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# Scholarships Programs in Indonesia:

Past, Present and Future

*Cut Dian Agustina*

*Dandan Chen*

*Andrew Ragatz*

*Imam Setiawan*

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## **Abstract**

This paper examines Indonesia's experience in implementing scholarships programs as a demand-side intervention to stimulate primary and secondary school enrollment, continuation, and completion. It compares the key features and effects of several scholarships programs in Indonesia starting from the School Grant Program (SGP) during the Asian Financial Crisis in the late 90s. It provides an early assessment of the effects of most recent "scholarships for the poor" program started in 2008, including program implementation arrangements such as selection and targeting beneficiaries, flow of funds, as well as monitoring arrangements. The findings of this paper indicate that, compared with Indonesia's large scale scholarship programs under the SGP, the current targeting is less effective and the average amount received by beneficiary students is less than half of what was intended. To improve program effectiveness, this paper recommends: (1) focusing on the transition from primary to secondary education by significantly increasing resources and support to Grade 6 students; (2) starting to allocate more resources to primary school scholarships, but gradually increasing the share for junior secondary scholarships; (3) using complementary household-based intervention such as Conditional Cash Transfer (CCT) to target out-of-school children; and (4) integrating programs at district level, and re-adopting independent monitoring arrangement for better efficiency and transparency.

## **Introduction**

Increasing school attainment is a challenge in much of the developing world. To reach a higher level achievement will require targeting those below average, in terms of both education participation and quality. In Indonesia, both the Ministry of National Education (MoNE) and the Ministry of Religious Affairs (MoRA) have long history of managing targeted scholarships programs. The scholarships program under MoNE covers students in the regular schools at the primary, junior secondary, and senior secondary level; whereas the scholarships program managed by MoRA supports targeted religious school students in madrasah and pondok pesantren (boarding school) at the primary and junior secondary level.

The mandate of the Government of Indonesia in providing scholarships is explicitly specified in the education Law 20/2003, in the context of providing equal education opportunities to all Indonesian children and implementing nine-year compulsory basic education. Article 12:1c and 12:1d of the Law state that every student in every school has the right to receive financing support including scholarships for those that are performing well academically and from poor family background, and whose parents cannot afford the cost of schooling.

There is strong justification for public investment in compensatory programs such as scholarships targeting the poor and the disadvantaged. These programs address both the equity and efficiency concerns in education. Although education constitutes an attractive option for households to invest in, the inability of a large number of households to meet the present costs of a complete basic education despite the existence of significant future returns provides a strong rationale for a public subsidy. For the poor, the cost of education is a

barrier to continuing education that for many becomes insurmountable, particularly beyond primary school. Demand-side interventions such as scholarships programs can be effective tools to assist families in covering the costs of education in order to make education more affordable.

Scholarships are often targeted to encourage schooling for particular groups. The most common target is poor students who face a particularly hard time continuing schooling due to the monetary or opportunity cost of staying in school. But scholarships may also be used to target girls, ethnic minorities or other groups that are the most vulnerable when household financial resources are limited.

This paper will examine Indonesia's recent history with scholarships programs, particularly since its major effort of using scholarships to keep children in school during the 1998-2000 Asian financial crises. Indonesia has also a history of using scholarships to encourage better academic performance ("performance scholarships"). This particular program will not be the principal focus of this paper. Instead, this paper will focus on the programs of "scholarships for the poor", as our main interest is in scholarship programs as a demand-side intervention in Indonesia to simulate school enrollment, continuation, and completion. This program also has much larger coverage, together with more significant public budget allocation.

The paper is organized as the following. After an overview of Indonesia's experience in scholarships programs, it will put much focus on the on-going programs. It will describe the key features of the current program design, including program implementation arrangements such as selection and targeting beneficiaries, flow of funds, as well as monitoring arrangements. These will be followed by an assessment of the early

impact of the programs. Finally, we will conclude with recommendations for improvement of the current program.

### **Data source**

We review a number of publications on Indonesia scholarship programs as well as administrative documents by MoNE and MoRA, including guidelines, implementation manuals, and monitoring and evaluation guidebooks. These administrative documents, together with the administrative data obtained from MoNE and MoRA's respective management directorates' planning unit, constitute the basis for elaborating the programs' original objectives, planned scope, as well as budget allocation.

Our key data for the assessment of the effectiveness of the program are largely various household survey data sources. These include: the National Indonesian Household Survey, SUSENAS, produced by the Central Bureau of Statistics (BPS), and the Indonesian Family Life Survey (IFLS), carried out by RAND Corporation. For the sector-wide enrollment trend, we also rely on MoNE-published annual statistics for corroboration.

### **History of scholarship programs in Indonesia**

Over the past decade, scholarships programs targeting the poor have played an important role in Indonesia education, particularly during the financial crisis of 1997. Since then, the evolution of the scholarship programs in Indonesia can be grouped into four eras. (1) 1998 – 2003 School Grants Program; (2) 2001 – 2005 Oil Subsidy Savings Scholarships; (3) 2005 – 2007 post-BOS (Bantuan Operasional Sekolah, School Operations Assistance

Grant) minimalist scholarships; and (4) 2008 – present re-expansion of scholarship programs.

