

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: AB2126

Project Name	Early Childhood Education and Development Project
Region	EAST ASIA AND PACIFIC
Sector	Pre-primary education (100%)
Project ID	P089479
Borrower(s)	INDONESIA
Implementing Agency	
	Government of Indonesia Indonesia
	Ministry of National Education Indonesia
Environment Category	<input type="checkbox"/> A <input type="checkbox"/> B <input checked="" type="checkbox"/> C <input type="checkbox"/> FI <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

Indonesia is South-East Asia's largest country with 200 million people. Indonesia currently stands as a lower-middle income country, with GDP per capita of \$1,140. In recent years, Indonesia has restored macroeconomic and financial stability to recover from the regional financial crisis of the late 1990s, and to return to strong economic growth. Economic growth has gained momentum year by year, increasing from 3.8 percent in 2001 to 5.1 percent in 2004. In the first half of 2005, the economy grew by 5.9 percent. Growth is envisaged to be on the order of 6.5-7.0 percent for 2007-2010.

Poverty reduction remains a key challenge to development. While the country's underlying economic indicators exude optimism, and poverty headcount recovered to the pre-crisis level, poverty reduction remains a critical challenge. Today there are still over 35 million people living below the national average poverty line of Rp 108,725 (rural) to Rp 143,455 (urban) per capita expenditure per month, representing 16 percent of the population. In addition, there are large regional disparities in poverty level, with some districts exhibiting poverty rates of over 50 percent. In the meantime, the poverty gap index rose steeply after the crisis and has stayed at a similar level, indicating that although the proportion of people living in poverty has fallen to the pre-crisis level, those who are poor nowadays are worse off. In addition, there is a large group of people - variously estimated at between one-third and one-half of the population - who are vulnerable to poverty, risking falling below the poverty line at any point.

The Government is committed to poverty reduction. To effectively address these challenges, the Government has laid out a comprehensive medium-term poverty reduction strategy in its Medium Term Development Plan (RPJM). The Paper pointed out the main approach of poverty

reduction was set to “(a) increase incomes by means of productivity improvement. As a result, poor people will have the capacity to manage and obtain opportunities and protection to gain better results in performing various economic, social, cultural, and political activities; and (b) decrease expenditures by means of lessening basic needs burden, such as education, health, and infrastructure that eases and supports social economic activities.” Appropriate pro-poor orientation of the government’s annual and medium-term development strategy provides a tremendous opportunity to improve service delivery to the poor. The reallocation of public expenditure from untargeted fuel subsidies in March 2005 to high-priority social sectors and rural infrastructure and the recent nation wide program to transfer cash to the poor as fuel prices were increased are important steps in Indonesia’s efforts to meet the MDGs.

Decentralization of public service delivery has been an important element for effective implementation of poverty reduction strategy. In fact Indonesia is one of the more decentralized nations in the world. Districts are responsible for one-third of all government spending, and half of the development budget. Most spending on education, health and infrastructure is district-based, and the districts employ three-quarters of the civil service. In October 2004, the parliament amended the two key decentralization laws: Laws no 22 and 25, from 1999, became Law no 32 (about local Government) and Law no 33 (about fiscal balancing between central and local Government). These amendments signify some improvement to the status quo but some fundamental changes are still needed before decentralization can work effectively. The challenge for the new government is to fix the flaws in the system, while keeping district governments and constituents on board in terms of solutions. This project operates in the context of these decentralization laws.

Education is regarded as one of the most important elements in poverty reduction, and early childhood development is an integral part. Alongside its place as an intrinsically valuable measure of human welfare, education is an important component of human capital and input to economic production. Therefore it is closely linked to productivity, labor earnings and individual income. The relation between education and earnings is especially important to the poor as in many cases labor is their only significant asset. To foster higher level of education attainment and human capital accumulation, early childhood development designed to generate synergistic effect of good health, good nutrition, and appropriate stimulation for healthy cognitive and emotional development in the early years is critical, as indicated by a vast amount of research findings. Children from poor and rural families are more likely to suffer from malnutrition and illness, and to start school late, to have low school performance, to repeat grades, and to eventually drop out of school, which in turn would lead to low human development level and low income in later life. If the intergenerational cycle of poverty is to be halted, children particularly at risk deserve special attention and support in their development.

The education gap between the rich and poor in Indonesia is pronounced. Progress in the education sector has been uneven, with poor children in poor districts exhibiting poor outcomes. For instance, in poor districts like Kepulauan Talaud and Paniai, primary school net enrolment rates are below 60 percent whereas better-off districts have universal enrolment. The differences are even larger in further levels of education, where children from poorest households exhibit enrollment rates of below 30 percent in junior secondary and below 10 percent in senior secondary, compared with nearly 80 and 70 percent of children from better-off households.

