Australian Aid

Australia's Education Partnership with Indonesia

FINAL REPORT

Annual Sector Financial Report (2013):

An annual review of Indonesian education sector financing

07 July 2015

Australian Aid—managed by GRM International on behalf of the Australian Government

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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	Biaya Operasional Sekolah	School Operational Fund
BOS Buku	Biaya 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 Kunci	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	Departemen Keuangan	Ministry of Finance
MoEC	Departemen Pendidikan Nasional	Ministry of Education and Culture

MoRA	Departemen 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

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.

Amendment history

Version	Notes and modifications	Created by/modified by
1.0	Initial Draft Report (20 February 2015)	Creator: Adam Rorris
1.2	Second draft (23 February 2015)	Modifier: Adam Rorris
1.4	Submitted Draft Report (16 March 2015)	Modifier: Adam Rorris
1.5	Final Report (07 July 2015)	Modifier: Simon Milligan

Background

The Annual Sector Financial Report (ASFR) 2013 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 (2010-14) 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. District level expenditure patterns are increasingly important as districts have increased responsibility for education management under GoI'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 themes outlined in MoEC's RENSTRA for 2010-14 and the GoI'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. The district level KPIs were developed by the CSAS consultancy to provide a specific indication of district level financial commitment and allocation of funds for education.

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 MoEC's RENSTRA objectives for 2010-14; 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 2013 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 2013.***
   The GoI had particularly impressive growth in real and nominal terms in 2006 and 2009. Since 2009, growth in education expenditures has marginally outpaced inflation, but there was a plateau in the real increase of national funding for education until 2011. In 2012 and now 2013 we see consecutive significant increases in real terms for education funding.

2. ***Government commitment to meet a 20% target for education expenditure share of national budget has been met for the fifth year in a row.***
   The national expenditures for education in 2013 met the 20% target. Education has benefited from total national public revenues and expenditures which have grown at a significantly faster rate than inflation.

3. ***Average district level education expenditures across Indonesia have increased from 27% of the total district budget (APBD) in 2006 to nearly 34% share in 2013****.*
   All of these gains were obtained during the period 2006-2011. This is a positive trend but in 2012 and 2013 the education budget has not kept up its share of expanding district budgets. The ambitious plans for the education sector will be damaged if the districts allocation to the education sector continues to decline.

4. ***The lowest average share of budget allocation for education was found in Papua (16%) which now stands some distance from other island groups in allocating a very low share of its budget for education.***
   While Maluku has shown growth since 2010, Papua has dropped again from an 18% education share of district budgets in 2010 to 16% in 2013.

5. ***Nationally, 31 districts allocated less than 15% of their total district budget (APBD) on education in 2013. Of these 31 districts, 24 are in the poorest quintile, and 22 of these poorest are found in Papua***

Of the 31 districts spending less than 15% of their budget on education, 19 districts have allocated less than 15% for four years 2010-2013. The continued pattern of spending of less than 15% towards education limits the ability of these districts to catch up with others, i.e. the equity gap will further widen. This problem has a particular relevance for Papua as it is heavily represented in this group.

6. ***In looking at districts by relative poverty status, the poorest quintile districts have slipped further below the others in being the only ones that allocate less than 30% of their district budget for education.***

   If the poorest districts do not accelerate their education spending they are likely to fall further behind wealthier districts.

7. ***In 2013, 62 districts (13%) posted a decline in their education budget.***
   This is an improvement from 2012, when 97 districts posted a decline in their annual education budget allocation.

8. ***The problem of contracting education budgets in poorest districts is focused on Papua***.
   Ten of the 17 poorest districts which recorded a decline in nominal annual district education expenditure in 2013 are located in Papua.

9. ***Average district expenditure per student grew across the country and is highest in the poorest districts.***
   Average education expenditure per student has grown to Rp. 3.5 million in 2013 from an average Rp. 3.1 million in 2012. Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.8 million per student.

10. ***To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to keep growing their education spending more quickly and drive a stronger 'equity slope' in education funding distribution.***
    In 2012 the slope of equity spending was halted, with slower growth in the poorest districts. In 2013 there was a spike in expenditure in the poorest districts and this needs to be sustained over a number of years so the poorest districts can improve the quality and reach of their education system.

11. ***There was only one district in 2013 that met Critical Education Funding Status (CEFS) criteria compared to six districts in 2012*.**
    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.

12. ***A correlation in low expenditure for education and health sectors suggests it will be useful to investigate more closely those districts where and why there is low share of expenditure for the social sector as a whole.***
    There is no sign that health sector is crowding out the education sector spending (or vice-versa) at the district level. On the contrary, there is a strong correlation for districts that have contracting education allocations to also be allocating less than the national average for health.

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. In 2013, as for 2012, there were 18 EP districts (ten were C2 districts) that contributed less than the 20% national target for education, which is considerably lower than the national average of 34% for education in 2013. This low share of funding for education in specific districts may threaten the sustainability of EP investments in the future.This is especially the case for those ten EP C2 districts which will require ongoing professional development costs.
3. In 2013 there were 19 districts with the highest poverty rates persistently over four years allocating a significantly smaller share (less than 15%) of resources for education. 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.
4. Papua stands out as the one island that now spends the least for education as a proportion of total district funds. There is scope to increase education funding in these areas to cover the additional but modest recurrent costs associated with the EP investments.
5. Maluku island districts (unlike Papua) have left the low average share of budget for education and are moving towards the national average. This suggests investment in the island might be met with stronger counterpart funding activity.
6. Most EP districts are showing growth in per student allocations for education. This provides a good financial base for further improvements. In 2013 there was a reduction in the number of EP districts (40) that contracted their education budget - compared to 59 in 2012. This is a positive improvement for the program and better positons more districts to assume financial responsibility.
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.
8. Correlation in low budget allocations for education and health sectors suggests it will be useful to work more closely with both the education and health programs to understand and improve the situation as appropriate.

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 2013. **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 3.7% in 2013.
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 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 last 2 years 2012 and 2013, with the education share dropping to 34% from 36%. **Implications**: Poorest districts with low allocations for education should be monitored
KPI 5 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	Positive	**Comment:** Average growth in education allocations improved for poorest districts and there fewer poorest districts allocating less than 15% of the budget for education. **Implications:** Papua accounts for the majority of poorest districts with contracting budget allocations in 2013.
KPI 6 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 2013 at a reasonable rate. **Implications**: Papua had average growth in 2013 (unlike 2012) but it still had 13 districts with contracting

INDICATOR	DESCRIPTION	LEVEL	RELATED GOAL	RESULT	COMMENT AND IMPLICATIONS
					budgets for education.
KPI 7 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	Neutral	**Comment:** In 2013, were not further indexed for inflation but are still substantial following the previous year increase in per student allocations. **Implications:** Principals and school committees have substantial funds for discretionary spending at school level
SPI 2 Comparing education and health allocations at district level	Analysing education and health allocations in low and high allocation districts for any correlations	District	Quality	Positive	**Comment:** No evidence that education and health expenditures are crowding each other. Evidence shows where education spending contracts it also contracts for health. **Implications:** Education and health sectors may benefit from cooperation.
SPI 3 Allocation patterns and statistical impact of newly established districts	Budget comparisons between old, newer and newest districts			Neutral	**Comment:** Older districts are more likely to have larger populations and larger education budgets. Newer districts are more likely to be in a rural area and remote and have higher average per student allocations. **Implications:** Newest districts can have very high initial per student costs. Newest group of districts is small and has not had any significant distorting impact on this analysis.

Risk Areas for the Education Partnership

Table 1: 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 has 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 2013, 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.
RA4	Districts with very low budget share allocations for education also often have low budget share allocations for health.	It might be beneficial to coordinate the education and health programs to investigate and support increased allocations for the social sector as whole.

Suggested 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. Coordinate with DFAT health program (where there is health program activity in these districts)	POM, with DFAT's approval
NS2: Focus diagnostic and policy response efforts on the Papua island group to understand the factors driving low education share of district budgets	DFAT (with POM, where appropriate)
NS3: Engage in dialogue with a sample of EP districts that reduced their 2013 education budget allocations compared to 2012. Detailed diagnostics on (i) poorest EP districts that had an annual reduction in their 2012 and 2013 Budget, and (ii) districts with annual drop greater than 10%. Diagnoses to understand reasons for drop and monitor change in allocations in 2014 and 2015 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

1.1 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 Australia Indonesia Basic Education Program (AIBEP) (2006-2011) and now through the Australia-Indonesia Education Partnership (EP): a five-year program that is scheduled to operate from mid-2011 to mid-2016.

Australia is supporting 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). Since late 2013, the majority of expenditure in Components 1 and 2 is made through government systems.

1.2 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 MoEC RENSTRA (2010-14) 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 MoEC's three main RENSTRA (2010-14) themes, and GoI'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.

Three Supplementary Performance Indicators (SPI) sit below the KPIs. The SPIs offer 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].

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 KPIs 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.

[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.

1.3 The Evidence Base

Data Sources and Collections: Financial Data

National Level Financial Data

This report has used the same historical data for the period 2001-2008 that was presented in the 2012 report. Detailed financial data for 2009-2013 has been collected from Financial Note and Indonesian Revised Budget Papers 2010-2013, as well as price inflation figures from the BPS (Indonesia Bureau of Statistics). There have been some minor changes in figures from the earlier reports but these have not produced any material changes in the findings.. 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, i.e. the proportion of people living below the poverty line[2]. The ASFR indicators

[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

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.

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.

Financial Performance at National Level

2.1 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 was 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 2013 was collected from *Nota Keuangan dan Rancangan Anggaran Pendapatan dan Belanja Negara Tahun Anggaran* (published by MoF 2013).

The key financial data underpinning the national level financing analysis are presented in the table over-page.

Table 2: National Level Education Financing Data 2001-2013 *1*

Item	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	336.9
National Education Expenditures (Rp trillion 2001 prices)	42.3	47.8	55.4	50.4	52.1	76.1	82.2	79.2	106.4	109.4	109.9	123.9	133.4
Education Exp. As % of National Public Exp. (% Total National Exp.)	12.%	15.8%	16.0%	14.2%	13.9%	17.6%	18.9%	15.6%	20.0%	20.0%	20.2%	20.2%	20.0%
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%	3.7%
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	1683.0
GDP at Current Prices (4) (Rp trillion)	1684.0	1897.8	2013.6	2273.1	2729.7	3339.2	3949.3	4954.0	5606.0	6446.9	7419.2	8229	9084.0
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	613.4	666.6

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). Education expenditures and total national public expenditures 2009 -2013, from MoF *Financial Note and Indonesia Budget Year (*for each relevant year).

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.Inflation rate for 2007-2009 from BPS Statistical Yearbook 2009 Table 12.5 Composite Inflation Rate 2006-2009. Inflation rate For 2010-2011, BPS Statistical YearBook 2012 http://www.bps.go.id/eng/flip/flip11/index3.php. Inflation rate for 2012-2013BPS http://www.bps.go.id/eng/aboutus.php?inflasi=1

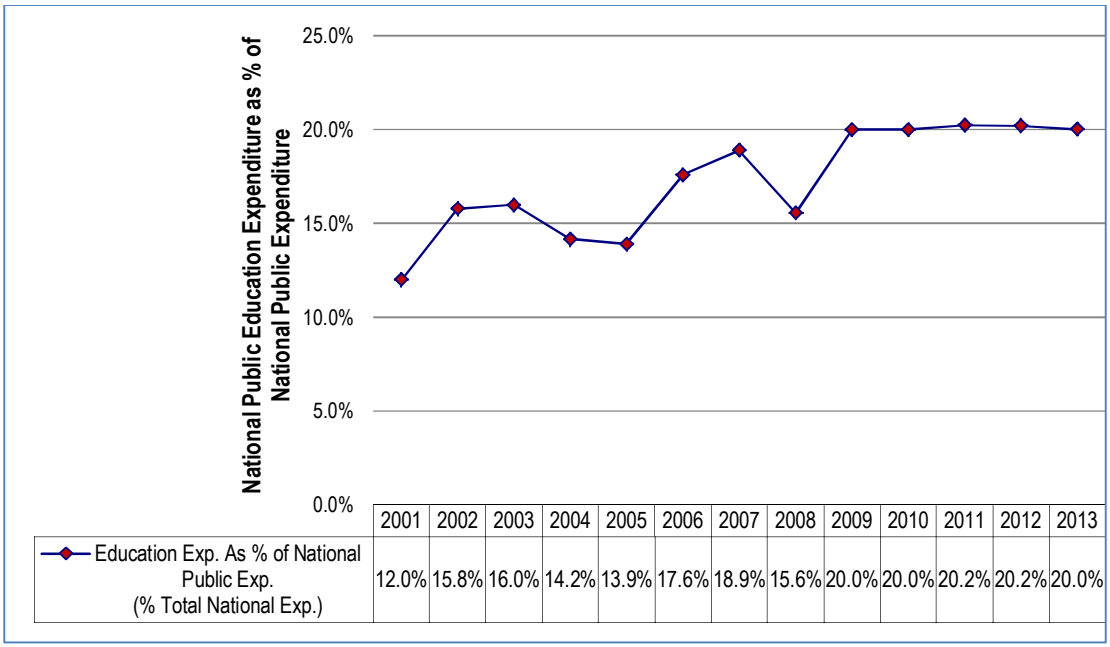
3. GDP at current prices from Bureau of Statistics 2001-2009, For 2010 - 2012, BPS Gross Domestic Product at Current Market Prices By Industrial Origin (Billion Rupiahs), http://www.bps.go.id/eng/tab_sub/view.php?kat=2&tabel=1&daftar=1&id_subyek=11&notab=1. For 2013, GDP from BPS Statistical Yearbook 2014 http://www.bps.go.id/eng/hasil_publikasi/SI_2014/index3.php?pub=Statistik%20Indonesia%202014

[1] National level data captures expenditures from all Ministries, not just MOEC and MORA.

2.2 Key Performance Indicators

KPI 1: Education Expenditure as Proportion of Total Public Expenditure

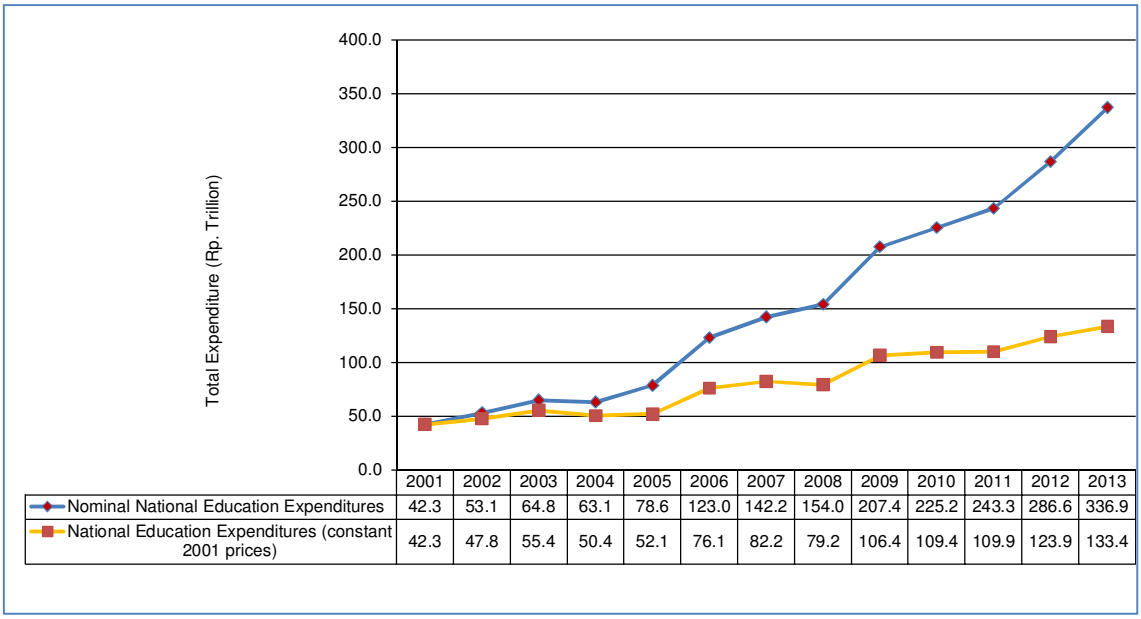
Figure 1: Education Expenditure as Proportion of Total National Public Expenditure, 2001-2013



KPI 1	EDUCATION EXPENDITURE AS PROPORTION OF TOTAL PUBLIC EXPENDITURE		
STATUS AND TRENDS			
Result	Positive	Data availability	Full – all data required has been collected and available for analysis
Observations	• GoI's commitment to meet a 20% target for education expenditure share of national budget has been met for the fifth year in a row (see Figure 1). • The nominal value of public expenditures for education increased from 207 trillion in 2009 to 337 trillion by 2013 (see Figure 2 over-page). • The public expenditure for education (not accounting for price inflation) increased by approximately 60% between 2009 and 2013. • The real value of public expenditure for education increased by 25% during the period 2009- 2013. Almost all of the real increase in funding occurred in the two years 2012 and 2013. • The higher rate of inflation in 2013 compared to 2012 meant that the real increase in education funding (Rp. 9.5 trillion in 2001 prices) was not as large as that recorded in 2012 (Rp. 14 trillion) (see Figure 3 over page) • In 2001 constant prices, national education expenditures increased more than 3 times their original 2001 value of Rp. 42 trillion to more than Rp. 124 trillion by 2013.		

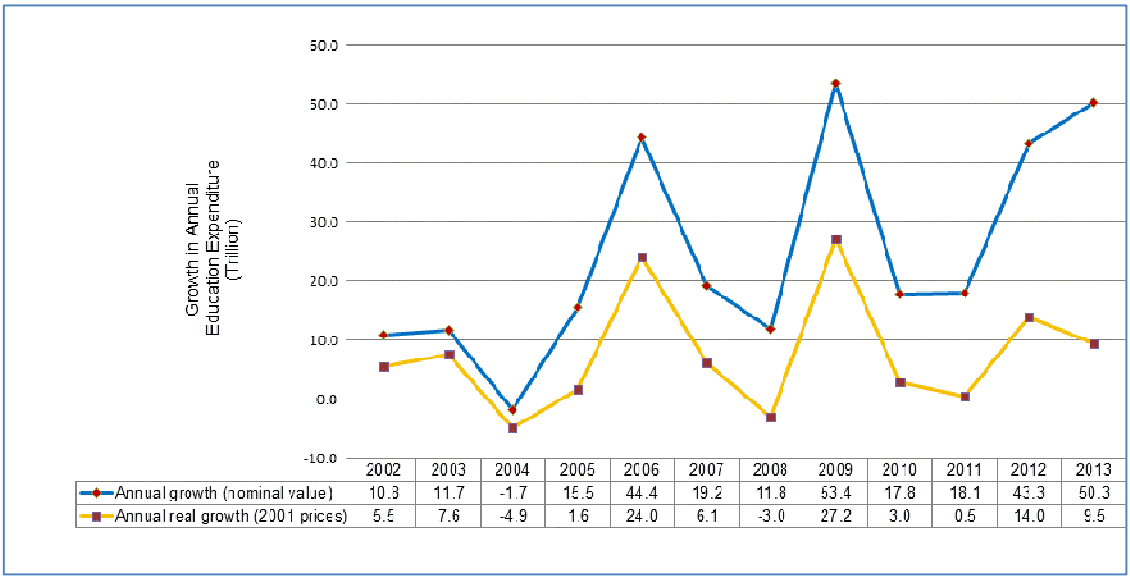
KPI 1	EDUCATION EXPENDITURE AS PROPORTION OF TOTAL PUBLIC EXPENDITURE
STATUS AND TRENDS	
	• Annual increases in national education expenditure have been uneven. The growth in public expenditure (while still positive) has been uneven in its nominal value and 2001 constant prices. Sharp increases in public 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 2013 exceeded price inflation for the second time since 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 and 2013 we see significant back to back increases 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 2013 met the 20% target. Like the previous year, 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 2001-2013



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal National Education Expenditures	42.3	53.1	64.8	63.1	78.6	123.0	142.2	154.0	207.4	225.2	243.3	286.6	336.9
National Education Expenditures (constant 2001 prices)	42.3	47.8	55.4	50.4	52.1	76.1	82.2	79.2	106.4	109.4	109.9	123.9	133.4

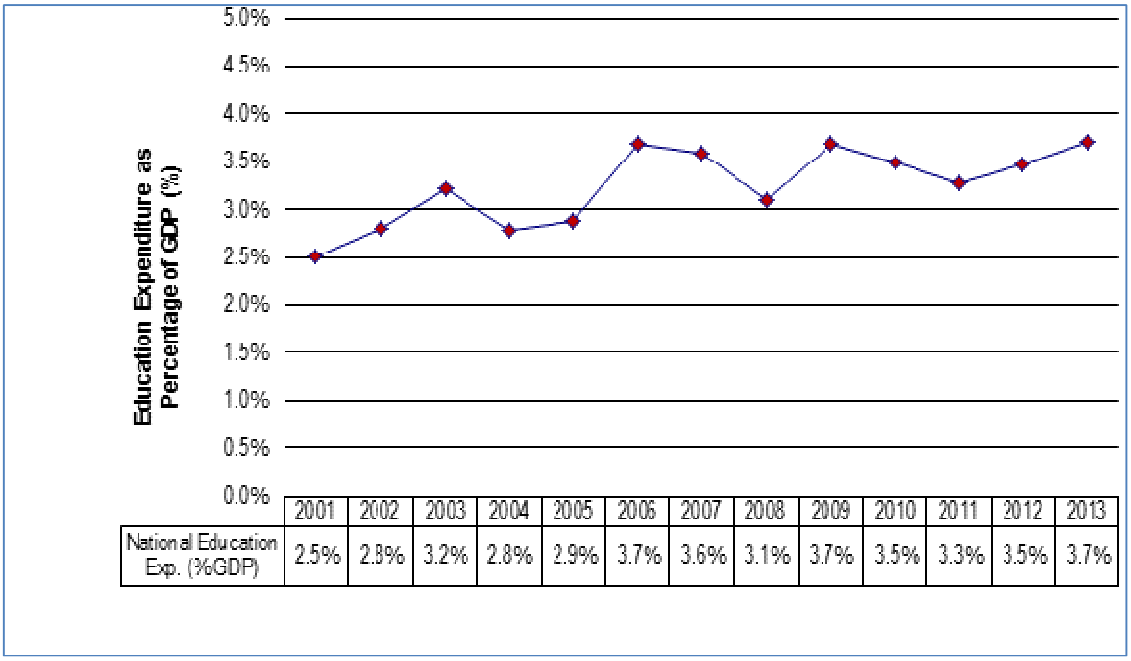
Figure 3: Annual Growth in Education Expenditure (Rp. trillion), 2001-2013



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Annual growth (nominal value)	10.3	11.7	-1.7	15.5	44.4	19.2	11.8	53.4	17.8	18.1	43.3	50.3
Annual real growth (2001 prices)	5.5	7.6	-4.9	1.6	24.0	6.1	-3.0	27.2	3.0	0.5	14.0	9.5

KPI 2: Education Expenditure as Proportion of GDP

Figure 4: Education Expenditure as Proportion of GDP, 2001-2013



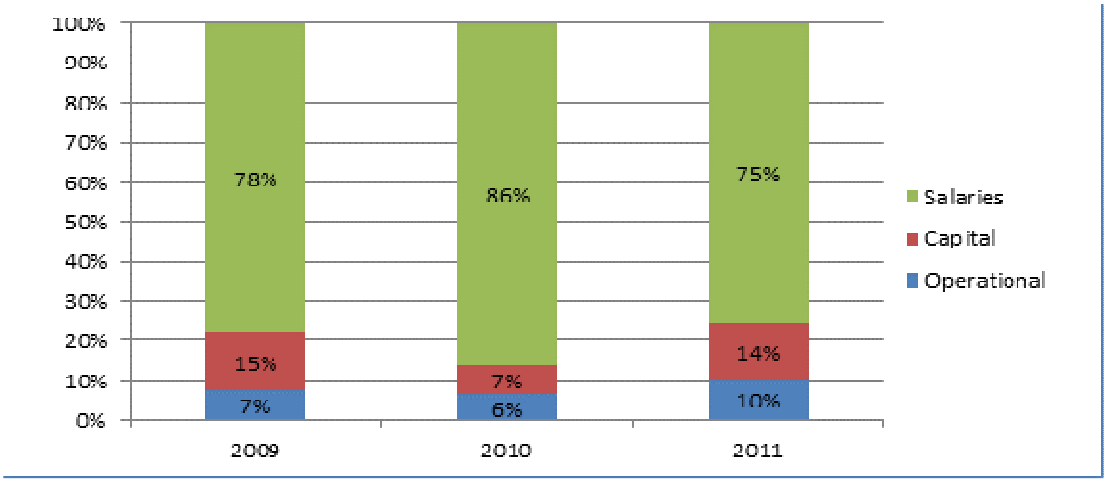
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
National Education Exp. (%GDP)	2.5%	2.8%	3.2%	2.8%	2.9%	3.7%	3.6%	3.1%	3.7%	3.5%	3.3%	3.5%	3.7%

KPI 2	EDUCATION EXPENDITURE AS PROPORTION OF GDP		
STATUS AND TRENDS			
Result	Positive	Data availability	Full - all data required has been collected and available for analysis
Observations	• This indicator captures the national public budgeted 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". • Budgeted Education expenditure as a proportion of GDP increased from 3.5% in 2012 to 3.7% in 2013 (see Figure 4, above). Over a longer period, it rose from 2.5% in 2001 to the high point of 3.7% in 2013. 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 2009-13, it has grown 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 2013 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.		