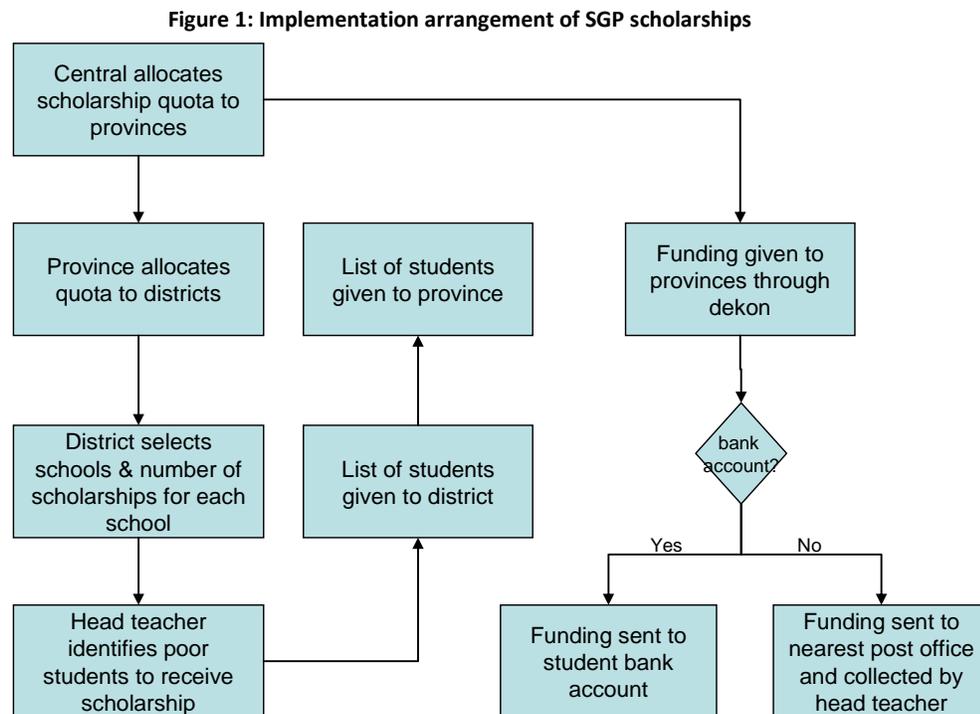
***1998 – 2003: School Grants Program (SGP)***

School Grants Program (SGP) was introduced in 1998 in the midst of a severe economic crisis in East Asia. The program aimed at delivering resources quickly to a large number of schools and students to protect education outcomes, particularly given the state of social turmoil, and thus the need to generate broad political support. SGP included a large scale scholarships component (demand protection), on top of the grants directly to schools (supply support).

The scholarships were intended to reach 6 percent of primary students, 17 percent of junior secondary students, and 10 percent of senior secondary students. Scholarships amounted to Rp. 10,000, Rp. 20,000 and Rp. 25,000 a month per student at the primary, junior secondary and senior secondary school level respectively, regardless of whether a student was enrolled in a public or private school. At the primary school level only students enrolled in grades 4, 5 and 6 were eligible. Apart from enrolled students, latest dropouts were also eligible. The recipients could continue receiving assistance in subsequent years provided that they were promoted to the next school grade, and continued to meet the eligibility criteria of the scholarships program. The implementation arrangement of the scholarships program under SGP has laid important foundation for the subsequent scholarships programs. In addition, its impact has also been the interest of many policy studies ever since. The following sub-sections provide a brief summary of the findings on these aspects of the program.

*Lessons from the implementation of SGP scholarships*

The SGP scholarship program's general planning, implementation, and fund flow mechanism are illustrated in **Error! Reference source not found.** below. The planning starts at the central level where a budget allocation is given based on total coverage target at each education level and the unit amount per recipient of the scholarship. A quota is then given to each province based on a range of macro and demographic indicators. The poorer and more populated provinces got larger quota in general. The similar allocating process was replicated at district and school levels.



*Source: Illustration based on description from interview with MONE.*

The selection of the recipients took place at school level. Upon receiving quota, the head teacher, or school principal, together with school committee, determines the list of

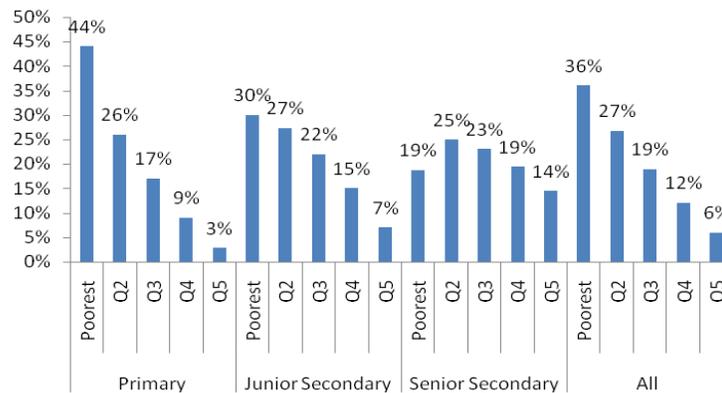
recipients. The list was then submitted to districts and further to provinces for fund release. The fund was disbursed directly to recipient's bank account or through post office.

The recipient selection and targeting method shows both strengths and weaknesses. A SMERU study (SMERU, 2003) of the SGP program found that school committees encountered problems deciding on the most eligible recipients because the number of potential beneficiaries was far greater than the total number of allocated scholarships. In very few cases, part of the allocation for school grant component had been used to provide scholarships to poor students who were not getting them through the scholarships component. In other cases, and contrary to the rules, scholarships were split among more students to ensure equal opportunity among those in need of assistance. Furthermore, the required BKKBN (Badan Kordinasi Keluarga Berencana Nasional, National Family Welfare Planning Agency) criteria were not applicable in all cases because BKKBN data were not always available for all households. Finally, in some cases the targeting criteria were modified at the local level based on other school or community factors. Based on a qualitative study in eight sub-districts, Jones et al. (1999) also noted that school committees had problems with identifying those individuals most affected by the crisis (the original targeting objective as a crisis-response program) because the selection criteria were focused on general living conditions and not on changes in those. They also noted that the selection process was sometimes changed by school committees (for example, new criteria were added such as the information on a household poverty status from the head of the village, and the nature of employment of parents).

Although the SUSENAS does not record the household's official BKKBN classification, it does collect information on the criteria that determine the classification. A

household would be classified by the family planning board as poor if it lacked at least one of the five basic needs. Using this information from 1999 SUSENAS, Sparrow (1999) shows that, overall, 36 percent of the recipients came from poor households. The distribution is least pro-poor in senior secondary (19 percent), followed by junior secondary (30 percent) and primary (44 percent) (Figure 2).

**Figure 2: Scholarships distribution by expenditure quintile and school Level (SUSENAS 1999)**



*Source: Sparrow (2004).*

The fund flow mechanism instituted under SGP worked relatively well. Disbursements were high, albeit generally late. The main problem was the (sometimes intentional) misreporting of disbursements by post offices, while a number of cases of “taxation” of funds by district officials have been found.

