

Making BOS Effective Under Decentralization

Policy Brief

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Government's largest education program; in 2009, BOS accounted for 8.9% of the total national education expenditure (Table 1).

Table 1: BOS Key Features

Category	Status in 2009
Coverage of schools and students (MONE+MORA)	207,826 schools ³ ; 41.3 million students
Annual allocation per student (Primary)	Rp. 397,567 (approx US\$44)
Annual allocation per student (Junior Secondary)	Rp. 570,945 (approx US\$63)
BOS allocation per school/annum on average	Primary: US \$7,832; (178 students) Junior secondary: US \$17,640; (280 students)
BOS share of total education budget	8.9% (22% of the central government)
Fund flow mechanism	Direct transfer to schools in quarterly installments.
Approval and implementation of budget at the school level.	By the school committee (principal and parents); the chair of the school committee co-signs the budget plan and expenditure report.
Reporting	Transfers to schools recorded by the Ministry of Finance; quarterly reporting on BOS fund allocations and expenditures by schools to districts.
Audit	Clean audit for 2008 and 2009 by BPKP



Photo by World Bank Team

I. BOS and access to basic education

The Government of Indonesia (GoI) continues to make significant investments to meet its constitutional obligation of ensuring basic education¹ for all children, including the poor or those otherwise disadvantaged. Progress in terms of improving access to basic education, particularly at the primary level has been commendable. However, the significant increase in the cost of education as well as the opportunity cost as children progress from primary to junior secondary school is a key challenge for poor households and government alike. Another factor which affects decisions on how long children stay in school, is the quality and relevance of education offered, especially to children "at risk" of dropping out or not continuing to the next level, because of poor learning. In addition, where parental involvement or oversight of schools is low, it tends to make schools less accountable and responsive to student needs.

BOS (*Bantuan Operasional Sekolah* or School Operational Assistance) seeks to improve access to basic education for every child in Indonesia. It disburses block grants based on an easily understood per student funding formulae, directly to public, private or religious schools, thereby lowering school fees² that traditionally financed school operations. It is also the

1 Basic education in Indonesia consists of primary (grades 1 - 6) and junior secondary (grades 7-9).

2 These include: (i) entrance fee for new students; (ii) registration fee for old students; (iii) uniform fee; (iv) tuition fee; (v) book fee; (vi) student worksheet; (vii) computer fee; (viii) cooperative fee; (ix) extracurricular courses/lessons; (x) scout fee; (xi) student farewell fees; (xii) study tour; and (xiii) others.