KPI 2	EDUCATION EXPENDITURE AS PROPORTION OF GDP
STATUS AND TRENDS	
	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



KPI 3	EDUCATION NON-SALARY EXPENDITURE AS SHARE OF TOTAL EXPENDITURE		
STATUS AND TRENDS			
Result	Positive	Data availability	Partial. District supplied data from 2009-2011. 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		

KPI 3	EDUCATION NON-SALARY EXPENDITURE AS SHARE OF TOTAL EXPENDITURE
	STATUS AND TRENDS
	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.

Financial Performance at District Level

3.1 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 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 2006-2013. 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. Supplementary analysis in 2013 also compares (i) education and health sector allocations in districts and (ii) allocations between districts based on the eir year of establishment (age of district).

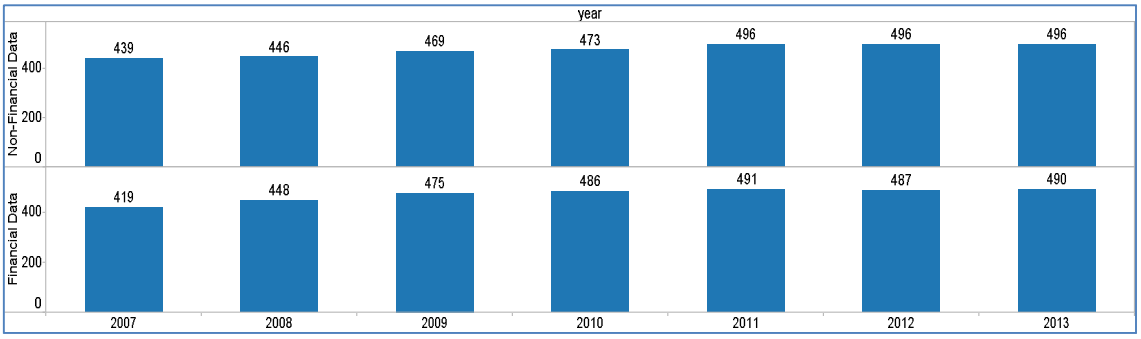
The district poverty analysis is driven by the distribution of all districts (rural and urban) into poverty quintiles. This means there are approximately 100 districts in each quintile. Quintile 1 (richest) 'hosts' the 100 districts which have the lowest percentage of individuals living in poverty. This 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 2013. 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 by the study team.

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.

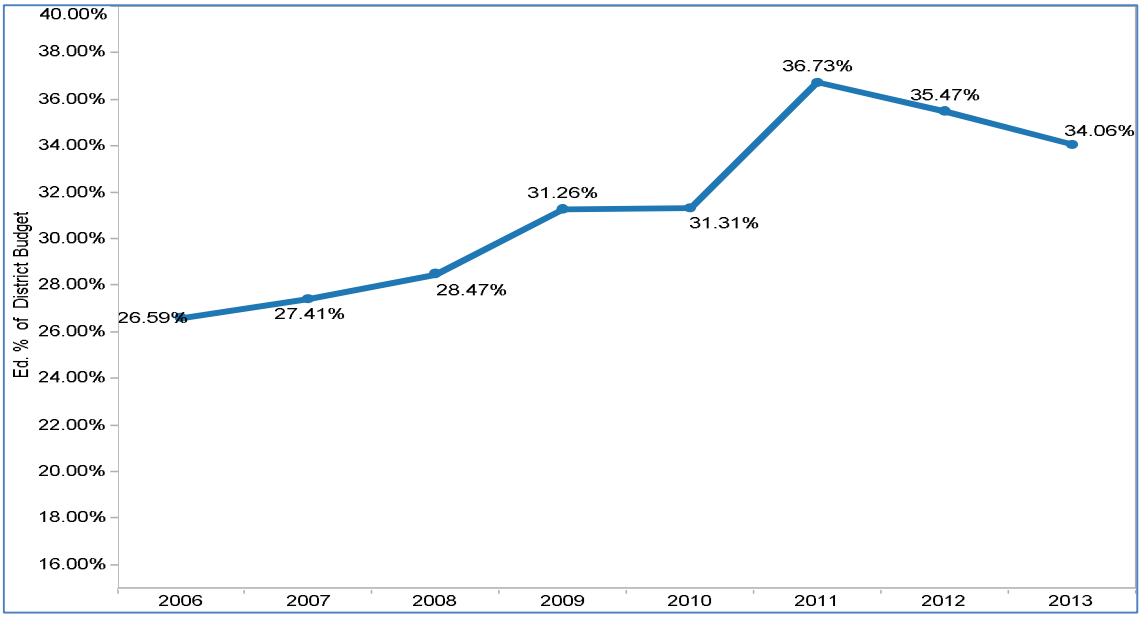
Figure 6: Number of Districts Included in ASFR Analysis, (2007-2013)



3.2 Key Performance Indicators

KPI 4: District Financial Commitment to Education

Figure 7: Education Expenditure as % of Total District Budget (APBD 2006-2013)



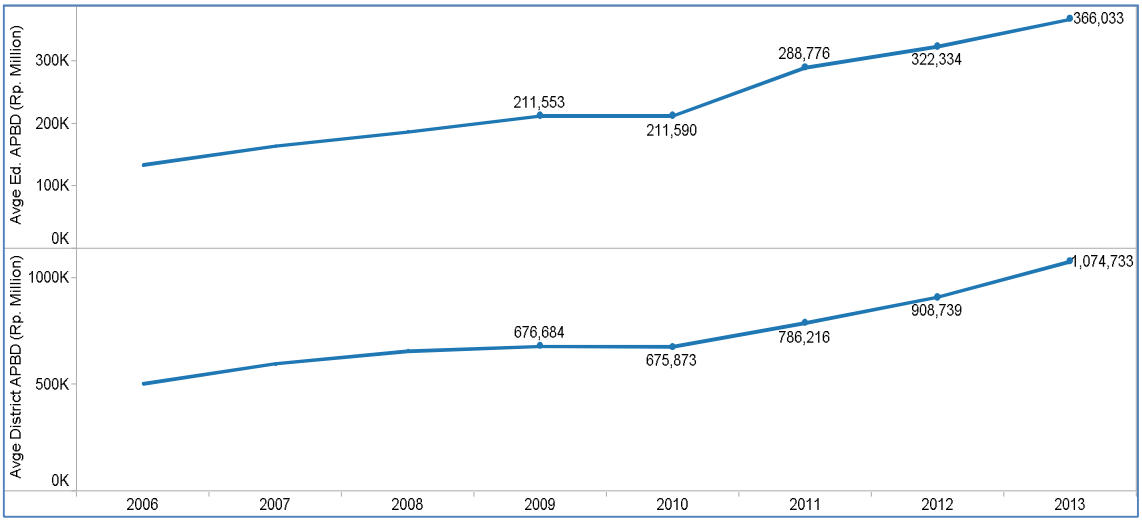
KPI 4	DISTRICT FINANCIAL COMMITMENT TO EDUCATION		
STATUS AND TRENDS			
Result	Neutral	Data availability	Financial data for 2013 were available for 496 districts and enrolment data for 490 districts.
Observations	• Average district level education expenditures across Indonesia increased from 27% of the total district budget (APBD) in 2006 to just over 34% in 2013 (see Figure 7, above). • The strong increase in 2011 was reversed in 2012 and 2013 with the education share dropping just over 2.5% from 36.7% in 2011. • The consecutive reduction in the average education share of district budgets in 2012 and 2013 came after a sharp increase in 2011. • The overall increased share of education expenditures at the district level from 31% in 2009 to 34% in 2013 demonstrates that districts, on average, strengthened their commitment toward education spending during the period 2009-2013. • 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 34% in 2013, with urban 35% to 33% 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 continues to be found in Papua (16%). This is in contrast to Maluku island group which has grown its share of expenditure from a similar 16% in 2006 to 25% in 2013. Papua on the other has been stuck in the range of 16%-18% education share of district budgets since 2006. • Districts in Java have had a significant drop in the average education share of district budgets, from 46% in 2011 to 42% in 2013 – this however is positive as these are very high shares and may be crowding out other expenditures. • The poorest quintile districts are a clear outlier with lowest average district education budget of Rp. 228 trillion in 2013 compared to the all the other quintiles which are grouped between Rp. 374 – 398 trillion • Nationally, 31 districts allocated less than 15% of their total district budget (APBD) to education in 2013. Of the 31 districts, 24 are in the poorest quintile. • Of the 24 poorest districts spending less than 15% of their budget on education in 2013, 22 found in Papua. • Nineteen districts have allocated four years in a row (2010-2013)less than 15% of their total district budget (APBD) to education.. • The poorest districts have consistently committed the lowest proportion of their budget towards education during the period 2006-2013. • In 2013, the poorest districts accelerated their trend towards allocating a smaller share of their budget for education with just 28% allocated. Districts in all other poverty quintiles allocated more than 30%.		
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, EP districts allocated between 35%-37% of their budget in 2013, compared with 31% for the non-participating districts. • Eighteen EP districts contributed less than the 20% national target to education with the majority of these in Kalimantan. They were also considerably lower than the national average of 34% for education in 2013.		

KPI 4	DISTRICT FINANCIAL COMMITMENT TO EDUCATION
STATUS AND TRENDS	
	• Nineteen(19) EP districts committed more than 50% of their total district budget towards education in 2013 – compared with 36 districts in 2012. The reduction is positive as 50% is a very high and unsustainable share with impact on other spending areas.
Observations about AIBEP districts	• From 2010 to 2013 there are eleven (11) BEP districts which have dedicated less than 20% of their budget towards education in every year. Seven of the eleven 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. • Maluku has now posted consecutive increases in its education share of expenditure since 2008 and is above 25% share for education. • Papua is the sole stand out in spending 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 island group to understand and improve district school funding in the near future.

Discussion

The average total district budget in 2013 (for all areas of expenditure, including education) grew by approximately Rp. 150 billion on 2012 allocations (17% growth). This was faster than the growth in the education expenditure, which grew at just over 14% year to year (2012-2013; see Figure 8, below).

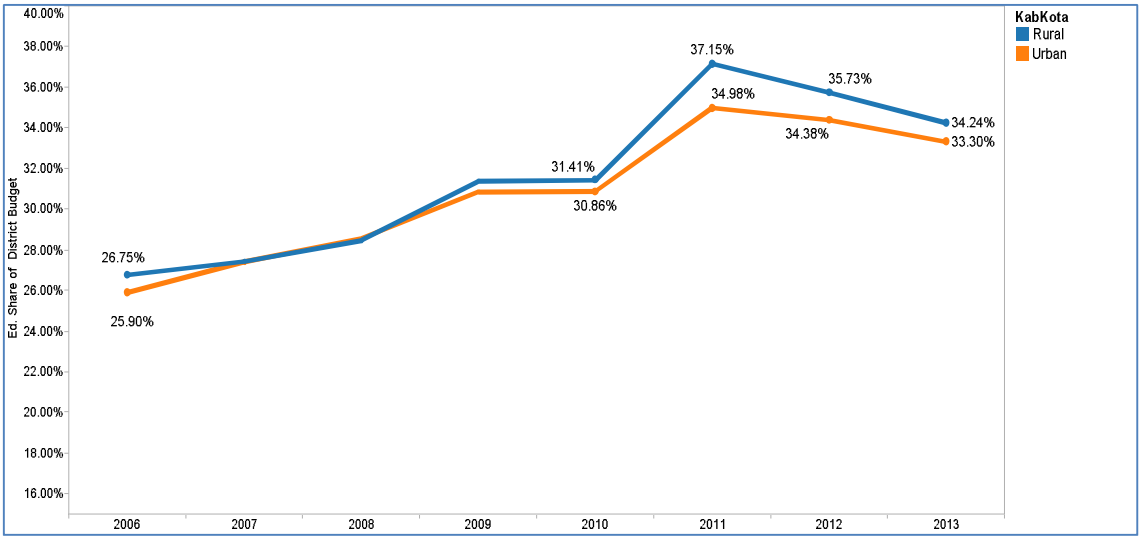
Figure 8: Average District APBD and APBD for Education, 2006-2013



Annual district education expenditure has dropped off from an average 37% in 2011 to 34% in 2013. The two years of declining average share of expenditure may signal that the gains of previous years are under pressure at the district level.

While both urban and rural districts are showing a declining share of district budgets towards education, it is the rural areas that have posted the biggest drop from 37% in 2011 to 34% in 2013. (see Figure 9, below).

Figure 9: Rural and Urban District Education Expenditure as % of Total District Budget (APBD 2006-2013)

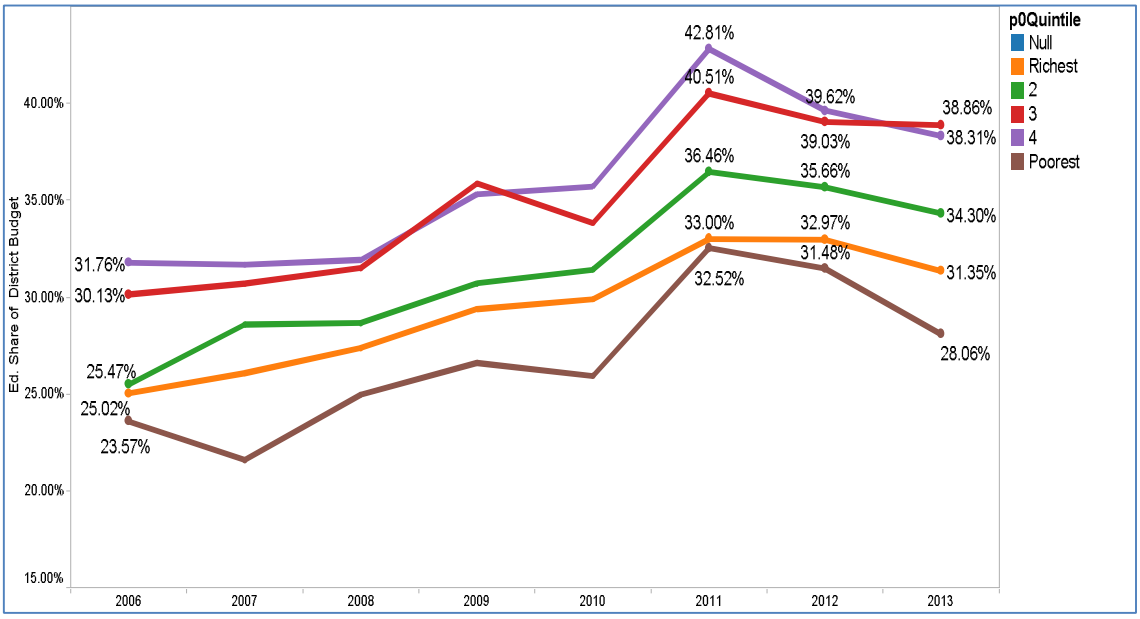


In 2013 there is a change with reduced allocation share towards education across districts in all poverty quintiles. But there are differences in the rate of the decrease.

Poverty quintile analysis still reveals a disturbing picture where the poorest districts have consistently committed the lowest proportion of their budget towards education during the period 2006-2013.

Districts in other poverty quintiles were allocating between 31%-38% of their budgets towards education. Most concerning is that the poorest districts have, on average, been reducing their share of expenditure at a faster rate than all other districts. Poorest quintile districts are now alone in spending on average less than 30% of their budgets on education (28% in 2013).

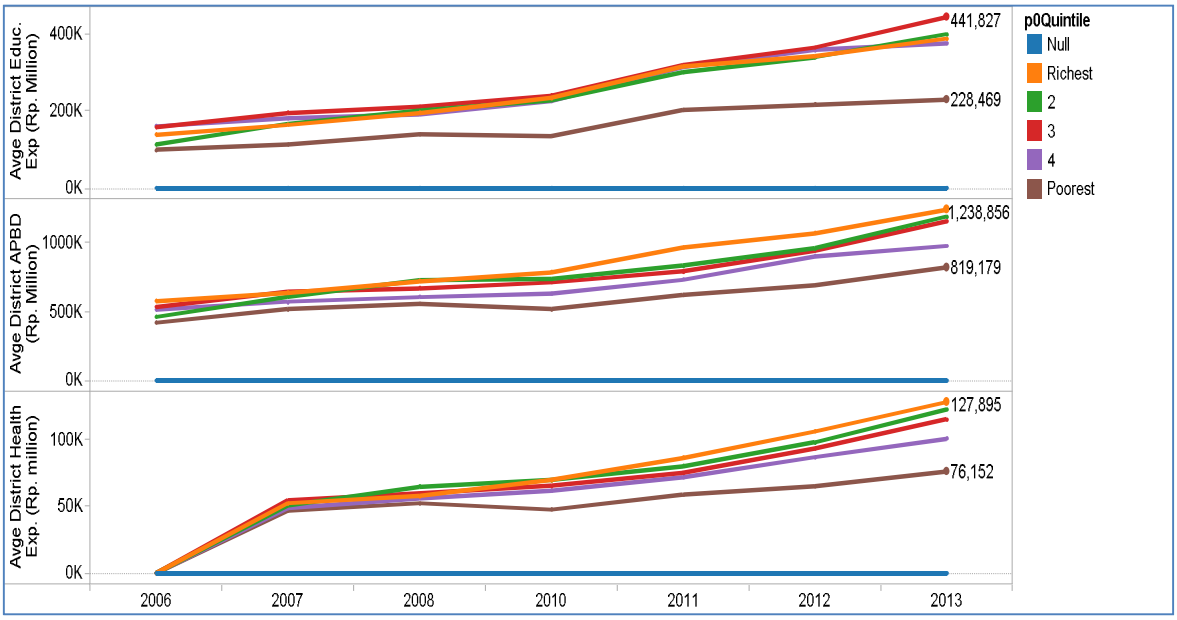
Figure 10: Education Expenditure as % of Total District Expenditure by Districts according to Poverty Quintile, (APBD 2006-2013)



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 2013 of Rp. 1.2 trillion compared to the poorest districts Rp. 800 trillion. The other three quintiles are distributed within this range according to their quintile rank.

In terms of aggregate education expenditure, the poorest quintile districts are the clear outlier with the lowest average district education budget of Rp. 228 trillion compared to the all the other quintiles which are grouped between Rp. 374 – 398 trillion (see Figure 11).

Figure 11: Average District APBD and APBD for Education, by poverty quintile 2006-2013

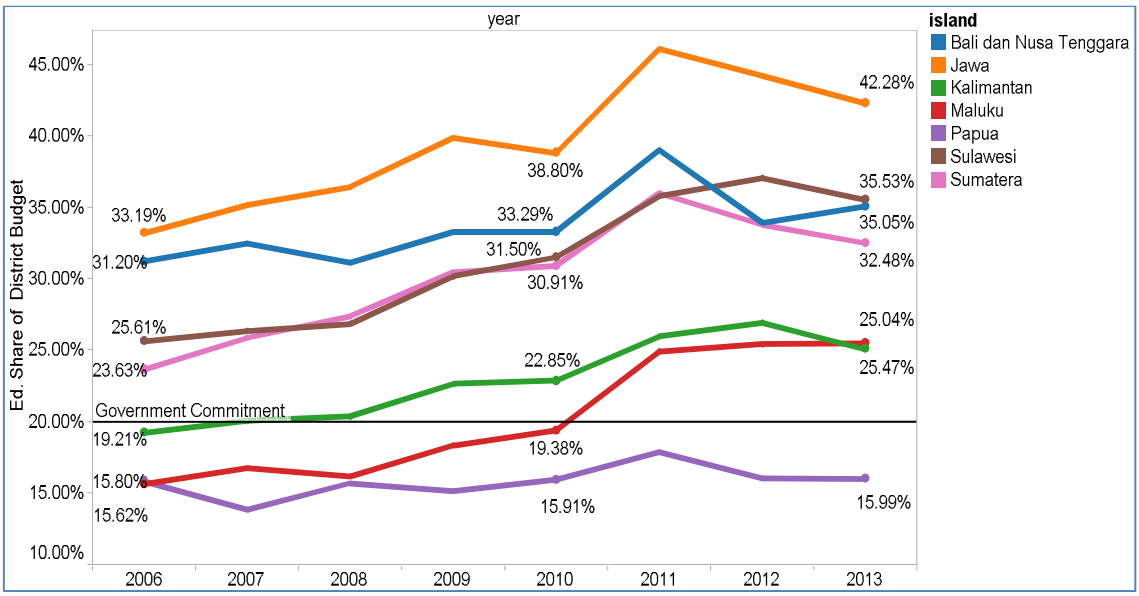


Following the big increases in education expenditure in 2011, there have been sustained declines in education share of expenditure in the island groups of Java, Sumatera and Kalimantan. Bali has corrected its strong decline in 2012 with an increase to 35% share of budget in 2013.

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 and 2013.

The island groups of Maluku and Bali went in the opposite direction and posted an annual increase the education share of district expenditures in 2013. (see Figure 14, below).

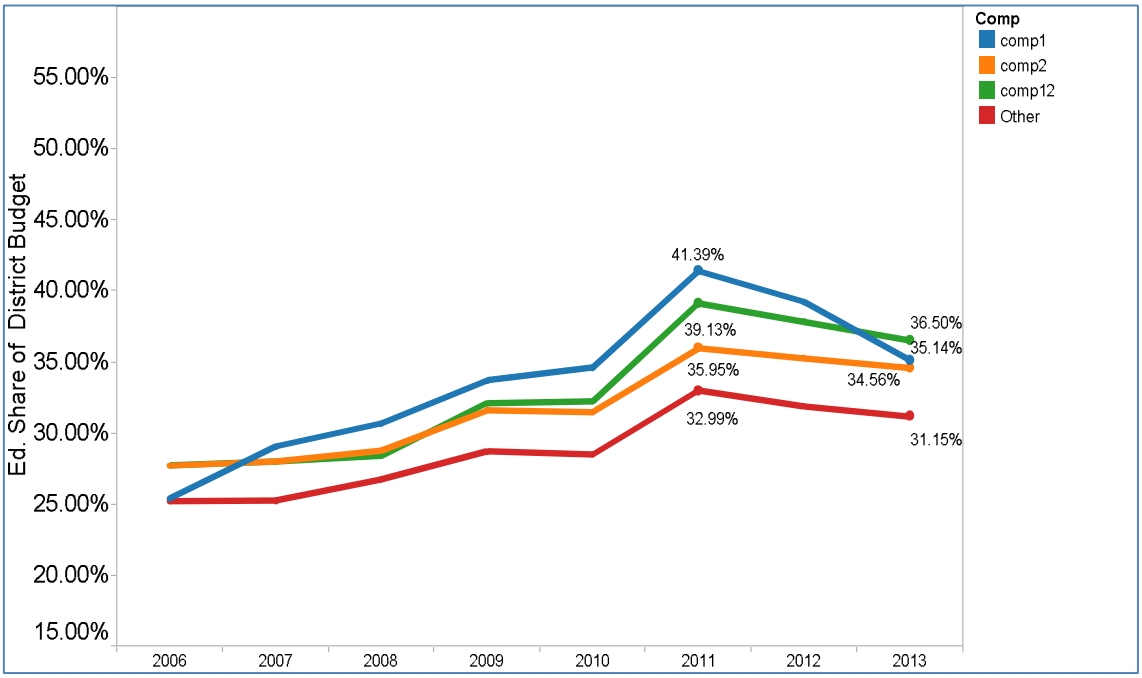
Figure 12: Education Expenditure as % of Total District Expenditure by Island Grouping (APBD 2006-2013)



Education Partnership (EP) districts

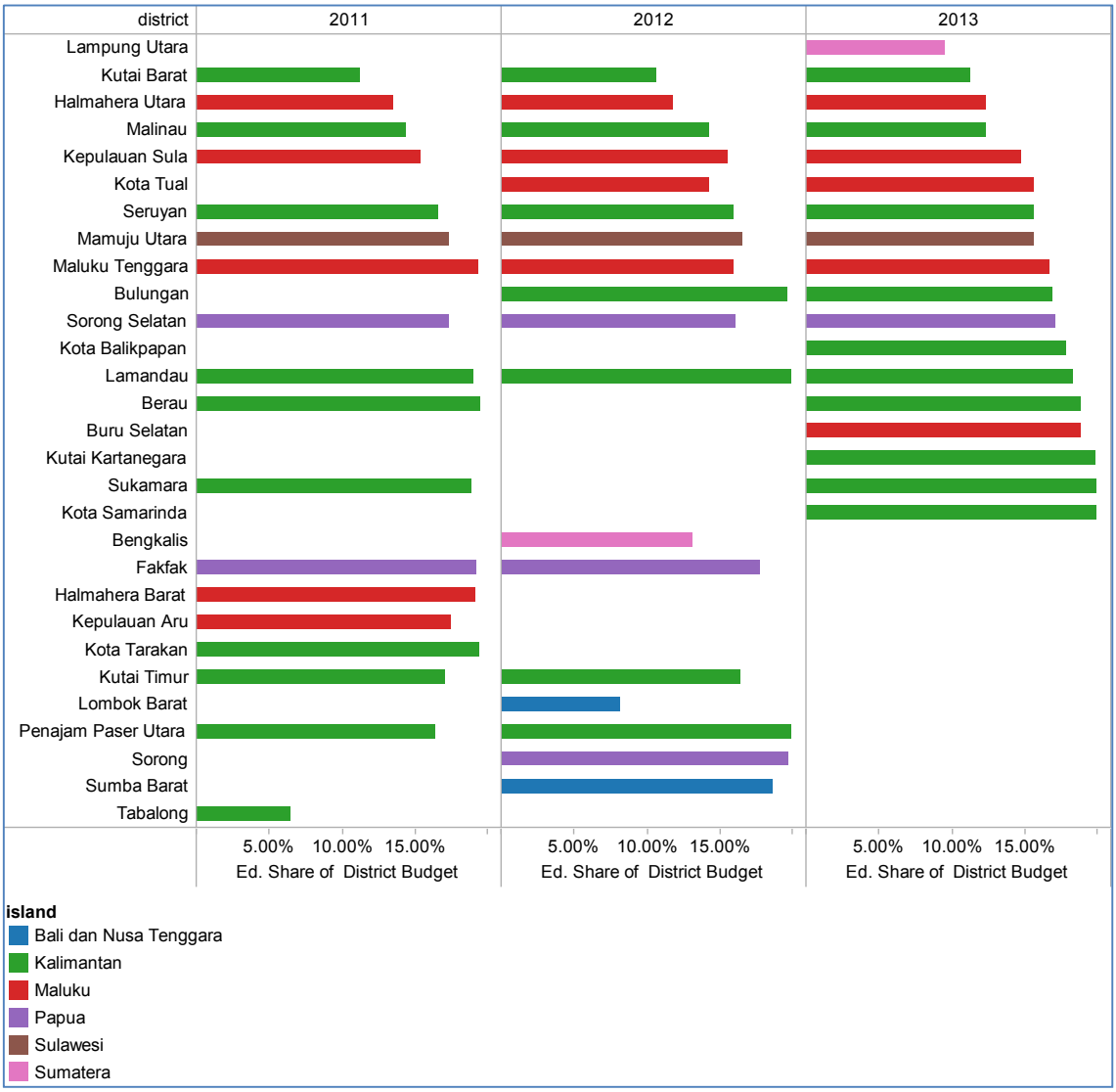
On average, the districts participating in the EP (see Annex B) commit a greater proportion of their budget towards education than the non-participating districts. On average, Component 1 and 2 districts allocated 37% of their budget in 2013, compared with 31% for the non-participating districts (see Figure 15, below).

