I. Introduction and Context

Country Context

1. Indonesia has reduced poverty by more than half from 24 percent in 1998 to 11.3 percent in 2014. Over the same period it has made important strides in improving certain human development outcomes. Since 2012 the pace of poverty reduction has slowed. The sustained period of growth and macroeconomic stability experienced over the past decade was accompanied by one of the fastest increases in inequality in the East Asia and Pacific (EAP) region. Rural areas have consistently higher rates of poverty (14.1 percent) compared to urban areas (8.2 percent), connectivity is poor, and the quality of basic services is consistently lower (BPS, 2016). Inequality is exacerbated by poor quality of services in rural areas. As a result, over one-third of the increase in inequality from 2002 to 2012 can be explained by where one is born and who one’s parents are.

Sectoral and Institutional Context

2. The Government of Indonesia (GoI) recognizes the importance of education in reducing poverty and inequality, and has allocated a substantial amount of resources to increase education access and quality. Since 2009, 20 percent of national and district government budgets have been allocated for education. Access has improved, but quality and equity remain a challenge, particularly for those living in rural and remote areas (SMERU, 2004; BPS, 2011; World Bank,
The national school participation rate at the primary level was 95.8 percent in 2012, although some regional disparities persist. In West Papua province, for example, the primary school participation rate was 89.69 percent in 2012 (BAPPENAS, 2015). Recent international assessments show that Indonesian student learning outcomes remain at the bottom rank of participating countries (WB, 2013; OECD 2014), with rural areas lagging significantly behind urban areas (ACDP, 2014; Stern & Nordstrum, 2014).

3. To improve the quality of education, Indonesia has been investing heavily in teachers. These investments have yet to yield results. Roughly half of the national education budget has been allocated for payment of teacher salaries and allowances, which in 2015 amounted to IDR 208.3 trillion (US$15.4 billion). Teachers’ welfare has increased significantly, with those being certified receiving an additional amount equivalent to one time the base salary. Those working in special areas receive a special allowance, which is worth a further additional amount up to one time the base salary. However, improved teachers’ welfare has not led to improved teacher performance and student learning outcomes (SMERU, 2010; OECD, 2014; WB, 2014; WB, 2015; De Ree et al, 2015). Teacher performance and service delivery of recipients of these allowances do not differ and, in some cases, are worse than non-recipients.

4. To improve the quality of basic education, GoI is moving away from input-based financing to systems that link payments to teacher and school performance measures and community feedback. Recent legal and regulatory changes have created significant opportunities to support such reforms. The Civil Servant Law (UU 5/ 2014) aims to put in place a merit-based-performance bureaucracy system by encouraging the adoption of performance-based evaluation and the use of performance-based incentives for civil servants. The Village Law (UU 6/ 2014) provides the framework through which to empower communities to improve service delivery by providing a substantial amount of resources to village governments annually, and by delegating certain authorities to village governments. Furthermore, the GoI recently introduced a “frontline” approach to improving service delivery through its National Medium-term Development Plan (RPJMN 2015-19). The approach aims to: (a) remove bottlenecks and constraints within the service delivery chain that prevent frontline service providers from doing their jobs; (b) increase demand for services and provide incentives for the poor to use services; and (c) enhance accountabilities at the point of service through empowering communities to engage and take active part in planning, monitoring, and (where appropriate) delivery of basic services.

5. The proposed intervention, Kinerja dan Akuntabilitas Guru (“Improving Teacher Performance and Accountability” - KIAT Guru) aims to enable the government to operationalize, test options, and rigorously evaluate the most effective option for reforms to improve frontline education service delivery in rural and remote areas. In 2014 and 2015 KIAT Guru was initiated and piloted at a small scale (hereafter, the Pre-Pilot Phase) by the National Team for the Acceleration of Poverty Reduction under the Secretariat of the Vice President of Indonesia Office (TNP2K), in collaboration with the Indonesian Ministry of Education and Culture (MoEC). The Pre-Pilot provided the proof of concept for the proposed project by introducing performance-based evaluation and payment for district government funded remote area allowances.

6. MoEC has requested that KIAT Guru be scaled up to provide evidence-based policy recommendations for the most effective reform options to improve basic education service delivery in rural and remote areas. Since this is a complex endeavor influenced by myriad factors, experimentation, adaptation, and learning are essential to developing and scaling up appropriate
solutions. Specifically MoEC and TNP2K have requested support to produce evidence on policies related to:

a. Mechanisms for implementing the Village Law at the village, sub-district, district, and national levels to:

i. Strengthen linkages and oversight of primary schools by village governments and community members;
ii. Tap into village fund to improve education service delivery at the village level where appropriate; and
iii. Tap into sub-district and/or national budgets from education department at the district level (Dinas Pendidikan) and/or MoEC respectively to fund improvements of education service delivery at the sub-district or district levels where appropriate.

b. Mechanisms for adapting the Civil Servant Law for the education sector by tying teacher allowance payment with concrete performance measures, including availability and quality of service.

Relationship to CAS/CPS/CPF

7. The proposed project is consistent with the FY 2016-21 Country Partnership Framework (CPF) for Indonesia. The CPF emphasizes six engagement areas across two supportive beams (leveraging the private sector; and shared prosperity, equality, and inclusion). The proposed project falls under the fourth engagement area on delivery of local services, and is in line with the CPF’s strong focus on supporting local governments in efforts to establish performance-based fiscal transfer systems, and strengthening the capacity of central government agencies to support and oversee the performance of local governments. The proposed project is a collaboration between the Social, Urban, Rural, and Resilience (SURR), Education, and Governance Global Practices (GP). Coordination and potential contributions to the on-going proposed Program Concept Note (PCN) on “Support 12 years Quality Education for All” (P157380) and the approved CN on “Enhancing Equitable and Effective Provision of Education in DKI Jakarta” (P157379) will be maintained throughout the duration of the project.