II. BOS and School Based Management

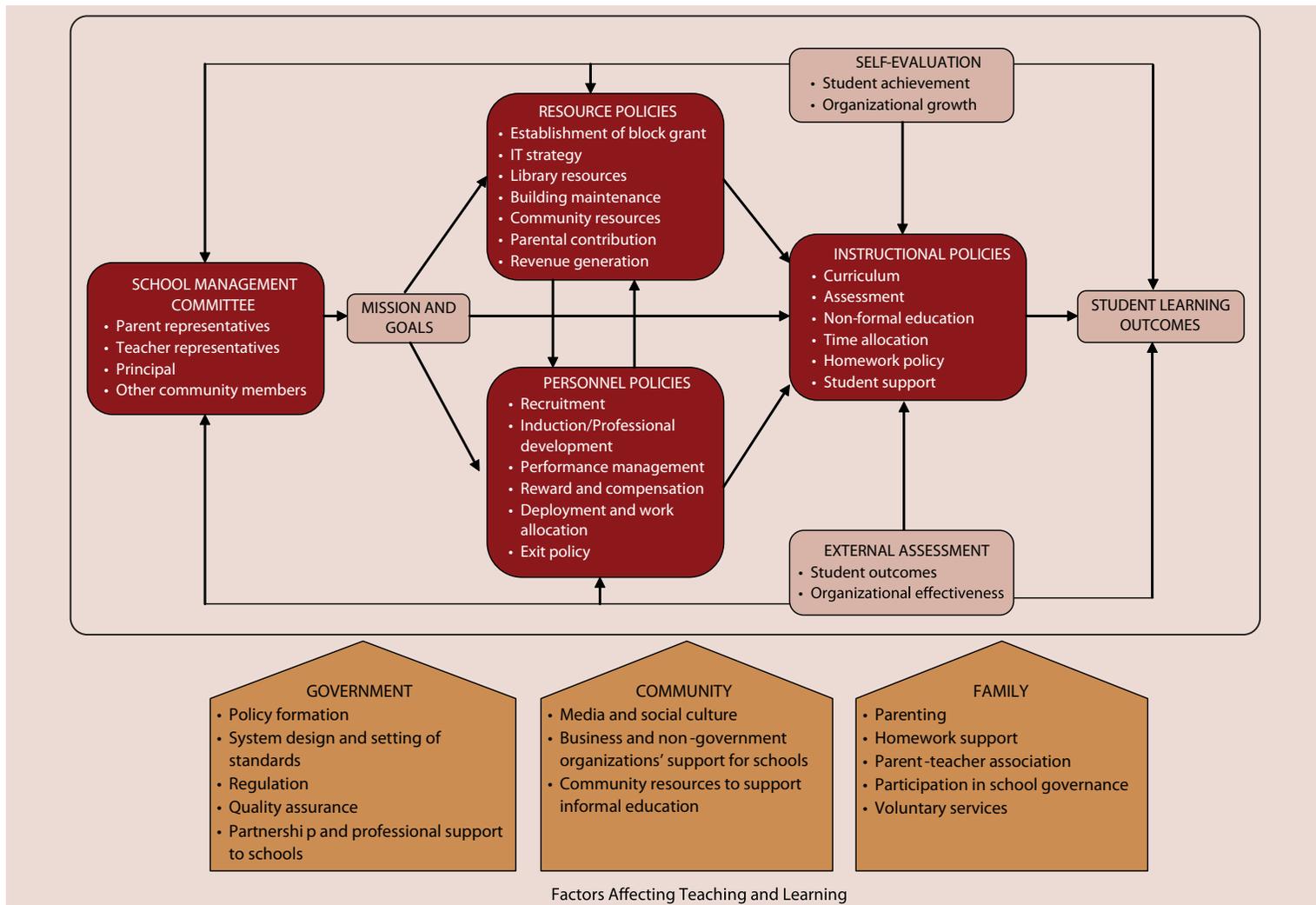
The BOS program, initiated in 2005, is not only Indonesia's most significant policy reform in education financing, it is also leading the Government's transformation of the education sector from a centralized system to one supporting School Based Management (SBM) see Figure 1.

Recent international evidence⁴, based on rigorous impact evaluation of SBM found that SBM changed the dynamics in the

3 MONE(2009). Indonesia Educational Statistics in Brief 2008/09. Pg 116 and pg 142.

4 World Bank (2008). What Do We Know About School Based Management? World Bank. Washington.DC.

Figure 1: How School-Based Management influences learning outcomes



Source: Adapted from "Transforming Schools into Dynamic and Accountable Professional Learning Communities". School Based Management Consultation Document. www.info.gov.hk/archive/consult/2000/SBM.

school because of changes in the behavior of parents (who became more involved) and teachers who changed their actions. These changes led to positive impacts on repetition rates, failure rates, and learning outcomes based on standardized test scores, with schools achieving progress on one or more of the above indicators.

Within Indonesia, BOS too has **made a vital contribution to improving access to basic education for children from the poorest households**. Net enrolment rates (NERs) for the poor at the primary school level have increased to 93.81% in 2009. At the junior secondary level, BOS helped raise the NER of the poorest children from 52% in 2006, to 59% in 2009, while also increasing their completion rates from 50% to 55% over this period (SUSENAS 2006 and 2009).

III. Key issues to be addressed under a decentralized BOS

In July 2010, the Gol formally announced its intention to decentralize the BOS program in 2011, beginning with allocation of BOS resources to schools through the regional government budget.

The decentralization of BOS offers a window of opportunity to take stock of the benefits of this program, and also to consider how BOS funds, in combination with local government spending on education, can address some outstanding issues related to equity, efficiency and quality of education in Indonesia.

Ensure continuity of School Based Management and community empowerment

The success of BOS in promoting school based management lies in; (i) block grants being delivered directly to school bank accounts and; (ii) the ability of school staff and school committees to determine the use of funds among eligible categories of expenditures. Full accountability of fund use is currently assured by linking expenditures to school development plans, requirements for maintaining updated financial records, oversight by the School Committee, internal and independent monitoring and annual BPKP audits.