Figure 13: EP Districts - Average Education Allocations as Proportion of District Budget,2006-2013



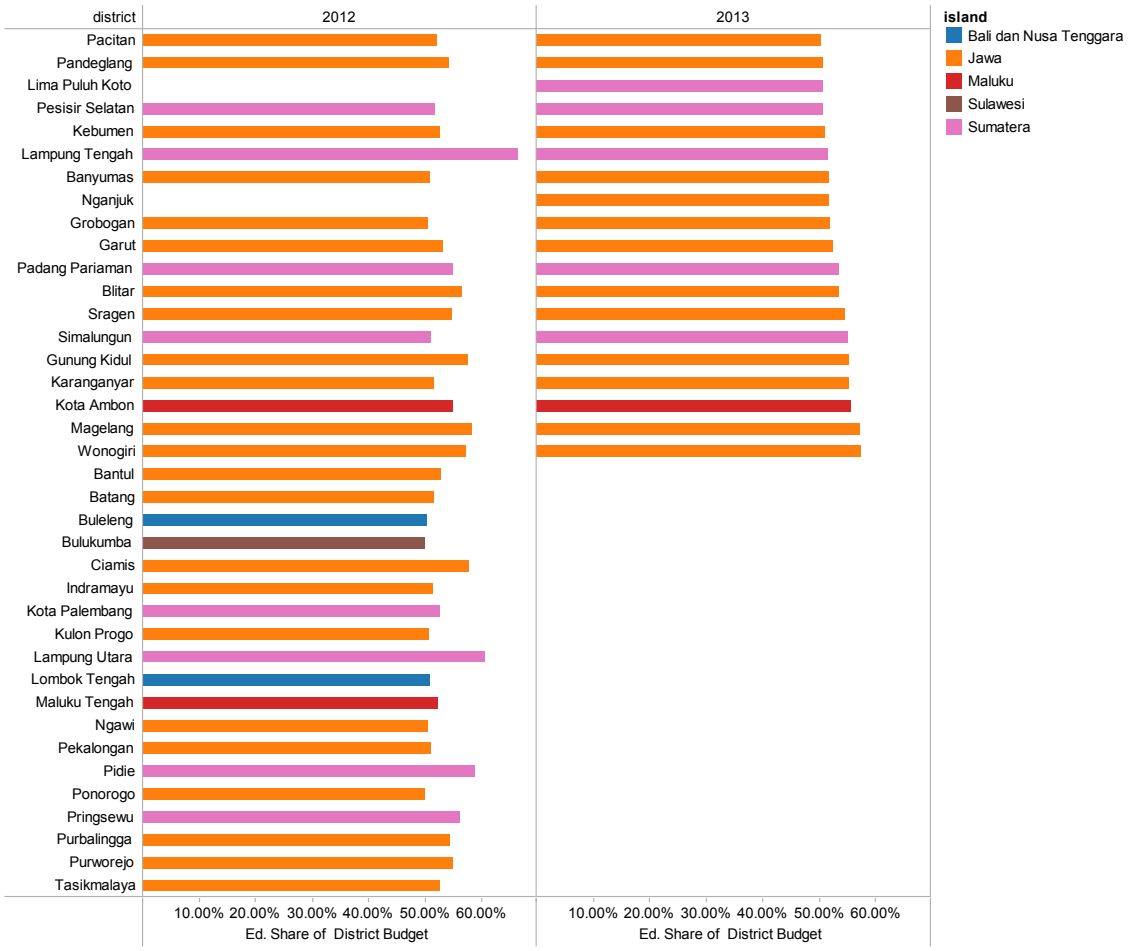
Eighteeen EP districts contributed less than the 20% national target for education and therefore were considerably lower than the national average of 34% in 2013 (see Figure 16, below). Eleven of the EP districts that allocated less than 20% in 2013 also allocated less than 20% in 2012.

Figure 14: EP Districts with Low Budget Allocation for Education (< than 20% of district budget), 2011-2013



Reflecting a high level of financial commitment towards education, 19 participating districts in 2013 committed more than 50% of their total district budget towards education (see Figure 17, below). This compares with 36 districts in 2012 that were found to have allocated more than 50% of their budget for education. This reduction in the number of districts above 50% share is positive as this is a very high share and is unsustainable in the long run given the other commitments of districts.

Figure 15: EP Districts with high Budget Allocation for Education (>than 50% of district budget), 2012-2013



Nationally, 31 districts had less than 15% expenditure on education in 2013. Of these districts, 19 have allocated less than 15% of their total district budget (APBD) ***every year*** during the period 2010-2013.

Figure 16, below, shows every district that allocated less than 15% of their district budget on education in any of the four budget years during 2010-2013. 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 16: Districts with very low financial share for education (less than 15% of APBD Expenditure) 2010 -2013

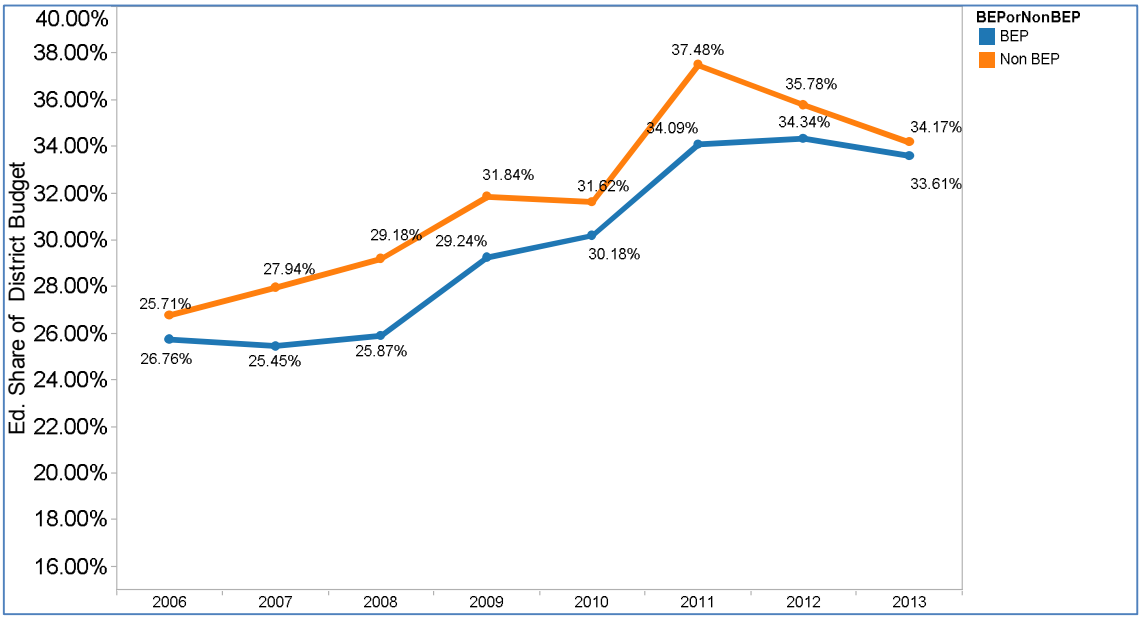
* Districts that are blank for one year have exceeded the benchmark for that year.

Looking at the 31 districts which in 2013 committed less than 15% of their budget towards education, we find that 24 of these districts belong to the poorest quintile of districts. Of these 24 poorest quintile districts, 22 are found in Papua and one each in Maluku and Sumatera (see Figure 19, below).

Figure 17: Poorest Districts with very low financial share for education (less than 15% of APBD Expenditure) 2011-2013

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. While the non-BEP districts have consistently (over the years studied) allocated a greater share of their budget for education, in 2013 this gap has been eliminated with both allocating 34% of their budget for education.

Figure 18: APBD Education Expenditure as % of Total district Expenditure in BEP and Non-BEP Supported Districts (APBD 2006-2013)

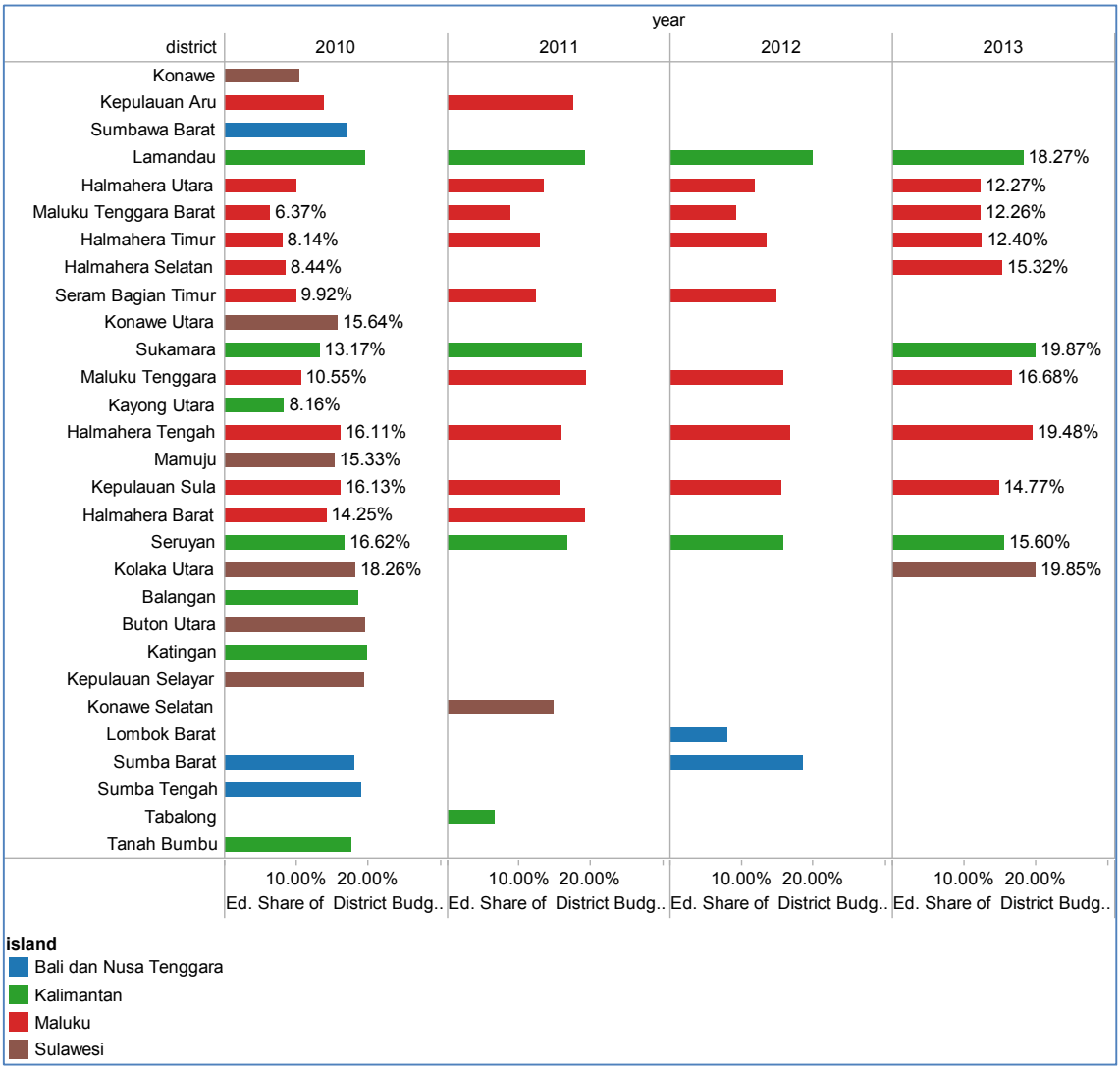


While BEP districts have committed a share of their district budget that is broadly in line with the national average, there are some BEP districts that have spent considerably less.

This report presents four years of results from 2010 to 2013 showing there have been eleven (11) BEP districts which have dedicated less than 20% of their budget towards education in every year.

Seven of the eleven BEP districts that report spending less than 20% of their budget on education across the four years (2010-13) 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.

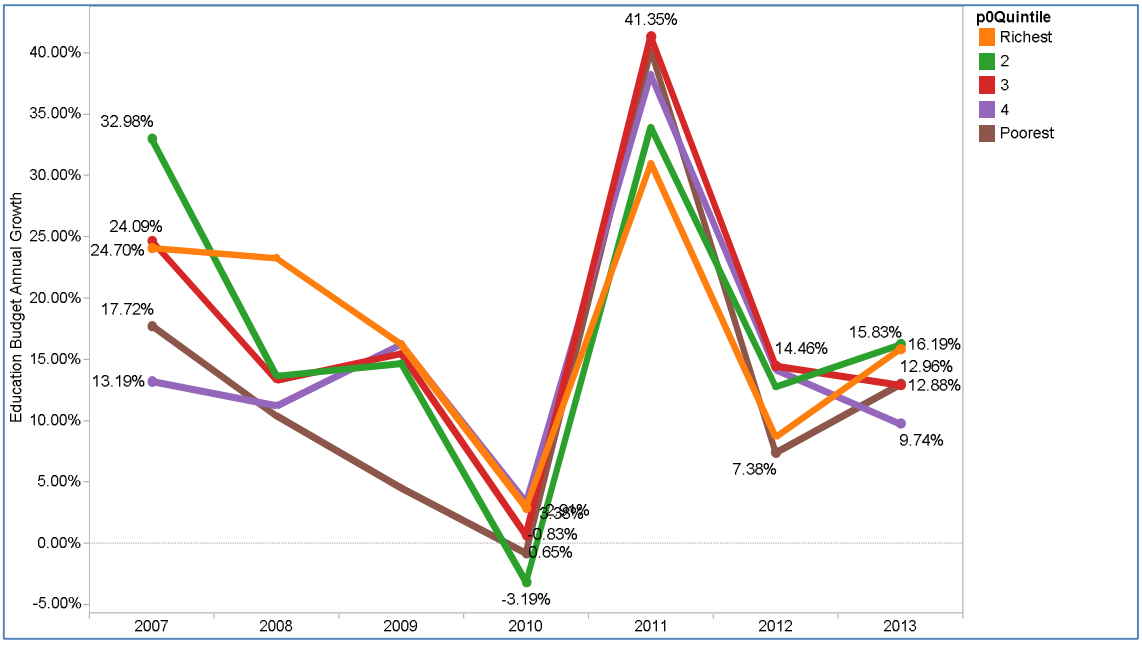
Figure 19: BEP Districts with low financial share for education (less than 20% of APBD Expenditure) 2009 and 2013



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

KPI 5: Annual Growth in Education Spending for the Poorest Districts

Figure 20: Figure 22: Annual Growth in APBD Education Expenditure, 2007 -2013, by Poverty Quintile



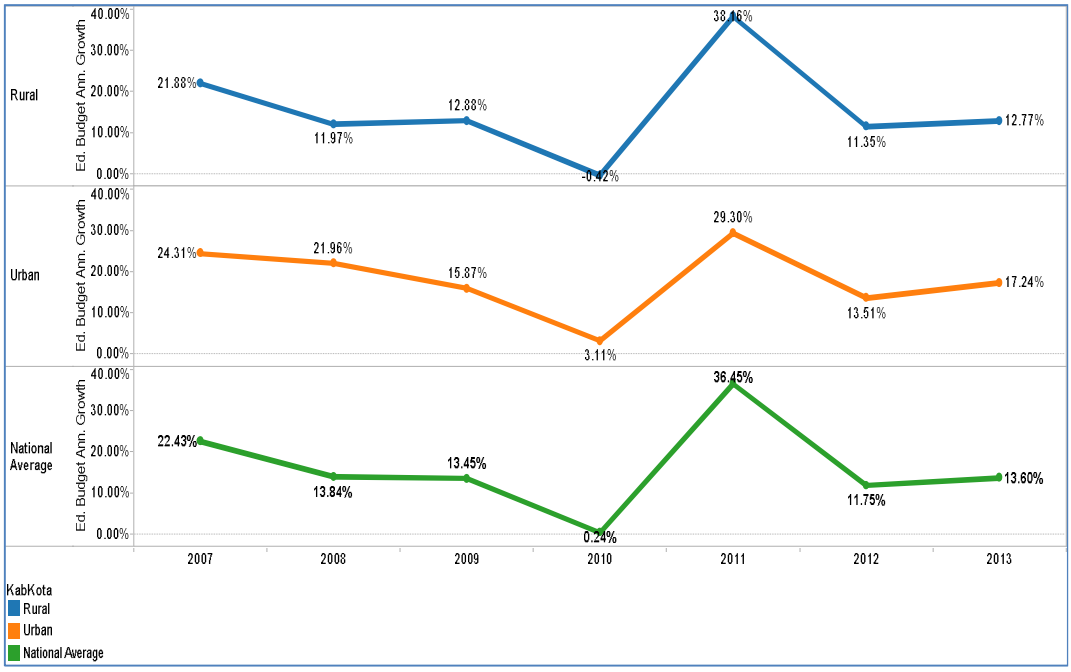
KPI 5	ANNUAL GROWTH IN EDUCATION SPENDING FOR THE POOREST DISTRICTS		
STATUS AND TRENDS			
Result	Positive	Data availability	Financial data for 2013 were available for 496 districts and enrolment data for 490 districts.
Observations	• The poorest districts (i.e. those in the bottom quintile) recorded a 13% average annual growth in their 2013 education budget on the previous year. This follows weaker growth (7%) in 2012 (see Figure 20, above). • The growth rates in 2013 need to take into account of the steeper inflation rate for the year (8.4%) which is higher than previous years and eats into the real value of the increase. • In 2013, only 62 districts (13% of all districts) showed a decline in their education budget. This is an improvement from 2012, when 97 districts (approximately 20%) experienced a decline in annual education budget allocation. • In 2013, 17 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 an improvement from the previous year when 31 of poorest quintile districts experienced an annual decline. • Papua accounts for 10 of the 17 poorest districts with contracting education budget allocations in 2013. • Urban districts with an average annual growth of 17% in year to year allocations grew more strongly than urban districts (13%).		
Observations about EP districts	• In 2013 EP districts were in line with national average and grew their education budgets by 14% on the previous year's budget.		

KPI 5	ANNUAL GROWTH IN EDUCATION SPENDING FOR THE POOREST DISTRICTS
STATUS AND TRENDS	
	• While 40 EP districts contracted their education budget in 2013 compared to the previous year, this was an improvement on 2012 when 59 contracted.
Observations about AIBEP districts	• In 2013 for the first time since 2007, BEP districts had a slower rate of growth in their education allocations (10%) compared to non-BEP districts (14%)
IMPLICATIONS AND MATTERS ARISING	
For the performance of the education sector	• The poorest districts grew their education budgets at a rate that was closer to the faster rates (16%) of the two richer quintile districts. This suggests some improvement on previous years when they have been slipping further behind. Their growth of education budgets is now significantly above the annual inflation rate. • A reduction in the number of districts that are contracting their allocations for education is a positive sign. • A comparative diagnostic assessment should be considered for those poorest districts which are continuing to reduce their education allocations with others that have changed course and are now growing.
For the performance of the Education Partnership	• There is merit in monitoring those EP districts that reduced their 2013 education budget allocations in terms of their contributions and participation in EP funded activities.

Discussion

The average annual growth rate of district education budgets in 2013 was a strong 14%. This follows a similar growth in 2012 (12%). A 12% annual growth in nominal education spending is healthy but it needs to be understood in the context of an 8.4% increase in prices as measured by the BPS Consumer Price Index for 2013. The strongest growth was again shown in the urban districts, which had annual growth of 17% compared with an 13% annual growth of rural districts (see Figure 21, below).

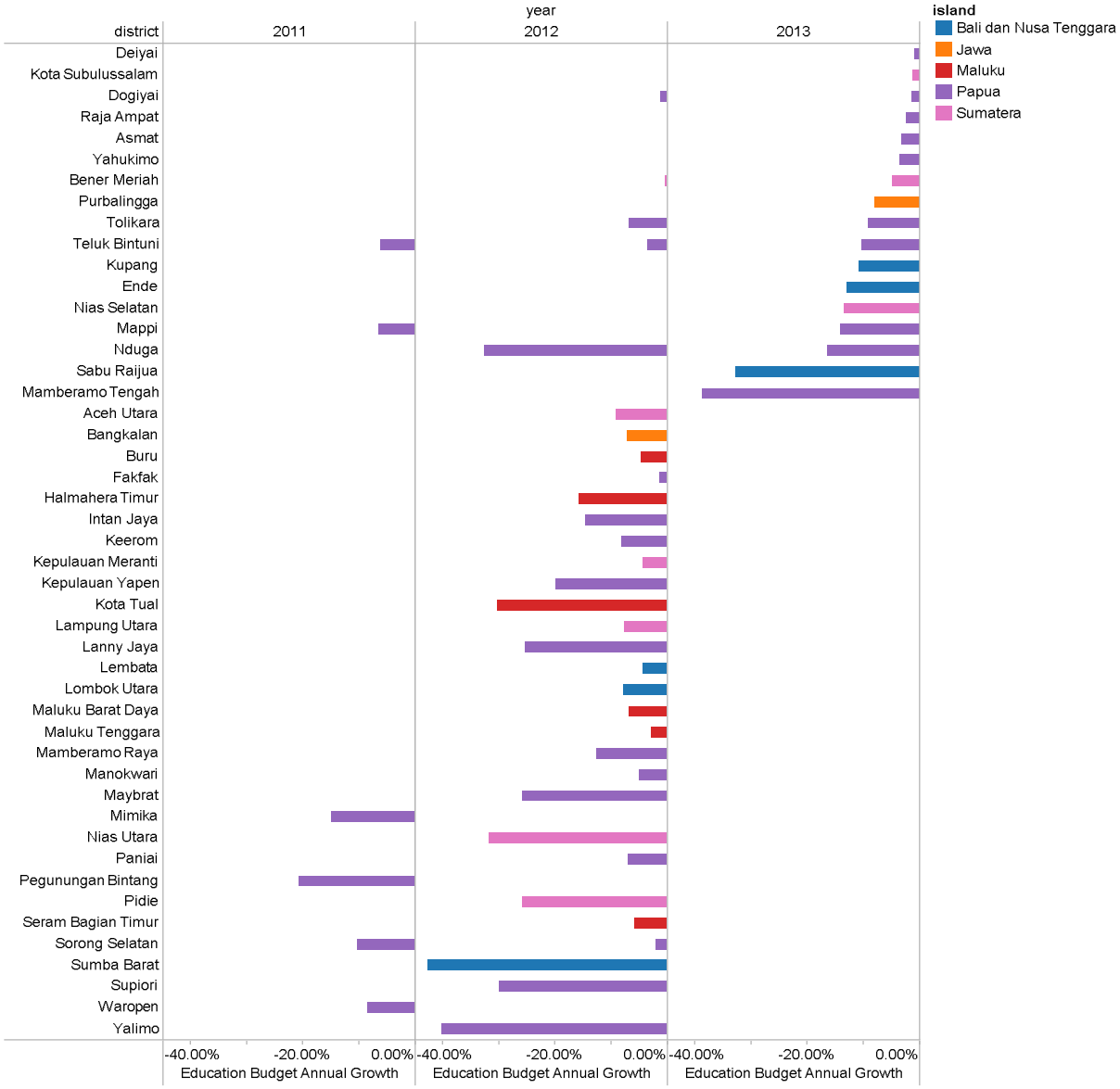
Figure 21: Annual Growth in District Education Expenditure, (APBD 2007-2013)



In 2013, 17 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 an improvement on the previous year when 31 of the poorest quintile districts experienced an annual decline in the dedicated district budget funds for education..