The nutrition and health gap between the rich and poor is also pronounced. Currently, infant mortality rate in some districts such as Sampang is as high as over 80 per 1,000 birth compared with better-off districts' below 20 per 1,000 births, such as that in Tona Toraja. Poverty and infant mortality are highly correlated. Infant mortality rate is three times as high for the poorest quintile as the richest quintile of the population. In those districts with poverty rates above 20 percent, IMR ranges from 30 to 60 per 1000 births.

Under-five mortality rate is closely related to children's nutritional status. Malnutrition takes a devastating toll on children, contributing to about half of the deaths of children under four years old. After peaking in the immediate aftermath of the financial crisis of 1997, the prevalence of severe malnutrition among children under the age of five progressively declined from 1998 to 2001. In 2002, however, severe malnutrition started rising again, and 9.7% of children under the age of five were affected in 2004. The highest rate of malnourishment is found in Gorontalo, one of the poorest provinces in the country, with as many as 42 percent of malnourished children under the age of five.

Worldwide evidence, including evidence from Indonesia, demonstrates the positive impact of ECED¹ on the education and health MDGs. A series of 12 longitudinal studies evaluating the impact of ECED programs in developing countries (see additional Annex 16) indicates that ECED interventions are the starting point to achieve better education and health outcomes. ECED directly contributes to lower malnutrition rates and to increased participation in compulsory basic education and is the first step for achieving Education for All. ECED also plays a significant role towards the achievement of the GOI's mission and vision in the long term by preparing children not only to enter and succeed in primary school (hence supporting the success of universal primary completion) but also to develop and acquire the skills and competencies required to succeed later in life.

Indonesian evidence also demonstrates the positive impact of ECED on the education and health MDGs. Consistent with international findings, recent research in Indonesia suggests that districts with higher levels of preschool enrollment tend to have lower primary school dropout rates. More directly, children's participation in ECED programs appears to improve their readiness for primary school education through improving their overall development across domains (i.e., nutritional and physical, socio-emotional, cognitive). An evaluation of the Integrated Early Child Development pilot project in Indonesia found that children participating in the project for 2 years had higher scores for school readiness at age 6. These positive effects for ECED program enrollment were even greater for the less privileged children, who are living in poor districts or whose parents have lower education level.

ECED Sub-sector Issues

¹ Early Childhood Education and Development (ECED) services include services for children from birth through age 6. Provided under different auspices and settings, these services promote all aspects of young children's development and learning, with some services more educationally-focused and others emphasizing physical care, health, or nutrition. Typically, ECED services may include group programs (preschools, kindergartens, child care centers), home-based day care programs (sometimes known as family child care), and home visiting or parent education and support programs.

Current structure and organization of ECED services in Indonesia. Four different kinds of group programs for children 0-6 are available and administered through a variety of auspices: Kindergarten/TK (47,696 programs), Islamic Kindergarten/RA (11,560), Playgroups/KB (5,169), and Childcare Centers (1,789). Health- and nutrition-related services are provided through village health post centers/Posyandu (215,338), and parent education is provided through Mothers' Groups/BKB (89,918 groups).

Low participation in ECED, especially in poor communities. Of the 28 million children 0-6 in Indonesia, only a small minority participates in ECED services. If Posyandu and BKB attendance are not included, enrolment is only 8 percent; global average enrolment rates for low-income countries stand at 24 percent. In 2004, 85 percent of the poorest children were not participating in any kind of ECED programs.

Lack of Government investment in ECED and failure of the private sector to reach the poorest children. Low participation in ECED appears directly related to 1) the lack of government investment in ECED and 2) the inability of the private sector to reach poor communities. Overall, Indonesia's expenditure on education as a percentage of the GDP is extremely low, at 1.3 percent. Furthermore, while primary and secondary education takes up about 80 percent of the education budget, government expenditure on ECED represents only .45 percent. The result is that ECED programs are 99% privately run.

Several important barriers exist that prevent the private sector from reaching the poorest children, such as: the collection of fees; lack of awareness, among poor parents, about the benefits of ECED services; lack of awareness, among wealthier community members and local elites, about the specific needs of poor children and families; and geographic remoteness (while most poor families live in remote areas, far away from existing ECED programs, the private sector is very concentrated in the urban/better off areas). In fact, when asked why their children ages 3 to 6 do not attend pre-school, 34% of parents in targeted districts mention the lack of facilities in their community (Susenas, 2001).