Allocating BOS through the DPA (Budget) mechanism risks fragmentation of this well-functioning system as different procedures would need to be followed for private and public



School Meeting, Photo by Erlangga Agustino L

schools and within the latter between primary and junior secondary schools. This increases the likelihood of bureaucratic bottle necks, lower transparency, slower fund flow and greater fiduciary risks. Furthermore, it runs counter to the decentralization of decision making for fund use and accountability for education outcomes directly to communities.

Recommendation: With decentralization, appropriate fund flow mechanisms under APBD would need to be developed that ensure that BOS funds are delivered in lump sum amounts directly to all schools i.e. public and private by over 500 districts and are used in accordance with needs determined by school staff and school committees.

Improve the adequacy⁵ of BOS by reducing spending on honoraria

The high spending on honoraria from BOS leaves fewer resources for other expenditures of direct benefit to students, which can help reduce the significant burden of tuition fees that continue to be charged, even from the poorest students. Findings from the Regional Independent Monitoring (RIM) survey⁶ under BOS-KITA shows that the use of BOS funds continues to be dominated by spending on honoraria; either as explicit honoraria for temporary teachers or as implicit salary supplements for PNS (civil service) teachers undertaking curriculum development, remedial learning, enrichment learning or helping students prepare for examinations⁷. Although teacher honoraria for such

activities are allowed under BOS as and when needed by schools, our findings indicate that the allocations for honoraria tend to be regular for staff with amounts varying according to seniority and type of tenure.

Recommendation: Given the significant incentives for teachers to enhance their income through the teacher certification process, school operational support funds such as BOS should no longer be allowed for honoraria for PNS teachers for activities which clearly lie within their basic obligations as teachers. Spending on honoraria for PNS staff (teachers and school principals), may only be allowed under exceptional circumstances such as inter-school competitions and needs to be approved by the school committee.

Address the risk of BOS contributing to an excessive teacher workforce

The large presence of temporary teachers creates an additional barrier for government efforts to rationalize the overall employment of teachers and their deployment according to acceptable student teacher ratios. Although BOS was intended to hire temporary teachers with specific skills *not offered* by the current teachers in a school, there are indications that temporary teachers hired using BOS funds are more or less permanent and form a significant share of all school staff; 30% in public primary schools and 18% in public junior secondary schools (Table 2). This has in effect led to the creation of a parallel teacher workforce.

Recommendation: BOS funds should only be used for funding temporary teachers as long as the total number of teachers in a school is in accordance with government mandated student to teacher ratios. Priority should be given by districts to the redeployment of PNS teachers to meet shortages in schools that are seeking to hire temporary teachers.

5 Ghozali(2008) estimated non-personnel costs of education per student per annum as Rp 509,535 for primary and Rp 709,880 for junior secondary level. ADB(2009) estimated non-personnel education costs per student per annum as Rp 382,000 for primary and Rp 731,000 for junior secondary on the assumption that textbooks are used for three years. A nationally representative costing study is currently underway to update these cost calculations.

6 The RIM survey examined use of BOS funds according to 14 eligible categories in 2,060 schools across 71 districts in 33 provinces.

7 In 2008, public junior secondary schools spent 27% of BOS on temporary teacher honoraria; private junior secondary schools spent, 34% RIM, (2008).

Table 2: Teacher categories (as a % of total teachers)

Teachers				
	PS		JSS	
	Public	Private	Public	Private
Civil Service (PNS) staff	67%	31%	81%	33%
Teachers funded by Foundations	-	26%	-	-
Contract teachers funded by MONE	1%	1%	0%	0%
Contract teachers funded by Local Government	2%	1%	1%	1%
Temporary teachers	30%	41%	18%	65%

Source: RIM (2008)