At the time, the implementation of SGP program introduced new institutional features in service delivery related to the large scale of public funding going directly to schools and households, together with close community involvement in program implementation. These decentralization efforts preceded Indonesia’s “big bang” decentralization reform in 2000, which transformed the nature and level of public service delivery, including education, throughout the country.

Other key implementation features that have been replicated widely since (i.e. for the nationwide school grant scheme started in 2005) is the program's safeguarding arrangement particularly including independent monitoring and complaint handling arrangement.

#### *Impact of SGP scholarships*

The SGP was successful in the sense that it appeared to have protected school enrollments, which did not change very much during the crisis. Table 1 shows that during the economic crisis in the late 90s, with the severity of the economic crisis, enrolment rates did not change very much during the crisis. This is in sharp contrast to the recession in the 1980s which saw enrolment rates decline substantially. Nevertheless, the upward trend in enrollments to 1997 came to an abrupt halt in the crisis year. By 1999, after the SGP had already been initiated, enrollment picked up again, exceeding pre-crisis levels, and it continued increasing in subsequent years. The key transition between primary and junior secondary school was also negatively affected by the crisis, although it had been decreasing prior to the crisis. In particular, the percentage of children entering secondary school right after graduating from primary school reached a peak in 1997, fell sharply in 1998, and only recovered slightly in subsequent years.

**Table 1: Net Enrollment and School Participation Rates**

	Net Enrollment Rate					School Participation Rate				
	1993	1995	1997	2000	2002	1993	1995	1997	2000	2002
<b>Age 7 to 12/ Primary</b>										
<b>Boys</b>	91.0%	91.4%	92.5%	92.1%	92.7%	92.6%	93.6%	95.1%	95.1%	95.8%
<b>Girls</b>	91.3%	91.5%	92.2%	92.4%	92.7%	93.1%	94.3%	95.6%	95.9%	96.5%
<b>Total</b>	91.1%	91.5%	92.3%	92.3%	92.7%	92.8%	93.9%	95.4%	95.5%	96.1%
<b>Age 13 to 15/ Junior Secondary</b>										
<b>Boys</b>	46.8%	50.7%	57.4%	59.1%	60.9%	70.0%	74.0%	78.3%	79.4%	79.0%
<b>Girls</b>	46.7%	51.2%	58.3%	61.6%	62.5%	67.8%	72.4%	76.7%	79.8%	79.6%
<b>Total</b>	46.7%	51.0%	57.8%	60.3%	61.7%	68.9%	73.2%	77.5%	79.6%	79.3%
<b>Age 16 to 18/ Senior Secondary</b>										
<b>Boys</b>	31.5%	33.5%	36.7%	38.6%	38.8%	44.8%	47.1%	49.9%	51.6%	50.9%
<b>Girls</b>	29.5%	31.7%	36.5%	40.1%	37.7%	40.4%	42.2%	47.4%	50.8%	48.9%
<b>Total</b>	30.5%	32.6%	36.6%	39.3%	38.3%	42.6%	44.6%	48.6%	51.2%	49.9%

*Source: SUSENAS.*

But in the meantime, many studies find that the program only had a consistently significant impact at the junior secondary level on dropouts, school attendance, and enrollments. Several factors could have contributed to the modest overall effect on enrollment at the primary level. These include: (i) a lack of effective targeting to the children most at risk of dropping out; and (ii) failure to address the critical transition between primary and junior secondary education. All estimates agree on the lack of impact of scholarships at the senior secondary level (Central Independent Monitoring Unit, CIMU, 2002)

Based on intensive interviews conducted in 2001 at the school and household levels in four selected areas, SGP's Central Independent Monitoring Unit (CIMU, 2001) found that, according to parents, in most cases (at least 76 percent) the scholarship recipients would have stayed in school even if they had not received the scholarship. This proportion differed significantly by school level (90 percent at the primary level and 70 percent at the

junior secondary level) and by school type (81 percent in government schools and 65 percent in private schools).

However, there is evidence that one significant impact of SGP during the previous financial crisis is in mitigating the effect of household income reduction on education expenditure. The size of the SGP scholarships covered a large share of household expenditure on education. Overall, the contribution of scholarships to educational expenditures was substantial. Data from 2000 SUSENAS show that at the primary level the scholarship covered a big share of monthly direct costs of schooling (68 percent) during July-December 1999 at the primary level (Table 2). At the junior and senior secondary levels this covered about 56 percent and 37 percent of direct expenditures respectively (Filmer, 2001). Among scholarship recipients, the scholarship represented 62 percent of educational expenditures on average, and 77 percent among the poorest three expenditure quintiles.

**Table 2: Monthly expenditures on education (July-December 1999, Rp. 000)**

	Primary	Junior Secondary	Senior Secondary
Fees	3.9	13.1	27.2
Materials	6.8	11.9	16.5
Transport	1.3	6.8	15.3
other	2.8	5	8.3
Total	14.6	36.7	67.2

*Source: Analysis of SUSENAS 2000 from Filmer (2001).*

### **2001 – 2005: Oil Subsidy Scholarships**

During the crisis, the world oil prices dropped sharply, and thus the Government had savings from decreased fuel subsidies<sup>1</sup>. During 2001, the economic and political situation had stabilized in the country, and SGP gradually phased out. In the meantime, the Government decided to divert part of the fuel subsidy savings to help school children from less fortunate families through scholarships (Bantuan Khusus Murid, BKM) funded by the Compensation for Fuel Subsidy Decreased Program.

Using 2003 SUSENAS data, we estimated the coverage of the scholarships during this period. Table 3 shows the results. The targeting is generally pro-poor. One significant change appears to be the shift towards giving junior secondary education much more coverage overall. In addition, the unit cost has also significantly increased, nearly tripling the nominal amounts of those during the SGP, which had only started phasing out two years before.