Insufficient provision of services for families, infants, and toddlers

Approximately 90% of villages have Posyandus, which have potential to reach large numbers of parents of children 0-3. In recent years, many have not been well operated, and revitalization efforts have had limited success (it should be noted that Indonesia's early childhood directorate—PAUD—has funded some projects to develop and evaluate "Integrated Posyandu," which combine Posyandu services with a group early education program). BKB parent education programs are not functioning effectively, with outdated materials and an absence of training for volunteer facilitators, many of whom have years of experience and are dedicated community members.

Limited progress toward a quality assurance system for ECED: Indonesia has not yet put together a system that will create and maintain an adequate level of quality in ECED services. The government has made concrete progress, but issues continue with respect to at least four quality assurance components. (1) A coherent early childhood professional development and training system: only one institution of higher education currently prepares college graduates to work in programs for children under the age of 4; non-credit basic ECED training is limited in

scope and intensity, and in participants' ability to acquire credentials and progress toward higher levels. (2) Quality standards for programs serving young children and their families: there is not yet a systematic progression or recognition system to help programs to achieve progressively higher levels of quality. (3) ECED curriculum standards and resources need further, coordinated review, development, and dissemination. (4) There is no systematic monitoring and supervision.

Lack of ECED training. The ECED sub-sector is facing a tremendous need to improve the capacity of its managers, teachers, and field workers. However, the number of training providers is limited. In the context of a growing interest in ECED, several universities have expressed interest in opening ECED training programs, but they still lack enough faculty to qualify for government approval. In the absence of an established training system, MoNE's PAUD Directorate adopted the U.S.-based "Beyond Centers and Circle Time (BCCT)" curriculum and training program. The training is only 40 hours long and does not emphasize health, safety, nutrition, family support, or infant/toddler curriculum. A more comprehensive and well-established training system is needed, incorporating but extending the BCCT training, in order to fully and effectively prepare ECED teachers and managers.

Fragmentation of responsibility for ECED services. As the Government aims to expand coverage and delivery of integrated quality ECED services, well-coordinated efforts will be needed. With multiple ministries and directorates overseeing different forms of early childhood development services, administrative coordination remains a daunting challenge.

Limited district-level capacity to implement ECED programs. With decentralization, districts' responsibilities have expanded to include implementation, financing, and supervision of ECED services in their area (RENSTRA 2005). However, at present few districts have an identified ECED unit, and the legal mandate for districts to carry out ECED-related responsibilities is not clear, and capacity to implement ECED is extremely limited.

Government strategy:

To address the constraints detailed above, the Government of Indonesia (GoI) has made it clear, through several government strategic documents (i.e., the National Education System Act No 20, 2003; The EFA Plan; the Government Regulation No. 7, 2004 on National Medium Term Planning 2004-2009 - RENSTRA; and the Government Regulation No. 19, 2005 on National Standards of Education), that it is fully committed to ECED.

In RENSTRA, the Government clearly stipulates that equity and expansion of access to ECED services of adequate quality are the main development objectives of this sub-sector and recognizes the need to increase the provision of non-formal (i.e., outside the primary education system) ECED services for children living below the poverty line. Indeed, 99% of ECED services are currently being provided by the private sector (which serves children from wealthy families in urban areas), and it is unrealistic to expect the private sector to expand to reach the poorest children, especially in rural and remote communities.

The Government strategy envisages major investments in (1) promoting community-based and decentralized service delivery, and strengthening community capacity in service delivery; (2)

targeting the poorest communities for public financing of ECED services provision; and (3) strengthening system management capacity in planning, quality assurance, and monitoring and evaluation at central, provincial and district level.

This project operationalizes the Government's strategy to ensure that children ages 0 to 6 from economically-disadvantaged families and rural areas participate in and benefit from non-formal integrated quality ECED services, while leaving it to the private sector to reach children from higher-income families.

2. Objectives

The development objective of the project is to improve poor children's overall development and readiness to enter primary school, within a sustainable quality ECED system.

To achieve this objective, the project will:

- Increase poor communities' capacity to engage in participatory planning that will result in new or improved ECED services for their children and families (see Component 1).
- Prepare the foundation for a sustainable ECED system through budgetary commitments from participating districts, establishment of a national quality assurance and professional development system, and district capacity building (see Component 2)
- Ensure continuous improvement of service delivery and system building through establishing effective project management, and monitoring and evaluation (see Component 3).

The project will target an estimated number of 738,000 children ages 0 to 6 and their parents/caretakers living in approximately 6,000 poor communities located in 3,000 villages within 50 poor districts. The project is expected to have a demonstration effect on the Government, which may then expand the coverage of ECED services for poor children in Indonesia.