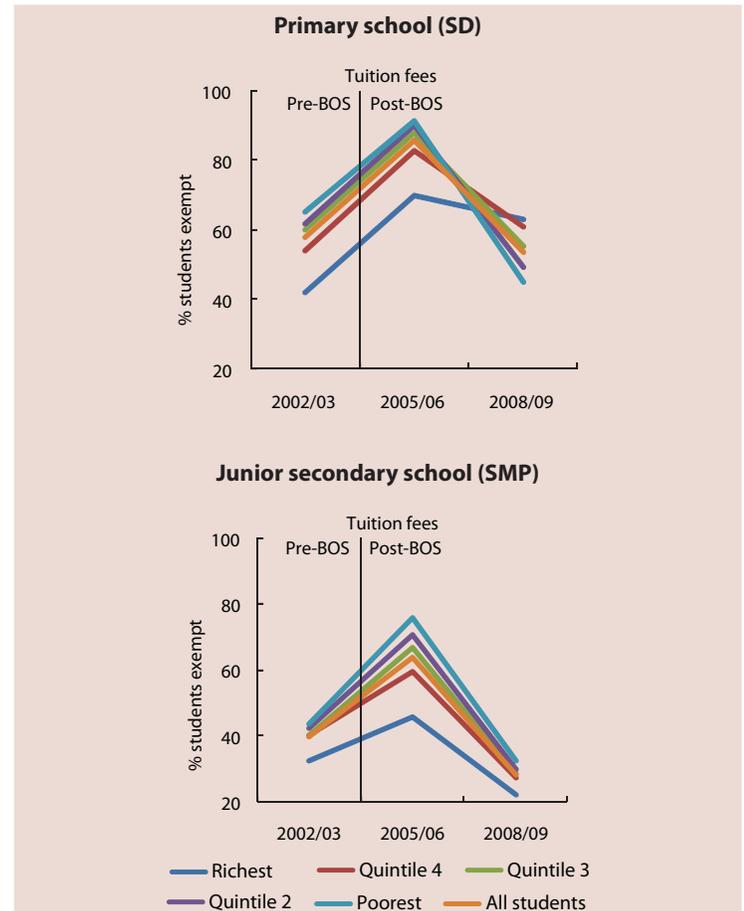
Consolidate all support to children from poor households through demand side measures

The BOS mechanism has been less effective in targeting the poor and will likely remain so until such a time as GoI launches a reliable mechanism to identify the poor. In 2009, only 45 percent of poor students in primary, and 33 percent of poor students in junior secondary school reported being exempt from tuition fees (Figure 2), with marginal difference between public and private schools. The cost to the poor that paid tuition fees rose between 2006 and 2009 for primary and junior secondary school, albeit from a low base value. While the BOS program has been categorized as a pro-poor program⁸, and does contain provisions for providing free education to the poor i.e., (i) not charging them any school fees and in addition (ii) providing them with transportation costs, the BOS program is not designed to be nor has it been a very effective pro-poor program. This is due to several reasons:

- In the absence of any clear mechanism to identify and target the poor, schools are using subjective criteria to determine poor students from those already enrolled in school⁹; and poverty targeting criteria can vary across schools, even within the same sub-district.
- Given the competing demands on the use of BOS funds, even among those identified as poor students, only 18% were receiving support for transportation costs (RIM 2008).
- The decline in the real value of BOS (between 2005 and 2009), high expenditures on honoraria as well as weak monitoring and/or enforcement by districts also led to a reintroduction of school fees for the poor. SUSENAS (2009) shows that various fees continue being paid by a majority of poor students, and that spending on tuition fees, transportation and uniforms contributed the most to the rise in education spending by poor

households (Figure 3), which arguably could have been greater in the absence of BOS funds. While some school fees have reduced as a result of BOS, the decline for the poorest quintile has been less than the decline for the richest quintile. Notably, spending on books and stationery, has more than halved for the poorest students at the primary and junior secondary level between 2006 and 2009.

Figure 2: Percentage of households who report being exempt from tuition fees by quintile



Sources and notes: World Bank staff calculations based on SUSENAS household survey education modules from 2003, 2006 and 2009. Figures are for students from all schools (i.e. public and private, secular and religious). Students are considered to be exempt from a fee if they report a zero Rupiah figure for the fee category.