**Table 3: BKM (Bantuan Khusus Murid) coverage and amount, 2003**

School		Per capita expenditure quintile					Total
		poorest	2	3	4	richest	
Primary	% receiving scholarship	10.9%	7.1%	4.9%	3.9%	3.3%	6.9%
	Amount per yr (Rp.)	271,446	315,116	310,634	264,080	437,407	295,337
Junior secondary	% receiving scholarship	16.6%	12.2%	9.4%	6.3%	4.5%	10.0%
	Amount per yr (Rp.)	550,679	506,781	540,600	544,352	604,788	539,798
Senior secondary	% receiving scholarship	9.8%	8.1%	7.2%	5.3%	3.1%	6.1%
	Amount per yr (Rp.)	634,256	731,386	719,267	738,232	1,236,104	773,243

*Source: SUSENAS 2003.*

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<sup>1</sup> Before 2005, prices for these fuels were fixed by the Government, and decreasing international oil prices thus translated automatically to decreased fuel subsidies.

### ***2005 – 2007: Post-BOS minimalist scholarships***

In 2005 the Government of Indonesia took a bold move to reduce regressive fuel subsidies. The government raised fuel prices in March 2005 by a weighted average of 29 percent, followed by a more dramatic increase in October 2005, when prices rose by an additional 114 percent. The annualized budgetary savings from the 2005 October fuel price increase (as they apply to the 2006 budget) are estimated to be equivalent to some US\$10.1 billion.

With the budget savings, the Government decided to put into place a few large scale social programs. For the education sector, the GOI had chosen to change course and in the period of July-December 2005 decided to provide block grants for operational aid to participating schools at the primary (SD/MI/SDLB) and junior secondary school levels (SMP/MTs/SMPLB and for Islamic and non-Islamic religious schools) while only partially continuing the BKM Scholarship program.

In 2005 the smaller scholarship component of the program was kept, with about 700,000 students at the junior secondary and senior secondary school levels (with 57 percent of beneficiaries at the junior secondary level) and had a budget of about Rp. 272 billion (MONE, 2005). For primary schools, though, the coverage of the scholarships is extremely narrow: with over 25 million enrollees, only around 600,000 were scholarships recipients. Furthermore, in both primary and secondary schools, the number of scholarships dropped significantly in 2006 and 2007.

BKM amounts were allocated based on poverty and achievement criteria rather than simply poverty. 2006 SUSENAS data show that the number of students who received scholarships was small and tended to be spread out among expenditure quintiles (Table 3).

Only 2.3 percent of primary, 2.4 percent of junior secondary and 3.2 percent of senior secondary school students received scholarships (Table 4). While the poorest quintile tends to be targeted slightly more than the upper quintiles, the variance is small.

**Table 4: BKM (Bantuan Khusus Murid) coverage and amount, 2006**

School		Per capita expenditure quintile					Total
		poorest	2	3	4	richest	
Primary	% receiving scholarship	3.20	2.50	2.41	2.28	1.24	2.31
	Amount per yr (Rp.)	242,837	228,764	272,645	285,283	278,853	256,128
Junior secondary	% receiving scholarship	4.34	3.32	2.64	2.10	1.14	2.44
	Amount per yr (Rp.)	344,729	388,190	375,254	399,021	362,707	373,209
Senior secondary	% receiving scholarship	6.93	6.25	4.30	2.79	1.46	3.19
	Amount per yr (Rp.)	318,937	420,476	503,131	453,738	466,772	443,460

*Source: SUSENAS 2006.*

### ***2008 – present: re-expansion of scholarship programs***

In 2008, both MoNE and MoRA significantly increased their budget for scholarship programs. This arguably followed the reaffirmation of the constitutional target of allocating 20 percent of the Government’s budget to education. An assessment of the program implementation so far would distill lessons so as to refine the design of the program, improve effectiveness, and achieve better results. These will be the focus of the next section.

### **Current scholarship programs in Indonesia**

Compared with the scholarships program during 2005-2007, the current scholarships program has wider coverage, and emphasizes on supporting students from poor family background, with much less mention of academic performance as part of the eligibility criteria. Table 5 shows a comparison of the key characteristics of the primary school level scholarships programs of these two periods.

**Table 5: A comparison of BKM and current scholarships program (primary level)**

	<b>BKM program</b>	<b>Current scholarships</b>
Period	2005-2007	2008 – current
Target	Academically performing and poor students	Poor students
Unit cost per year	Rp. 300,000/student	Rp. 360,000/student
Management	MoNE managed both regular and religious schools originally; separate management at MoNE and MoRA starting in 2007	MoNE and MoRA separately (MoRA program was not implemented in 2009 due to budget cut)
<i>Number of recipients</i>	2005: 70,000 students 2006: 53,920 students 2007: 52,121 students	2008: 698,570 students 2009: 1,796,800 students

*Source: MoNE scholarship manual and minutes of meeting with MoNE scholarship officials.*

### ***Coverage and spending***

The 2008 education budget for MoNE and MoRA both included much expanded scholarships spending, covering about 7 percent of the students on average. The planned coverage at MoRA schools is much higher, reaching over 20 percent of the total enrollment, considering that a majority of students attending schools under MoRA are from families at lower socioeconomic strata. The unit cost of scholarships is between US\$30 to US\$70 per year, depending on the level and type of schools the student is attending.

In 2009, the scholarships program for the poor planned to cover around 3.7 million students or about 9.1 percent of total students at the primary and junior secondary level. Of this number about 68 percent or 2.5 million students are targeted for regular schools, and the remaining 32 percent are targeted for religious schools. The targeted number of scholarships recipients in regular schools would represent about 7.1 percent of the total regular school students at the primary and junior secondary level, while the number in religious schools represents nearly a quarter of the total religious schools students. Among all recipients, two-

thirds are primary school students and the remaining one-third are junior secondary students (Table 6).

