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Towards more transparent financial management: scholarships and grants programmes in Indonesia

Stephen Baines



International Institute for Educational Planning

Towards more transparent financial management:
scholarships and grants programmes in Indonesia

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Presentation of the series

Several studies conducted over the past decade have clearly emphasized the negative impact of corruption on the economic, social and political development of countries, due to the increased transaction costs, the reduction in the efficiency of public services, the distortion of the decision-making process, and the undermining of social values. They have also shown a strong correlation between corruption and poverty: statistical regressions suggest that an increase in the per capita income of a country by US$4,400 will improve its ranking on the index of corruption (international scale) by two points (OECD, 1995). Moreover, it has been observed that corruption tends to contribute to the reinforcement of inequities, by placing a disproportionate economic burden on the poor, and limiting their access to public services.

As a consequence, fighting corruption has become a major concern for policy makers and actors involved in development. In view of the decrease in the international flow of aid and the more stringent conditions for the provision of aid – due to growing tensions on public resources within donor countries, and the pressure exerted by tax payers on governments to increase transparency and accountability in resource management – it is regarded today as a major priority on the agenda of countries and of international agencies of development co-operation. The Drafting Committee of the World Education Forum has expressed this concern in the following terms: "Corruption is a major drain on the effective use of resources for education and should be drastically curbed"[1].

A rapid review of the literature shows that a number of attempts have already been made to tackle the issue of corruption both globally

1. UNESCO. 2000. *Dakar Framework for Action. Education for All: meeting our collective commitments*. Adopted by the World Education Forum, Dakar, Senegal, 26-28 April 2000. Extended commentary on the Dakar Action Plan (par. 46).

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and sectorally. In the social sector, for example, several studies have been conducted on corruption in the provision of health care services. However, it appears that the education sector has not been given proper attention by national education authorities and donors, despite the many grounds for attaching a particular priority to the challenge of combating corruption in education:

- No public sector reform aiming at improving governance and limiting corruption phenomena can obtain significant results as long as the case of education has not been properly addressed – given the importance of the education sector, which in most countries, is the first or the second largest public sector both in human and financial terms.
- Any attempts to improve the functioning of the education sector in order to increase access to quality education for all, cannot prove successful if problems of corruption, which have severe implications for both efficiency in the use of resources and for quality of education and school performance, are not being properly dealt with.
- Lack of integrity and unethical behaviour within the education sector is inconsistent with one of the main purposes of education; that is, to produce 'good citizens', respectful of the law, of human rights and fairness (it is also incompatible with any strategy that considers education as one of the principle means of fighting corruption).

In this context, the IIEP launched a new research project within the framework of its Medium-Term Plan for 2002-2007, which deals with 'Ethics and corruption in education'. Corruption is defined as "the systematic use of public office for private benefit that results in a reduction in the quality or availability of public goods and services". The main objective of this project is to improve decision-making and the management of educational systems by integrating governance and corruption concerns in methodologies of planning and administration of education. More specifically, it seeks to develop methodological approaches for studying and addressing the issue of corruption in education, and collect and share information on the best approaches for promoting transparency, accountability and integrity in the management of educational systems, both in developing and industrialized countries.

The project includes works on topics of relevance such as teacher behaviour, school financing, textbook production and distribution, and academic fraud. It also includes monographs on success stories in improving management and governance, as well as case studies which facilitate the development of methodologies for analyzing transparency and integrity in education management[2].

Within this framework, the IIEP asked Stephen Baines to write a study which presents the Scholarships and Grants Program (SGP) and the School Improvement Grants Program (SIGP), which are two large-scale projects developed in Indonesia to maintain school quality, access and attendance in a context of crisis. The author describes the design of these programmes, examines their implementation, assesses their impact and discusses their effects on education policy and the process of reform. More specifically, he explores the extent to which the design and implementation of SGP/SIGP has improved transparency, accountability and integrity in the management of educational resources, both in the short and long terms. The first section of the study contains a brief description of the context, design and management arrangements of the programmes and an overview of their implementation. The second section analyzes the effectiveness of the programmes, their impact and lessons learned.