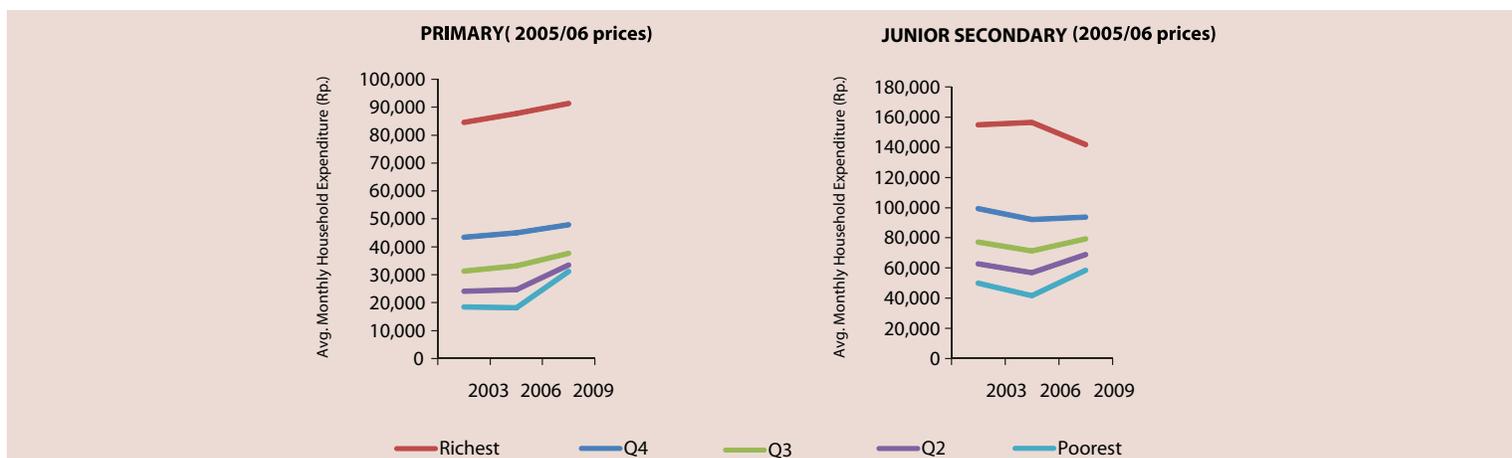
Recommendation: GOI should consolidate all education related financial support to children from poor households through a demand side measure¹⁰, rather than have this disbursed in small amounts through different supply side programs such as BOS. The demand side approach would also be beneficial in targeting enrollment of *out of school* children. Going forward, GoI would also need to ensure that the real value of the BOS is maintained by having it systematically adjusted for inflation, and more strictly enforcing the policy of no fees being charged to poor students.

8 "...free all poor students from all education costs at both public and private schools." BOS Manual 2009.
 9 The BOS program is not unique in facing poor targeting of students. Currently, different social safety net programs such as Program Keluarga Harapan (PKH), and Jamkesmas use different criteria as well as different databases to identify and target poor beneficiaries.

10 An assessment of the pilot Conditional Cash Transfer program (PKH) which is contingent on an attendance rate of at least 85% by beneficiary students shows that verifying adherence to the condition i.e. school attendance by the poor currently remains a challenge. These implementation issues need to be managed by the district and sub-district governments.

Figure 3. Average monthly household expenditure by level of education (Rp. 2005/2006 prices)

	PRIMARY			JUNIOR SECONDARY		
	PRE-BOS	POST BOS		PRE-BOS	POST BOS	
	2002/2003	2005/2006	2008/2009	2002/2003	2005/2006	2008/2009
Richest	84,516	87,752	91,276	155,072	156,538	141,964
Q4	43,419	45,059	48,001	99,305	92,084	93,788
Q3	31,402	33,197	37,719	77,330	71,230	79,407
Q2	24,206	24,705	33,460	62,850	56,980	68,979
Poorest	18,447	18,276	31,270	50,066	41,601	58,542



Source: SUSENAS VARIOUS SURVEYS

Make the link between funding, school development and improved learning

Improving student learning requires not just funding but different strategies over the short and long term. Over the short term MONE can play a useful role in disseminating good practices in school development planning, teaching and learning, and reinforcing accountability for student performance, while undertaking an overhaul of the teaching and student assessment system over the longer term .

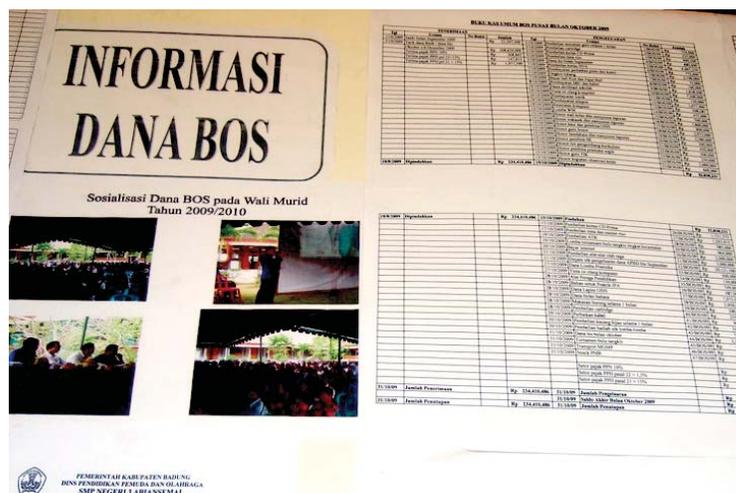
A number of factors interplay to produce good learning outcomes such as: (i) provision of adequate and relevant inputs; (ii) a progressive curriculum; (iii) teaching/facilitation in a manner that improves student interest and understanding; (iv) an assessment system that measures cognitive and non-cognitive abilities ; (v) accountability of teachers and schools and; (vi) partnerships between schools and households that help reinforce good learning habits at home (Figure 1).