3. Rationale for Bank Involvement

(a) Bank and GoI are explicitly committed to poverty reduction. The government is committed to poverty reduction and to improving services to the poor by strengthening decentralization of service delivery. In October 2004, the parliament amended two key decentralization laws (i.e., Laws no 22 and 25, from 1999, became Law no 32, about local Government, and Law no 33, about fiscal balancing between central and local Government), thus strengthening the regulatory framework of decentralization. The Bank's Country Assistance Strategy has clearly specified that "the Bank Group will continue to focus its program on those areas most crucial to poverty reduction" by addressing the issues of (1) inadequate productive employment opportunities, and (2) the lack of quality service delivery to poor people. CAS strategy particularly emphasizes that an implementation platform with local communities at the direct level of service delivery is key to implementation effectiveness and adequate governance.

(b) ECED is a new sub-sector in Indonesia and the Bank can play a critical role during this "start up" phase. The targets set by RENSTRA and the EFA Plan are ambitious given (1) the

developing but still limited capacity of the GoI in regard to ECED related knowledge, program design, and monitoring and evaluation; and (2) the currently low public expenditure on early childhood development (i.e., only .45% of the education budget). In order to close the policy gap, the GoI needs to a) develop a sustainable system for ECED quality and b) establish effective service delivery management and monitoring and evaluation. In regard to the financial gap, the GoI needs to a) increase government allocation to the education sector and ECED sub-sector; b) increase community and household contribution in the better-off communities; and c) mobilize additional external funding to further help close the financing gap.

The Bank is in a unique position to assist the GOI in closing both the financial gap (see Component 1) and the policy gap (see Components 2 and 3) within the immediate 5-year transition period. Indeed, the Bank has the comparative advantage of having been involved in, and being able to build on the positive results of, the pilot Early Child Development Project (1998–2005) in Indonesia. The Bank's unique contribution also comes from having supported a total of 74 ECED projects in about 47 countries since 1990 for a total lending of US\$1.6 billion. No other international agency has comparable expertise in supporting large-scale ECED projects.

Finally, the Bank has supported several Community Driven Development (CDD) Projects in Indonesia (e.g., the Kecamatan Development Project (KDP), the Urban Poverty Project (UPP), and the Water Supply and Sanitation for Low Income Communities (WSSLIC) Project) and is therefore in a unique position to benefit from the lessons learned in these projects and to adapt successful CDD mechanisms to the provision of ECED services for poor children in Indonesia.

4. Description

The project objective will be achieved through three components: (1) Increasing integrated ECED service delivery in targeted poor communities; (2) Developing a sustainable system for ECED quality; and (3) Establishing effective project management, monitoring, and evaluation. While Component 1 will focus on service delivery in the short term, Component 2 aims at improving the quality of this service delivery both during the project life cycle and beyond. Component 3 will help ensure continuous improvements of both ECED service delivery and system building over time.

Component 1: Increasing integrated ECED service delivery in targeted poor communities

For the purpose of this project, a community is defined as a neighborhood (dusun) within an Indonesian village. Typically, Indonesian villages consist of about five dusuns, each with approximately 60 children ages 0 to 6 (i.e., 30 children ages 0 to 3 and 30 children ages 4 to 6) – an optimal size for service delivery. Accordingly, service delivery will take place at the dusun (community) level. It is expected that approximately two dusuns per village (i.e., the poorest dusuns) will receive services in the context of this project. Block grants will be channeled to the village level as each Village Implementation Unit (VIU) will submit only one consolidated project proposal.

Sub Component 1.1: Establishing Training Program and Providing Staff Development

This sub component will finance the training of 50 members of the National Early Childhood Specialist Team (NEST), 150 district trainers, 900 facilitators (300 3-member teams consisting of an ECED Specialist, a family support, health, and nutrition Specialist, and a community development Specialist), 6,000 teachers (for services to children ages 3 to 6) and 6,000 child development workers (CDW) for services to children ages 0 to 3 and their families.

Sub Component 1.2: Preconditioning and Launching of the Competitive Grant Process

This sub-component will finance 1) the selection of eligible kecamatans and villages within the 50 participating districts (about 60 villages per district, that is a total of 3,000 villages nationwide); 2) the sensitization of villages about the importance of ECED services (preconditioning phase); and 3) the launching of the competitive grant process. As part of their matching requirements, districts will allocate a share of their budget to support DPMU staff and to supervise the teams of facilitators hired at the central level (about 6 teams of 3 individuals per district, that is a total of 300 teams and 900 individuals nation-wide) to conduct the preconditioning activities and to work with communities in the participatory planning process.

