Local Governance and Education Performance: A Survey of the Quality of Local Education Governance in 50 Indonesian Districts

East Asia and Pacific Region
Human Development

Building the Foundation for Inclusive Growth
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Executive Summary

In the last 15 years, Indonesia has introduced a comprehensive package of education reforms designed to expand access and improve quality. A key component of the reform process has been the devolution of responsibility for basic education services to local governments and schools. These reforms, coupled with an unprecedented increase in government investment in education have resulted in significant improvements in education access particularly for the poorest children. However, improvements in learning achievement have been more modest and children still leave school with inadequate skills for the needs of the labor market. As with other education systems around the world, improving the quality of basic education continues to be a central challenge.

Strengthening the capacity of local governments to manage their education systems effectively is vital if efforts to raise education quality are to be successful. The ability of local governments to deliver good quality basic education services varies considerably across Indonesia. Identifying the key dimensions of governance that underpin effective education service delivery can provide a starting point for addressing existing weaknesses and raising education performance.

The main purpose of this report is to assess the state of local education governance in a sample of Indonesian districts and how it affects education performance. The study uses a unique survey of 50 local governments conducted in 2009 and 2012, coupled with district level information from household surveys, to identify patterns and explore trends in the relationship between governance and education outcomes. The report also explores the effects of a large donor supported program that aimed to strengthen the capacity of local governments.

Why is local education governance important for improving performance?

Decentralization has put local governments, particularly district administrations, at the heart of basic education service delivery. District responsibilities include the overall management of the education system, the licensing of schools and the planning and supervision of the teaching force. Districts also provide the bulk of public financing for primary and junior secondary schools (see Figure 0.1).

Figure 0.1  Local governments provide the bulk of education financing for basic education

Government spending on education by level, 2009

<table>
<thead>
<tr>
<th>Level</th>
<th>Percentage of Total Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget</td>
<td>8</td>
</tr>
<tr>
<td>Early childhood education and development</td>
<td>3</td>
</tr>
<tr>
<td>Primary and junior secondary</td>
<td>1</td>
</tr>
<tr>
<td>Senior secondary</td>
<td>6</td>
</tr>
<tr>
<td>Universities</td>
<td>53</td>
</tr>
</tbody>
</table>

Source: World Bank staff estimates based on MoF and APBD data
Local Governance and Education Performance

Since district governments play a central role in delivering basic services, their capacity to manage their education systems effectively is a key determinant of performance. Educational opportunities vary enormously across Indonesian districts; national examination scores at primary in 2009 varied from a low of 48 percent in Sumba Barat Daya in the province of Nusa Tenggara Timur to a high of 83 percent in Kota Mojokerto in Jawa Timur province. Poverty, geography and other socio-economic factors explain some of this variation but research has shown that the quality of local governance is also important. In particular, studies have shown that education outcomes are better in districts that have more effective planning and budgeting systems and have lower levels of perceived corruption. These findings suggest that efforts to improve education outcomes will need to address weaknesses in local governance to be successful.

What is the Indonesian Local Education Governance (ILEG) survey?
In order to assess the state of local education governance, a survey was conducted in 50 districts (9 provinces) in 2009 and 2012. The participating districts were selected by the Ministry of Education and Culture to take part in the Basic Education Capacity (BEC) Development project. The survey aimed to:

1. Provide an assessment of district capacity to deliver basic education services
2. Explore the relationship between governance and district education performance
3. Track recent changes in education governance
4. Assess the effect of donor-supported capacity building activities on governance

The survey consisted mainly of a set of questionnaires that were administered in all relevant district departments. Information was collected through a combination of interviews with key respondents and reviews of relevant documentation. In 2012, qualitative case studies were also carried out in four of the selected districts in an attempt to gain a deeper understanding of changes in governance.

The districts participating in the ILEG survey are not representative of Indonesia as a whole. The districts that participated in the survey tended to be poorer than other districts but had similar levels of education access and achievement.