In terms of inputs, while clearly adequate compensation is needed to attract and retain qualified teachers, effective teacher *performance* requires supplemental interventions from schools and school committees such as; (i) teacher management, and; (ii) accountability for measurable improvements in student learning. In addition, schools and School committees also need to ensure that BOS funds are being spent on inputs that enable adequate teaching and learning *throughout the school year and during regular*

class hours rather than on; (i) remedial learning and enrichment learning or; (ii) exam preparation /testing activities, (that simply replicate poor teaching practices after hours and at considerable cost).

Recommendation: While improving the quality of teaching through pre-service and in-service teacher training, teacher management and expanding the ways by which students are assessed is a long term undertaking¹¹, over the short term, Gol could consider; (i) disseminating ICT based resources on good teaching and learning behaviors, conducive classroom environment, and examples of low cost learning materials, to schools along with BOS Manuals. While these activities may not improve learning outcomes significantly over the short term, these have been observed to increase student attendance and interest; both prerequisites of learning; (ii) sending an update on BOS expenditures bi-annually to parents alongwith student report cards, to make explicit the percentage of funds spent on learning activities; (iii) continue to invest in community oversight and SBM practices.

¹¹ Improving learning outcomes will require an overhaul of the teaching and assessment system in Indonesia, which could involve universities or other institutions delivering the pre-service and in-service training and undertaking student assessments independently of the schooling system.



BOS Information Disclosure, Photo by Hafid I. Alatas

Decrease disparities among high and low performing districts and schools

Equitable funding of schools does not automatically translate into equal performance as the latter is determined by many institutional, process and socio-economic factors. The challenge for local governments lies in: (i) developing systems that identify high risk schools and at risk students, (ii) supporting schools in attaining what they have identified as their school development goals and; (iii) creating incentives for improvements in performance reflected in student retention and learning.

One of the important objectives of BOS was to have a demonstration effect on districts so that they would supplement central government allocations to schools via BOS, with own resources through BOS Daerah (BOSDA), or local BOS in keeping with their legal responsibility for basic and secondary education.

While some local governments¹² are providing additional funds to supplement BOS, the amount can vary considerably

¹² Local governments includes provincial and district/city governments.

across governments and over time depending upon the overall budgetary situation. One weakness in allocating resources has been not knowing what is deemed adequate in terms of school operations. To help address this, GOI has now mandated the Minimum Service Standards in Education (MSS)¹³ and a nationally representative baseline survey is currently underway to estimate the cost of meeting the MSS for basic education. This is expected to help guide local governments on their expected share to meet the gap in school operational funding that is not covered through BOS.

While establishing the MSS is a useful way of ensuring inputs, going forward GOI may consider gradually shifting the focus of public debate from funding “equitable inputs”, as has been the case with investments in teachers, to providing districts, principals and teachers with incentives and accountability for “equitable performance” reflected in better learning by students.

Recommendation : With the Decentralization of BOS in FY 2011, while all schools will continue to receive the fixed BOS, the central government may consider supplemental financing that serves as a performance incentive for target districts, and within those districts, performance based funding of target schools. In line with GOI’s policy of assisting lagging regions over the course of the current Medium term Development Plan (RPJM; 2010-2014), the *eligibility criteria* for identifying poor districts could include those with (i) low levels of regional GDP per capita and; (ii) high poverty rates. *performance criteria*, on the basis of which certain districts from the eligible pool could be selected for funding could include indicators such as (i) BOSDA effort vis a vis fiscal capacity; (ii) improved teacher deployment in primary schools; (iii) improved primary to junior secondary transition rates and; (iv) improvement in National Exam results at grade 6 and/or 9. The Performance agreement would require selected districts to in turn target assistance (including funding) to those schools that are among their lowest 30% in terms of performance but have made improvements over the past year. Districts could determine performance criteria for schools that broadly reflect the national priorities and make their ranking and reward of schools publicly available through scorecards.

¹³ Minister of National Education Regulation 15/2010

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