As part of the process, villagers will be empowered to establish a forum whose mandate will be to identify priority communities (dusuns) and to select some of its members as their representatives in the Village Implementing Unit (VIU). In order to prevent local elites from capturing this decision making process and to ensure that groups traditionally less represented in public institutions (e.g., women, youth, the poorest) can have a voice and play an active role, specific guidelines will help ensure that this body of community representatives is well-balanced in terms of gender, age, and socio-economic status. In addition, in order to ensure continuity in the provision of quality services from ECED to primary education, primary school teachers will be invited to take part in the participatory process from its early stages on.

Sub Component 1.3: Providing Block Grants to Poor Communities

This sub-component will finance the provision of grants to about 3,000 villages (with an average of 2 beneficiary communities or dusuns per village) in 50 selected districts. Grants will be awarded twice a year on the basis of a proposal review conducted by the District Project Implementing Unit (DPMU).

In order to compensate for the large variations in the quality and coverage of existing services delivered by posyandus and other ECED related services (e.g., parent education programs, playgroup), community members will be empowered to first assess their existing resources before deciding what additional services they may wish to implement. Facilitators will support them during this process. To further promote flexibility and responsiveness to community needs, communities will be able to use project funds to support comprehensive services selected from a menu of ECED options.

Funded services will include those directed toward families with young children (birth to 3) and those for older children (ages 3 to 6). While services for children older children (ages 3 to 6) are expected to be center-based, services for families with young children (birth to 3) could include a

combination of group based services (e.g., parent education, especially in regard to health and nutrition; early learning and stimulation; etc.) and individual services (e.g., home visiting).

Requirements include that communities must 1) use funds to enhance or expand existing services (such as Posyandu, Indonesia's health-oriented integrated service post, functioning in almost every community); 2) plan ways to increase the number of poor children and families served, and to improve the quality of community programs; and 3) provide services in compliance with a set of essential standards including health and safety provisions. Within those requirements, communities will have choices in the specific scheduling, distinctive features, implementation approaches, and physical settings in which services are delivered. Communities may choose to contract with existing community organizations/service providers (NGOs) to deliver the services if the community is satisfied with their current provision of services. No land acquisition or resettlement will be undertaken as communities are expected to utilize and/or enhance existing spaces/facilities.

A minimum number of program staff (1 teacher per group of 30 children ages 3 to 6 and 1 child development worker per 30 families with children ages 0 to 3) will be expected to participate in the project's basic ECED training (financed by the district), with supervision and follow-up.

Sub Component 1.4: Recognizing model ECED services and using them for demonstration purposes

This sub-component will finance additional block grants to one ECED model program per eligible kecamatan (about 10 model programs per district). The development of specific criteria and the selection and review process for recognizing model ECED services will be carried out in the first two years of the project. Beginning in Year 3, projects funded under subcomponent 1.3 as well as other existing ECED services in targeted kecamatans may apply for these additional block grants. Those selected through a competitive review process will serve as resource and training centers for other ECED services located in the same area.

Component 2: Developing a Sustainable System for ECED Quality

Although interventions to expand access to ECED in poor communities can be relatively simple and cost-effective, international research shows that they must be of good quality if children are to receive benefits from this investment. This component will help ensure quality in the programs financed through Component 1. Beyond the current project, this component will create conditions that will support sustainable, scaled-up provision of holistic, quality ECED services.

Sub Component 2.1: Quality assurance

This subcomponent will finance consultation, professional development workshops, and materials development to assist the government in developing standards and recognition procedures to support quality ECED delivery. Assistance will be directed to relevant units in MoNE and related agencies, in consultation with the Board of National Standards of Education (BSNP).

A four-pronged approach to ECED quality assurance will include:

- 2.1.1 Standards and a quality rating system for ECED programs serving children 0-6 and their families.
- 2.1.2 A professional pathway and credentialing system for program personnel, including ECED teachers and child development workers; and
- 2.1.3 Quality assurance and recognition for organizations providing ECED training.
- 2.1.4 Standards and resources for quality ECED curriculum

In each of these areas, the project will support two stages: (1) development and initial phase-in of standards and approval systems within the project itself, and (2) evaluation and potential government application of standards and related quality recognition systems beyond the community ECED programs participating in this project.