**Table 6: Coverage and cost of the current scholarships program**

Scholarship program	# of students receive scholarship	Unit cost	As % of total students	Total cost (Rp. '000)
<b>Year 2008</b>				
SD	698,570	360,000	2.7%	251,550,000
SMP*	276,060	531,000	3.0%	146,600,000
MI	360,000	360,000	12.5%	129,600,000
MTs	280,000	720,000	11.9%	201,600,000
<i>Total</i>	<i>1,614,630</i>			<i>729,350,000</i>
<b>Year 2009</b>				
SD	1,796,800	360,000	6.9%	646,848,000
SMP	710,057	531,000	7.8%	377,040,267
MI	640,000	360,000	22.3%	230,400,000
MTs	540,000	720,000	23.0%	388,800,000
<i>Total</i>	<i>3,686,857</i>			<i>1,643,088,267</i>

*Source: Ministry of Education and Ministry of Religious Affairs data. \*Data not available, estimated by authors using 2009 proportions.*

In 2009, the government allocated a total amount of around Rp. 1.6 trillion (USD 170 million) of funds for the poor scholarship programs. The allocation is equal to 1.4 percent of the central government expenditures for education, or 0.8 percent of the national education expenditures in 2009. Of the total amount, about Rp. 1.0 trillion (62 percent) is allocated toward the regular school students, and the remaining Rp. 619 billion (38 percent) is for Madrasah students. In nominal terms, the allocation of fund for scholarship programs has more than doubled from around Rp. 700 billion in 2008 to Rp. 1.6 trillion in 2009. Overall, the coverage of the scholarship program is estimated to jump from 1.6 million students to 3.7 million students.

**Table 7: GoI scholarships budget**

Expenditures	2008	2009
Scholarship program for the poor nominal (Rp. million)	582,750	1,643,088
Scholarship program for the poor in real term (2006=100, Rp. million)	499,730	1,337,458
Scholarship program for the poor as % of national education budget	0.4	0.8
Scholarship program for the poor as % of central education budget	0.8	1.4
Scholarship program for the poor as % of central expenditure	0.08	0.2

*Source: MoNE, MoRA, and WB staff calculation based on SIKD and APBN data.*

### ***Implementation arrangement***

At present, MoNE and MoRA continued to manage the programs separately. Within MoNE, the programs for primary and secondary level students are also managed separately by the respective directorates for primary and secondary education. In terms of quota allocation, budgeting, and channeling of fund, the processes have more or less followed the blueprint laid out by the SGP program, albeit with some key variations.

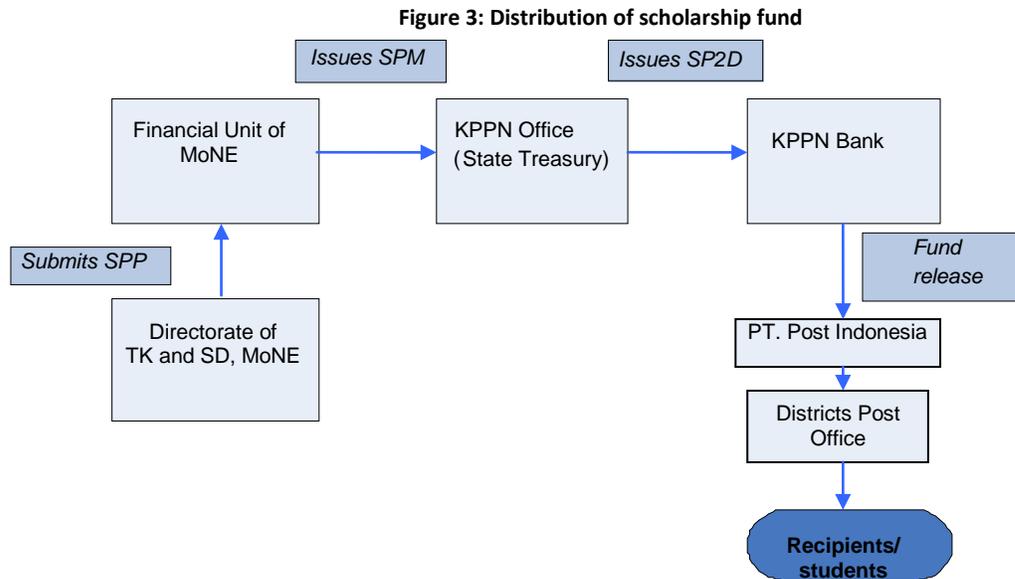
#### *A. MoNE Scholarships Program at primary level*

*Quota and data collection.* The Directorate of Kindergarten (TK) and Primary Education (SD) in MoNE decides on the scholarships quota for primary school students for every province in the country. The calculation of quota at each level (central, province, and district) is based on a set of factors. At the central level, the quota is determined based on the number of students that come from the poor population and the poverty conditions of the province as a whole. At the provincial level, the Education Office takes into account information on the number of poor students, the poverty conditions of districts, and the geographical location of the schools within districts to allocate quota to districts, and finally,

the Education Office at district level allocates the quota based on the poverty conditions of school community, school location, and other equity factors.

The data collection process starts from the school after the information of quota is received. The school principals create a decree that lists the recipient candidates of the scholarship, which are selected based on a set of criteria. The letter is submitted by each principal to District Education Office, who then recapitulates all the data received from schools. The District Education Office creates a decree on the scholarship candidates and proposes it to the Provincial Education Office. The Provincial Education Office continues compiling all the data from districts and submits them to MoNE. The Directorate at MoNE ratifies the list of students that are entitled to receive the scholarships based on the proposal received from the Provincial Education Office.

*Fund flow:* The scholarship funds are from central budget and released through the central line ministry budget mechanism. The process starts with the Directorate of TK and SD submits the SPP (disbursement request) to the financing unit of MoNE by attaching the decree of the scholarships, the agreement letter of cooperation between MoNE and the post office, the invoice of fund recipients, and the list of the names of the students who receive the scholarships. The financing unit then issues the SPM (request for disbursement authorization) to the treasury office, who then issues the SP2D (disbursement authorization). The fund is disbursed to the central post office and channeled to the district post offices annually. The district post office notifies the District Education Office when the fund is ready to be withdrawn by students.



*Source: Scholarship for poor student manual 2008.*

The disbursement period from the post office to the students can be extended if after a certain period the fund is still not fully disbursed. If after the first 40 days since the fund arrived in the district post office the withdrawal is less than 100 percent, then the post office will extend the payment period without written agreement with the Directorate of TK and SD. The extensions of withdrawal period are based on the following rules: (i) if the withdrawal only reaches 65 percent, the extension period will be 20 working days; (ii) if the withdrawal only reaches 75 percent, the extension period will be 15 working days; (iii) if the withdrawal rate only reaches 85 percent, the extension period will be 10 working days; (iv) if after 10 working days, the total withdrawal still does not reach 100 percent, then at the end of December, the post office has to return the remaining fund to the state account and submit the receipt to the Directorate of TK and SD.