Jacques Hallak and Muriel Poisson

2. An information platform, called ETICO, has also been created within the framework of the project. It is available on the IIEP's web site, at the following address: http://www.unesco.org/iiep/eng/focus/etico/etico1.html.

This study was prepared by Stephen Baines, Team Leader of the former Indonesian Central Independent Monitoring Unit, under the supervision of Muriel Poisson, Programme Specialist at the International Institute for Educational Planning (IIEP) and Jacques Hallak, international consultant.

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Glossary of terms and acronyms

ADB	Asian Development Bank
Aku Anak Sekolah	Slogan of the 'back to school' publicity campaign
APBD	District or province local budget
ASEM	Asia Europe Meeting (a European Union agency)
AusAID	Australian Agency for International Development
Bappenas	The National Planning Board
Bawasda	District or province government auditors
BKKBN	National Family Planning Board
BKM	*Bantuan Khusus Murid* (scholarship from the oil subsidy reduction compensation fund)
BKS	*Bantuan Khusus Sekolah* (school grant from the oil subsidy reduction compensation fund)
BPS	*Buro Pusat Statistik* (Central Bureau of Statistics)
BP3	Parent Teachers Association (also used to denote compulsory parental contributions to school funds)
BRI	*Bank Rakyat Indonesia* (a government owned commercial bank)
Bupati	Head of district government
CIMU	Central Independent Monitoring Unit
DBO	*Dana Bantuan Operasional* (block grants to schools under the SGP)
Dewan Pendidikan	District Education Board
DIP	Central line ministry development budget

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Dinas Pendidikan	Local government education office
DOP	*Dana Operasional Pembangunan* (a grant funding mechanism for primary schools)
GOI	Government of Indonesia
IDT	A government scheme to assist poor villages
IIRT	Independent Implementation Review Team
Imbal Swadaya	A government matching grant scheme for junior secondary schools
JICA	Japanese International Co-operation Agency
JPS-BP	*Jaringan Pengamanan Sosial – Bagian Pendidikan* (Social Safety Net – Education)
Komite Sekolah	School Committee
Madrasah Ibtidaiyah	Religious primary school
Madrasah Tsanawiyiah	Religious junior secondary school
MOEC	Ministry of Education and Culture (former name of MONE)
MOF	Ministry of Finance
MONE	Ministry of National Education
MORA	Ministry of Religious Affairs
MOU	Memorandum of Understanding
NEM	National end of cycle examination (later replaced by UAN)
NGO	Non-governmental organization
PEQIP	Primary Education Quality Improvement Project
PIP	Program implementation plan
PJSEP	Private Junior Secondary Education Project
PMU	Program Management Unit

PT Pos Indonesia	The Indonesian Post Office
RAB	School expenditure plan
RAPBS	School budget plan
RIMs	Regional independent monitors
Rp.	Rupiah (Indonesian unit of currency)
Rupiah Murni	Government of Indonesia's own funds
SPSDP	Social Protection Sector Development Program
SIGP	School Improvement Grants Program
SGP	Scholarships and Grants Program
SK	*Surat Keputusan* (authorization letter)
SLTP	Junior secondary school
SOE	Statement of Expenditure
Susenas	National Socio-Economic Survey
TOT	Training of trainers
UAN	*Ujian Akhir National* (national end of cycle examination)
UNICEF	United Nations Children's Fund
UPM	*Unit Pengaduan Masyarakat* (Complaint Investigation Unit)
Warta CIMU	The CIMU newsletter
WB	World Bank

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Executive summary

Purpose and scope of the study

This publication describes the Scholarships and Grants Program (SGP) and the School Improvement Grants Program (SIGP), surveys their implementation, assesses their impact, and draws some conclusions and lessons learned. It explores how the design and implementation of SGP/SIGP has led to improvements in transparency, accountability and integrity in the management of educational resources, both in the short and long term.

The SGP, which started in 1998 and ran to June 2003, was a large, national-scale crisis response programme to maintain school quality, access and attendance, through scholarships (*beasiswa*) and block grants (*Dana Bantuan Operasional* – DBO). From 2001, the SIGP was introduced to supplement the grants component of the SGP for the most disadvantaged schools. It was implemented in two distinct phases (SIGP 1 and SIGP 2) and finished in June 2004.