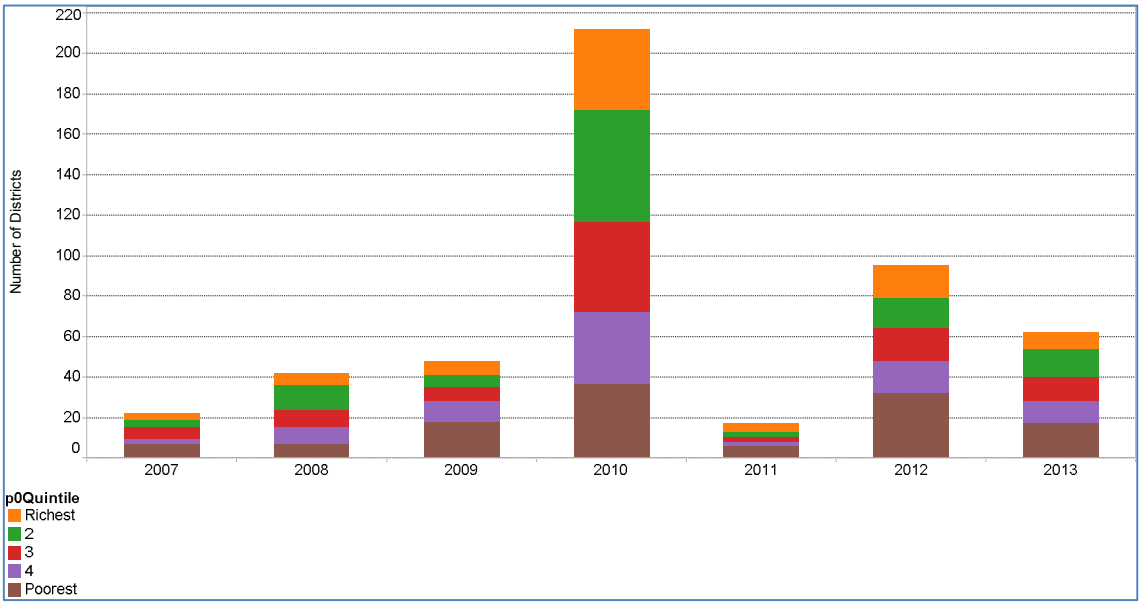
Papua remains the focus of the decline. Ten of the seventeen districts recording a decline in nominal annual district education expenditure are located in Papua.

Figure 22: Poorest Districts (Quintile 5), Negative Annual Growth in Education Expenditure, (APBD 2011-2013)



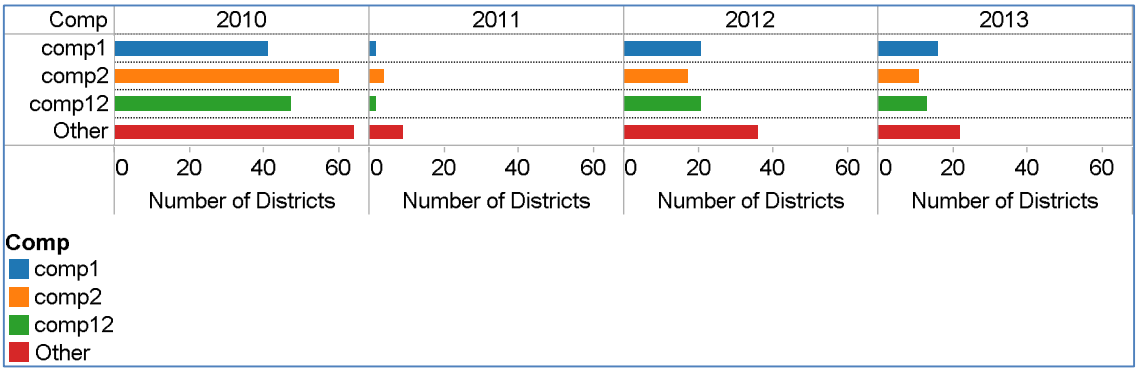
Poverty quintile analysis of districts with declining education budget allocations in 2013 shows them to be distributed across all quintiles although 17 of the 62 are from the poorest quintile.

Figure 23: Total Number of Districts, with Negative Annual Growth in APBD Education Expenditure, 2007 -2013



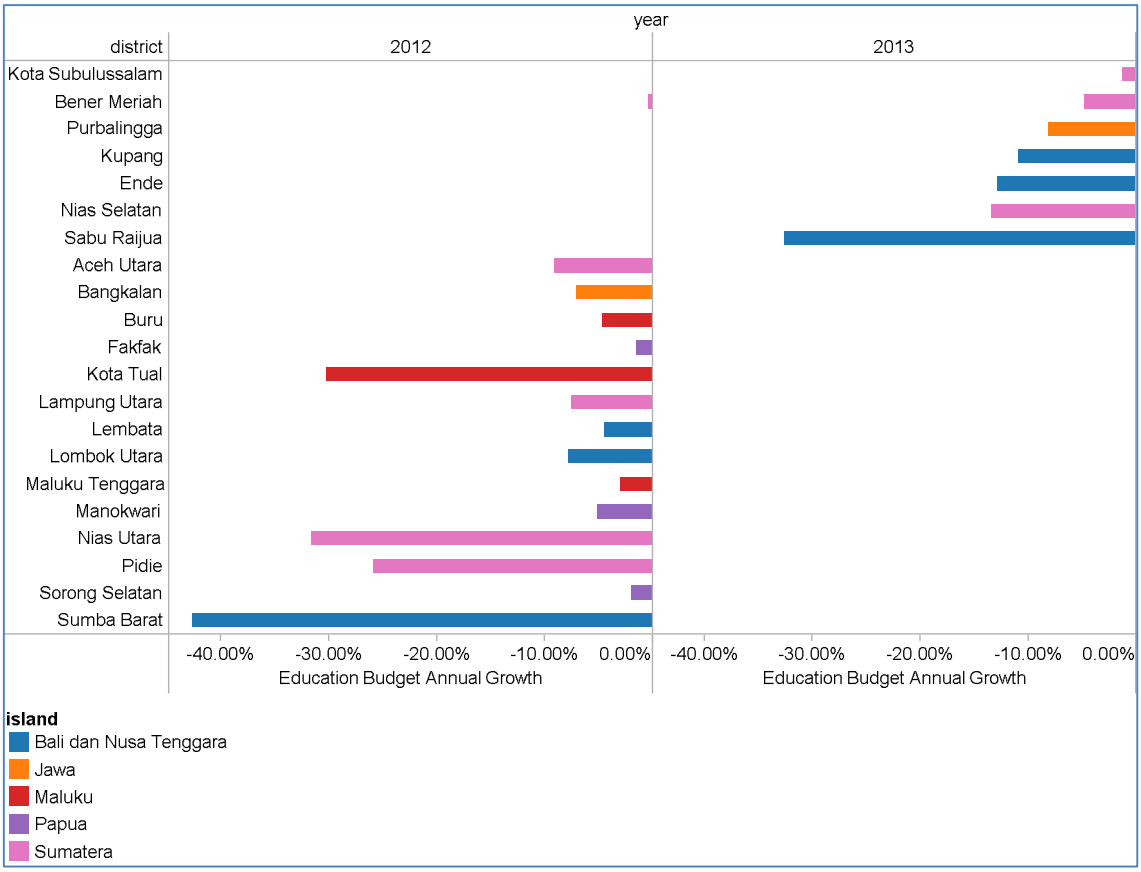
In 2013 there were 40 EP districts that experienced a decline in their annual allocation for education, which is a reduction compared to the previous year of 59 districts.

Figure 24: Number of Districts with declining annual education expenditure, 2010 - 2013



A specific focus is to observe the number of poorest districts (bottom 20% by poverty ranking) which provided less for education than the previous year. In 2013, there were seven EP districts in the poorest quintile which provided less for education than their previous budget. This is a significantimprovement on the previous year when 14 districts provided less for education than the previous year.

Figure 25: EP Poorest Districts with declining annual education expenditure (2012 and 2013)



The following four tables provide (i) the name of those EP districts which had an annual decline their financial commitment towards education in 2013, and (ii) the percentage drop in their financial commitment to education compared to the value of the previous year's budget .

Figure 26: Component 1 districts with declining annual education expenditure (2013 vs 2012)

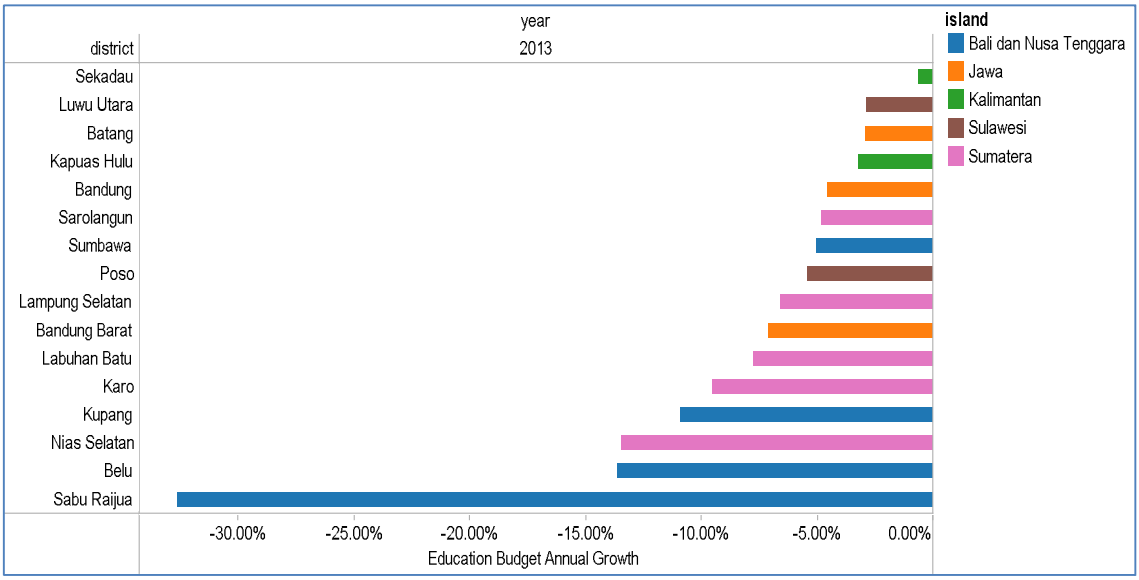


Figure 27: Component 2 districts with declining annual education expenditure (2013 vs 2012)

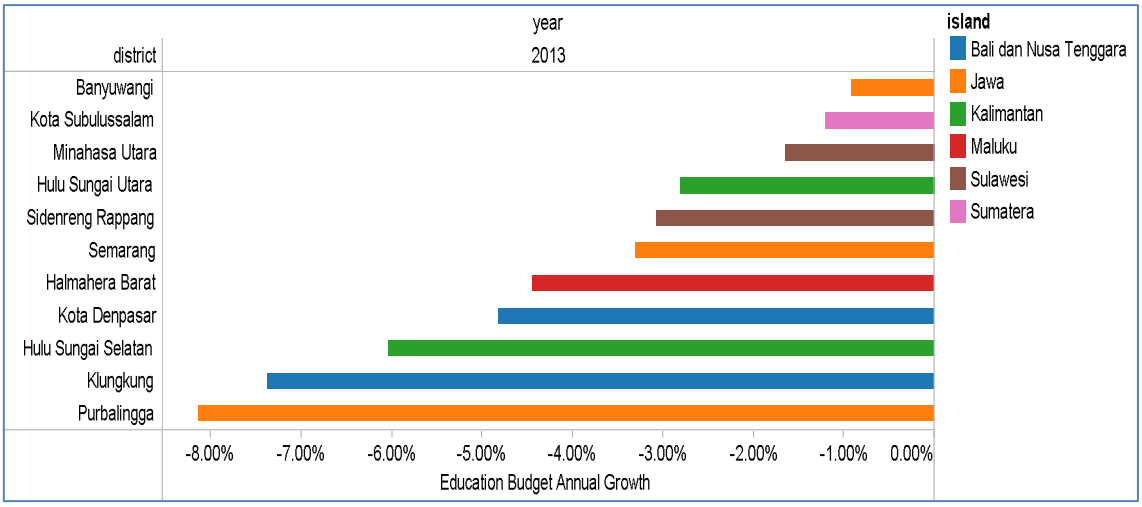
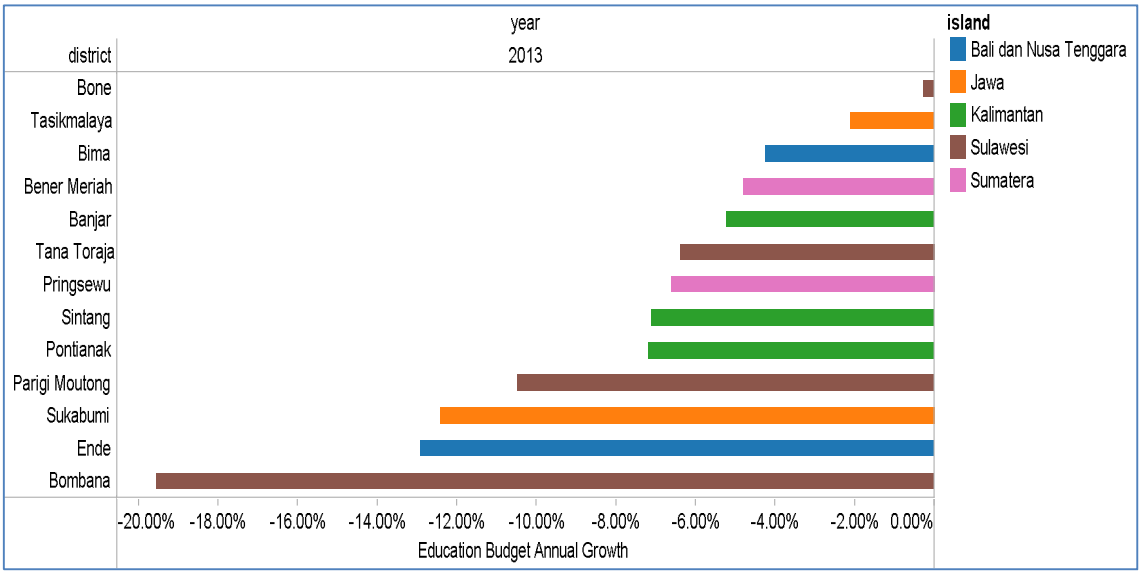
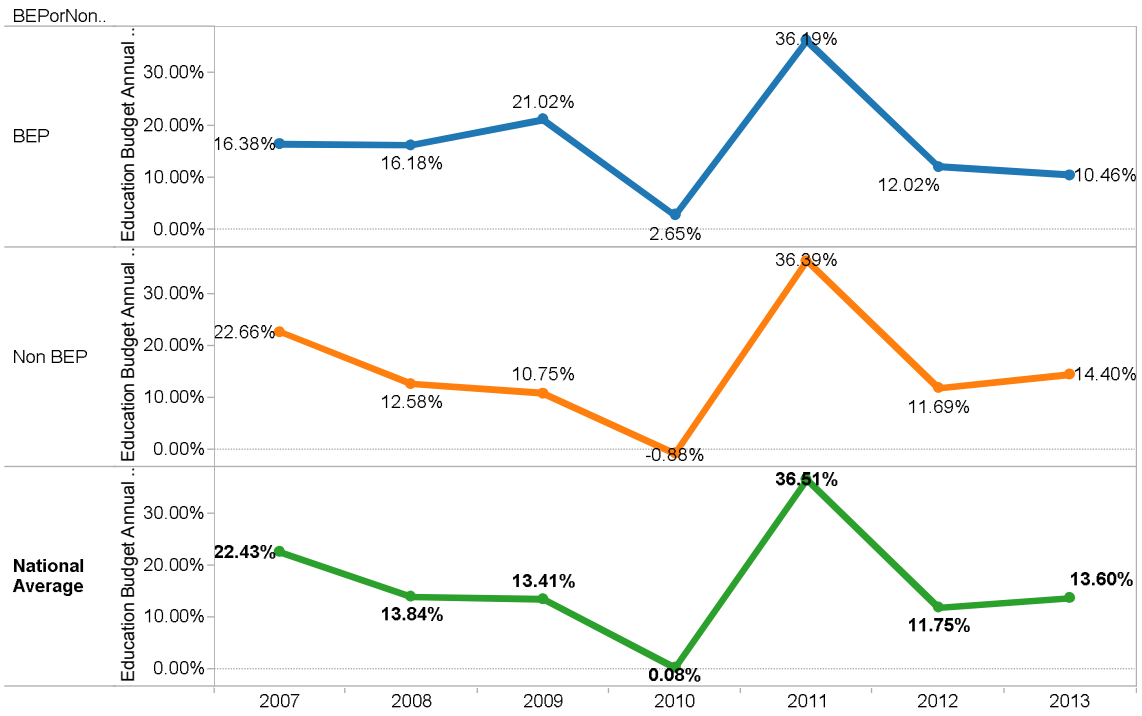


Figure 28: Component 1 & 2 districts with declining annual education expenditure (2013 vs 2012)



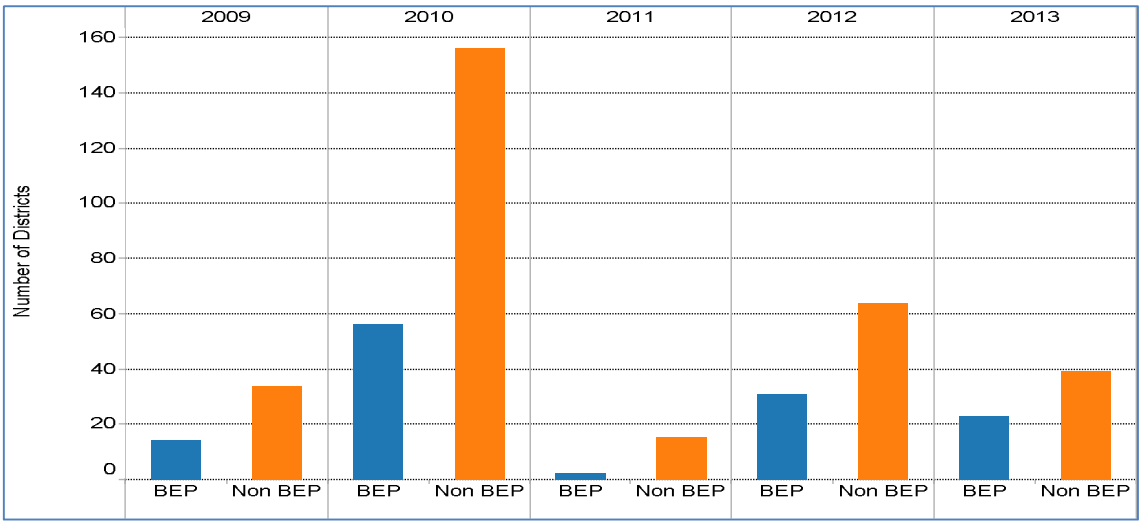
BEP districts had an average 10% growth in education expenditures in 2013 (compared to 2012) which was below that of the non-BEP districts (14%).

Figure 29: BEP and Non-BEP Districts - Annual Growth in District Education Expenditure, (APBD 2007-2013)



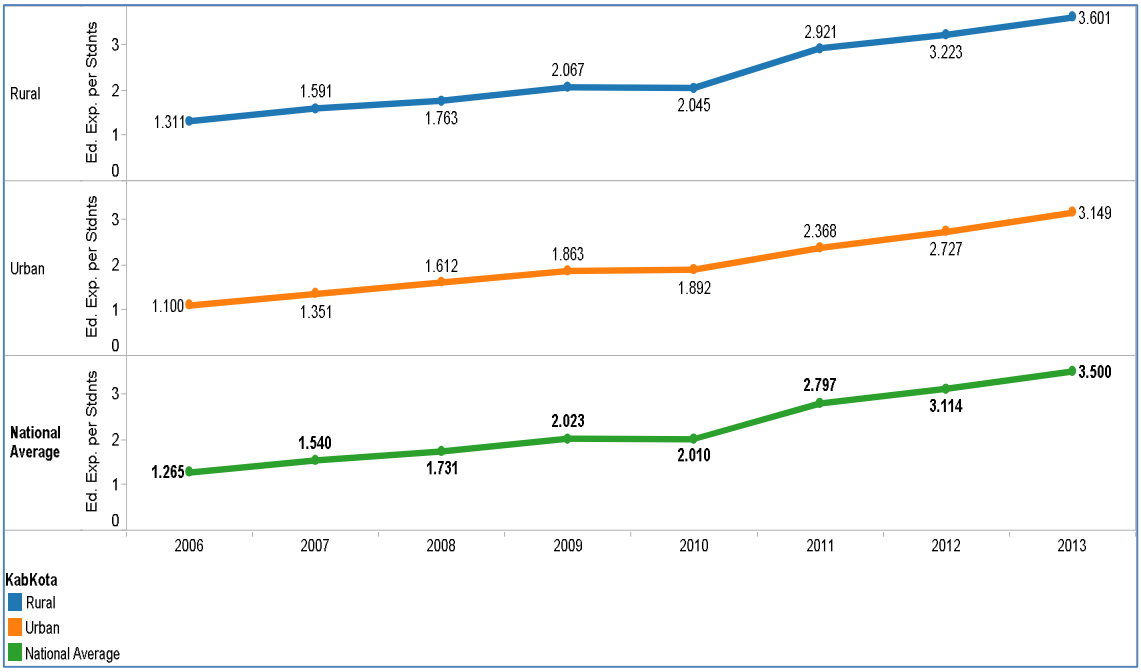
In 2013 there were 62 districts showing a decline in the education budget. This is an improvement from 2012, where 97 districts experienced a decline in annual education budget allocation. In 2013, 12% of districts showed a decline in budget commitment towards education compared to 20% in 2012.

Figure 30: Number of Districts, with Negative Annual Growth in APBD Education Expenditure (2009-2013)



KPI 6: Average District Expenditure per Student

Figure 31: Average District Education Expenditure per all Students, 2006-2013 (Rp. millions.)



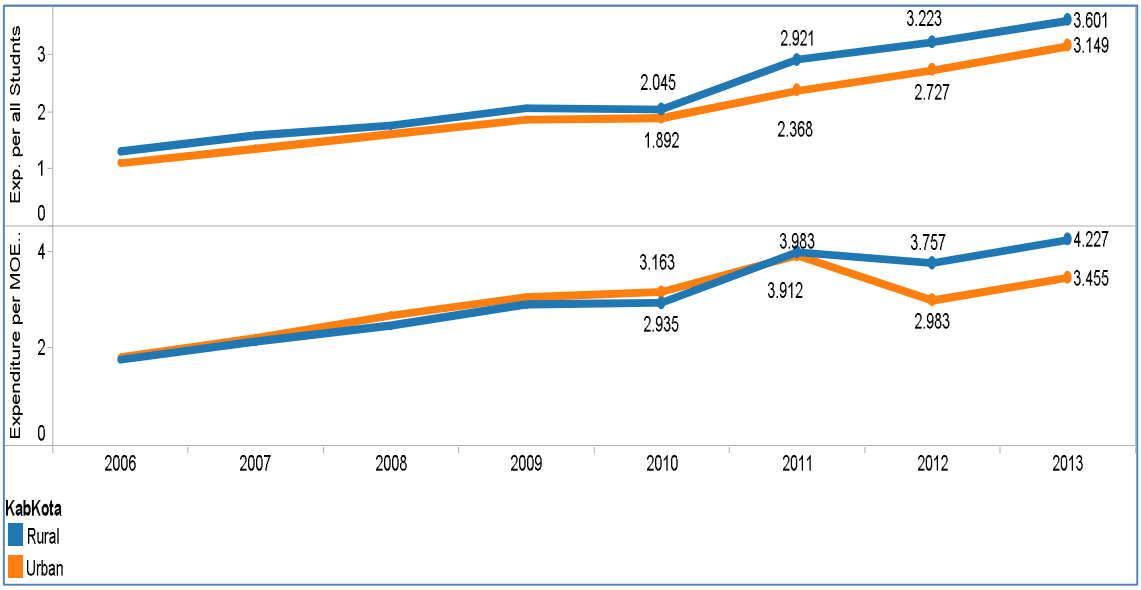
KPI 6	AVERAGE DISTRICT EXPENDITURE PER STUDENT		
STATUS AND TRENDS			
Result	Positive	Data availability	Financial data for 2013 was available for 496 districts and enrolment data for 490 districts.
Observations	• Average expenditure per student across the country grew at about the same rate as for 2012. Average education expenditure per student has grown to Rp. 3.5 million in 2013, from an average Rp. 3.1 million in 2012 (see Figure 31, above). • Average per student expenditure is higher in rural districts and reached Rp. 3.6 million per student in 2013 compared to Rp. 3.2 million per student in the urban areas. • Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.8 million per student. • The richest quintile districts are the outliers with per student expenditures at Rp. 3.1 million. The poorest districts are on average allocating 23% more per student than the richest. This is a consistent trend over time. • 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 2013 was again highest in the island groups of Papua (Rp. 6.2 million) and Kalimantan (Rp. 5.7 million). Lowest expenditure by a considerable margin is found on Java with Rp. 2.9 million per student. • Papua has again returned to growth in its education allocations after a contraction 2012. • Papua had 13 districts contract budget allocations in 2013. This was an improvement on 2012, when 17 districts showed a contraction on their previous year allocation.		

KPI 6	AVERAGE DISTRICT EXPENDITURE PER STUDENT
STATUS AND TRENDS	
	• 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. • Sharper increases in funding in the poorest districts (compared to others) has given an equity lift to the slope of funding for the neediest. Wealthier districts are also on average receiving significantly less than others so that remains positive.
Observations about EP districts	• District expenditure per student has been increasing across EP participating and non-participating districts. • Non-participating districts have higher allocation per student (3.7 million) compared to EP districts. • These increases disguise great internal variation in district allocations. Forty one EP districts allocate less than Rp. 2.6 million per student (25% the national average per student budget allocation). • On the other side, 33 EP districts allocate above Rp. 7.0 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	• There is improvement in the number of Papua districts that are contracting the allocations but it would be helpful to understand why there are some that continue to contract. • 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. • Only one district (Pulau Moratai, Maluku) in 2013 registers on the composite indicator for Critical Education Funding Status as presenting strong negative readings across three indicators. This is down from six districts in 2012.
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. • Liaise with EP districts that have reduced their per student allocations in 2013 to understand reasons and trend in 2014 and 2015.