The scholarship fund can be withdrawn directly by the students themselves or collectively through their school. If the students wish to withdraw the money by themselves,

they are required to bring the student ID card, show the scholarship decree letter from school, and sign the receipt that is provided by the post office. If the fund is collectively taken by a school, then the school has to provide authorized letter that is signed by all recipient students. The only eligible representative of a school for the fund withdrawal is the school principal. The school principal has to distribute the scholarships fund to the recipients within 12 working days after the withdrawal from post office. The recipients provide signatures as disbursement record.

*Program review.* At the end of an implementation period, the Directorate of TK and SD prepares a review report covering: student and scholarship allocation, selection process, fund distribution, withdrawal process, and reporting. The review process also includes soliciting feedback from implementation experience in the field involving discussions with provinces and districts, and observations and interviews at schools with students. For example, in 2007, monitoring and evaluation was carried out in 33 provinces and 54 sampled districts with the most scholarship recipients. The interviews were carried out with school principals, students that received the scholarships, the district education officials that responsible to handle scholarship, and post office officials.

*B. MoNE Scholarship at junior secondary level*

*Quota allocation and data collection.* For junior secondary schools, the management of scholarship program is under the Directorate of Junior Secondary Education (SMP). Similar to that at primary level, the quota allocation at junior secondary level also starts at the central level to provinces and then cascades downwards. Allocation to districts by respective provinces takes into account factors that include: (i) total number of students by district, (ii) poverty indicators, and (iii) fiscal gap. Apart from these criteria, provinces are also given

opportunity to select other criteria that are relevant to any particular conditions of the province. After the province sets the quota for districts, districts continue by selecting the schools and allocating the quota for schools. The allocation for schools is based on a number of indicators such as the number of students, number of poor students, distance of school to the district capital, and other local indicators. Just like provinces, districts can also develop their own criteria based on their needs.

At the school level, after receiving the allocation from the district, the school principal continues the process by selecting students based on a set of criteria, including: (i) from families with poor status card; (ii) being an orphan; (iii) from a big family that has more than three children; (iv) parents with low-security and low-paying jobs; (v) long distance between residence and school; and (vi) academic performance. Once the school has selected the students to receive the scholarship, the data is submitted to the District Education Office, which then summarizes the data and sends it on to the provincial office for further forwarding to the central.

*Fund flow.* Unlike the fund flow to post offices directly for primary school scholarships, the fund of SMP scholarships is channeled through the de-concentration mechanism. Under the de-concentration mechanism, the province as the representative of the central government has a significant level of authority to channel the funds through the financial institutions (post offices and banks) and manages the allocation of funds to the districts.

The channeling process of the fund starts with the creation of provincial budget allocation (DIPA). The province will then request the payment to the state treasury office to disburse the fund to the post office. The fund is disbursed every six months or twice a year.

After the money is transferred to the post office, the post office informs District Education Office that the fund is ready to be withdrawn. The District Education Office then notifies schools. School withdrawal process is the same as that at primary level.

C. *MORA Scholarships Program*

The scholarships program under the management of Directorate of Madrasah Education in MoRA covers Madrasah Ibtidaiyah (MI) at the primary level and Madrasah Tsanawiyah (MTs) at the junior secondary level, including both public and private madrasah. The scholarships for madrasah students include two categories: general scholarship and special scholarship. General scholarships target students that are poor or academically performing, while special scholarships target students that live in remote and disadvantaged areas or students with disability.

*Quota allocation and data collection.* The allocation of scholarships quota is proportional to school enrollments. The selection of scholarship recipients starts at the school level and continues at the district level through the MoRA representative office in the region. The selection of students at the school level is led by the head of the madrasah with the assistance of teachers and the school committee. The proposed students by schools are further screened at the district level by the head of MoRA district office with the help of principals and teachers clusters. The result of selection is then submitted to the provincial office and officially approved by the head of provincial office. The approved list is then forwarded to the Directorate in MoRA.

*Fund flow.* The mechanism of MoRA scholarships fund channeling is similar to that for the SMP scholarships program at MoNE, using the de-concentration mechanism with provincial DIPA. Also similarly, the fund is disbursed one time at the beginning of the year

and channeled through the post office. Students can withdraw the fund by bringing with them the statement letter from the head of madrasah and a copy of student card. The scholarship fund has to be withdrawn by students themselves with the company of a parent or a teacher.

The table below summarized the similarities and differences of the implementation arrangement for different categories of schools under different directorates and Ministries.

**Table 8: Summary of current implementation arrangements of scholarship programs**

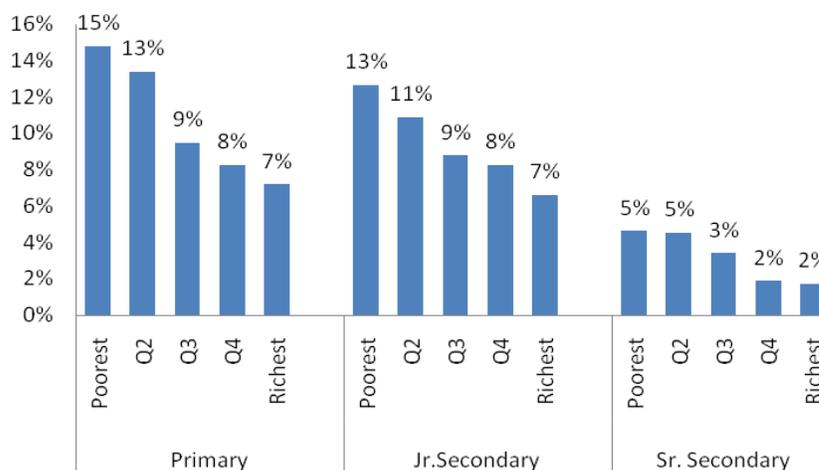
	<b>MoNE DGPSE: Directorate for TK and SD</b>	<b>MoNE DGPSE: Directorate for SMP</b>	<b>MoRA: DG for Islamic education</b>
<b>Responsibility for scholarships management</b>	Regular primary schools	Regular and open Junior secondary schools	Madrasah Ibtidaiyah (MI) at primary level and Madrasah Tsanawiyah (MTs) at junior secondary level
<b>Targeting</b>	Poverty, population, and school enrollments are key factors for targeting.  Each level can set up additional criteria based on local conditions	Poverty, population, and school enrollments are key factors for targeting.  District’s fiscal condition is also considered  Each level can set up additional criteria based on local conditions	Enrollment is key factor.  “General scholarships” targeting poor and academically outstanding students  “Special scholarships” targeting students in remote areas and students with disability
<b>Quota allocation</b>	MoNE allocates to provinces, provinces to districts and districts to schools	MoNE allocates to provinces, provinces to districts and districts to schools	MoRA allocates to provinces, provinces to districts and districts to schools
<b>Selection at school level</b>	Principal decides with consultation and issues decree	Principal decides with consultation, and issues decree	Principal decides with consultation and issues decree
<b>Fund flow</b>	From DGPSE directly to post offices	Deconcentration via provincial DIPA to post offices	Deconcentration via provincial DIPA to post offices
<b>Frequency of disbursement Fund withdrawal</b>	Once a year  By students or by principal with signed authorization letter	Twice a year  By students or by principal with signed authorization letter	Once a year  By students only with company of a parent or a teacher