Context

Any assessment of the SGP has to be made in the context of the severe crisis in which it was designed and implemented. The Government of Indonesia, drawing on evidence from the economic downturn of 1986/1987, was fearful of widespread drop-out and school closures. The successful launching of the SGP proved that it is possible to put together a large-scale emergency package in a short period. The crisis concentrated minds

and gave an edge of urgency to government actions. Strong government leadership, donor co-ordination and a relatively straightforward programme design greatly facilitated this process. The crisis also provided a fertile environment for introducing education reforms. Although introduced on the back of emergency relief, the process of reform was a necessary part of the package and its lasting legacy. External pressures associated with decentralization greatly increased the reform momentum.

The SIGP started in 2001 as a sub-programme of the SGP. It was originally conceived as part of the crisis response with wide school improvement objectives for the most disadvantaged schools. While the SGP was designed to mitigate the effects of the economic crisis, SIGP had objectives that were specifically concerned with poverty alleviation. SIGP 1 included provision for schools dealing with internally displaced students and schools affected by catastrophes, as well as poor schools. SIGP 2 concentrated on improving poor schools.

Programme impacts

The anticipated increase in drop-out from schools did not occur. There are several explanations for this, and just how much this successful outcome was attributable to the SGP is an open question. The likelihood is that the scholarships programme on its own, which aimed to support demand for education, had a relatively minor effect on the maintenance of enrolments. The efficiency of its targeting was affected both by the way the programme was designed and by the way it was implemented. However, the impact of the SGP on the supply side was significant. A combination of scholarships and grants together had a potent effect on school incomes. By providing a reliable source of income for supporting schools' operational expenditure, the programme helped to keep schools open, keep fees to affordable levels, and thus maintain access to education. The maintenance of quality is more difficult to prove, but it is likely that the SGP played an important role. By

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keeping schools in operation with at least minimal levels of resources, a major deterioration in quality was prevented.

The SIGP successfully improved the learning environments of the schools affected. Originally conceived as part of the crisis response with wide school improvement objectives for the most disadvantaged schools, it became, over time, almost universally regarded more narrowly as a school rehabilitation programme for schools suffering years of under-investment and neglect. The SIGP, with its emphasis on school-managed improvement, provided better value for money than the usual government arrangements for school construction and rehabilitation using contractors.

The SGP successfully pioneered policies, management structures, funds delivery mechanisms and governance arrangements that have become increasingly important for the whole of the education system. These were further developed and improved in the SIGP. Discrimination in favour of poorer districts and schools, block grant funding mechanisms, the development of the committee structure and the participation of civil society have become the basis of lasting reforms. Moreover, the SGP and SIGP set up and progressively refined a set of safeguards that successfully prevented leakage on the scale of other programmes and projects. Transparency and accountability mechanisms were built into programme design, public awareness and scrutiny were encouraged, funds were delivered direct to beneficiaries and the programmes were independently monitored. These safeguards, which were established in nascent form at the start of the SGP, were developed throughout the programme and were a particular feature of the SIGP. They constituted a more systematic approach to the identification and containment of corruption than had previously been attempted.

Some of the innovations introduced by the SGP and SIGP would appear to be irreversible – such as devolved decision-making and greater transparency. Education governance is no longer a closed monopoly of civil servants. The sustainability of other programme innovations – such

as independent monitoring or a system of funds delivery that deliberately circumvents the existing mechanism for public expenditure – is less certain, although elements of both these innovations are being incorporated in other programmes as alternative modes of operation to traditional bureaucratic systems.

Programme management

As delivery systems, the SGP and the SIGP met their objectives. With only a few exceptions, the programmes delivered the right amounts of money to the chosen recipients, broadly within the time scales envisaged. Targeting the most vulnerable students to receive scholarships was challenging, but the evidence suggests that schools did their best to spread benefits to deserving students. Targeting of the poorest schools to receive both DBO and SIGP grants was also a challenge, mainly because districts lacked both the necessary information and the routine procedural mechanisms for directing resources to support the poorest schools. However, such was the scale of the need that nearly all the schools chosen could be classified as needy, and the programmes can therefore be said to have reached worthy targets. Both programmes met their gender targets. Over half the scholarships went to girls. Through the attention paid to school improvement (particularly sanitation facilities), the SIGP contributed to healthier environments and increased girls' attendance.