A more nuanced analysis of per student education expenditure looks at district expenditures per student in public MoEC schools. 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.

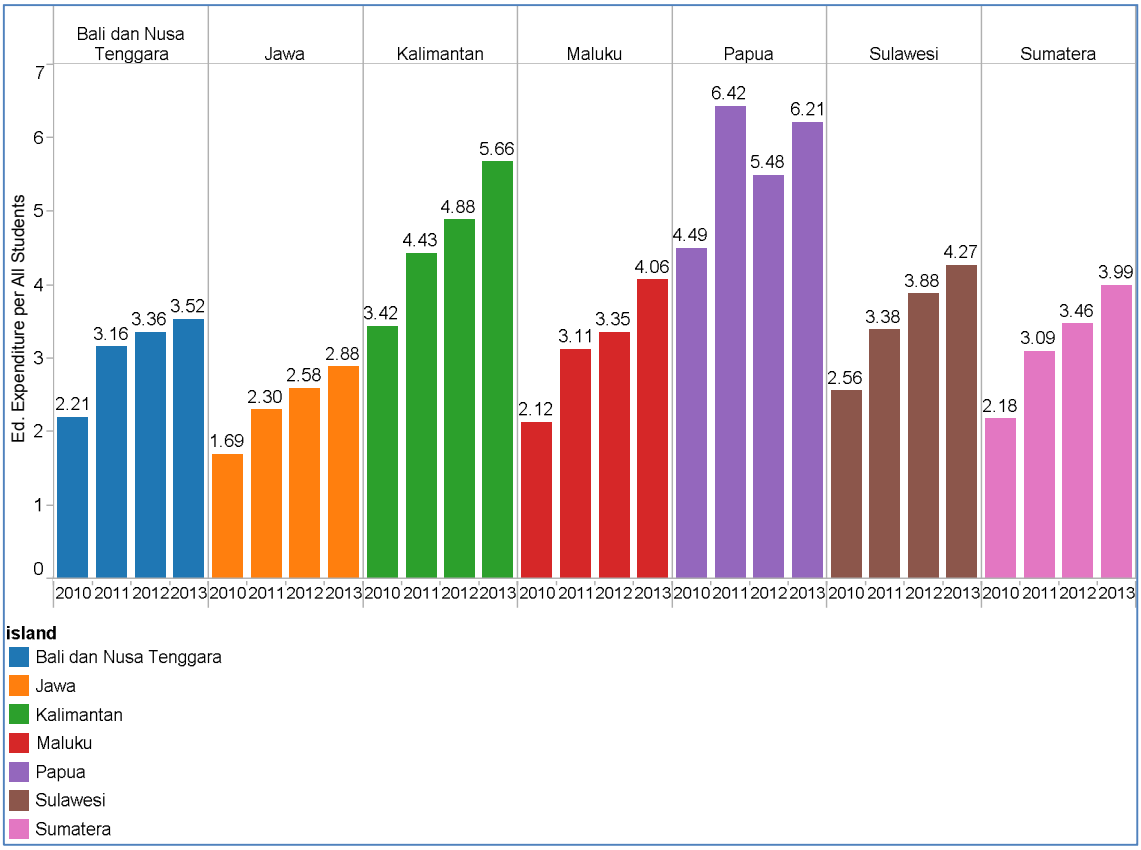
The average education expenditure per public students in rural areas in 2013 was Rp. 4.2 million per student (from a previous year average of Rp. 3.8 million). Average 2013 expenditure per student for urban districts (Rp. 3.5 million) remains very close to rural districts (Rp. 3.98 million). Because 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.*

Figure 32: 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 2013 was again highest in the island groups of Papua (Rp. 6.2 million) and Kalimantan (Rp. 5.7 million). Lowest expenditure by a considerable margin is found on Java with Rp. 2.9 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 33: Average APBD Education Expenditure per Student (Rp. millions), 2010-13 by Island

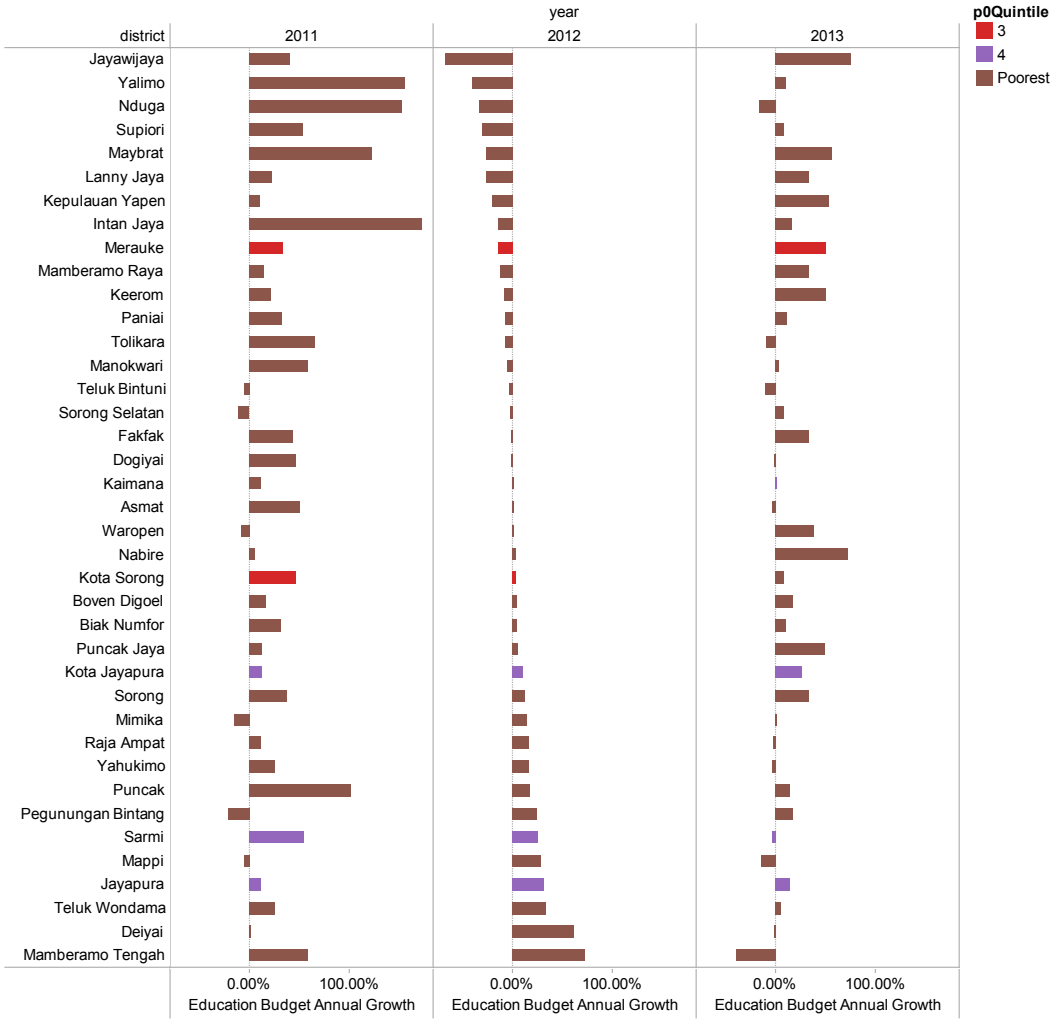


Positive change in 2013 is shown by (i) average expenditure per student for education that increased again in Papua districts (after contracting in 2012), and (ii) fewer Papua districts reduced their annual per student allocation compared to the previous year.

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.

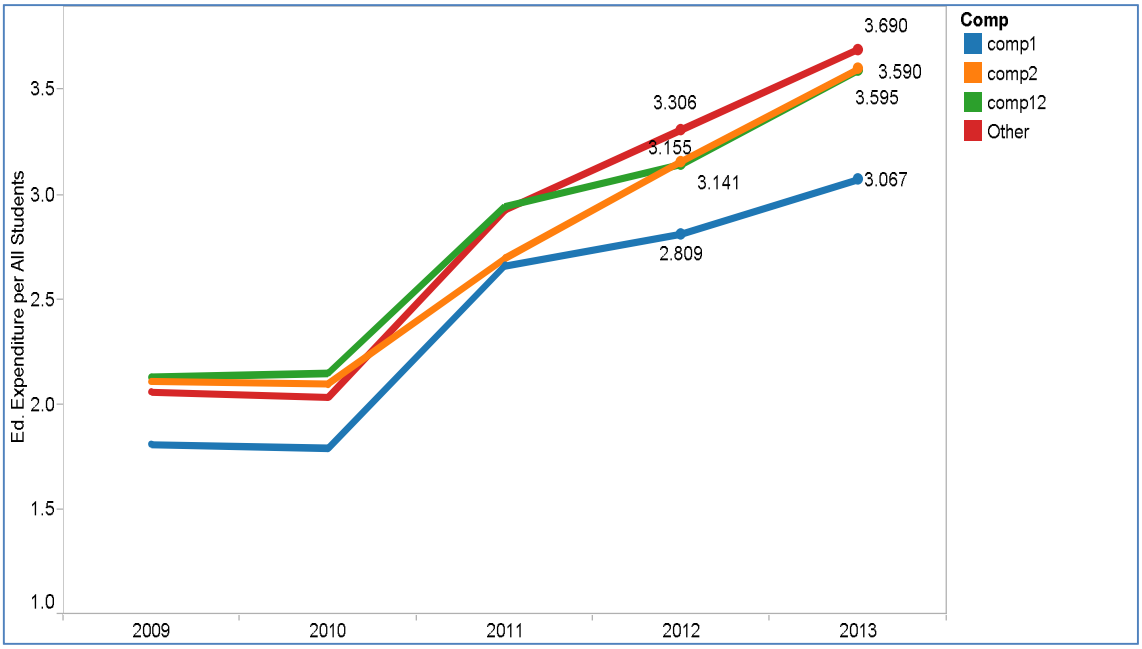
When we turn to 2013, we see that 13 districts had negative growth compared to the previous year, which is still high but a reduction from the 17 with declining allocations in 2012.

Figure 34: Papua: Average Annual Growth in District Education Budget, (Rp. millions) 2010-13



District expenditure per student has been increasing across EP districts and others. By 2013, the non-participating districts had a higher average allocation for education (Rp. 3.7 mill.) compared to participating districts (Rp. 3.1 – 3.6 mill.).

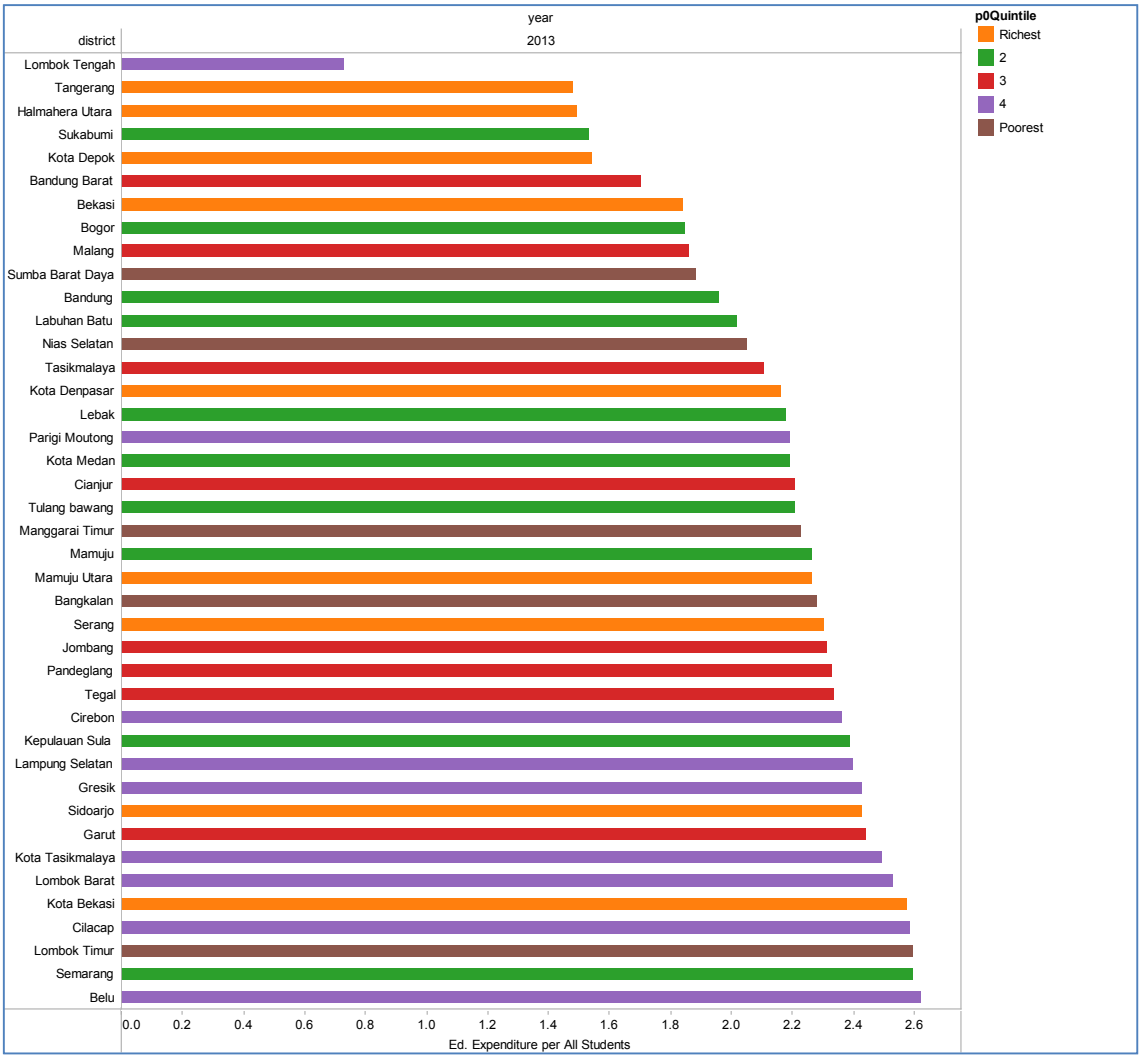
Figure 35: Average District Expenditure per Student, EP Districts and Others (Rp. millions)



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. 3.5 million allocation per student, there are 41 EP disricts allocating less than Rp. 2.63 million per student (which is less than 75% the national average expenditure per student).

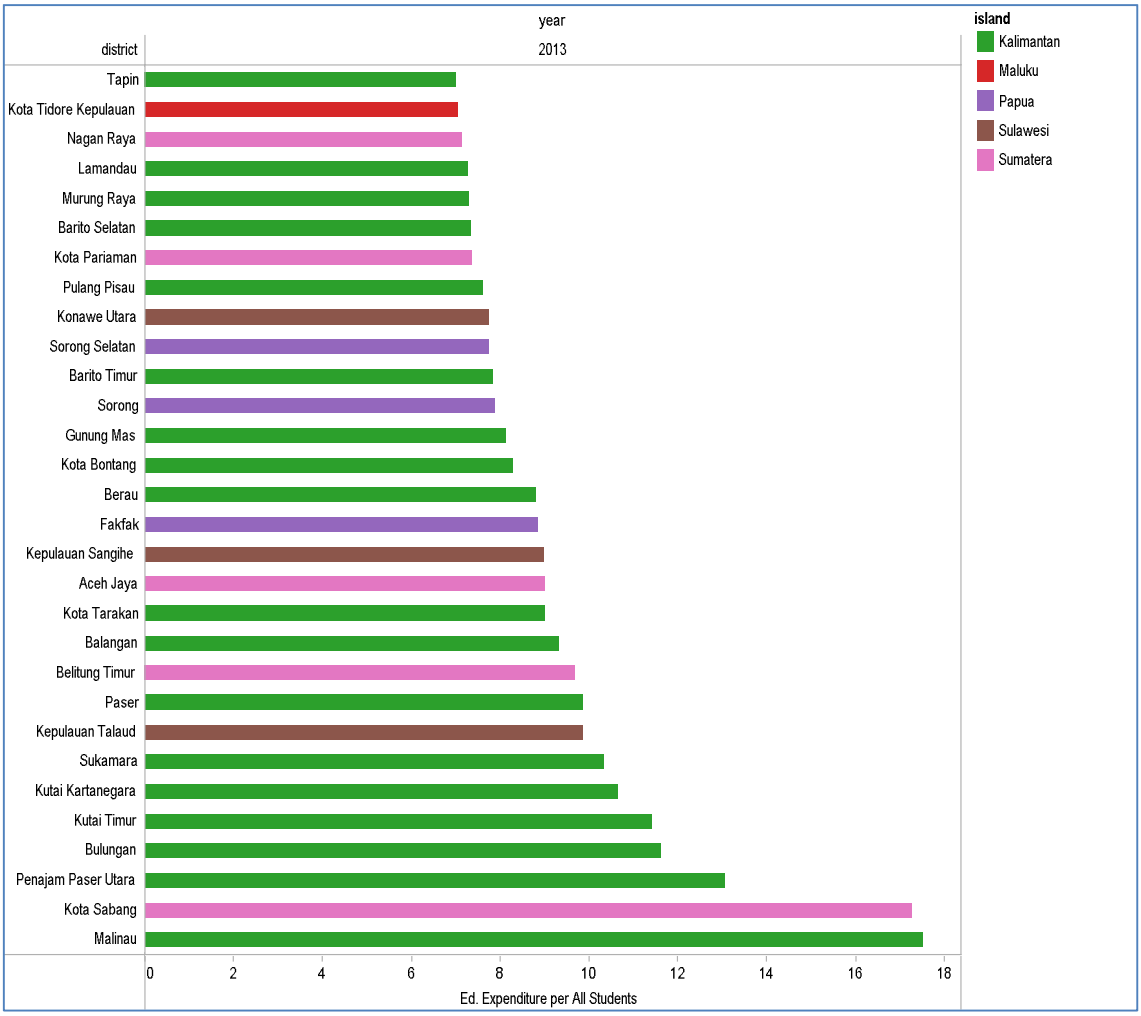
Some caution needs to be exercised in interpreting these figures. A high percentage of student enrolments in the private school sector will provide a misleadingly low estimate of the actual financing for schools. The private school enrolments are likely to have the biggest impact in the richest urban districts with a likely higher share of well resourced private schools. The table below shows there are nine districts (out of 41) which are in the richest quintile and committing less than Rp. 2.63 million per student.

Figure 36: EP Districts with Low Expenditure per Student, 2013 (Rp. Less than 2.63 million)



Conversely, there are 33 EP districts that are allocating more than Rp. 7 million per student which is more than double the national average per student allocation for education.

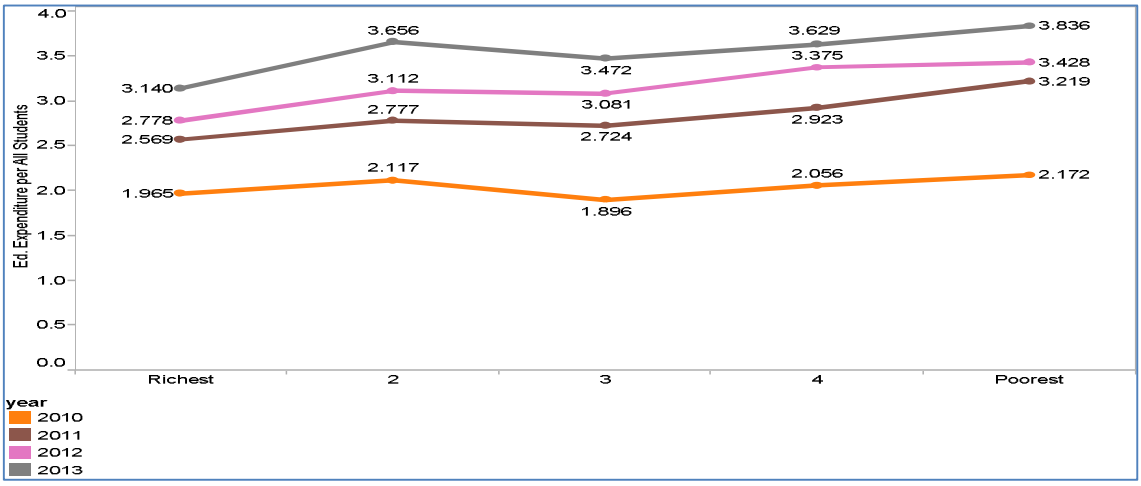
Figure 37: EP Districts with very high per student expenditure, 2013 (Rp. millions)



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 38: Equity Slope of Funding - Average APBD Education Expenditure per Student (Rp millions), by Poverty Quintile, 2010-13



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 public resources made available 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.

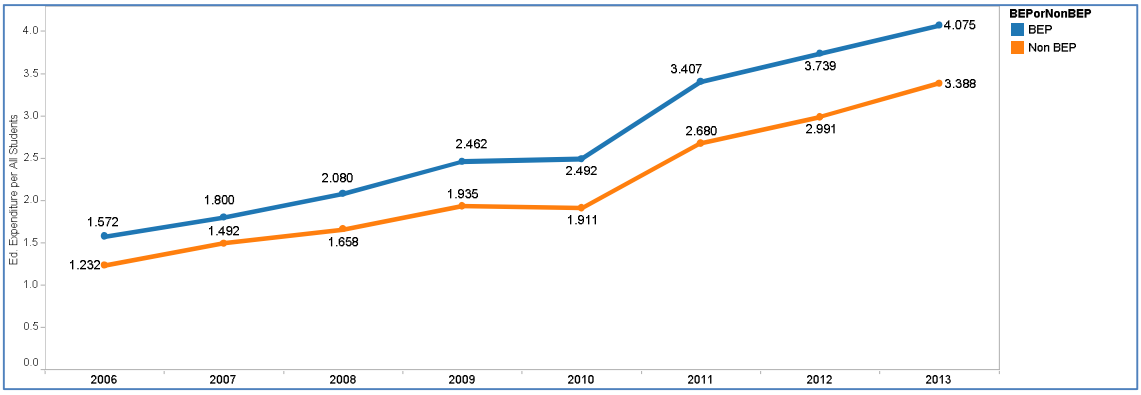
In 2012, because annual growth in district education allocations in the poorest districts was less than for districts in other quintiles, there was a stalling in the move towards greater equity. The line for 2012 (the brown line in chart above) begins to flatten as it moves towards the poorest quintiles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

This situation changes in 2013 with per student funding kicking upwards in the poorest quintile districts does move towards rectify the funding situation that appeared in 2012. However the dip in funding for quintile 3 remains and the increase in funding for the poorest districts has meant a flat line between quintiles 2-5. The lower pre student funding for the richest districts (average Rp. 3.1 million) does suggest fewer public resources are being directed there than poorer districts.

To achieve better learning outcomes across the poorest districts, the district governments that are part of poverty quintiles 2,3,4, will need to grow their education spending more quickly and drive a stronger 'equity slope' in education funding distribution.

A quick comparison between BEP and non-BEP districts reveals that they are both growing their per student allocations at the same rate. BEP districts continue to spend a steady 20% more than non-BEP districts.

Figure 39: BEP District budget allocations per student, 2006-2013



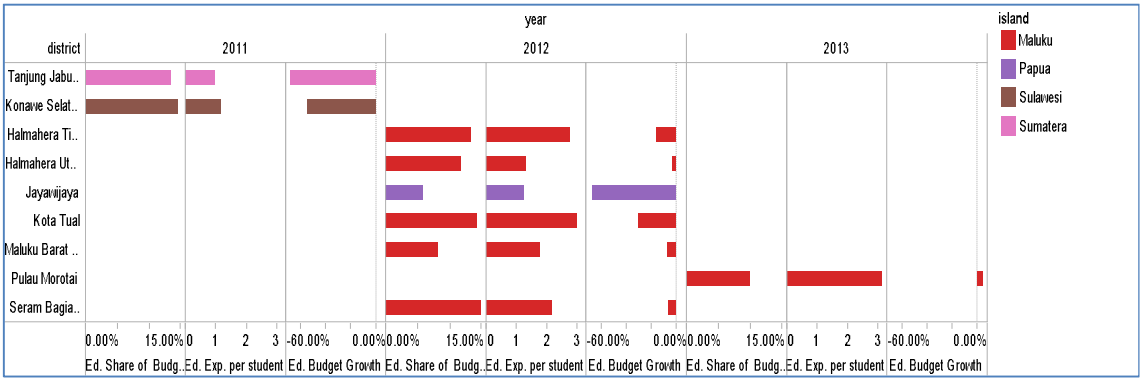
A ***Critical Education Funding Status*** (CEFS) diagnostic tool is based on three KPIs from this district level analysis (KPIs 6, 7 and 8). The CEFS diagnostic tool identifies critical districts that have:

- low expenditure per student (less than Rp. 2.63 million) – equates to an expenditure which is 75% of the average expenditure per student in 2013
- small education share of the district budget (less than 15%)
- weak annual growth in their education budget (less than 5%).

These criteria have been adjusted from reports of previous years. The low expenditure per student has been adjusted to reflect changes in prices and is now set as discounted benchmark from the national average expenditure. The other two criteria have been tightened to capture more extreme cases. All these criteria are applied consistently across years for time-series comparisons.