Sub Component 2.2: Institutionalization of quality ECED at the district and provincial level

This sub-component will finance facilitation of coordination among and partnership of ECED-related agencies; inclusion of ECED in local governments' regulation (*Perda*) on organizational structure, roles and function (*Tupoksi*) in Dinas Pendidikan as well as other ECED-related agencies; improvement of the key ECED-related officials' knowledge of ECED through training and workshops with ECED experts and exposure to best practices of ECED; and strengthening the implementation of their roles and function.

Component 3: Establishing Effective Project Management, Monitoring, and Evaluation

Sub Component 3.1: Project Management

3.1.1 Project management at central level. The project will finance activities to support MoNE implementing mandated roles and functions. This subcomponent will finance the costs of consultants hired by the Central Project Implementing and Coordinating Unit (CPCU), project coordinating workshops, office equipment, and other recurrent and administrative expenses that are incurred during the implementation period of the project. The fund for CPCU will be provided to the Directorate General for out of School Education (DGOSE) budget.

3.1.2 Project management at district level. The project will finance activities to support participating districts in implementing their mandated roles and functions. This sub component will finance the costs of consultant hired by the DPIU, project coordinating workshops, office equipment, and other recurrent and administrative expenses that are incurred during the implementation period of the project. Fund for DPIUs will be provided as block grant and transferred into respective district budget.

Sub Component 3.2: Monitoring and Evaluation

This subcomponent will finance the development of a monitoring and supervision system for ECED programs at village/community and district levels, including those ECED programs not supported by the project. It will support annual community assessments comprising (i) registration of children 0-6, (ii) an inventory of ECED services (iii) an assessment of the developmental levels of children entering school. It will also support regular reporting of project activities at village/community level to districts. In addition, the local media and NGOs will be

encouraged to independently monitor the implementation of services at the community level and to report any perceived problem or alleged misuse of funds.

A formal evaluation of project benefits will also be undertaken, in part using data gathered through project monitoring systems but also supplementing these with more detailed studies of service provision and development outcomes in project villages/communities and a selection of villages/communities not covered by the project. The formal evaluation will also make use of the annual socio-economic survey (Susenas) conducted by the central bureau of statistics (BPS).

This subcomponent will also finance the costs of monitoring of project implementation including procurement assessments and audits ensuring that processes are implemented in accordance with stipulated guidelines and procedures.

Key outputs of this sub-component include annual community assessments, progress reports, a mid-term impact evaluation report, a report evaluating successful initiatives, external audits, and a final impact report. This component will support training for ECED providers and local officials at the village and kecamatan levels on simple data collection and analysis principles, while further training will be provided at the district, provincial, and national level for M&E.

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	10
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	50
INTERNATIONAL DEVELOPMENT ASSOCIATION	65
NETHERLANDS: MIN. OF FOREIGN AFFAIRS / MIN. OF DEV. COOP.	25
Total	150

6. Implementation

The Dutch Government has expressed interest in providing co-financing of approximately \$20 million for ECED out of \$100 million proposed for the education sector as a whole. The Dutch Government has indicated its preference to transfer the funds to the Bank for management as part of the overall ECED project instead of parallel financing.

Project Management at the National Level: At the central level, the Directorate General of Out of School Education, MONE, will assign the Directorate PAUD to manage and administer the project. The directorate will function as an implementing and coordinating unit (CPICU). It will implement some activities at the central level, but its main function will be managing and coordinating programs at the participating provinces and districts levels. A Steering Committee will be established to provide the CPICU with advice with regards to programs and cross-sector coordination. In terms of the ECED substance, the CPICU will be assisted by related units, such as the Directorate General for Quality Improvement of Teacher and Education Personnel (DG QITEP), Curriculum Center, Directorate General of Higher Education, Board of National Education Standards, Forum PAUD, etc., as well as ECED experts.

To manage the project, the CPICU will hire a consulting firm at the national level (National Management Consultant, NMC) to ensure the flow and quality of the program implementation at the central, provincial and district levels. To coordinate, monitor and evaluate the program implementation at the district level, the CPICU will divide the participating districts into three regions. For each region the CPICU will hire three management consulting firms (Regional Management Consultants, RMCs). The RMCs will post project management consultants to work with the DPIUs at each participating districts. In addition to assisting the CPICU in managing the project, the Terms of References of the NMC and RMCs will also cover strengthening the institutional capacity of ECED offices at central, province and district levels, particularly in planning, budgeting, monitoring and evaluating ECED programs.

To assess the quality of the program outputs, the CPICU will hire technical auditors in 2008, 2010 and 2012. In addition, the CPICU will also be staffed by some consultants: Project Management Specialist, Procurement Specialist, Financial Management Specialists, and some individual national and international consultants.