Considering the context in which the Program Management Unit (PMU) was operating, and the devolved nature of programme activities, it managed the programmes with remarkable success. There were management deficiencies; planning and scheduling was not always effective. Valuable lessons had to be learned the hard way about providing effective programme-related training, obtaining adequate monitoring information from government channels and delivering worthwhile construction advisory services. SGP and SIGP required new ways of working and implementation

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problems occurred when new systems were introduced. Most of the delays that occurred were due to reliance, at critical points in the process, on unreformed bureaucratic practices. A significant management problem experienced during SIGP 1 illustrates this point. The PMU had insufficient control of the process of implementation in the districts. The pace of the slowest component thus determined the pace of progress. The assumed time projections for programme development, funds disbursement and accounting processes were optimistic and did not factor in adequate allowance for systemic inefficiencies.

It is possible, however, to chart steady development of managerial capacity in the PMU. Although instances of weak management persisted, the idea of pro-active intervention to retain management control of the implementation processes was taken on board. The degree to which this has affected government capacity may be limited, because of the preponderance of consultants rather than regular civil servants in the PMU. However, the Ministry of National Education (MONE) deliberately decided to contract out the running of the programmes in order to ensure their successful implementation, and this pattern is likely to continue for future programmes and projects. The apparent lack of skills transfer to civil servants may not, therefore, be as significant a problem as it was once thought.

The programmes, although centrally managed, deliberately relied on devolved decision-making. By creating committees at district and school levels, the programmes presaged changes in education management and governance that are now legally enshrined. They also exposed problems of capacity amongst districts, particularly with regard to deciding resource allocation. On the other hand, the SGP and SIGP also provided opportunities for the growth of capacity amongst district staff in areas such as monitoring.

Reliance on school-managed functions in the SGP, and particularly the SIGP, demonstrated that schools can produce creditable results when allowed

to manage resources to meet local needs. Much depended on the quality of leadership of the head teachers and school committee chairpersons. Schools that made the most of their grants were those with effective managements. The programmes pioneered the use of simple tools for financial management and also exposed how traditional financial management and reporting practices can restrict the efficient use of resources. It became clear that there are serious deficiencies in financial management and control at the school level. These will have to be addressed if the current policy of school-based management is to avoid costly inefficiencies.

Programme safeguards and oversight

Recognition of corruption in the education sector, and concerns about the fate of significant cash transfers, provided the rationale for the safeguards designed into the SGP and SIGP. The SGP, with its high volume of small value transactions, was subject to very little leakage. The larger SIGP grants offered greater opportunities for graft and some high profile instances of corruption came to dominate perceptions of the programme. In fact, the programme was probably preyed upon less than other programmes and projects. Generally, the programme's safeguards were effective.

The experiment of independent monitoring was generally regarded as successful.[3] As a safeguard, as a means of providing reliable management information and as a mechanism for improving programme management, the Central Independent Monitoring Unit (CIMU) proved effective. The concept and practice of independent monitoring developed progressively throughout the period. Many in government initially viewed the independent monitors with suspicion as externally imposed police officers, but an appreciation

3. CIMU (2004*a*) summarizes the views of many of the key stakeholders. CIMU's investigative methods and conclusions were generally concurred with in the report of the World Bank (2004*a*).

of the value of their contributions grew over time amongst programme managers, district administrators and school committees. CIMU proved an adaptable resource, whose monitoring and reporting intensified to meet changing needs and whose activities provided information, analysis and advice that were widely recognized as useful. In addition, CIMU and the PMU together developed a means of tracking investigations of corruption and their follow-up ('the investigations matrix').

Senior management of MONE has latterly demonstrated resolve in tackling problems of corruption in education, has replicated SIGP safeguards in its other programmes and is developing policies and procedures for enforcing its rules. Structural weaknesses in authority, jurisdiction and accountability have been exposed, and these have been exacerbated by decentralization.