How is education governance measured?
Education governance is broken down into four key dimensions that seek to measure the effectiveness of local government institutions associated with the delivery of education services. For the purposes of the monitoring of the overall BEC program a fifth component, education service provision, is also included and aims to measure overall district education performance.

- **Transparency and accountability.** The practices and regulatory efforts made by local governments to enable transparent, accountable and participatory governance of the education sector.
- **Management control systems.** Assesses the extent to which systems are in place to incorporate decisions made by local and school level planning processes into annual district education work plans.
- **Management information systems.** Measures the availability of good quality information on local education systems that can be used for education planning and monitoring processes.
- **Efficient resource use.** Establishes whether the systems are in place to effectively plan, budget and monitor resource use.
- **Education service provision standards.** This set of indicators provides a picture of the level and quality of primary and junior secondary education services in the district.
For each dimension, a set of indicators is used to evaluate the quality of local governance. Indicators are weighted according to whether they are measures of regulatory compliance, process or performance. Indicators of performance are given the highest weight and regulatory indicators the lowest. In order to summarize the quality of local governance, the set of indicators in each area is combined into a sub-index. For example, the sub-index for transparency and accountability is a weighted average of ten indicators. These sub-indices are averaged to construct the ILEG index which is an overall measure of the quality of local education governance.

What are the main findings?

1. **Better education governance is associated with better education performance**
   The study explores the association between the quality of local governance and education performance using the framework outlined in Figure 0.3. It uses regression analysis to try and isolate the association between the quality of local governance and intermediate (e.g. local government decision variables such as levels of education spending and the quality and distribution of key education inputs) and final (e.g. basic education net enrolment rates and examination scores) education performance indicators.
The results of the analysis show that decisions on the priority given to education, the quality of the inputs provided and their distribution tend to be better in districts with higher quality governance. For example, districts with a better ILEG index tend to have more qualified teachers and these teachers are more equitably distributed. These results remain even after other factors (e.g. poverty, age of the district etc.) are controlled for. Intermediate outcomes are also positively related to education enrolment rates and examination scores. Districts that devote a greater share of their budgets to education and hire more qualified teachers, for example, tend to have better enrolment rates and examination scores. Putting the results together suggests that better quality local governance is associated with better education performance (Figure 0.4).
Figure 0.4 Higher quality local education governance is associated with better education performance

Note: The results presented here show the estimated relationship between the ILEG index and the UN examination score having controlled for other factors that could determine district examination scores (e.g. poverty levels). See Appendix 4, Table 1 for the full results.
Source: Indonesian local education governance survey, 2009 and 2012

2. There were modest improvements in education governance between 2009 and 2012 but weaknesses remain

Education governance has improved between 2009 and 2012 but overall these improvements have been small (Figure 0.5). The overall ILEG index increased by 3 percentage points and the quality of local education governance remains firmly in the middle of the performance range. However, there have been some notable shifts in the distribution of districts along the performance range. The percentage of districts that were classified as low performers in terms of governance (with ILEG index scores of 45 percent or less) fell from 28 percent to 16 percent. These results show that district governments are moving in the right direction albeit slowly.
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Figure 0.5 Small overall improvements in education governance but big shifts in some dimensions

*Note:* Asterisks indicate the level of statistical significance of a test between the 2009 and 2012 indices - *** - significant at the 1 percent level, ** - significant at the 5 percent level, * - significant at the 1 percent level.

*Source:* Indonesian local education governance survey, 2009 and 2012

The overall ILEG index masks differences across the specific areas of governance measured by the survey. Local governments appear to perform strongly in terms of the education service provision standards the survey measured. However, districts were rated relatively poorly on the effectiveness of their management control systems and districts were rated as only average in the quality of their management information systems and in the processes they had in place to make education decision-making transparent and accountable.