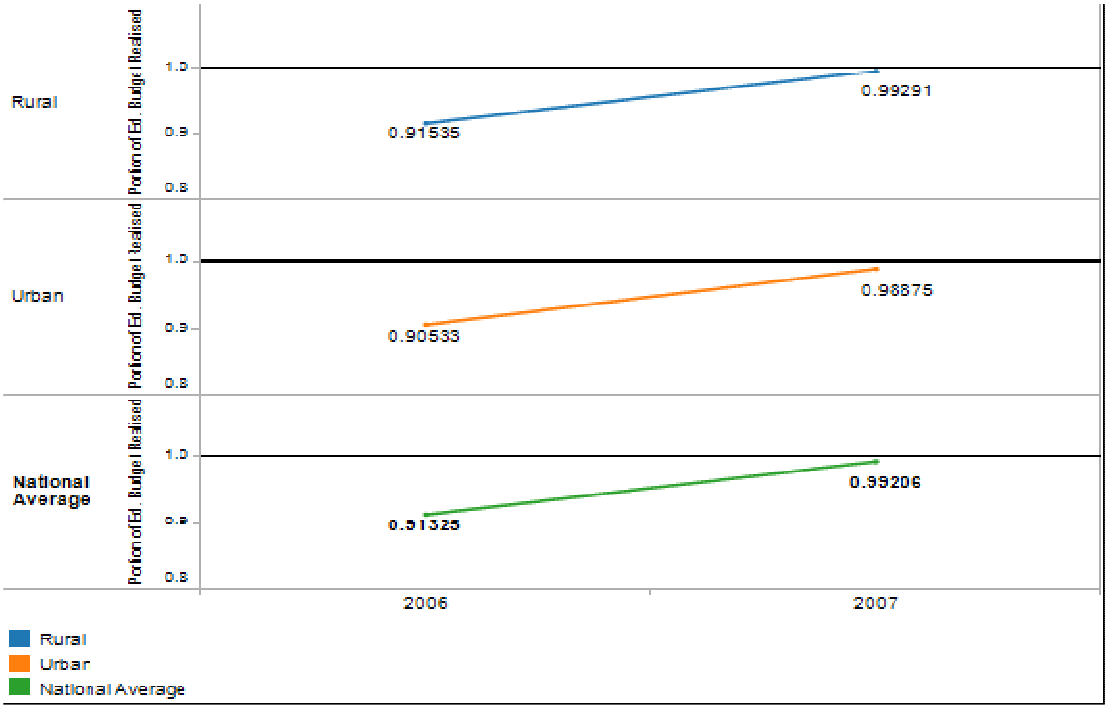
The figure below shows the one district meeting these criteria in 2013, compared to 6 districts meeting criteria in 2012 and only two in 2011. It is a good sign that districts do not remain in the CEFS category for more than one year. It suggests there is some corrective re-balancing occurring within districts to prevent those already spending substantially less than average from declining their commitments even further.

Figure 40: Critical Education Funding Status (CEFS) Districts – Districts with low growth in education budget, low share of district budget and low expenditure per student, 2010-2013



KPI 7: Actual district education expenditure as % of planned education expenditure

Figure 41: Realised Education Expenditure as % of Planned Expenditure 2006 -2007



KPI 7	ACTUAL DISTRICT EDUCATION EXPENDITURE AS % OF PLANNED EDUCATION EXPENDITURE		
STATUS AND TRENDS			
Result	Negative	Data availability	Limited verified financial data for 2006 and 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.		

KPI 7	ACTUAL DISTRICT EDUCATION EXPENDITURE AS % OF PLANNED EDUCATION EXPENDITURE
STATUS AND TRENDS	
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 42: Realised Education Expenditure as % of Planned Expenditure 2006-07, EP and Non-EP districts

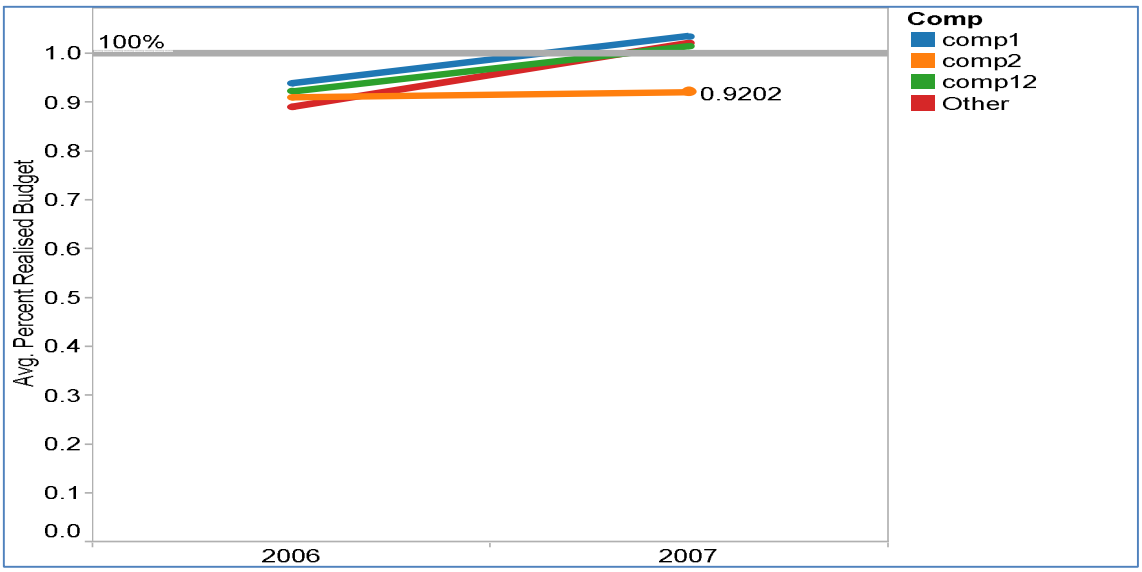
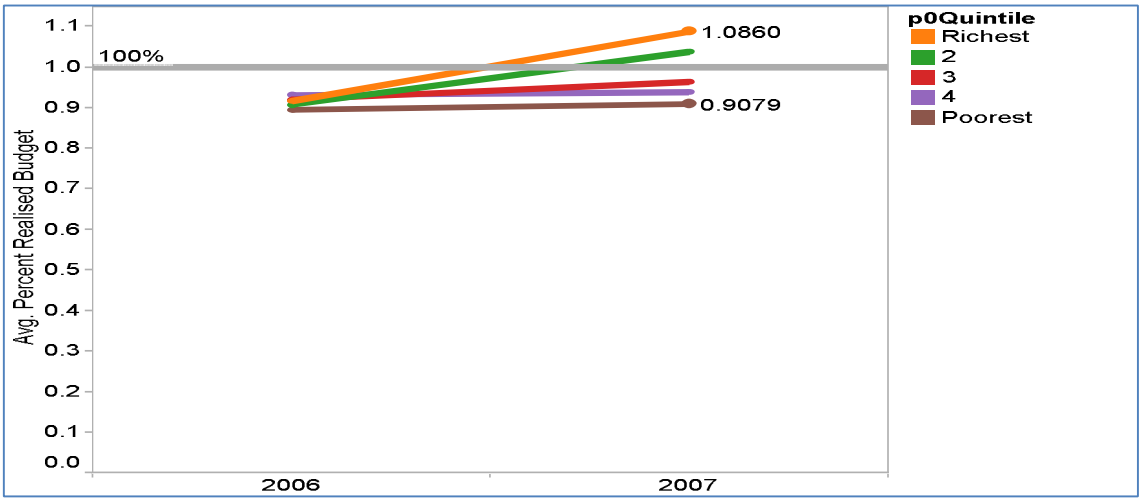


Figure 43: Realised Education Expenditure as % of Planned Expenditure 2006 - 2007, by Poverty Quintile

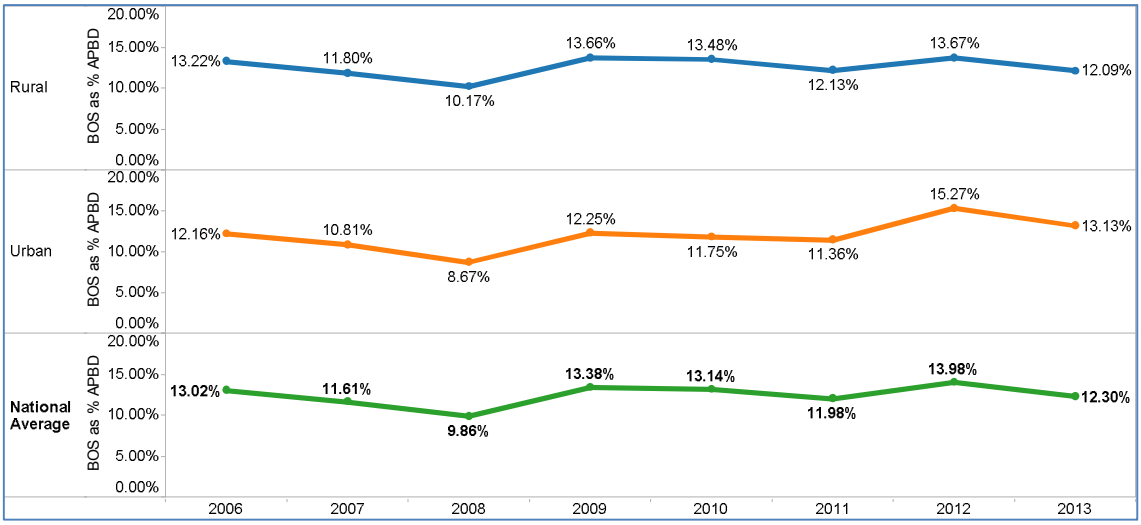


Policy Implications: Too many districts may be failing to expend their allocated annual education budgets. The difficulty of the poorest districts in expending their budgets is of a particular concern given the access and quality problems in these districts. The quantum of funds may not be the greatest 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 1: Discretionary School Expenditure as Percentage of Total Education Expenditure

Figure 44: BOS Grants as % of Education & Culture Budget 2006-2013



SPI 1	DISCRETIONARY SCHOOL EXPENDITURE AS PERCENTAGE OF TOTAL EDUCATION EXPENDITURE		
STATUS AND TRENDS			
Result	Neutral	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 2013, the BOS grants have marginally decreased as a proportion of the district education budget as a result of no indexation in their value (see Figure 44, above).		
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 make payments to schools. This 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 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.

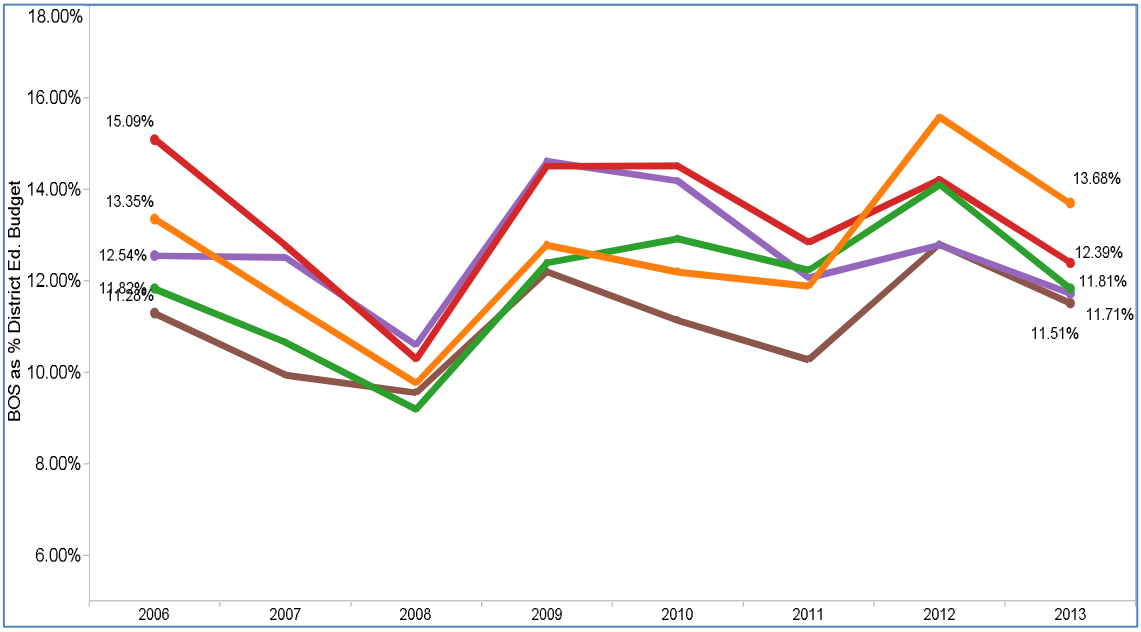
In 2013 the BOS allocation in the national budget (APBN) was planned to amount Rp.23.4 trillion. This was a drop of Rp.147.9 billion (0.6 percent) from its allocation in APBNP 2012 at Rp.23.6 trillion. Keeping the same nominal value for per capita student allocations, combined with administrative savings and allowing for price inflation, means that in real terms the value of the BOS subsidy has decreased from the previous year.

Notwithstanding this pause in the nominal value of the per student allocation, the BOS funds are a very important source of funding at the school level. These funds are meant to be primarily used to

finance non-personnel spending in basic education in the context of compulsory education program, and may be used for the financing of other activities as indicated in technical directives of MoEC. A key objective is to release students from low-income households, who cannot afford to pay their tuition fees and to relieve other students from this tuition fee burden so that they can access quality education service for 9-years of compulsory basic education program. BOS aid is stimulus for regions and not the substitute of obligations of the local government in the allocation of education budget.

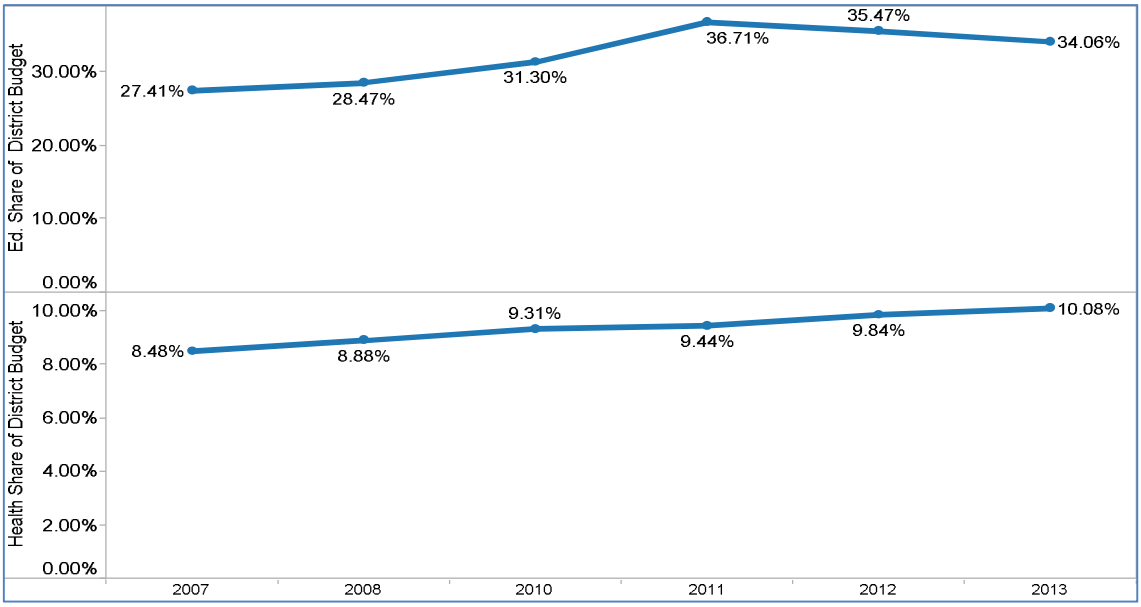
The BOS grants represent a smaller proportion of total expenditures for schooling in the poorest districts. This is because of the higher teacher costs (such as remote area allowances) and the lower student:teacher ratios which increase the per student teacher cost in these districts. As a consequence, 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. In 2013, analysis of BOS across poverty quintiles, shows they represent on average between 12%-14% of district expenditures. These funds are clearly significant and roughly equal value in districts irrespective of the wealth of each district.

Figure 45: BOS Grants as % of District Budget 2006-2013, by Poverty Quintile



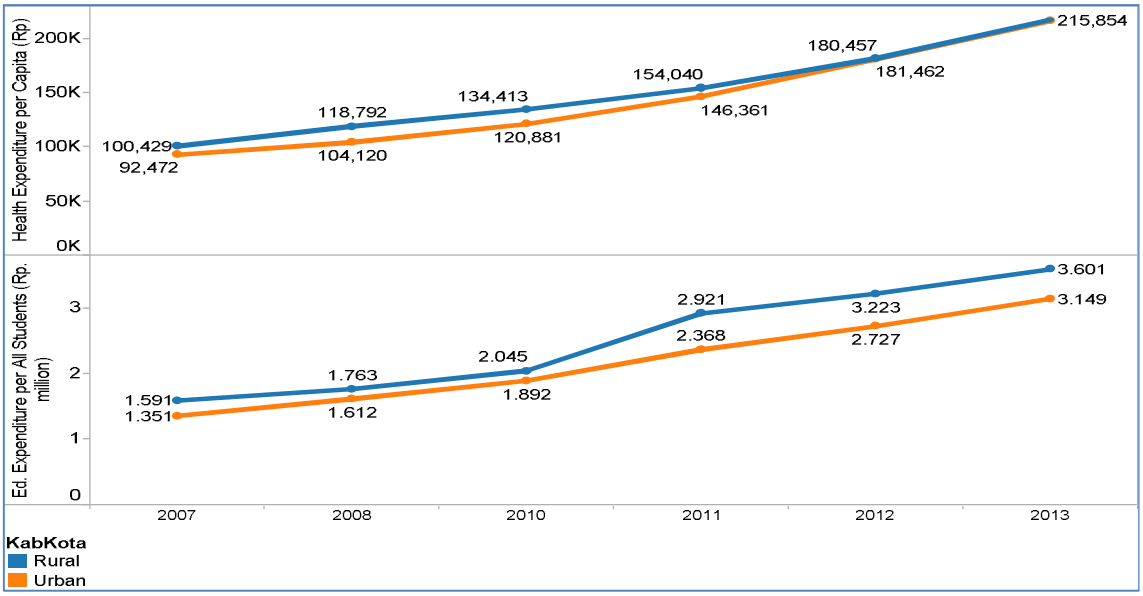
SPI 2 : Comparing Education and Health Budget Allocations at District Level

Figure 46: Education and Health – Average shares of district budgets 2007-2013



SPI 2	Comparing Education and Health Budget Allocations at District Level		
STATUS AND TRENDS			
Result	Positive	Data availability	Aggregate health and education financial data available for 490 districts.
Observations	• At a macro level both education and health expenditures have grown substantially during period 2007-2013. • The education sector had stronger growth during 2007-2011, but has had declining shares since then. • Health sector is coming off a lower base (8.5%) but has had consistent increase every year in its share of district expenditure. • Average Increases in education and health appear across rural districts and towns.		
IMPLICATIONS AND MATTERS ARISING			
For the performance of the education sector	• There is no sign that health sector is crowding out the education sector spending (or vice-versa) at the district level. • There is a strong correlation for districts that have contracting education allocations to also be allocating less than the national average for health. • Correlation in low expenditure for education and health sectors suggests it will be useful to investigate more closely those districts in which there is low share of expenditure for the social sector.		
For the performance of the Education Partnership	• DFAT may wish to coordinate the education and health social sector interventions of its programs to increase government contributions in those districts which are spending well below the national average for education and health. • Coordinate a joint social sector assessment in a selection of districts that have declining and/or low expenditures in education and health to understand the reasons and effects.		

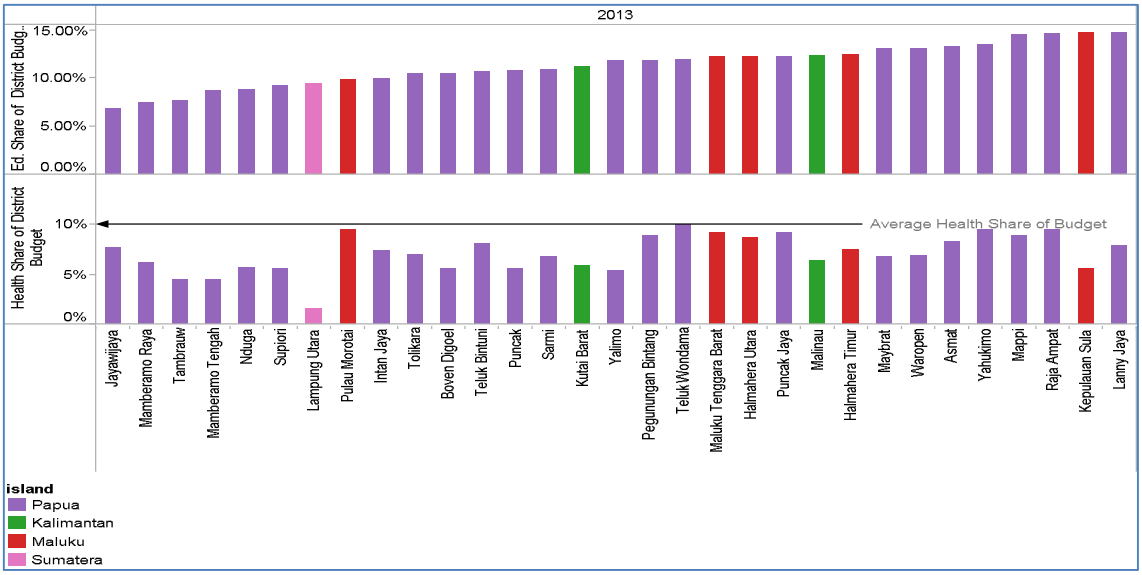
Figure 47: Per Capita Health and Education district expenditure, 2007-2013



Analysis of districts that are allocating less than 15% of their budget for education shows that they are nearly all also allocating less than the national average (10%) for health. Of the 31 districts allocating less than 15% of their budget towards education, only one (1) was meeting or exceeding the 10% national average for district allocations towards health.

The strong direct correlation between low expenditures in education with health indicates there is no crowding out by the health sector of education budget allocations. On the contrary, district decisions for low priority appear to affect both the education and health components of the social sector.

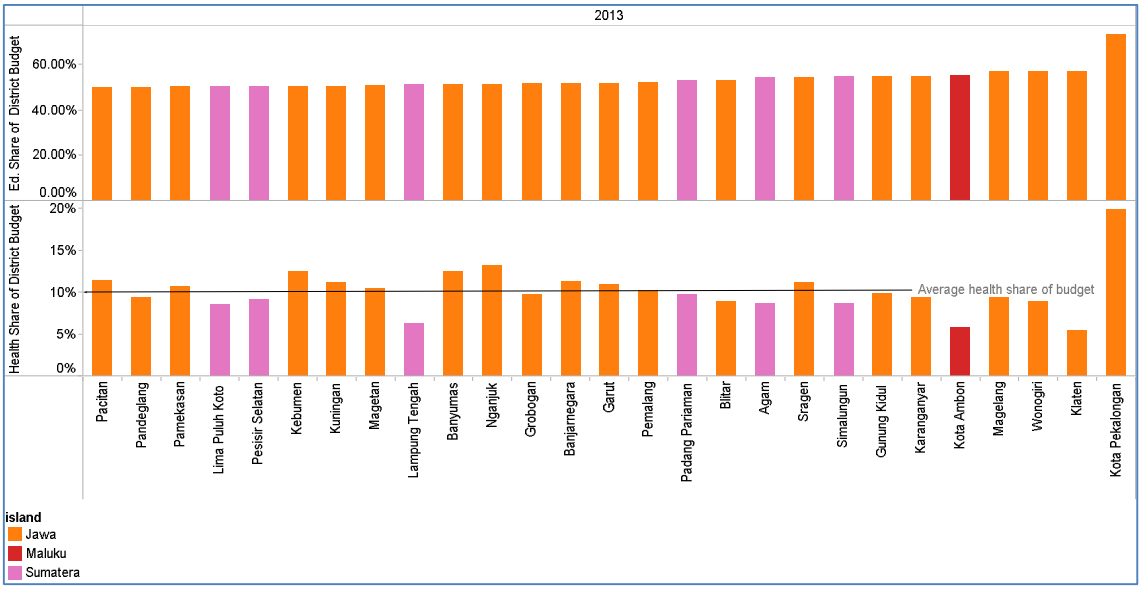
Figure 48: Health shares in poorest districts with very low education allocations, 2013



Looking at expenditures in districts where there is a large share of the budget for education (greater than 50%) can indicate if education expenditures might be crowding out health expenditures. Of the

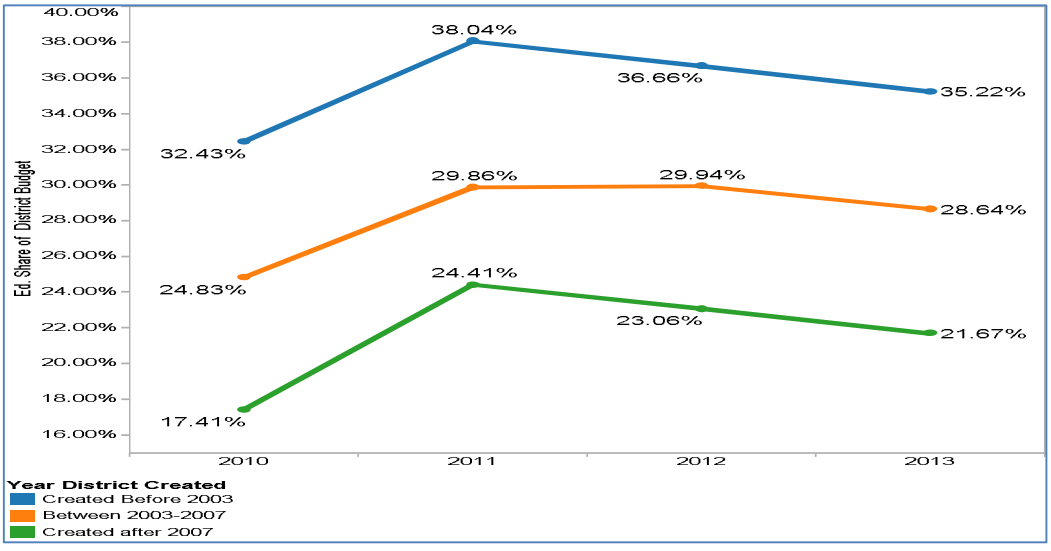
27 districts that allocated more than 50% of their budget towards education, 15 allocated less than 10% for health. It is not possible on the basis of these figures to suggest there is a trend for this to be occurring although it might be a factor in certain cases.