Project Management at the Provincial Level. At the provincial level, the Governor will assign the Dinas Pendidikan to implement the project (as Provincial Project Coordinating Unit) which will be supported to implement its coordinating, monitoring and balancing function. The PPCU will liaise with the RMCs.

District-Level Implementation: At the district level, the implementation arrangements have been adapted from proven working model under the WSSLIC project and modified to fit the institutional structures of the ECED sector and to incorporate lessons from the ongoing ECED project. Annex 6 provides an organization chart which summarizes institutional arrangements for the project. The head of district (Bupati) will assign the Education Office (Dinas Pendidikan) to implement the project and establish a steering committee consisted of the heads of Bappeda and technical offices (Dinas Pendidikan, Dinas Kesehatan, Dinas Kependudukan/BKKBN). Dinas Pendidikan will function as District Project Implementing Unit (DPIU) and will receive technical and project managerial supports from the RMC.

The DPIU will have lead responsibility for selecting beneficiary villages, community facilitators and district trainers; providing technical guidance to participating communities through Community Facilitation Teams; supervising and monitoring ECED program implementation at community level; clearing grant disbursements; facilitating the institutionalization of ECED at the kabupaten organizational structure; and ensuring the sustainability of the programs. The District Steering Committee will oversee prioritization of community applications for participation in the project and provide policy guidance.

Community Facilitation Teams (CFT). Community facilitators will be selected by Dinas Pendidikan and hired and trained by CPIU through RMCs to work at the kecamatan level to help disseminate the program details, to assist with community project preparation and proposal writing, and to supervise implementation. A team of facilitators composed of three individuals with complementary skills (i.e., one specialized in early childhood education; one specialized in family support, nutrition, and health; and one specialized in community empowerment and

mobilization) will be deployed per cluster of about 10 villages (within one kecamatan). For the most part, facilitators will be young graduates in relevant fields who will be recruited from the districts and sub-districts in which they will work. Such recruitment mechanisms should help ensuring that facilitators are aware of local realities/specificities and therefore trustworthy in the eyes of community members. As described in Sub-component 1.1, facilitators will receive additional training in order to 1) refine their level of knowledge in their respective areas of specialization; and 2) learn how to convey this knowledge to local ECED teachers, cadres, and other community members.

Channeling of Community Block Grants

Based on agreement with and commitment of respective provinces and districts and approved village proposals, the Project will provide block grants to selected village communities. The fund will be channeled through the districts' annual budget (DIPA). The fund will be released in three tranches, i.e., 40:30:30 percent respectively. The first payment will be released upon signing the grant agreement, while further payments will be made upon satisfactory outputs and records of the use of the previous tranche (as endorsed by facilitators/RMCs).

7. Sustainability

The project is designed to ensure sustainability of the program, at both the institutional (including quality and ownership) and financial levels.

Institutional Sustainability:

Quality. This project will support MONE to build a national system that will assure quality of ECED service delivery at the provincial, district, and community levels. Specific activities that will help ensure the sustainability of the project's objective include the development and implementation of systems in the following areas: quality program standards and recognition systems for ECED programs; training and professional development systems; and quality standards and resources for ECED curriculum. The system will be built, implemented, evaluated and refined during the project period. This will strengthen the central government's capacity to exercise the roles and function mandated by the decentralization law, that is, to increasingly engage in facilitating, regulating, and stewardship functions.

Ownership. In engaging both provincial/district governments and communities, the project will use a participatory and community-driven approach. Agreements will only be made after adequate awareness and information campaign and facilitation about the project have been conducted and the province/district governments and communities reflect their awareness, understanding, interest, and readiness (including a sustainability plan) in their proposal for grants. Grants will only be awarded after these proposals are verified. Grants will be released in tranches, which will be based on communities' capacity and accountability. Awareness, ownership, and capacity will be built progressively and jointly.

This project will also support MONE to develop a monitoring and supervision system for all ECED programs in Indonesia. This monitoring and supervision system will allow district governments to know about the availability, access, utilization, and effectiveness of all ECED

programs, and to adjust their activities accordingly. This process, carried over time, will also help ensure that the project's objective is sustained once the project cycle is over.

Financial Sustainability:

A financial analysis was carried out to estimate resources needed to develop a sustainable ECED system with adequate quality, and to expand targeted public financing of ECED services to the poor. The analysis looked into the financial requirement during and after the project cycle.

2007-2011: Project cycle

Under this project, publicly-financed ECED services expansion will take place in 2008, 2009, and 2010, with 6,000 ECED centers rehabilitated and put in use in total, and each ECED center with a capacity of serving 60 children per year on average. By 2009, the total capacity of these centers will enable the expansion of publicly-financed ECED services coverage to 8 percent of children ages 0-6 in targeted districts.

