of Primary and Junior Secondary Education, and through the Ministry of Religious Affairs (MoRA) Directorate of Madrasah Education. The process of distributing the funds varies. For junior secondary students, the funds are

provided through the schools' bank accounts, and the school gives the scholarship funds to students. For primary school students, the process involves transfers to financial institutions, often post offices, from which the students personally collect the funds. The madrasah system also uses financial institutions to transfer the funds. The funds are usually received by madrasahs collectively on behalf of their students, but in some cases individual students collect the scholarship themselves.

5. EVALUATION OF BSM

In evaluating the operations of BSM, ACDP 006 drew on work undertaken by the World Bank in reports including *Bantuan Siswa Miskin, Cash Transfers for Poor Students* (2012), *Protecting Poor and Vulnerable Households in Indonesia* (2012) and *Conditional Cash Transfers* (2008). It also drew on the on-going work and advice of the Secretariat of the National Team for Speeding up Measures for Countering Poverty (*Tim Nasional Percepatan Penanggulangan Kemiskinan, or TNP2K*).

BSM is a conditional cash transfer program, and at the primary and junior secondary level it is intended specifically to support students from poor families in continuing and completing basic education. Conditional cash transfer programs have the advantage of both targeting demand and assisting with the cost of education. In the case of BSM, demand is targeted because the conditions attached to the program focus on the child having to be involved in basic education, and the minimum 75% attendance rate quantifies the required degree of participation. The demand for participation in education is therefore increased. The scholarship also provides financial support to the targeted student, decreasing the personal cost of participating in education. The program has a gender equity effect. Indonesian families with limited financial capacity and several children are more likely to focus the available resources on boys, thus disadvantaging the educational prospects of their daughters. When a girl is the recipient of a scholarship, her chances of remaining in education increase substantially.

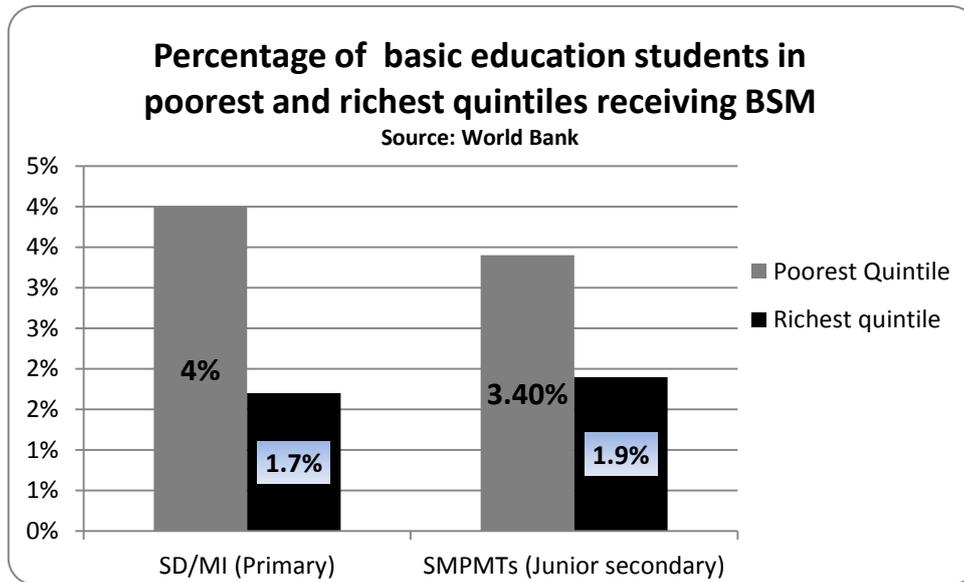
Regrettably, a number of features of the design and administrative practice of the BSM program significantly reduce the positive impact of the scholarships.

The administration of the program is fragmented, making monitoring and evaluation more complex. In addition to the three directorates delivering the scholarships to students at the level of basic education, there are seven additional bodies administering the scholarships at different levels of education.

Coverage of the program is limited. Indonesia spends only 0.5% of its annual budget on social assistance programs as opposed to an average of 1.5% for developing countries. Even though the BSM represents a large proportion of total expenditure on social assistance, and in spite of the increased number of scholarship recipients demonstrated in Table 4, above, it is estimated that less than 10% of students from families classified as poor are currently covered by the program.

A part of the cause of poor coverage is poor targeting. The poorest 30% of students receive less than double the amount of benefits received by the richest 30%. This distortion of the program increases the higher the level of education, but is also a serious issue even at lower levels. Table 6, below, shows that at the level of basic education, a large proportion of the scholarships end up being used by students who should not be in receipt of the them. They are students whose families are not only not poor, they are in the wealthiest quintile of Indonesia's population. Among the four large Indonesian social assistance programs, BSM is noted for being more prone to servicing families in the top 3 deciles of the population.

