Indonesia has made significant progress in increasing access to education over the last decade. Enrolment in primary school is close to being universal and participation in secondary education has risen substantially. Rising access has also benefited the poorest households where a greater proportion of children start primary and continue into secondary school than ever before.

Despite these impressive trends, many children do not continue their education beyond the primary and junior secondary level. Once children enrol in a particular level of education they are very likely to complete it (Figure 1). However, children are much more likely to discontinue their education as they move between school levels (Figure 1). This suggests that barriers associated with starting a new school cycle are important in explaining the drop off in enrolment as children move up the education ladder.

While a number of factors influence a household’s schooling decision, the direct and indirect costs of education are important particularly for the poorest households. The drop in the number of children continuing their schooling is partly associated with the higher costs faced by households at the start of a school cycle. The initial costs associated with starting a new level of schooling tend to be high because new textbooks, uniforms and other one-off expenses are incurred at the beginning of the school cycle. When households are unable to cover these upfront expenses it can lead to the discontinuation of their children’s schooling.

The cost of education is also likely to partly explain the higher drop-out rates seen in Indonesia amongst poorer children. Differences in enrolment among children from poor and wealthy households begin to appear at the start of junior secondary school (Figure 1). The higher drop-out rate for poorer children is likely to reflect the more binding constraint that education costs play for this group.

A number of reforms have been introduced by the Government of Indonesia to reduce the financial burden of school enrolment. In 2005, a national school grants scheme was introduced to provide all primary and junior secondary schools with resources for operating expenses that would otherwise be sought from parents. Central and local governments also have large scholarship programs aimed at supporting the education expenses of the poorest children.

These programs have been supported by recent legislation outlining the fees and contributions schools are allowed to charge. In 2012, the GOI introduced a new regulation that prohibited the charging of fees in primary and junior secondary schools but allowed for voluntary parental contributions to maintain the active engagement of parents in school development.

This brief examines household education spending patterns and trends between 2003 and 2009. It aims to provide a clear picture of education spending on primary and secondary schooling to assess the extent to which this constrains participation. It looks at how spending has changed in light of the reforms designed to reduce the burden on households of sending and keeping their children in school. The brief also provides important analysis that can help to inform existing regulations on free basic education.

Figure 1. Children from poorer households are less likely to be enrolled in junior and senior secondary school and less likely to continue their schooling.

1 The latest detailed information on household education spending from the Susenas survey is for 2009.
2 For the sake of clarity, the brief does not distinguish between spending on students enrolled in public and private schools as this does not significantly affect the findings. Analysis of household spending in vocational secondary education (SMK) is also excluded.
1 How Much Are Households Spending on Education?

Average household spending on primary education has remained largely unchanged since 2003 at IDR 362,000 per year (Figure 2). By contrast, average household spending on junior secondary education declined from IDR 773,000 in 2003 to IDR 653,000 in 2009 (in real terms using 2009 prices). Only household spending on senior secondary education rose, from IDR 1,258,000 to IDR 1,438,000, over the same period.

Despite substantial increases in public education spending over the last decade, education spending continues to place a large burden on many households. For the average household, the expenses associated with sending one child to primary school accounted for 8% of per capita consumption in 2009 (Box 1). This proportion increases by education level, to 14% for junior secondary education and to 23% for senior secondary education reflecting the growing spending burden households face as their children progress through the education system.

Box 1. Measuring the household education spending burden

The household education spending burden associated with sending a single child to school is defined as the average annual household education spending per student divided by household annual consumption per capita. Annual household spending per capita is defined as total household consumption divided by the number of household members. For primary education, average household education spending per student in 2009 was IDR 360,000 and average annual per capita consumption was IDR 4.5 million. This implies that the household education spending burden for primary education was 8% in 2009.

Figure 2. Household spending increases as students move from primary to secondary school

Average household spending on education in Rupiah and as a % per capita consumption, constant 2009 prices

There are several public programs that aim to improve access to and the quality of education, and to reduce the financial burden of enrolling in and attending school for poor students. Three key programs are:

The Scholarships for the Poor program (Bantuan Siswa Miskin) is national in scope and was first implemented in 2008. The BSM is aimed at poor students and 80% of all scholarships are awarded to students in primary and secondary education. At each education level, the value of BSM cash transfers is less than the average cost of schooling and although the BSM is intended to be progressive, in 2009, students from the poorest 40% of households accounted for only about half of all BSM scholarships. Many local governments also have their own scholarship programs that supplement the national scholarships program.

The School Operational Assistance program (Bantuan Operasional Sekolah) is also nation-wide but is a supply-side programme introduced in 2005. The BOS programme provides primary and junior secondary schools with block grants to support the purchase of textbooks, library books, teaching-learning materials and support for the adoption and implementation of school based management. These additional grants are expected to reduce the need for schools to cover the operating expenses through fees and other charges. Grants can also be used to support poor students. In 2012, the per student grant for primary education was IDR 580,000 and for junior secondary education IDR 710,000.