Since ECED is still at its very early stage in Indonesia, a large proportion of resources would be used for investment purposes such as staff training and development, and facilities rehabilitation. Nearly 50 percent of the project cost is for strengthening the capacity of ECED services in the areas of establishing a quality assurance system, monitoring and evaluation system, and staff training and development. The other half of the cost is community grants. The estimated US\$10,000 per grant covers 55% investment cost such as facilities rehabilitation, furniture, toys, and 45% recurrent cost for serving 60 children for 5 years, with an estimated US\$15 per child per year (including personnel salaries, materials, and regular maintenances).

Given these parameters, total project cost is estimated at US\$114 million. Given GoI's budget contribution of US\$23 million, the rest will be financed by IDA/IBRD (US\$68 million) and grants from Royal Netherlands and GoI (US\$23 million).

Beyond the project cycle

Financial sustainability of the project is assessed in order to answer three questions: (1) whether the 6,000 ECED centers which are established under the project can be financed by GoI continuously after the project closing; (2) whether the targeted 50 districts can further maintain the publicly-financed ECED services coverage of 8% of the children in the relevant age range, keeping pace with the population growth, which is estimated at 3.7% annually; and (3) whether the expansion of publicly-financed ECED services can reach even wider coverage beyond the 50 districts and cover all children living below poverty line.

Given the unit cost of US\$15 per child per year, the total recurrent cost for these 6,000 ECED centers is estimated at US\$5.4 million per year. Currently, the total annual education recurrent budget is estimated at US\$541 million for these 50 districts. Therefore, this total recurrent cost is merely 1 percent of the total district level recurrent budget, and is without doubt sustainable.

Under the second scenario, it is estimated that around 250 additional ECED centers need to be built or rehabilitated each year through 2015. Total investment cost is estimated at US\$0.5 million per year, while total recurrent cost is estimated at US\$6 million per year between 2012 and 2015. The total cost is still within the fiscal capacity of these districts.

The third scenario is the most ambitious aiming at covering 16% of children age 0-6 who live below the poverty line by 2015. Much larger investments would be needed to reach this target. It is estimated that about 15,000 to 20,000 new ECED centers would need to be built or rehabilitated each year through 2015. The financing analysis results further show that between 2012 and 2015, the recurrent cost is estimated at US\$70 million per year, and the investment cost averages US\$35 million per year. Assuming 6-7% annual real growth of the economy in the coming years, and that the education recurrent allocation as percentage of GDP remains constant at 1.4%, to cover the recurrent cost alone, the allocation to ECED sub-sector would have to increase to 2.8% of the total recurrent allocation to the education sector from the current level of 0.49%.

If the increase of the GoI's recurrent allocation to the education sector is to be increased to 20 percent of the total GoI recurrent budget, as approved by the Cabinet, and if the financing parameters specified in the MoNE medium term sector strategy (RENSTA) can be confirmed with largely increased allocation to the ECED sub-sector, this high-case scenario can also be achieved.

8. Lessons Learned from Past Operations in the Country/Sector

The project design has benefited from lessons learned from the Bank's local and international experience, including the successful implementation of the pilot Integrated Early Childhood Development Project. These lessons learned include the following:

- Ensuring ownership and sustainability of the project's activities requires local government participation from the inception of the project
- Matching block grants to districts helps to ensure financial sustainability.
- Grants to communities are an effective mechanism to promote services that are relevant to local needs and help make communities more accountable
- ECED interventions that show the highest benefits are targeted to the poorest children.

The integration of education, nutrition and health, and parental education is key to the success of ECED interventions and will be achieved at the community level.

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[]	[x]
Natural Habitats (OP/BP 4.04)	[]	[x]
Pest Management (OP 4.09)	[]	[x]
Cultural Property (OPN 11.03 , being revised as OP 4.11)	[]	[x]
Involuntary Resettlement (OP/BP 4.12)	[]	[x]
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	[x]	[]
Forests (OP/BP 4.36)	[]	[x]

Safety of Dams (OP/BP 4.37)	[]	[x]
Projects in Disputed Areas (OP/BP/GP 7.60)	[]	[x]
Projects on International Waterways (OP/BP/GP 7.50)	[]	[x]

This project was rated C.

10. List of Factual Technical Documents

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Lombardi, J. & Bogle, M. (Eds.) (2004). *Beacon of hope: The promise of Early Head Start for America's youngest children*. Washington, DC: Zero to Three.

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