Important lessons have been learned about approaches to donor supervision. In the early days of SGP, the donors' main concerns were making the programme mechanisms work. Thus, there was great emphasis on processes, such as disbursement. With time, the emphasis changed. Because the donors had access to reliable and ongoing monitoring information and analysis from the independent monitors, they did not have to expend much effort in establishing how the programmes were progressing. Instead, they were able to engage in dialogue with the government on other priorities – such as programme safeguards and the wider policy agenda.

Lessons learned

The SGP demonstrated that a cumbersome, inefficient bureaucracy can respond flexibly to circumstances. Centralized programme management was an important element in the success of the programme, but this does not fit well in the new decentralized administrative environment. In the context of the SGP, impact on the supply of education services was more potent

than attempts to generate demand. The SGP and SIGP were effective short-term means of responding to the economic crisis and the crisis of under-investment in the school system, but problems of resource inequality need longer-term solutions. Problems in reaching target populations emphasize the need for better and better-managed data. SGP and particularly SIGP demonstrated the feasibility of school-based solutions, but the quality of school management is crucial and there is a need for capacity building in schools. Future monitoring should replicate some of the key features of the independent monitors. Programme safeguards can be effective if accompanied by monitoring and enforcement. The experience of SGP/SIGP has provided valuable lessons for the development of anti-corruption frameworks, strategies and procedures.

Introduction

This case study is based on observations, monitoring data and studies collected over five years by the Central Independent Monitoring Unit (CIMU).[4] The Scholarships and Grants Program (SGP) and the School Improvement Grants Program (SIGP) are notable for the amount of documentation available. This report is a synthesis of the main themes of CIMU's findings, supplemented by data and insights from the Program Management Unit (PMU) in the Ministry of National Education,[5] the World Bank, the Asian Development Bank (ADB) and others, including programme auditors.

This publication describes the design of the programmes, examines their implementation, assesses their impact and discusses their effects on education policy and the process of reform. It explores the extent to which the design and implementation of SGP/SIGP has improved transparency, accountability and integrity in the management of educational resources, both in the short and long term, and draws some conclusions and lessons learned. *Chapter 1* of this study contains a brief description of the context, design and management arrangements of the programmes, and an overview of programme implementation. *Chapter 2* analyzes programme effectiveness, impact and lessons learned.

4. The Central Independent Monitoring Unit (CIMU), managed by the British Council, monitored the SGP and later the SIGP, from April 1999 to June 2004. It comprised a central unit of professional and support staff, and a network of field-based staff. The prime role of the independent monitors was to monitor compliance with the rules of the SGP and SIGP, to verify that funds reached their intended targets, to assess the impact of the programmes and to investigate complaints and problem areas. All CIMU reports are available on the website www.cimu.or.id.

5. At the beginning of the SGP, the Education Ministry was known as the Ministry of Education and Culture (MOEC). Its name was changed to the Ministry of National Education (MONE) in 2000.

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Chapter 1
Context, design and management of the programmes

Background

The Scholarships and Grants Program (SGP) was the Indonesian Government's response to counteract the effects of the severe economic crisis on the education sector following the Asian financial crisis that began in 1997. In September 1998, the Government of Indonesia (with considerable multi-donor support, principally from the Asian Development Bank (ADB) and the World Bank), started a nationwide programme of scholarships to approximately 7 million schoolchildren, and operational grants to 60 per cent of all schools in the country.

Indonesia developed very rapidly in the last 30 years of the twentieth century, although the wealth generated was unevenly distributed. The government was autocratic, highly centralized and intrusive. With a diverse population of over 200 million people, Indonesia has a very large school population, characterized by high participation rates at the primary level, which drop significantly with progression to higher levels. The student population of the 171,000 primary schools in 2001/2002 was 28.9 million. At the same time, there were 9.4 million students enrolled in 31,000 junior secondary schools. Despite progress in increasing enrolment, there is a general perception that education quality and equity have been unsatisfactory. By international standards, a relatively low share of national income and government expenditure were devoted to education. The management of education was the responsibility of several government agencies, each with

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their own central and tiered local networks. The system was widely regarded as inefficient and prone to corruption.