The District School Operational Assistance program (Bantuan Operasional Sekolah Daerah) through which many province and district governments use their own resources to complement the school grants provided by the central BOS programme. This generally takes the form of additional per student funding allocated based on the number of students enrolled although some local governments also take into account the number of classes and teachers.

2 Rural and Poorer Households Spend Less on Education at Each Level than Urban and Wealthier Households

While urban households tend to spend the most on education at all levels, the burden of spending on primary education is higher for rural households. Among rural households, primary education spending per student constituted 12% (IDR 366,000) of per capita consumption compared to only 7% for urban households (IDR 356,000). Although rural and urban households assign similar proportions of per capita consumption to junior (16%) and senior secondary education (28%), actual spending differs noticeably. For example, in 2009, rural households spent on average IDR 550,000 per junior secondary student compared to IDR 774,000 for urban households.
Differences in education spending for poor and wealthy households are also large and rise with each education level. The poorest 20% of households on average spent IDR 314,000 on primary education in 2009 and IDR 516,000 on junior secondary education compared to IDR 501,000 and IDR 894,000 respectively for the wealthiest 20% of households (Figure 4). The disparity in education spending is largest for senior secondary education: the wealthiest households spent close to twice as much (IDR 1,873,000) as the poorest households (IDR 1,021,000).

Although the poorest households spend less on education, they face a larger burden of education spending at each level. The poorest households spent on average 14% of their per capita consumption on primary education, 22% on junior secondary education, and a striking 43% on general senior secondary education. This compares to only 5% on primary, 8% on junior secondary and 26% on senior secondary education for the wealthiest 20% of households. These disparities in education spending are likely to drive in part, the better levels of learning wealthier students achieve compared to poorer students.

Primary and junior secondary education spending by poor households fell between 2003 and 2006 but rose again in 2009 (Figure 4). Household spending per primary student declined somewhat from IDR 220,000 in 2003 to IDR 203,000 in 2006 for the poorest 20% but then increased to IDR 314,000 in 2009. Average household spending for junior secondary education also decreased in 2006 (IDR 436,000) before rising to IDR 516,000 in 2009 for the poorest 20%. The initial drop in household spending by poor households coincides with the introduction of the BOS program in 2005. It is possible that the subsequent increase in household spending reflects the declining value of the BOS grant due to inflation and schools relying more heavily on parental contributions to cover operating costs. However, no similar trend in education spending is evident for the wealthier 80% of households, nor for any consumption group for senior secondary.

**Figure 4. There are considerable disparities in education spending between poor and wealthy households**

**Education spending by consumption group 2003-2009, constant 2009 prices**

**Box 3. Household education spending differs between provinces**

Average household spending on education differs enormously among provinces. In Kalimantan Timur, average household primary education spending per student (IDR 511,000) was twice as high as spending in Sulawesi Barat (IDR 252,000) in 2009 (Figure 3). Average household spending per junior secondary student in DKI Jakarta (IDR 1 million) was more than double that in Sulawesi Barat (IDR 461,000). This difference was larger still for senior secondary per student spending which was nearly three times as large in DI Yogyakarta (IDR 2.52 million) as in Sulawesi Barat (IDR 825,000).

Thus, it appears that in some provinces, households consistently spend less on education. The regional variations in education spending are related to a combination of factors including geography, regional differences in costs of schooling, economic characteristics and local governance.

**Figure 3. Household education spending varies substantially across provinces**

Average household education spending by province, Rupiah thousands (constant 2009 prices)
3 The composition of household education spending

Education fees (registration fees, school fees and school committee contributions) and uniforms constituted the largest spending items for households in 2009 (Figure 5). Their combined share in total spending has increased since 2003 primarily due to changes in the composition of spending rather than higher total education spending. The main increase occurred for spending on school fees (and registration fees for senior secondary) while spending on school committee contributions declined over the period, combined with a shift away from spending on materials.

Figure 5. School fees comprised one quarter or more of household education spending at each level in 2009

Note: Educational fees defined as registration, school fees and school committee contributions.

Fees increase as students advance from one education level to another. Average household spending on educational fees for primary education declined from IDR 99,000 per student in 2003 to IDR 50,000 in 2006, after the introduction of BOS, but rose to IDR 107,000 in 2009 (Figure 6). A similar pattern holds for junior secondary education. By contrast, for senior secondary education, average household spending on educational fees increased each year.

Average household spending on fees at the primary and junior secondary levels fell between 2003 and 2006 but rose again in 2009. However, the averages hide significant differences between the wealthiest 20% of households and the remaining population. In 2003, the poorest households spent IDR 22,000 on primary school fees which by 2009 had increased more than 4.5 times to IDR 96,000 (Figure 7) and from IDR 104,000 to IDR 173,000 for junior secondary fees. The pattern of school fees declining substantially between 2003 and 2006 and then increasing in 2009 also holds for the middle 60% of the population. By contrast, during the same period, spending on primary school fees by the wealthiest 20% decreased from IDR 110,000 to IDR 82,000 while spending on junior secondary fees only showed a modest increase from IDR 264,000 to IDR 283,000.