Figure 49: Health shares in districts with very high education allocations (>50%), 2013



SPI 3: The Allocation Patterns and Statistical Impact of Newly Established Districts

Figure 50: Year Districts Created – Average shares of district budgets 2007-2013

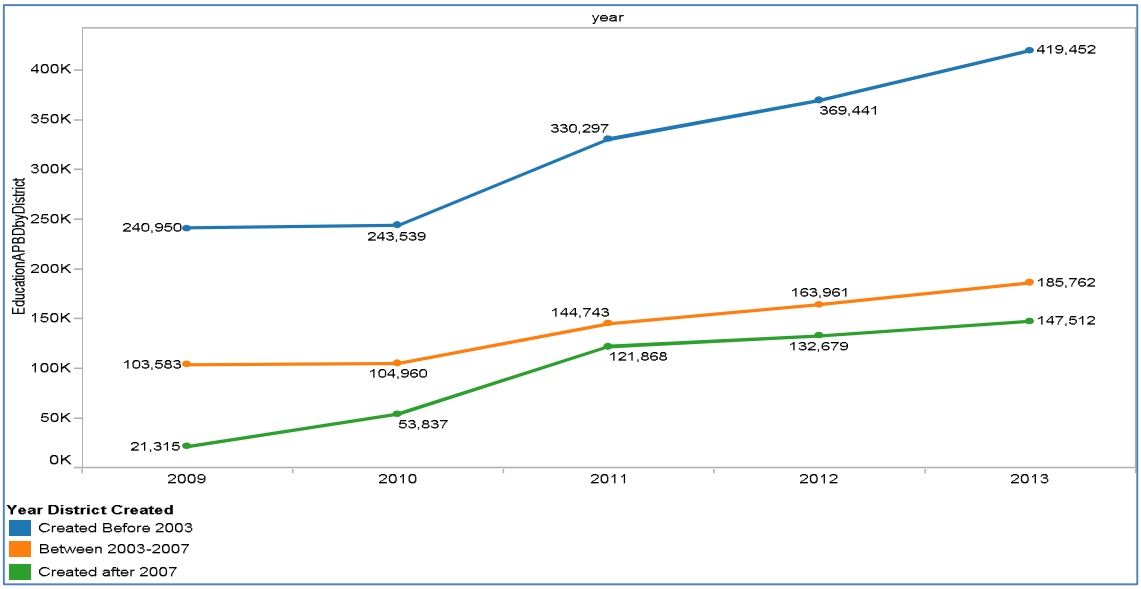


SPI3	Allocation Patterns and Statistical Impact of Newly Established Districts

STATUS AND TRENDS			
Result	Neutral	Data availability	Financial data for 2013 was available for 496 districts and enrolment data for 490 districts.
Observations	• The older the district the greater the percentage of its budget it tends to allocate towards education. • The older the district the greater its total budget for education. • Newest districts are smaller, most likely to be found in Papua and Sumatera and likely to spend more per student than others. • Newest districts had very high annual growth rates in 2010 and 2011 in their total APBD budgets and this was also reflected in their education allocations. In 2012 and 2013 the annual growth in total budget and education allocations has joined the statistical average for older districts. • The small number of newest districts (2007 onwards) means they have not distorted the national level findings of the study.		
IMPLICATIONS AND MATTERS ARISING			
For the performance of the education sector	• The newest districts can have very high initial budget allocations for education and these may be related to capital improvements and other establishment costs. In such high spend setting it will be especially important to be sure that expenditure is well targeted and sequenced with other investments.		
For the performance of the Education Partnership	• DFAT should identify EP districts that are affected by the separating off of smaller districts as these may create significant cost and organisational impacts for districts, schools and communities.		

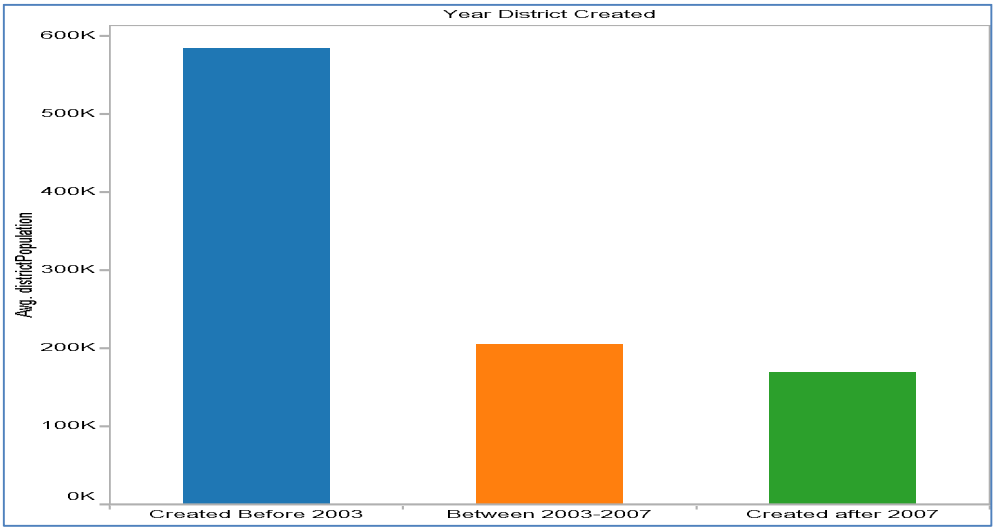
Districts created before 2003 have more than double the average budget of newer districts. Districts created before 2003 had average education budget allocations of Rp. 420 billion compared to Rp. 148 billion for the newest districts established after 2007. In Papua, the oldest districts have the largest budgets, but the newest districts have on average budgets that are larger than districts created during the period 2003-07. So the newness effect on district budgets is no driven by Papua geography but population size across geographical areas.

Figure 51: Average District Allocations for Education, 2013 (Rp. million)



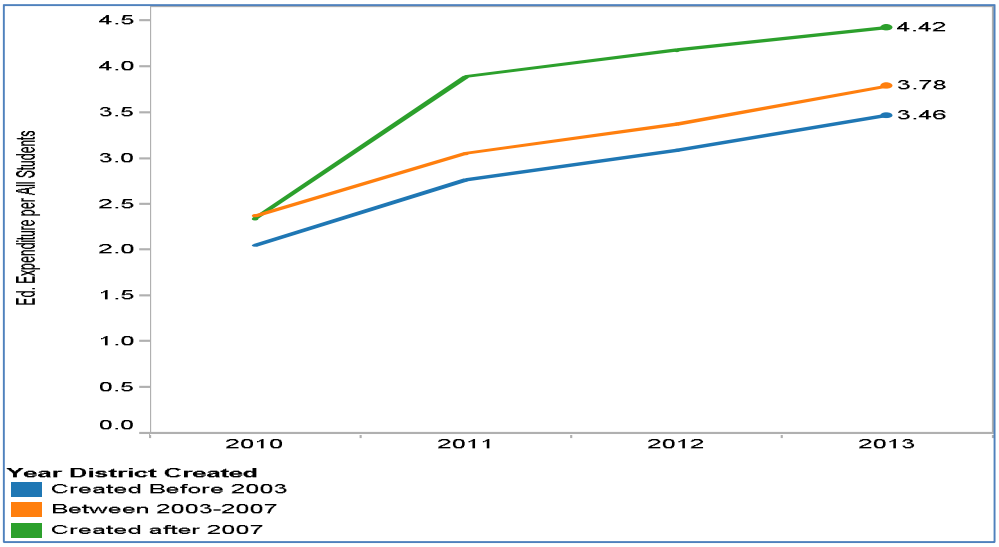
As the figure below shows, the higher per student allocations of the newest districts correlate with the larger average population size of these districts. While districts created before 2003 have an average population that is closer to 600,000 the newer districts have average populations that are less than 200,000.

Figure 52: Average population size of districts by year created, 2013



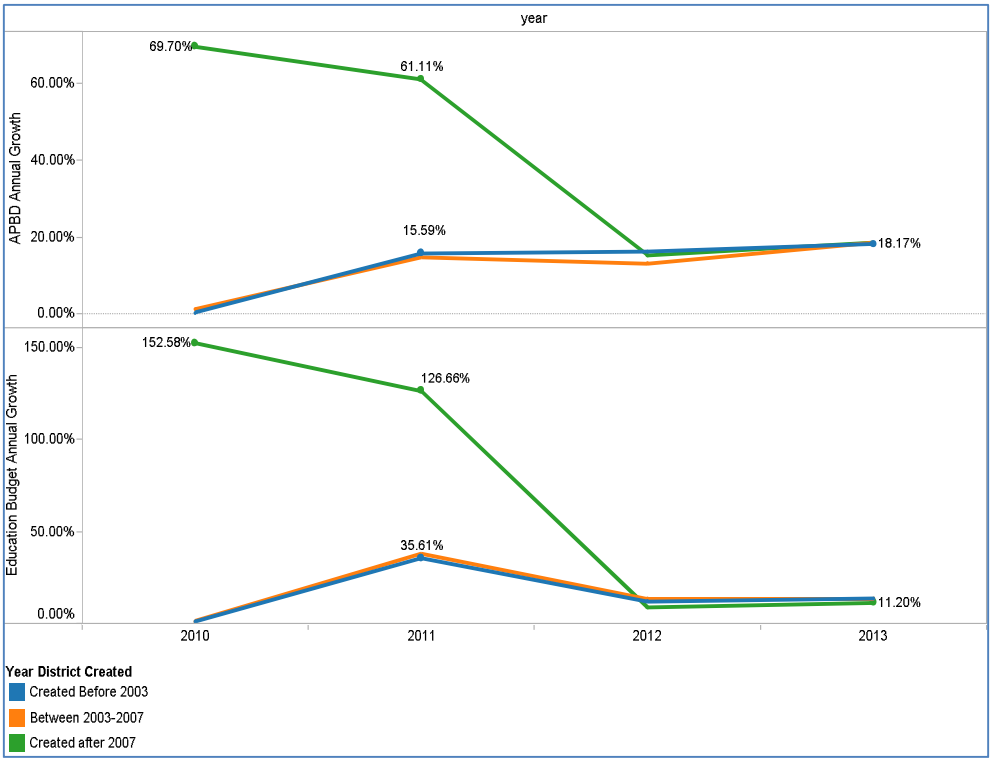
Smaller districts are therefore more likely to be affected by the diseconomies of scale as well as the effects of isolated populations in remote areas of Papua and Sumatera. This is captured by the figure below which shows that newest districts have escalated per student costs compared to the other two groups. Interestingly, this difference in unit cost structures begins to emerge in 2011 but then the price gap remains at the same level for the next three years. It may indeed reflect the introduction of special teacher allowances which apply for remote areas and hard to teach districts that are found amongst the newest districts.

Figure 53: Average allocations per student, by year district created



While the newest districts had very high growth rates (in excess of 100%) in their budgets during 2010 and 2011, by 2012 and into 2013, these districts had assumed growth rates that were very much in line with the other older districts (around 10%).

Figure 54: Growth rates in total and education sector district budgets, 2010-2013



On interesting test is to see the impact some of the newest districts compared to special factors associated with Papua itself. The figures below compare average budget share of districts for education. The national average (i.e. of all districts) is compared with (i) an average that excludes the newest districts established after 2007, and (ii) an average that excludes Papua districts.

Figure 55: All districts, education share of district budget

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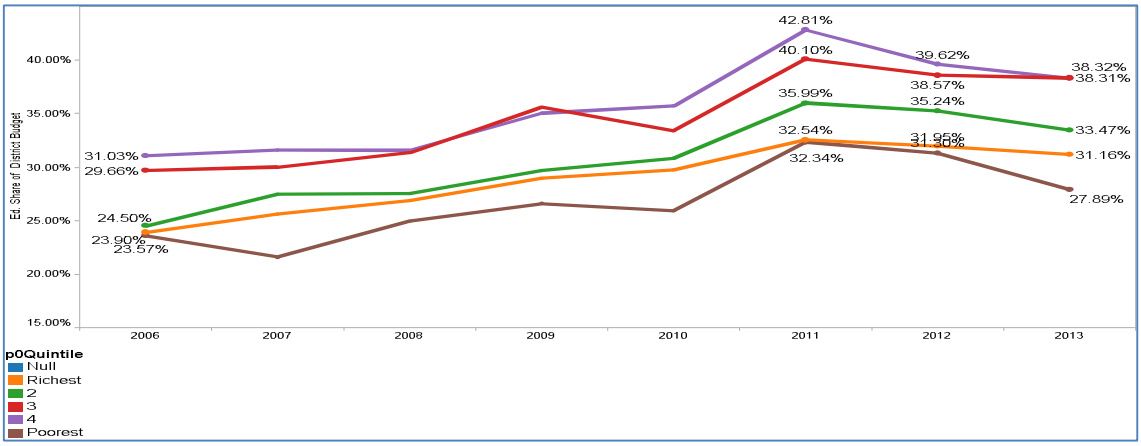
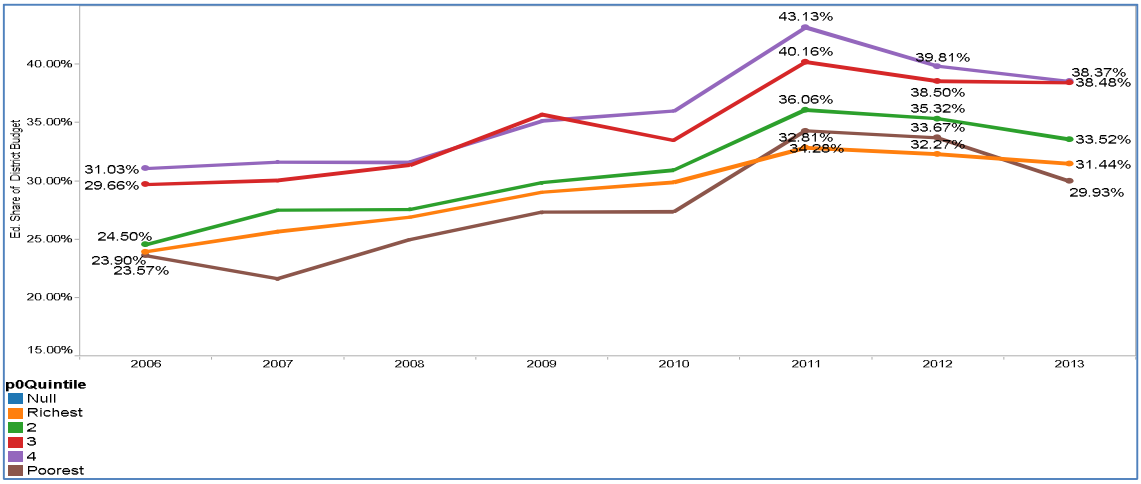


The exclusion of newest districts (post 2007) has very little impact on the average share of distroct budgets. It only really afects the poorest quintile by 1% point.

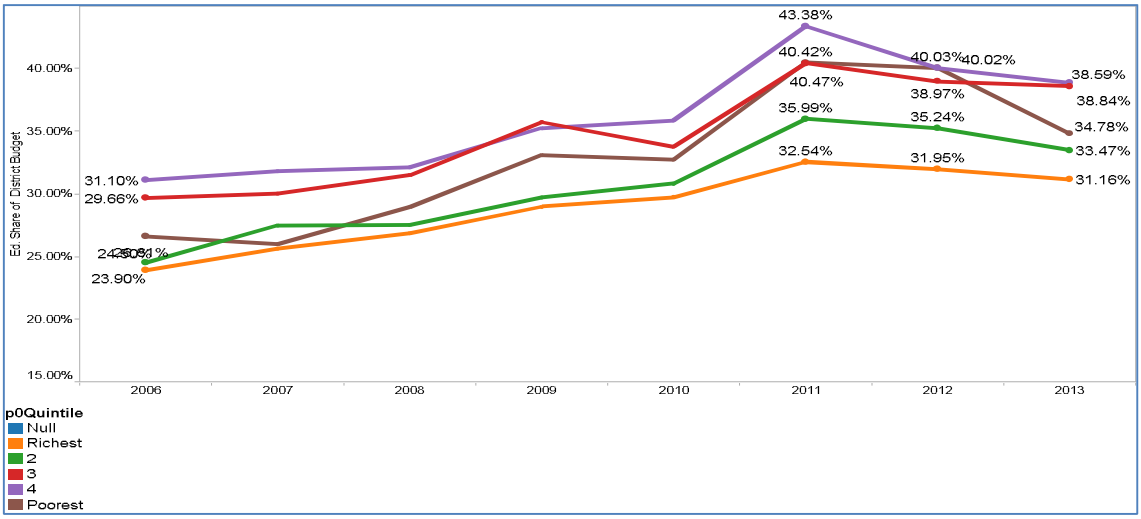
Figure 56: Excluding newest districts, education share of district budget



There is, however, a more significant impact when Papua is excluded from the calculations. The poorest quintile of districts moves from being the only ones with an average allocation below 30%. In fact, the poorest quintile moves into a mid-range distribution with 35% budget share for education.

Papua is a specific high cost case with a substantial number of districts. In this case, the low average budget share allocations for these districts are the critical mass that drag the poorest district group below a 30% education share of budget expenditure.

Figure 57: Excluding Papua, education share of district budget



The Bottom-Line

4.1 What do the trends in sector financing mean for the education sector?

13. ***Strong real growth in national public expenditure for education in 2013.***
The GoI had particularly impressive growth in real and nominal terms in 2006 and 2009. Since 2009, growth in education expenditures has marginally outpaced inflation, but there was a plateau in the real increase of national funding for education until 2011. In 2012 and now 2013 we see consecutive significant increases in real terms for education funding.

14. ***Government commitment to meet a 20% target for education expenditure share of national budget has been met for the fifth year in a row.***
The national expenditures for education in 2013 met the 20% target. Education has benefited from total national public revenues and expenditures which have grown at a significantly faster rate than inflation.

15. ***Average district level education expenditures across Indonesia have increased from 27% of the total district budget (APBD) in 2006 to nearly 34% share in 2013.***
All of these gains were obtained during the period 2006-2011. This is a positive trend but in 2012 and 2013 the education budget has not kept up its share of expanding district budgets. The ambitious plans for the education sector will be damaged if the districts allocation to the education sector continues to decline.

16. ***The lowest average share of budget allocation for education was found in Papua (16%) which now stands some distance from other island groups in allocating a very low share of its budget for education.***
While Maluku has shown growth since 2010, Papua has dropped again from an 18% education share of district budgets in 2010 to 16% in 2013.

17. ***Nationally, 31 districts allocated less than 15% of their total district budget (APBD) on education in 2013. Of these 31 districts, 24 are in the poorest quintile, and 22 of these poorest are found in Papua***
Of the 31 districts spending less than 15% of their budget on education, 19 districts have allocated less than 15% for four years 2010-2013. The continued pattern of spending of less than 15% towards education limits the ability of these districts to catch up with others, i.e. the equity gap will further widen. This problem has a particular relevance for Papua as it is heavily represented in this group.

18. ***In looking at districts by relative poverty status, the poorest quintile districts have slipped further below the others in being the only ones that allocate less than 30% of their district budget for education.***

If the poorest districts do not accelerate their education spending they are likely to fall further behind wealthier districts.

19. ***In 2013, 62 districts (13%) posted a decline in their education budget.***

This is an improvement from 2012, when 97 districts posted a decline in their annual education budget allocation.

20. ***The problem of contracting education budgets in poorest districts is focused on Papua***.
    Ten of the 17 poorest districts which recorded a decline in nominal annual district education expenditure in 2013 are located in Papua.

21. ***Average district expenditure per student grew across the country and is highest in the poorest districts.***
    Average education expenditure per student has grown to Rp. 3.5 million in 2013 from an average Rp. 3.1 million in 2012. Highest allocations per student are found in the poorest districts (quintile 5) at an average Rp. 3.8 million per student.

22. ***To achieve better learning outcomes across the poorest districts, the district governments in poorest districts will need to keep growing their education spending more quickly and drive a stronger 'equity slope' in education funding distribution.***
    In 2012 the slope of equity spending was halted, with slower growth in the poorest districts. In 2013 there was a spike in expenditure in the poorest districts and this needs to be sustained over a number of years so the poorest districts can improve the quality and reach of their education system.

23. ***There was only one district in 2013 that met Critical Education Funding Status (CEFS) criteria compared to six districts in 2012*.**
    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.

24. A correlation in low expenditure for education and health sectors suggests it will be useful to investigate more closely those districts where and why there is low share of expenditure for the social sector as a whole.
    There is no sign that health sector is crowding out the education sector spending (or vice-versa) at the district level. On the contrary, there is a strong correlation for districts that have contracting education allocations to also be allocating less than the national average for health.

Figure 58: 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 2013. **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 3.7% in 2013.
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 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 last 2 years 2012 and 2013, with the education share dropping to 34% from 36%. **Implications**: Poorest districts with low allocations for education should be monitored
KPI 5 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	Positive	**Comment:** Average growth in education allocations improved for poorest districts and there fewer poorest districts allocating less than 15% of the budget for education. **Implications:** Papua accounts for the majority of poorest districts with contracting budget allocations in 2013.
KPI 6 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 2013 at a reasonable rate. **Implications**: Papua had average growth in 2013 (unlike 2012) but it still had 13 districts with contracting budgets

INDICATOR	DESCRIPTION	LEVEL	RELATED GOAL	RESULT	COMMENT AND IMPLICATIONS
					for education.
KPI 7 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	Neutral	**Comment:** In 2013, were not further indexed for inflation but are still substantial following the previous year increase in per student allocations. **Implications:** Principals and school committees have substantial funds for discretionary spending at school level
SPI 2 Comparing education and health allocations at district level	Analysing education and health allocations in low and high allocation districts for any correlations	District	Quality	Positive	**Comment:** No evidence that education and health expenditures are crowding each other. Evidence shows where education spending contracts it also contracts for health. **Implications:** Education and health sectors may benefit from cooperation.
SPI 3 Allocation patterns and statistical impact of newly established districts	Budget comparisons between old, newer and newest districts			Neutral	**Comment:** Older districts are more likely to have larger populations and larger education budgets. Newer districts are more likely to be in a rural area and remote and have higher average per student allocations. **Implications:** Newest districts can have very high initial per student costs. Newest group of districts is small and has not had any significant distorting impact on this analysis.

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

Possible Impacts on the Sustainability of Benefits Stemming from EP Investments

9. 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.

10. In 2013, as for 2012, there were 18 EP districts (ten were C2 districts) that contributed less than the 20% national target for education, which is considerably lower than the national average of 34% for education in 2013. This low share of funding for education in specific districts may threaten the sustainability of EP investments in the future.This is especially the case for those ten EP C2 districts which will require ongoing professional development costs.

11. In 2013 there were 19 districts with the highest poverty rates persistently over four years allocating a significantly smaller share (less than 15%) of resources for education. 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.

12. Papua stands out as the one island that now spends the least for education as a proportion of total district funds. There is scope to increase education funding in these areas to cover the additional but modest recurrent costs associated with the EP investments.

13. Maluku island districts (unlike Papua) have left the low average share of budget for education and are moving towards the national average. This suggests investment in the island might be met with stronger counterpart funding activity.

14. Most EP districts are showing growth in per student allocations for education. This provides a good financial base for further improvements. In 2013 there was a reduction in the number of EP districts (40) that contracted their education budget - compared to 59 in 2012. This is a positive improvement for the program and better positons more districts to assume financial responsibility.

15. 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.

16. Correlation in low budget allocations for education and health sectors suggests it will be useful to work more closely with both the education and health programs to understand and improve the situation as appropriate.