The 'Asian crisis', prompted by a collapse of financial confidence, exposed severe structural weaknesses in the Indonesian economy. It exacerbated hardship caused by serious drought, and led to widespread unemployment, falling incomes and social unrest. This unrest culminated in serious riots in May 1998, which led to the end of President Suharto's 32-year rule. It was in this tense atmosphere that the SGP was prepared and launched.

The SGP was a rapid response to extreme circumstances brought about by the economic crisis. The government was faced with the prospect of very large numbers of people falling into poverty and the reversal of social development progress made over the previous two decades. The aim of the SGP was to safeguard the access to and quality of education for the most vulnerable sections of the population. Thus, the SGP was intended to maintain enrolments at a time when massive drop-out was expected, and to maintain the quality of education, which it was feared would decline as the availability of funds for schools dried up. The prime concern was the maintenance of services in the short term, rather than improvement.

It is easy to underestimate the crucial influence of the crisis atmosphere in which the SGP was put together and overlook the fact that it combined largely untried mechanisms, and a scale of coverage never before attempted. The programme was prepared in a very short period, under difficult conditions. The process of programme design, which usually takes 12 to 18 months, was completed in three: a period of intense collaborative activity, both within the government and between the government and the donors. In the second quarter of 1998, the government entered discussions with the ADB for a programme loan for budgetary support, and an accompanying investment loan aimed at maintaining school enrolments and education quality at pre-crisis levels, through the provision of scholarships to junior

secondary school students, and block grants to both junior secondary and primary schools in a limited number of provinces.[6] At the same time, the World Bank responded to requests from the Government of Indonesia for similar assistance. By restructuring six loans, the World Bank was able to mobilize sufficient resources to assist all the provinces not covered by the ADB programme and, by combining these resources with those of the government, was also able to extend the scope and duration of the programme to five years. Many of the key decisions were made immediately following the period of anarchy in May 1998, when donor staff returned from temporary evacuation.[7]

Both scholarships and block grants had been included as components of donor-assisted projects prior to the crisis, but nothing of the sort had been attempted on a national scale.[8] In the SGP, ADB and World Bank funds were restricted to scholarships for junior secondary school students, and block grants for primary and junior secondary schools. The government's funds extended the scope of the programme to include scholarships for primary schoolchildren, scholarships for senior secondary school students and block grants for senior secondary schools.

6. This intervention, known as the Social Protection Sector Development Programme (SPSDP) covered health, nutrition and family planning, in addition to education. It also had a small component for street children. It was originally intended to cover eight provinces, although this was increased to 16 shortly after loan effectiveness in July 1998. The programme lasted two years, after which time, by prior agreement, the World Bank and the Government of Indonesia (GOI) took up the cost of financing the SGP in areas previously funded by the ADB loan.

7. A fuller account of the conditions in which the SGP was prepared can be found in CIMU (2000*a*).

8. For example, the World Bank Junior Secondary Education Projects and the ADB Private Junior Secondary Education Project (PJSEP) provided scholarships, and the World Bank Primary Education Quality Improvement Project (PEQIP) experimented with block grants to disadvantaged schools in two provinces (Special Assistance Funds).

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Thus, the SGP developed very quickly, from an initial approach aimed at providing scholarships for some children, and operational funding support for a restricted grouping of schools in some provinces, into a much more inclusive programme with national coverage affecting students and schools at all three levels. It provided sufficient funds to provide scholarships for about 6 per cent of primary school students, 17 per cent of those at junior secondary schools and 10 per cent of senior secondary students. Scholarships were allocated to schools from November 1998 for students from the top three years of primary schools, the three years of junior secondary schools and the three years of senior secondary schools. Schools allocated scholarships to those students judged to be in danger of dropping out – generally, but not invariably, the poorest. The largest numbers of scholarships were provided for three school years (1998/1999, 1999/2000 and 2000/2001).[9] Thereafter, the numbers progressively declined as no new scholarships were awarded, but existing recipients continued their scholarships to the end of their current stage of schooling. The scholarships were intended to provide students with sufficient funds to cover school fees with residual amounts to contribute to clothing and transport.[10]

For five years, the SGP also provided recurrent annual grants for non-salary operational expenditures (*Dana Bantuuan Operasional* – DBO) to 132,000 schools. This amounted to 60 per cent of schools in the country. These block grants were aimed at subsidizing school operations by providing funds for essential expenditures, which were being squeezed by rising prices and falling fee incomes.[11]

9. In Indonesia, the school year runs from July to June.

10. The amounts were set at Rp.120,000 per annum for primary school students, Rp.240,000 per annum for junior secondary students and Rp.300,000 for senior secondary students.