Increases in the size of fee payments by the poorest households are related to increases in households reporting fee payments between 2003 and 2009. While Figure 6 shows average household spending on fees it is also instructive to look at changes in the proportion of households that report making fee payments. The share reporting fee payments declined dramatically from 2003 to 2006 but then rose in 2009. Among the poorest 20% of households, the share paying fees for primary school dropped from 35% in 2003 to 8% in 2006 but rose to 55% in 2009. A similar pattern applies to the middle 60% of households. By comparison, 56% of the wealthiest households paid fees for primary school in 2003, which declined to 24% in 2006 and levelled out at 28% in 2009. The pattern for junior secondary education is largely similar.

The initial decline and subsequent rise in fee payments at primary and junior secondary schools may be partly the result of the declining value of the BOS grant between 2006 and 2009. The BOS program appears to have had a large but temporary effect in reducing household spending on school fees. However, as the real value of the BOS grant was eroded by inflation it is possible that schools sought to fill the gap by raising the incidence and level of school fees. Since 2009, the per-student amount provided by the grant has increased significantly and it is possible that this will have reduced the fees and contributions that parents are making in more recent times.

At senior secondary level, spending on school fees and registration grew between 2003 and 2009 for both the poorest and wealthiest households. For the poorest households school fee spending grew from IDR 167,000 to IDR 365,000, and for the wealthiest households from IDR 517,000 to IDR 746,000. Registration fees also emerged as a major spending category and accounted for similar proportions of education spending (21%) for the poorest and wealthiest households. However, spending on uniforms by the poorest households (IDR 248,000) was higher than for the wealthiest households (IDR 191,000).

Household spending on uniforms has increased dramatically for all education levels and consumption quintiles. For example, for the poorest households, spending on uniforms tripled and for the wealthiest households it doubled between 2003 and 2009 at primary

Figure 6. The trend in household spending on non-discretionary educational fees is different across education levels

Average household spending on fees, Rupiah (constant 2009 prices)
level. In 2009, the poorest and wealthiest households spent on average similar amounts on uniforms at junior secondary level, IDR 170,000 and IDR 166,000 respectively, up from IDR 56,000 and IDR 87,000 each in 2003.

Figure 7. There are notable differences in the composition of education spending for the poorest and wealthiest households

Box 4. Distance to school is a barrier to education

When schools are located far from children, enrolment tends to be lower and drop out higher. This problem is exacerbated when it is too far to walk to school and transport is expensive. In some cases no transport options are even available.

Household spending on transport to and from school is not included in the main brief due to non-comparability of data. Nevertheless, given the importance of transport spending in total education spending, some indicative numbers are provided below. Finally, the findings in this box are only applicable to students who are in school as data are not available on out-of-school children.

In 2009, the vast majority of students (82%) reported walking to school with the remainder using a private vehicle or public transport. Distance to primary school is typically shorter than to junior and senior secondary school. Among students in primary school, the vast majority (77%) live within walking distance, 2km or less, of school (Figure 8). In contrast, merely 42% of junior secondary students live within walking distance, and more than one in five have more than 4km to school. For senior secondary students distance provides an even greater challenge: only 31% live within walking distance and 37% have more than 4km to reach school.

Distance to school is proportional to transportation costs, therefore even when transportation is available not all households are able to afford it. If the indicative transport spending data were included in the decomposition of average household education spending, transport would be the second most important spending item (25% of total) for primary education after uniforms, and the most important item both for junior secondary (36% of total) and senior secondary education (33% of total) before school fees. This underlines the real barrier to education posed by distance to school.
4 Reducing the burden of household education expenses to raise education outcomes

Targeted strategies to remove the remaining barriers to education will be required if all children are to gain access to primary and junior secondary education and inequalities in access to higher levels of education are to be addressed. This includes the elimination of fees in primary and junior secondary schools, and policies to reduce other costs of schooling borne by households. Despite several public programs to reduce household education spending, the majority of households spent a significant share of their income on education, including fees. The 2012 regulation has the potential to clarify the contributions schools can expect from parents and make school affordable for even the poorest households. However, mechanisms to enforce the regulation are needed if it is to achieve these aims.

On the demand-side there is scope to expand and improve the targeting of scholarships for the poor through national and local scholarship programs. To improve access to junior and senior secondary education for children living in remote areas there is a need to either bring schools closer or to consider targeted subsidies for transportation. Such subsidies could be incorporated into existing programs such as the BSM to take advantage of their administrative systems and targeting approaches.

Meanwhile, on the supply-side, to help reduce the cost of learning materials, fees and transport for households, and to improve the quality of education, school operational grants such as BOS and BOSDA could be further expanded. These programs could also be used to address regional education disparities by providing greater resources to districts and schools serving poorer and more remote populations. This has the potential to bring schools nearer to poor communities and provide the necessary resources at schools to ensure that poor children receive the educational opportunities they require to break out of poverty and contribute fully to the development of their communities.

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The findings, interpretations and conclusions expressed in this publication do not necessarily reflect the views of the Government of Indonesia, the Government of the Kingdom of the Netherlands, or the European Union.

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