3. Improvements were seen in the quality of education management information systems and processes to strengthen transparency and accountability

Despite the weaknesses in management information systems and transparency and accountability identified by the survey, some progress has been made (Figure 0.5). In terms of transparency and accountability, improvements were observed in the efforts that local governments have made to encourage greater community participation in decision making and oversight activities. For example, between 2009 and 2012 the proportion of districts that allowed public participation in parliamentary accountability and audit reporting sessions increased from 14 percent to 52 percent. However, in 2012, only half of the surveyed districts allowed public access to parliamentary budget and audit discussions.

Accurate and timely information is vital for effective planning and monitoring of local education systems. Local governments registered some modest improvements in this area between 2009 and 2012. For example, a slightly higher number of district education offices had written procedures and protocols for data collection and verification in 2012 than in 2009. However, only about a third of all districts had these systems in place by 2012 and this is a contributory factor in the large discrepancies seen in key district education variables when different data sources are compared.
4. **Weaknesses in the way districts manage and use their education resources appear to have grown**

The deterioration of the effectiveness of management control systems was largely the result of a drop in the number of districts that systematically documented and disseminated examples of innovation and best practice (Figure 0.6). For example, in 2009 two-thirds of districts made efforts to identify and document good practice whereas in 2012 this had fallen to less than a half. Other components of this dimension of governance also appear to be weak. In 2012, only 12 percent of districts consolidated school development plans to use in their district education planning process. This undermines school based management reforms which have encouraged schools to develop plans as part of a bottom-up planning process designed to link district resources more closely to the needs of schools.

**Figure 0.6  District capacity to catalogue and disseminate good practice has declined**

![Graph showing district capacity to catalogue and disseminate good practice](image)

*Source: Indonesia local education governance survey data, 2009 and 2012*

Despite these setbacks, some aspects of management control have improved over the last few years. In particular, asset management systems appear to have been strengthened and a greater proportion of districts are carrying out yearly stock inventories and have passed local legislation on asset management.

The factors underlying the decline in the dimension of governance associated with efficient resource use are more complex. This area of governance is most closely associated with an assessment of the effectiveness of district education offices to plan, budget and monitor the use of education resources. A key indicator of effectiveness in this area is the difference between planned and realized education spending. This indicator deteriorated between 2009 and 2012; the number of districts reporting gaps between planned and realized spending of less than 10 percent over the last three years fell from 46 percent to 32 percent. However, the large adjustments in the revised budgets are partly due to revisions in intergovernmental transfers that local governments cannot control.
Although the sub-index on efficient resource use declined, local governments have also registered some important gains in the processes which determine how public resources are used (Figure 0.7). For example, the proportion of districts that include measurable outcome indicators in their annual budgets increased from 72 to 92 percent. Improvements to the functioning of local planning and budgeting processes have also shown progress. Between 2009 and 2012 the proportion of districts that set budget priorities and ceilings before sector offices (e.g. the education office) start their own planning exercises increased from 44 percent to 74 percent. These improvements reflect recent efforts by the central government to introduce performance based budgeting and medium term expenditure frameworks.

**Figure 0.7 Some aspects of the local planning and budget process have improved**

Source: Indonesian local education governance survey data, 2009 and 2012

**What was the effect of the capacity development grants provided by the Basic Education Capacity (BEC) Program?**

The BEC program provided support to all of the sampled districts through technical assistance and the provision of local capacity development grants of approximately USD 255,000 for each district over a three year period. While the grants were relatively small (on average less than one percent of average annual education expenditure) they were designed to strengthen local education governance and improve education performance. Over two-thirds of BEC local grant expenditure was devoted to capacity building activities associated with improving management control systems and standards of education provision. Approximately a half of all grants were spent on building school level capacity and a further 40 percent on activities focused on staff and processes in the district education office.
The intended targeting of BEC grants to the weakest areas of governance identified in the 2009 ILEG survey does not seem to have occurred. Local governments developed capacity development plans based on an assessment of their needs in the education sector. The first round of the ILEG survey was designed to provide information for this assessment and to support the development of district capacity development plans. It was expected that local governments would use the capacity building grants to focus on the main areas of weakness identified by the 2009 ILEG survey and this broader assessment. However, it appears that areas assessed to be the weakest in the 2009 ILEG survey were allocated less grant resources than stronger areas (Figure 0.8). On the one hand, districts ranked relatively highly in 2009 on the ILEG sub-index for education service provision standards but this area received the largest share of BEC grant resources. On the other hand, district scores on the transparency and accountability sub-index were the lowest in 2009 but this area received the smallest BEC grant allocation.