Table 6. Percentage of basic education students in poorest and richest quintiles receiving BSM, Year 2010.



The amount of support which BSM offers to families is also an issue. As already noted above, the annual amount provided per year to each student has not increased since the beginning of the program in 2008. Moreover, many students do not receive the full amount of the scholarship. Often, schools and madrasahs spread the available scholarships among a larger number of recipients than the number that was targeted nationally. Reported examples include schools using some of the money to buy school uniforms for all students in a class, or spitting the scholarship in two to provide the benefit to twice as many students. In 2009, 83% of students who reported receiving the scholarship stated that they had received only between 39% and 50% of its nominal value.

There are also other improvements which need to be made to the BSM program. At present, a student has to be at school for a year before the scholarship is provided and the scholarships are not transferable between levels of education. A student in receipt of the scholarship in grade six of primary school will not be paid again until the start of year two of junior secondary, with no support at all during year one, although it is known that transition is the time when most dropouts take place and that funds are most needed at the start of the school year.

6. FUTURE DIRECTIONS

The office of the Vice President currently houses the major project designed to address improvements in the delivery of BSM to targeted families. The key improvements suggested consist of the following:

1. *The administration of the program should be centralised, so only one authority will be responsible for managing the program at all levels of the education system.*

There are strong advantages to this approach being implemented. It will concentrate the expertise required by the administration of the program, facilitate evaluation of the program as a whole, and allow easier transfer of lessons learned from one level of education to another. There are also strong advantages in the BSM team working in the office of the Vice President, where a larger team is working on the broader issue of alleviation of poverty in all its aspects.

Cross-fertilisation between the BSM team and those working on other strategies for poverty alleviation can bring benefits of synergy. For example, identification and certification of those who are judged to be poor need not be done separately for each individual poverty alleviation program.

2. *Identification of students who should be eligible for BSM should be done in the broader context of identification of poor families*

As noted in point 1, above, this is one of the possible benefits of co-location of the BSM program with other programs working on alleviation of poverty in the office of the Deputy President. ACDP 006 was advised that consideration is being given to eligibility for BSM being tied to a student's possession of a specific BSM card, produced centrally in the office of the Vice President, which will only be issued when the family has been approved for assistance through a formal process, directed from national level. To achieve this, the Unified Database will need to be improved to include the student's ID number, school name and address. If this is implemented, it should help to overcome the difficulties of mis-targeting the scholarships, which is a serious shortcoming of the program as it currently operates. At the school/madrasah level in particular, the payment being tied to a particular student who possess the BSM card will reduce the discretion which principals and school committees currently have in directing the scholarships.

The tying of eligibility for the scholarship to an assessment of the family will also enable the scholarships to target students who are not at school, or have dropped out. The system operating to date, dependent on schools/madrasahs identifying candidates for scholarships from among their existing cohorts of students, cannot address the needs of those who find themselves outside the formal education system.

3. *Ensuring that the scholarships are available close to the start of the school year, and that there is continuity between levels of schooling*

Changing the system to assessing the level of poverty of a family, rather than assessing students already at school, means that eligibility for the scholarship can be determined before a child starts in grade 1 of primary school. Consequently payments can be made close to the start of the school year, when costs are highest. If the scholarship retains its character as a Conditional Cash Transfer, the student will retain the scholarship throughout their education unless the conditions are breached, with payments available at the start of the new school year, even when the student moves between levels of schooling or changes schools. A breach could occur if the financial situation of the family changes so that the student is no longer eligible on grounds of poverty, or if the student does not fulfil other requirements, which may be similar to those already operating in BSM, such as regularly attending school.

4. *Increasing the reach of the scholarships*

The TNP2K team has an aim of BSM reaching more children from very poor, poor, and vulnerable families, wanting the scholarships to be available to up to 30% of Indonesia's families with the lowest socio-economic status. The feasibility of this will be determined by the government's judgment of its budgetary capacity; the proposal will have to be assessed against other priorities. The scope of the scholarships' reach may also be affected by decisions about the value of the scholarships, as per point 5, below.

5. *Increase in the value of the scholarship*

TN2PK estimate the personal costs of education, per child, to be Rp 910,000 at primary and Rp 1,390,000 at junior secondary level, far above the current BSM tariffs. Increasing the scholarship value to that level would cost an additional Rp 2.354 trillion per year for primary students and Rp 1.098 for junior secondary students. In the light of the education system's fiscal capacity, decisions will have to be made as to which course of action needs to be prioritised if it is not possible to do both: extend the reach of the scholarships to a broader population base, or increase the benefit provided to each recipient.