8. The proposed project is also in line with the government’s National Medium-term Development Plan 2015-2019 (RPJMN), which specifies a three-pronged approach to reduce poverty and inequality: (a) developing a national social protection system, (b) improving service delivery for the poor and vulnerable, and (c) supporting sustainable livelihoods for the poor. The RPJMN specifically mentions the need to improve access to basic services, including education, as a means to improve opportunities for the poor and vulnerable. The RPJMN also includes plans to develop a community monitoring mechanism at the village and/or sub-district level on the availability and quality of basic services, which would include feedback to service providers.

II. Project Development Objective(s)

Proposed Development Objective(s)

9. The Project Development Objective is to improve availability of primary school providers’ service delivery in targeted areas. The objective will be reached by making teachers more accountable and by empowering communities to participate in education.
Key Results
10. The Key Results for the PDO will be measured by the achievement of the following indicators:
   a. Improved percentage of school provider’s presence rate in schools.
   b. Improved community satisfaction on school provider’s service performance (as a proxy for school providers’ quality of service).

III. Preliminary Description

   Concept Description
11. KIAT Guru will achieve its PDO through a Recipient-Executed Trust Fund (RETF) and a Bank-Executed Trust Fund (BETF) activities. The RETF component will operationalize mechanisms in support of the MoEC reforms, which are likely to include:
   a. Community Empowerment Mechanism providing community members with an explicit role to monitor and evaluate teacher service performance, and to ensure teacher accountability; and
   b. Pay for Performance Mechanism tying payment of Tunjangan Khusus (APBN-allocated teacher special allowance) with teacher service delivery, defined as: (i) Availability of service, or teachers’ presence in school and in classroom as scheduled; and (ii) Quality of service, or broader indicators of service performance (including teacher presence) as agreed between teachers and communities.

12. The RETF will consist of one component: Community Empowerment, Facilitation Support, and Technical Assistance to National, District, and Village Governments. This component, worth US$3,623,000, will support the following activities in up to 200 villages in up to 5 districts:
   a. Technical assistance for procurement and management of technical and community development specialists, to be hired at the national, district, and sub-district levels to work with the governments, service providers, parents, community members, and broader education stakeholders to implement Community Empowerment and Pay for Performance Mechanisms;
   b. Workshops to engage cross-sectoral ministries or departments in policy discussions and recommendations, trainings for community facilitators and village cadres, and coordination meetings at the national, district, sub-district, and village levels;
   c. Office rentals and administrative support at the national and district levels; and
   d. Tools and equipment for community facilitation processes and field operations, and training and documentation services.

13. The RETF will be executed by an implementing institution (hereafter the Recipient), who will be selected according to the following procedures. Several entities will be shortlisted based on publicly available materials, focusing on previous track record as grant recipients for large-scale activities. They will be evaluated against the following selection criteria:
   a. Demonstrated experience managing technical assistance and implementing large-scale activities focusing on policy advocacy and capacity development for local governments (preferably focusing on responsive and accountable governance) and community empowerment facilitation (preferably on basic services, especially in education sector);
   b. Strong networks of local governments, technical experts and community facilitators.
   Geographical focus of the activities are in disadvantaged districts (preferably in Eastern and Central
Indonesia) and in rural areas;

c. Has an ongoing portfolio of working promoting responsive governance and community empowerment, can promote the activity to potential target districts, can sustain the lessons learned beyond the live of the activity to non-target districts, and potentially become an implementing partner for Government of Indonesia to expand the activity to other areas; and

d. Has strong financial management capacity proven by financial audited report and the continued partnership and trust from various International Development Partners, and preferably has a good understanding of the World Bank systems and procedures.

14. The BETF will provide support to government to rigorously monitor and evaluate the effectiveness of the interventions trialed through the RETF. This component, referred to as Monitoring, Learning and Evaluation, will be worth US$1,110,000, and will finance the following:

a. Technical specialists, to be hired at the national levels to develop the design and analysis of monitoring, learning and evaluation activities of Community Empowerment and Pay for Performance Mechanisms approved by the KIAT Guru Steering Committee. The monitoring and learning data will be collected by technical and community development specialists hired through the RETF, while the evaluation data will be collected by technical specialists hired through BETF;

b. Baseline surveys that include mixed-methods data collection in up to 200 villages, tools and equipment to conduct the baseline surveys; and

c. Implementation support.

IV. Safeguard Policies that Might Apply

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V. Financing (in USD Million)

| Total Project Cost: | 4.44137 |
| Total Bank Financing: | 0 |
| Financing Gap: | 0 |

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VI. Contact point

World Bank
Contact: Robert Wrobel  
Title: Senior Social Development Spec  
Tel: 5781+3512 /  
Email: rwrobel@worldbank.org

**Borrower/Client/Recipient**  
Name: The Ministry of National Education (MoNE)  
Contact:  
Title:  
Tel:  
Email:

**Implementing Agencies**  
Name: Bursa Pengetahuan Kawasan Timur Indonesia (BaKTI)  
Contact: Caroline Tupamahu  
Title: Executive Director  
Tel: 62-411-832228  
Email: ctupamahu@bakti.or.id

**VII. For more information contact:**  
The InfoShop  
The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 458-4500  
Fax: (202) 522-1500  
Web: http://www.worldbank.org/infoshop