### *Early assessment of implementation*

We use the fourth wave of Indonesia Family Life Survey (IFLS4) to estimate some early effects of the much expanded scholarships scheme. IFLS 4's fieldwork was carried out between October 2007 and June 2008. Even though it did not coincide exactly with the school year, the impact of the GoI expanded scholarships program can already be detected.

Figure 4 shows the coverage of the government scholarships by household expenditure quintile and student's level of schooling. The overall expansion of the scholarships for the poor program can be seen from the much higher percentage of students receiving scholarships at primary and junior secondary school now than that during previous years, as well as that at senior secondary level. The expanded coverage has reached around 15 percent and 13 percent of the children who are from the poorest households, for primary and junior secondary school students respectively.

**Figure 4: % of students covered by GoI scholarships (2007-2008), by education level and household expenditure quintile**

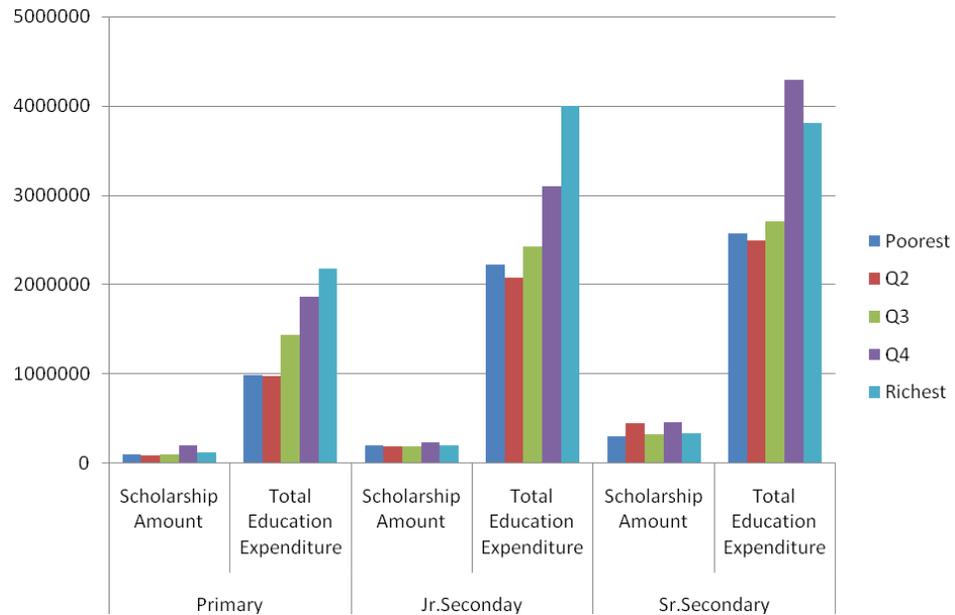


*IFLS 4 (2007-2008).*

However, compared with SGP scholarships, the targeting seems to be less effective: the correlation between whether received government scholarships and household expenditure is not as significant as what is shown in Figure 2, indicating that compared with the program under SGP, the current scholarships program does not seem to target as well, and benefited better-off households more significantly.

In addition, it appears that the amount received by student per year is much less than originally planned by the central ministry. On average, primary and junior school recipients only receive Rp. 120,000 and Rp. 210.000 annually on average, far from the intended unit cost of Rp. 360,000 and Rp. 531,000, respectively. Furthermore, these scholarships amounts seem to be very little compared to the education spending from the household side. For example, it is estimated that even the poorest households spent over Rp. 980,000 per year out-of-of pocket for keep a child in school (Figure 5). The expenditure items include fees, supplies, transportation, and pocket money. The relatively small amount leads to the doubt that this program can serve as an effective demand stimulant.

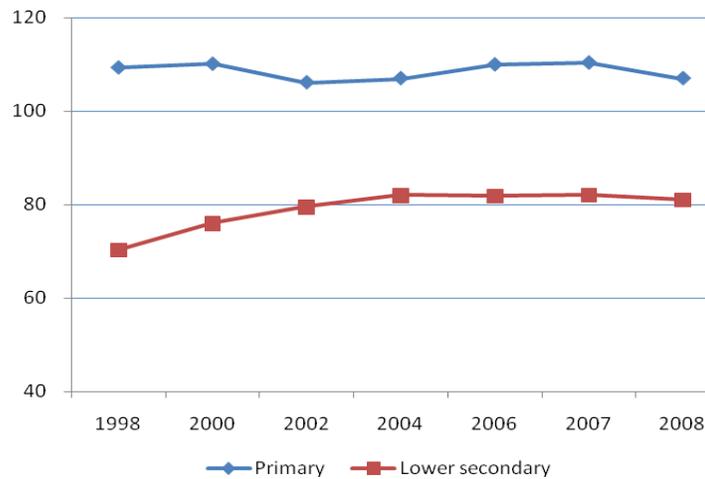
**Figure 5: Average Gol scholarship amount vs. average household education expenditure, by education level and household expenditure quintile**



*Source: IFLS 4 (2007-2008).*

This newly expanded scholarships program targeting the poor aims at maintaining the growth of enrollment, as well as increasing the transition from primary to junior secondary education. Figure 6 graphs trend of the Gross Enrollment Rate (GER) at primary and junior secondary level. There seems no indication that it has any significantly positive effect on household enrollment decision.