Figure 0.8 Average BEC grant spending by 2009 priorities identified by ILEG

It is not possible to directly attribute the changes in the quality of local education governance reported by the ILEG survey with capacity building efforts of the BEC program. In particular, the ILEG survey includes a much broader picture of local education governance than the BEC program interventions were designed to address. However, it is possible to draw out of the ILEG index indicators that are more directly related to the BEC program and the BEC key performance indicators. This exercise shows that this sub-set of indicators follow a similar trend to the overall ILEG index. For example, indicators on transparency and accountability most closely associated with BEC key performance indicators generally show significant progress. BEC key performance indicators associated with management control systems have moved in opposite directions; a greater proportion of districts carry out a bidding process for procurement whereas fewer districts appear to carry out yearly stock inventories. However, weakened good practice systems which factor in the decline of the overall ILEG index on management control systems do not appear in the BEC key performance indicators.
Conclusions
The findings of the ILEG survey demonstrate the importance of the quality of local governance in improving district education performance. Put simply, district education performance will not improve without strategies to address key governance constraints highlighted in the report. However, progress in strengthening local education governance over the last four years has been slow despite efforts to strengthen district capacity. The report highlights the enormous challenges that need to be addressed if local education governance is to be improved.

While strengthening local governance is crucial for sustained progress in the education sector it is also important to recognize that central government transfers and education sector programs present a number of challenges to district level education governance. The intergovernmental transfer system introduces incentives for higher salary spending which may distort the decision making process and result in mismatches between school needs and district allocations. While local governments provide the bulk of funding for basic education, the central government still contributes significantly. Central government programs largely bypass district level planning, budgeting and monitoring processes and have the potential to seriously undermine district efforts to improve education sector management and governance. Efforts to clarify roles and responsibilities and an increased effort to incorporate central government programs into local planning processes are clearly needed.

While it is not possible to assess the overall BEC program the study did highlight two key lessons for future capacity building programs:

1. **A multi-sectoral approach to capacity building is needed.** The study has shown that using sector specific capacity building activities to target key weaknesses in the quality of local governance is challenging. Efforts to target BEC capacity building grants to the weakest areas of governance were not particularly successful. In particular, before implementation the majority of the weaknesses identified were related to district level systems (e.g. simplify funding streams) rather than education systems specifically. However, the activities undertaken with the BEC grants focused on school level capacity rather than on these wider district level constraints. If the governance and management of district education systems is to be improved then it is crucial that these broader governance constraints are tackled.

2. **Tailor the level and type of capacity building support to district characteristics.** The report has shown that the level and type of support that local governments need to strengthen education governance varies considerably. For example, publicizing and disseminating information to the local population is much easier when there is a vibrant local media and there are a variety of communication channels available to do this. It is more difficult when there is no local media and communication is hampered by limited infrastructure and geographical obstacles. To be successful, future capacity building programs need to take account of the specific constraints that districts face and provide appropriate levels of funding.

Indonesia has made significant progress in improving its education system in recent times. Recent governments have demonstrated a commitment to education that has been backed up by substantial increases in public investment. The challenge for the education sector is to translate this commitment and increased investment into better education outcomes. The report has shown that strengthening the capacity of local governments to deliver good quality basic education services needs to be at the heart of efforts to address this challenge.