11. DBO was set at Rp.2 million per annum for primary schools, Rp.4 million per annum for junior secondary schools and Rp.10 million per annum for senior secondary schools. Despite inflation that progressively reduced the real value of scholarships and grants, these amounts were not altered throughout the five years of the SGP.

Because the Government of Indonesia and the donors were developing other crisis interventions, which collectively became known as the Social Safety Net, the SGP was alternately referred to as the education Social Safety Net programme (*Jaringan Pengamanan Sosial-Bagian Pendidikan* – JPS-BP). The other Social Safety Net programmes included interventions in health and nutrition, a free rice programme and support to the newly unemployed. However, there were few linkages, apart from those made in the higher reaches of government between the SGP and the other Social Safety Net programmes. Progress in developing the SGP largely pre-dated that of the other programmes and it developed a separate identity, with its own target populations, funding sources, structures and procedures. One crucial difference was that the SGP was not primarily aimed at poverty alleviation but was aimed at mitigating the effects of the economic crisis.

Whereas the SGP was funded through a combination of the Government of Indonesia's own resources, loans and grants, the SIGP was entirely funded by a grant from the Dutch Government and a relatively small additional grant contribution from the Government of Australia. The government implemented the programme and the World Bank managed it through a trust fund. The SIGP had a more direct poverty focus than the SGP. The programmes, however, shared many characteristics. They had the same management arrangements, by which the same PMU worked through local committees. They channelled funds directly from the central government to beneficiaries in ways that by-passed normal public expenditure mechanisms. Within certain parameters, they allowed fairly wide discretion on recipient selection and on fund usage. Both programmes were independently monitored by a single monitoring group.

Funding sources

Funding for the SGP came from a combination of sources: from the Government of Indonesia's own resources, from loans and from grants. The World Bank restructured six loans over the five-year financing plan.[12] The ADB provided a new two-year loan (US$91 million) under the Social Protection Sector Development Program. The original funding plan as shown in *Table 1.1* was later subject to considerable change.

Table 1.1 Original financing plan for SGP, by source, US$ million

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	Total
GoI Rupiah Murni	47.4	52.3	52.6	40.7	29.2	222.2
World Bank	28.0	25.3	61.1	46.0	33.5	193.8
ADB	38.3	33.1	…	…	…	71.4
Total	113.6	110.7	113.6	86.7	62.7	487.4

Source: Program Implementation Plan, 1998/1999.

The largest bilateral donor, the Royal Netherlands Government, contributed from school year 2000/2001, by funding the SIGP and providing debt relief for one full year of the SGP (US$46 million in the 2001/2002 school year). The Australian Agency for International Development (AusAID) funded independent monitoring of SGP and contributed to SIGP.[13]

12. The World Bank loan funds came from the restructuring of three junior secondary education projects and three basic education projects.

13. Grants from AusAID, mainly channelled through the ADB and the World Bank, made possible the independent monitoring of SGP. AusAID also funded assistance to internally displaced students under SIGP 1 in Central Kalimantan and Madura.

Table 1.2 Actual SGP project costs by category (Rp. millions, rounded to the nearest Rp. million)

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003	Total
Scholarships	757,242	753,365	753,546	509,485	263,987	3,037,625
DBO	372,349	375,509	374,695	375,660	376,232	1,874,444
Administration	46,446	46,486	30,838	25,669	11,950	161,390

Source: SGP/SIGP Project Management Unit.

Conceived as a sub-programme of the SGP, the SIGP provided grants to a total of 8,001 schools in roughly 130 districts,[14] at a cost of approximately US$60 million.[15] It shared many of the objectives, features and management structures of the larger programme. Its first phase (2000-2002), which became known as SIGP 1, operated in 73 districts and provided substantial grants to three categories of school: those that hosted significant numbers of internally displaced students; those that had been damaged by natural disasters or in regional conflicts; and those that were the poorest and located in the nation's poorest districts. Three-quarters of the grants by value were given to the latter of these categories.