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

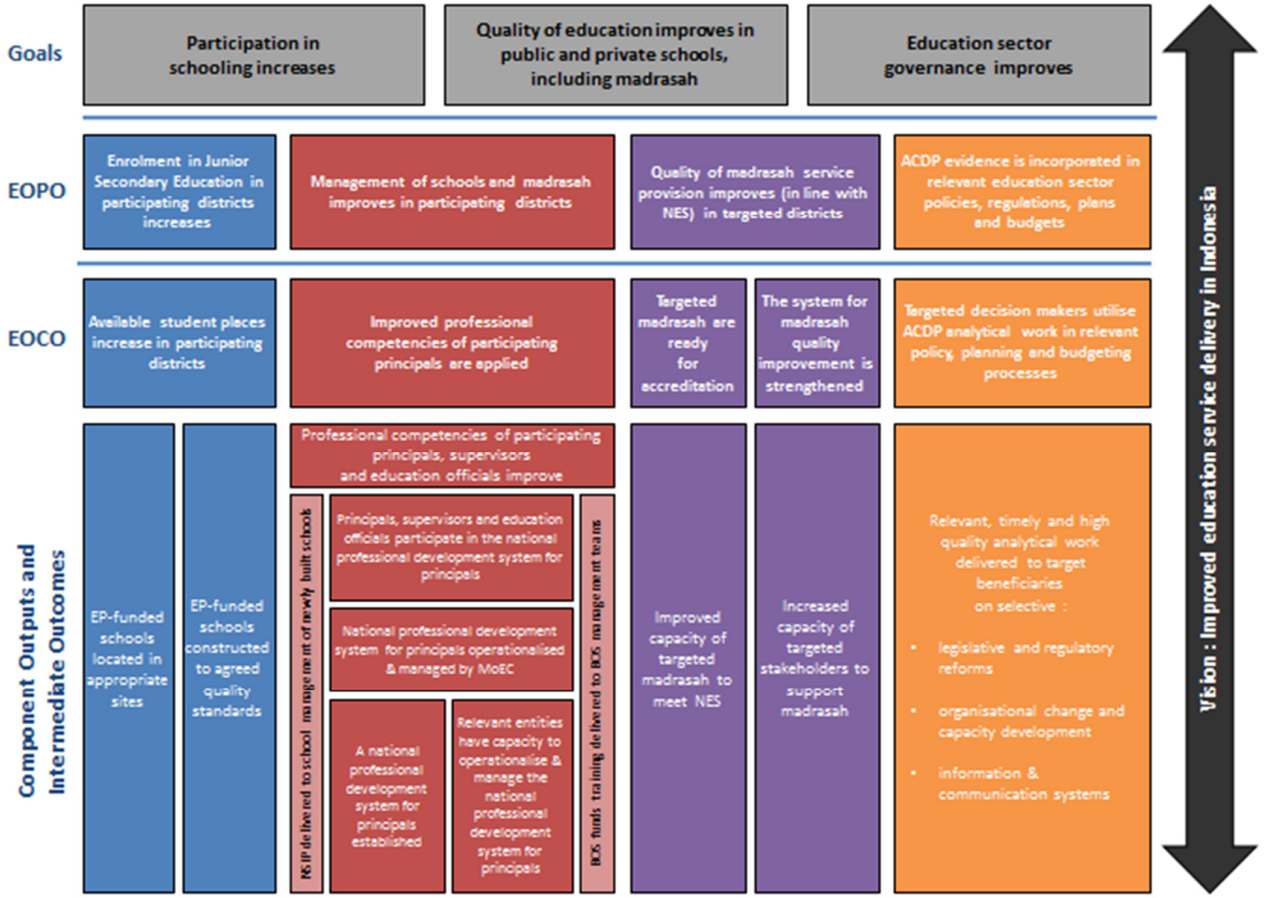
#	FINDING	POSSIBLE CONSEQUENCES FOR THE EP
RA1	Some EP districts (including some with the highest poverty rates) are persistently allocating a very low share of their resources to education.	This low commitment may threaten districts' ability to sustain recurrent expenditures associated with EP investments.
RA2	Papua has 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 2013, 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.
RA4	Districts with very low budget share allocations for education also often have low budget share allocations for health.	It might be beneficial to coordinate the education and health programs to investigate and support increased allocations for the social sector as whole.

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. Coordinate with DFAT health program (where there is health program activity in these districts)	POM, with DFAT's approval
NS2: Focus diagnostic and policy response efforts on the Papua island group to understand the factors driving low education share of district budgets	DFAT (with POM, where appropriate)
NS3: Engage in dialogue with a sample of EP districts that reduced their 2013 education budget allocations compared to 2012. Detailed diagnostics on (i) poorest EP districts that had an annual reduction in their 2012 and 2013 Budget, and (ii) districts with annual drop greater than 10%. Diagnoses to understand reasons for drop and monitor change in allocations in 2014 and 2015 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



Component 1: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Bali and Nusa Tenggara				
Belu	2.62	35.63%	-13.63%	273,508
Flores Timur	4.68	40.65%	2.22%	283,683
Kupang	3.56	29.79%	-10.92%	255,450
Lombok Tengah	0.73	28.92%	-71.33%	145,003
Sabu Raijua	4.23	24.75%	-32.65%	85,006
Sumba Barat	3.05	25.56%	164.94%	114,858
Sumba Barat Daya	1.88	32.20%	4.70%	167,088
Sumba Timur	3.52	35.41%	18.35%	258,771
Sumbawa	3.18	33.83%	-5.02%	299,115
Java				
Bandung	1.96	44.72%	-4.56%	1,253,687
Bandung Barat	1.70	39.04%	-7.13%	561,011
Bangkalan	2.28	38.43%	3.63%	526,901
Batang	3.53	43.56%	-2.92%	457,051
Bekasi	1.84	32.08%	22.74%	989,142
Cianjur	2.21	49.83%	34.30%	1,068,954
Garut	2.44	52.22%	17.01%	1,429,332
Grobogan	2.89	51.87%	25.50%	797,204
Indramayu	2.76	45.83%	9.25%	958,253
Kebumen	3.18	50.76%	14.67%	829,733
Kediri	3.17	46.05%	3.62%	782,779
Lebak	2.18	45.57%	11.80%	666,048
Pasuruan	3.00	44.50%	20.20%	843,215
Ponorogo	4.53	49.53%	9.13%	676,886
Probolinggo	2.70	42.70%	5.20%	578,998
Purwakarta	2.67	36.16%	19.54%	509,305
Situbondo	4.07	43.00%	10.98%	488,790
Tangerang	1.48	32.93%	27.08%	930,943
Tuban	3.49	44.47%	12.01%	674,884
Kalimantan				
Balangan	9.33	29.70%	18.28%	214,872
Barito Kuala	5.81	38.42%		301,013
Barito Timur	7.82	27.38%	5.00%	168,657
Bengkayang	4.44	33.91%	40.73%	248,169
Ketapang	3.38	27.07%	13.41%	325,602
Landak	3.36	34.14%	12.95%	306,437
Malinau	17.50	12.33%	12.15%	302,108
Sekadau	4.19	31.18%	-0.62%	182,383

Component 1: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Sukamara	10.33	19.87%	14.03%	107,946
Maluku				
Buru	4.78	27.25%	13.01%	152,806
Buru Selatan	5.11	18.89%	21.35%	81,234
Maluku Tengah	4.74	48.60%	6.45%	496,526
Sulawesi				
Banggai	4.67	38.92%	30.20%	374,799
Banggai Kepulauan	4.24	30.88%	3.65%	199,441
Bolaang Mongondow	4.34	33.64%	11.53%	205,656
Bolaang Mongondow Selatan	6.57	24.96%	5.35%	88,729
Bolaang Mongondow Timur	5.75	21.00%	14.55%	78,236
Bulukumba	4.60	48.85%	15.21%	417,047
Buton	3.99	37.65%	65.93%	337,209
Kepulauan Sangihe	8.96	37.44%	1.96%	228,643
Kota Bitung	3.64	27.08%	0.97%	157,702
Luwu	3.30	39.82%	22.20%	305,940
Luwu Utara	3.26	33.89%	-2.87%	252,261
Mamasa	3.81	30.48%	2.79%	163,448
Mamuju Utara	2.27	15.62%	8.69%	77,205
Muna	5.27	45.73%	42.13%	427,170
Pinrang	3.99	42.15%	13.60%	339,272
Poso	6.24	37.08%	-5.40%	292,701
Toraja Utara	3.01	32.58%	4.21%	202,702
Sumatera				
Batu Bara	3.33	38.06%	27.89%	319,187
Bintan	6.90	22.64%	19.25%	205,108
Dairi	3.87	41.96%	28.02%	320,269
Empat Lawang	2.92	22.65%	28.31%	153,028
Humbang Hasundutan	4.45	38.56%	14.13%	254,247
Indragiri Hulu	4.86	29.37%	34.27%	436,790
Karo	3.96	39.16%	-9.54%	334,576
Kepahiang	5.48	31.17%	31.45%	161,454
Kota Payakumbuh	5.53	36.96%	20.79%	204,957
Labuhan Batu	2.02	32.66%	-7.72%	260,575
Lampung Selatan	2.40	42.70%	-6.58%	483,523
Lampung Tengah	3.39	51.45%	5.36%	820,503
Lampung Utara	3.40	9.50%	29.34%	464,073
Mandailing Natal	2.87	42.98%	10.17%	336,410

Component 1: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Merangin	4.66	38.75%	38.59%	369,718
Muara Enim	3.32	33.92%	14.10%	560,861
Muaro Jambi	4.59	32.99%	20.39%	314,834
Musi Banyuasin	4.91	20.69%	12.88%	637,797
Nias Selatan	2.05	25.24%	-13.43%	205,989
Nias Utara	2.95	24.66%	45.86%	118,534
Ogan Komering Ilir	3.41	34.30%	11.99%	517,621
OKU Selatan	3.16	28.71%	25.41%	220,608
Pasaman Barat	3.19	38.00%	0.43%	297,042
Sarolangun	4.38	33.06%	-4.82%	268,501
Seluma	5.05	31.54%	11.28%	199,285
Simalungun	3.91	54.82%	7.24%	765,872
Tanggamus	3.29	42.83%	7.48%	395,801
Tanjung Jabung Barat	4.32	21.24%	17.88%	271,790
Tapanuli Selatan	4.16	32.64%	23.52%	297,686
Tapanuli Tengah	3.74	35.50%	32.16%	317,469
Toba Samosir	5.75	39.53%	23.30%	306,648
Tulang bawang	2.21	28.27%	20.49%	201,657

Component 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Bali and Nusa Tenggara				
Badung	5.33	20.07%	27.63%	573,908
Bangli	5.43	33.84%	16.00%	232,994
Gianyar	5.00	40.61%	9.72%	469,749
Jembrana	5.08	37.98%		273,440
Klungkung	5.94	33.62%	-7.38%	217,599
Kota Bima	5.22	37.90%	3.66%	207,293
Kota Denpasar	2.16	25.83%	-4.82%	349,772
Lombok Barat	2.53	39.12%	15.69%	375,175
Sumba Tengah	5.19	27.40%	17.47%	101,414
Java				
Bantul	4.57	47.71%	1.93%	646,616
Banyumas	3.56	51.60%	19.03%	1,082,757
Banyuwangi	2.68	42.95%	-0.92%	809,354

Component 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Bojonegoro	3.78	39.16%	14.13%	839,952
Cilacap	2.58	44.38%	15.53%	920,165
Demak	2.66	44.31%	4.54%	581,571
Gresik	2.43	31.36%	10.02%	567,829
Gunung Kidul	5.95	55.11%	10.25%	681,462
Jombang	2.31	41.14%	1.24%	594,721
Karanganyar	5.08	55.18%	23.48%	742,864
Kendal	3.30	46.97%	15.75%	649,990
Kota Banjar	4.71	33.80%	50.52%	192,849
Kota Batu	4.22	27.09%	2.48%	153,250
Kota Bekasi	2.58	39.59%	62.33%	1,198,030
Kota Cimahi	3.86	40.99%	24.46%	421,204
Kota Depok	1.54	25.92%	16.65%	470,988
Kota Jakarta Barat				
Kota Jakarta Selatan				
Kota Jakarta Timur				
Kota Jakarta Utara				
Kota Madiun	5.81	40.14%	17.56%	298,719
Kota Magelang	5.27	36.46%	8.20%	224,974
Kota Sukabumi	3.68	33.11%	29.29%	278,820
Kota Surakarta	3.56	38.94%	2.02%	546,251
Kota Tangerang	3.30	38.40%	57.81%	1,155,724
Kota Tasikmalaya	2.49	33.45%	11.66%	365,946
Kota Tegal	3.88	36.37%	11.70%	251,275
Kota Yogyakarta	3.58	35.64%	18.07%	404,537
Kulon Progo	5.91	49.33%	9.27%	461,433
Lumajang	3.72	45.67%	21.21%	659,999
Madiun	5.30	47.46%	9.71%	553,067
Magelang	4.23	57.11%	9.13%	863,392
Malang	1.86	33.03%	4.73%	787,855
Ngawi	4.50	49.27%	13.71%	639,528
Pati	3.88	46.70%	17.58%	829,073
Pekalongan	3.46	47.57%	8.34%	580,538
Purbalingga	3.22	48.69%	-8.13%	548,938
Purworejo	4.28	48.96%	0.96%	616,215
Semarang	2.60	39.20%	-3.30%	445,721
Serang	2.30	41.00%	15.93%	713,119
Sidoarjo	2.43	33.07%	8.44%	853,947
Sleman	4.52	45.00%	15.29%	779,972
Sragen	4.34	54.56%	11.87%	751,932

Component 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Sukoharjo	4.38	48.25%	11.39%	614,904
Sumedang	3.49	44.37%	7.20%	729,309
Tegal	2.34	46.19%	6.11%	681,321
Kalimantan				
Barito Selatan	7.33	30.20%	14.63%	228,190
Berau	8.80	18.85%	3.75%	378,853
Gunung Mas	8.11	28.26%	17.44%	200,443
Hulu Sungai Selatan	6.14	36.61%	-6.04%	267,396.00
Hulu Sungai Utara	4.96	33.66%	-2.82%	248,490
Kota Balikpapan	3.75	17.80%	4.73%	447,561
Kota Banjar Baru	4.55	35.57%	13.69%	204,046
Kota Banjarmasin	3.80	38.39%	21.70%	523,726
Kota Bontang	8.28	20.26%	5.77%	305,527
Kota Palangka Raya	6.70	41.38%	17.77%	349,881
Kota Pontianak	3.39	37.07%	29.40%	490,053
Kota Samarinda	3.57	19.93%	2.30%	563,458
Kota Tarakan	9.01	20.27%	3.85%	364,464
Kotabaru	4.89	26.48%	11.94%	314,064
Kotawaringin Timur	3.79	29.23%	8.82%	323,345
Kutai Barat	5.92	11.30%	42.28%	250,568
Kutai Kartanegara	10.64	19.84%	27.23%	1,531,841
Penajam Paser Utara	13.05	25.50%	41.05%	432,041
Pulang Pisau	7.60	33.66%	4.87%	210,848
Tabalong	6.32	29.80%	42.88%	320,789
Tanah Laut	6.18	33.76%	18.18%	371,138
Tapin	7.00	27.71%	3.94%	244,447
Maluku				
Halmahera Barat	3.40	21.35%	-4.44%	106,314
Halmahera Utara	1.49	12.27%	18.12%	79,314
Kepulauan Aru	6.22	29.00%	28.91%	148,059
Kepulauan Sula	2.39	14.77%	10.11%	106,652
Kota Ambon	5.80	55.58%	17.77%	461,598
Kota Ternate	4.83	33.14%	4.71%	211,823
Kota Tidore Kepulauan	7.03	32.05%	7.51%	180,338
Kota Tual	3.47	15.59%	15.36%	57,092
Maluku Tenggara	2.84	16.68%	16.92%	88,094
Seram Bagian Barat	3.71	35.25%	13.03%	204,866
Papua				
Fakfak	8.84	20.25%	34.23%	169,306
Kota Jayapura	5.00	36.18%	27.38%	321,302

Component 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Manokwari	4.35	25.23%	2.96%	234,527
Sorong	7.87	21.57%	34.38%	204,216
Sorong Selatan	7.74	17.10%	8.74%	98,980
Sulawesi				
Barru	6.75	45.23%	17.06%	272,863
Bone Bolango	6.57	37.22%	7.36%	208,481
Gorontalo	3.88	44.67%	7.16%	325,565
Gowa	3.09	44.98%	18.51%	467,038
Kepulauan Selayar	5.06	22.54%	5.34%	142,622
Kepulauan Talaud	9.84	31.77%	40.74%	188,843
Kota Gorontalo	5.87	37.29%	17.43%	268,459
Kota Kendari	4.58	36.04%	1.60%	332,045
Kota Kotamobagu	3.93	28.86%	-2.78%	121,992
Kota Palu	5.40	41.26%	22.57%	426,904
Kota Tomohon	4.90	23.97%	6.53%	105,637
Minahasa Utara	5.41	35.49%	-1.65%	208,126
Sidenreng Rappang	4.61	37.03%	-3.07%	277,378
Soppeng	6.69	46.63%	6.12%	325,946
Wakatobi	5.55	31.30%	8.41%	154,938
Sumatera				
Aceh Barat Daya	5.30	29.49%	18.58%	172,907
Aceh Jaya	9.01	28.41%	12.27%	150,577
Aceh Selatan	5.54	39.70%	56.17%	295,074
Aceh Singkil	4.13	26.56%	25.99%	126,070
Aceh Tenggara	4.30	37.84%	37.23%	231,869
Belitung	5.47	25.71%	10.87%	186,279
Bengkalis	6.93	20.23%	95.35%	956,801
Bengkulu Selatan	6.64	40.01%	20.79%	248,919
DharmasRaya	4.90	33.25%	18.06%	205,861
Kota Banda Aceh	6.52	41.03%	10.15%	366,769
Kota Bengkulu	3.99	40.29%	15.15%	305,669
Kota Binjai	4.05	36.06%	20.42%	293,666
Kota Dumai	4.47	23.22%	17.58%	276,209
Kota Langsa	4.54	34.47%	15.44%	180,767
Kota Lhokseumawe	4.56	31.66%	22.69%	210,575
Kota Lubuk linggau	3.84	29.97%	12.82%	203,603
Kota Medan	2.19	26.54%	9.02%	1,200,930
Kota Metro	5.40	39.16%	18.37%	246,915
Kota Padang	3.99	44.61%	13.01%	749,009
Kota Palembang	3.65	47.68%	15.49%	1,222,086

Component 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Kota Pangkal Pinang	4.59	29.26%	17.04%	185,447
Kota Pariaman	7.34	40.24%	21.47%	195,594
Kota Sabang	17.26	26.16%	8.29%	119,802
Kota Subulussalam	3.44	24.26%	-1.20%	83,076
Kota Tanjung Pinang	5.16	27.14%	25.06%	230,935
Lima Puluh Koto	6.63	50.66%	26.93%	475,311
Nagan Raya	7.13	34.90%	16.15%	232,283
Ogan Ilir	4.93	38.14%	42.54%	408,101
Pesisir Selatan	4.59	50.68%	16.72%	517,400
Samosir	4.89	32.63%	10.92%	186,249
Sawahlunto/Sijunjung	5.71	40.81%	14.66%	273,138
Simeulue	6.38	30.02%	17.49%	151,890
Solok	4.99	48.26%	17.14%	409,436
Tanah Datar	4.61	44.07%	2.15%	349,567
Tapanuli Utara	4.49	47.09%	24.21%	389,133

Component 1 and 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Bali and Nusa Tengarra				
Alor	4.58	34.71%	7.07%	231,701
Bima	3.09	37.89%	-4.24%	385,725
Buleleng	5.08	48.27%	16.43%	676,512
Ende	3.96	39.96%	-12.91%	278,263
Karang Asem	5.09	41.66%	6.21%	437,250
Kota Kupang	4.77	45.45%	63.04%	382,046
Lembata	4.85	27.39%	18.13%	144,232
Lombok Timur	2.60	44.69%	8.75%	679,824
Lombok Utara	3.79	28.92%	35.92%	145,003
Manggarai	2.67	36.58%	6.74%	241,034
Manggarai Timur	2.22	39.03%	11.37%	213,793
Nagekeo	4.81	35.40%	17.47%	169,523
Ngada	4.32	33.90%	51.07%	166,067
Rote Ndao	4.56	28.50%	11.89%	139,074
Sikka	3.11	33.35%	6.32%	226,562
Sumbawa Barat	7.00	22.83%	22.64%	177,530
Tabanan	6.24	40.42%	9.13%	461,835

Component 1 and 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Timor Tengah Selatan	3.39	43.83%	27.26%	408,366
Timor Tengah Utara	3.33	35.58%	13.36%	228,792
Java				
Blitar	4.37	53.36%	3.30%	796,743
Bogor	1.85	39.12%	69.73%	1,922,662
Bondowoso	4.07	43.80%	14.73%	508,402
Brebes	2.70	49.23%	18.88%	930,998
Ciamis	2.91	49.15%	1.08%	854,435
Cirebon	2.36	44.30%	14.33%	1,013,271
Kota Malang	3.38	38.85%	16.94%	599,661
Nganjuk	4.53	51.70%	52.65%	838,489
Pacitan	5.35	50.35%	5.03%	490,439
Pandeglang	2.33	50.44%	3.98%	700,640
Sukabumi	1.53	39.64%	-12.42%	786,374
Tasikmalaya	2.11	46.57%	-2.13%	740,389
Wonogiri	5.24	57.33%	13.74%	866,099
Kalimantan				
Banjar	4.33	33.55%	-5.22%	376,654
Bulungan	11.59	16.94%	5.20%	324,699
Kapuas	5.66	36.75%	17.59%	438,112
Katingan	6.87	23.20%	30.18%	232,274
Kayong Utara	5.54	24.28%	9.10%	127,999
Kota Singkawang	5.00	32.72%	26.36%	233,961
Kotawaringin Barat	3.75	21.21%	6.26%	194,793
Kubu Raya	3.17	40.01%	6.67%	373,907
Kutai Timur	11.42	21.54%	58.45%	699,010
Lamandau	7.28	18.27%	4.70%	110,339
Melawi	4.87	31.00%	29.30%	214,235
Murung Raya	7.29	24.63%	25.22%	200,659
Paser	9.83	23.45%	53.99%	521,021
Pontianak	3.65	33.28%	-7.18%	201,166
Sambas	4.08	44.89%	20.36%	469,553
Sanggau	4.09	35.13%	1.62%	362,823
Seruyan	4.56	15.60%	17.78%	135,050
Sintang	3.19	26.93%	-7.11%	286,506
Tanah Bumbu	4.05	20.56%	16.80%	249,988
Sulawesi				
Bantaeng	5.49	38.21%	50.49%	234,332
Boalemo	4.47	31.10%	3.06%	147,144
Bombana	3.34	23.75%	-19.57%	124,609

Component 1 and 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Bone	3.01	36.15%	-0.25%	492,411
Buton Utara	6.36	25.79%	22.93%	117,670
Donggala	4.36	39.62%	12.29%	316,057
Enrekang	4.16	34.51%	9.70%	217,857
Jeneponto	3.55	41.23%	30.59%	310,491
Konawe Utara	7.73	22.31%	31.68%	127,113
Luwu Timur	3.46	25.09%	7.59%	208,561
Majene	5.05	36.50%	13.51%	211,395
Mamuju	2.26	25.19%	13.41%	211,616
Maros	4.90	39.14%	60.54%	364,107
Minahasa Selatan	5.48	42.57%	36.06%	250,626
Morowali	5.76	33.09%	25.10%	286,698
Pangkajene Kepulauan	5.25	43.57%	13.56%	383,775
Parigi Moutong	2.19	27.69%	-10.50%	208,000
Pohuwato	5.80	31.28%	18.19%	181,217
Polewali Mandar	3.56	47.98%	7.71%	351,830
Sigi	5.61	39.18%	11.33%	256,535
Sinjai	5.06	46.15%	5.75%	297,450
Tana Toraja	2.79	29.04%	-6.39%	190,533
Toli Toli	3.57	29.49%	4.27%	192,735
Wajo	4.22	30.45%	3.26%	308,536
Sumatera				
Aceh Barat	6.36	39.00%	7.54%	270,218
Aceh Besar	5.60	41.31%	17.91%	373,068
Aceh Tamiang	3.56	36.12%	1.70%	229,158
Aceh Tengah	6.14	37.53%	15.72%	277,874
Aceh Timur	3.32	35.21%	29.69%	310,232
Aceh Utara	3.41	34.85%	34.10%	473,240
Bangka	4.40	33.68%	20.47%	272,899
Bangka Barat	4.68	30.80%	20.07%	182,791
Bangka Selatan	4.06	23.66%	1.50%	143,207
Bangka Tengah	4.52	25.03%	5.71%	143,045
BanyuAsin	3.80	37.60%	21.32%	574,524
Belitung Timur	9.69	31.64%	42.93%	216,893
Bener Meriah	4.40	30.99%	-4.80%	147,936
Bengkulu Utara	3.91	33.07%	19.23%	239,563
Bireuen	4.64	41.30%	15.60%	426,641
Deli Serdang	2.81	44.20%	15.26%	1,053,278
Gayo Lues	5.56	23.43%	6.67%	121,663
Kampar	5.05	41.66%	19.40%	792,469

Component 1 and 2: AIEP 2013				
Island/District	Education Expenditure per Student (Rp. Million)	Education Share of District Budget	Education Budget Annual Growth	Education District Budget (Rp. Million)
Kaur	5.19	28.98%	6.82%	135,315
Kerinci	4.70	32.39%	3.07%	241,287
Kota Batam	3.19	28.18%	23.03%	497,943
Kuantan Singingi	5.12	28.97%	19.89%	355,218
Mukomuko	4.04	23.89%	10.46%	159,359
Ogan Komering Ulu	4.26	29.92%	35.36%	331,631
Padang Pariaman	4.97	53.31%	9.28%	487,366
Pelalawan	5.13	22.00%	30.78%	355,141
Pidie	4.33	42.69%	62.04%	411,996
Pidie Jaya	4.69	32.56%	12.77%	154,878
Pringsewu	4.82	48.97%	-6.63%	390,683
Rejang Lebong	4.04	35.62%	6.98%	238,442
Rokan Hulu	2.90	22.99%	10.95%	329,427
Serdang Bedagai	3.34	43.79%	19.10%	460,050
Tebo	3.47	32.01%	1.34%	240,380

Australia's Education Partnership with Indonesia
Education Partnership Performance Oversight and Monitoring

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