**Figure 6: Trend of gross enrollment rate at primary and junior secondary level**

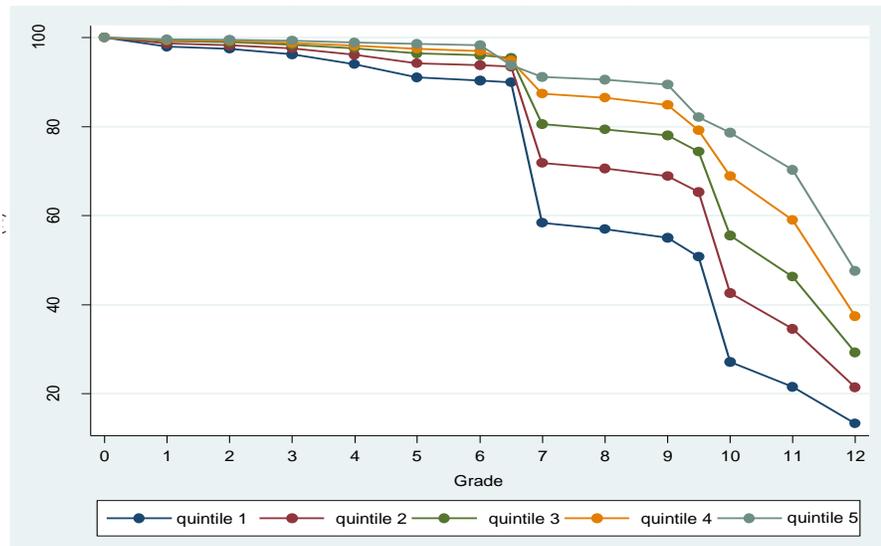


*Source: MoNE statistics.*

In addition to the inaccurate targeting and small scholarships amount, there is one key design issue that may hinder the program to achieve its full impact: currently the scholarships program specifically does not include Grade 6 students. This was explained by the scholarships administrative staff as administratively difficult, since fund release is usually delayed, and sometimes when fund reaches the schools, the Grade 6 students have already graduated and left their primary schools.

Data shows that the highest “dropout” during the nine year basic education is between grade six and seven (Figure 7). In other words, making a successful transition to secondary education is the key to completing 9-year basic education. Given the near universality of primary education in Indonesia, however a big gap of enrollment between primary and junior secondary education, moving the graduating cohort from primary to continuing secondary education is the key to narrowing the gap.

Figure 7: Completion Rates of 16-18 year olds by Income Quintile 2007



SUSENAS 2007.

### Improving the *Scholarships for the Poor* program: the way forward

Given the large amount of resources allocated to the scholarships for the poor program, increasing the effectiveness of the program aiming at better outcome, better targeting, better monitoring and reporting, and better overall coordination and alignment are the key challenges for moving ahead.

#### *Focusing on transition from primary to secondary education*

Making a successful transition to secondary education is a key to completing 9-year basic education. In this sense, Grade 6 is a critical year – as almost all Indonesian children now go through Grade 6, putting in place a primary school-based incentive scheme at this point to encourage moving up to the next cycle is particularly promising. In particular, Grade 6 scholarship program can introduce variations in design to tackle the between-cycle transition issue. For example, Grade 6 scholarship recipients can be guaranteed continued

scholarships for the first year of junior secondary school, together with guaranteed admissions at certain junior secondary schools.

***Starting to allocate more resources to primary scholarships, but gradually increasing the share for junior secondary school***

Since the students from the poorest families are still the most likely to dropout and not making the transition to junior secondary school, they are under-represented at the secondary school level. Therefore, public resources spent at the primary school level favor the poor more than that spent at the junior secondary school level where enrollment rates drop, and the current benefit incidence favors the middle-upper quintiles. Therefore, the current big gap between primary and junior secondary enrollment justifies more than a proportionally bigger share of scholarships resource to primary school students.

However, this situation is not static: the proportion of poor students at junior secondary level will increase over time, particularly with increased public interventions targeting the poor households. Therefore, the allocation of scholarships fund between primary and secondary school should also be adjusted over time, gradually increasing the share for junior secondary students.

***Using complementary household-based intervention to target out-of-school children***

As currently designed and implemented in Indonesia, the scholarships program is a school-based demand-side intervention. The targeted recipients are in schools already. This design seems to miss out the out-of-school children, particularly those who have finished primary school, but are out of junior secondary school.

Even though the awareness of the existence of school-based scholarships programs may encourage parents to send their children to school because of reduced overall cost to

households, other non-financial reasons can also keep parents from sending their children to school. These could include perceptions of low labor market returns to schooling or just in general low perceived value of education. Under these circumstances, conditional cash transfer should be a good complement intervention to stimulate demand for children out-of-school. In many cases, it is not the cash, but the “condition” that sends a stronger signal to parent on the value of education.

Indonesia’ CCT program has implemented for a few years. The coverage is still not national wide. There is great potential to scale up the program and create synergy between the demand-side intervention programs for better education outcome.

***Integrating programs and re-adopting good practices for better efficiency and transparency***

The current scholarships programs are managed by three separate central directorates, with slightly different fund flow channels, frequencies, and withdrawal requirements. On one hand, the three seemingly separate programs need to be integrated for streamlined management; on the other hand, there are few justifications that the program should remain a central level program. Fund allocation and program management at district level should be a better option with potentially shortened fund flow process, more coherent targeting, and closer program monitoring.

Some implementation arrangements from SGP can also be re-established particularly the functions of the independent monitoring unit, and the complaint handling unit. They contributed greatly to the transparency and effectiveness of the SGP scholarships program, and the current scholarships can surely benefit from these good practices in implementation.

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