Table 1.3 Actual SIGP costs (Rp. million, rounded)

SIGP I	219,332
Administration	6,198
SIGP 2	258,750
Administration	15,977

Source: SGP/SIGP Project Management Unit.

14. The number of administrative districts has been expanding in recent years. There were just over 300 in 1998. There are now over 400.

15. The cost of SIGP 1 to the Royal Netherlands Government was US$30 million and the cost of SIGP 2 was 29 million euros. The Government of Australia also contributed US$1 million for internally displaced students under SIGP 1.

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From 2002 to 2004, SIGP 2, covering 60 districts, introduced a number of important design changes. It was focused entirely on schools serving poor communities: targeting of districts was done using more sophisticated composite indices. It introduced grants of variable size. There were also changes designed to tighten management, improve training and monitoring and provide better technical advice to schools. The largest proportion of the money in both phases of SIGP (approximately 70 per cent) was spent on physical rehabilitation of school buildings.[16]

Table 1.4 Numbers of SGP and SIGP awards by school year

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
SGP scholarships					
Primary	1,800,000	1,800,000	1,800,000	1,200,000	600,000
Junior secondary	1,650,000	1,650,000	1,650,000	1,100,000	550,000
Senior secondary	500,000	500,000	500,000	333,330	166,670
Total	3,950,000	3,950,000	3,950,000	2,633,330	1,316,670
DBO grants					
Primary	104,340	104,340	104,340	104,340	104,340
Junior secondary	18,240	18,240	18,240	18,240	18,240
Senior secondary	9,400	9,400	9,400	9,400	9,400
Total	131,980	131,980	131,980	131,980	131,980
SIGP grants					
Primary				4,120	2,479
Junior secondary				1,006	396
Total				5,126	2,875

Source: SGP/SIGP PMU, Annual Program Implementation Plans.

16. In SIGP 1, the first category of schools (those receiving internally displaced students) received variable amounts up to Rp.25 million. Those in categories 2 and 3 received grants of standard size – Rp.70 million for primary schools and Rp.100 million for junior secondary schools. SIGP 2, which targeted only the poorest schools in the poorest districts, introduced variable grants (Rp.50 million to Rp.130 million per school) at the discretion of district committees.

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The figures in *Table 1.5* are approximate costs at an October 2003 price base. Fluctuations in exchange rates have greatly affected the dollar costs of the programmes.

Table 1.5 Principal funding sources for SGP and SIGP (approximate figures in US$ million)

Funding source	US$ million
Govt. of Indonesia	253
World Bank	172
Royal Netherlands Government	100
ADB	91
AusAID	5
UNICEF	0.6
ASEM	0.6
JICA	0.3
Japanese Grant Fund	0.2
Total	622.7

Source: World Bank Office Jakarta and SGP/SIGP Project Management Unit, MONE. (Amounts expressed in October 2003 prices.)

Programme design features

From the outset, the SGP and SIGP promoted policies aimed at removing structural weaknesses and making the delivery of education more flexible and responsive to local demand. Support for these policies, a product of a long-running dialogue between the government and the donors since the mid-1990s, was conceived as part of a long-term reform agenda. This policy component, strongly supported by both major multilateral donors,

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was succinctly set out in the so-called 'Policy Matrix' (ADB, 1998).[17] It provided support to the government's policies aimed at maintaining access of the poor to education, maintaining quality, continuing decentralization of education management and strengthening the efficiency, transparency and accountability of management. Progress achieved against the Policy Matrix is discussed in *Chapter 2* of this publication.

The design of the SGP was innovative and geared both to meeting the exigencies of the time, and to introducing new ways of delivering education. The allocation of funds from the centre to districts was influenced by a district poverty index for targeting the poor, rather than based simply on total population size, as had previously been the practice. SGP targeted those schoolchildren and schools most affected by the crisis. The programme used data on school populations and poverty indices to allocate resources between districts; but the underlying premise of the allocation process was that all districts in the country would benefit from the programme. This premise also underpinned the selection of fund recipients. The distribution of scholarships to schools was such that virtually every school in the country received some scholarships.

At the outset, the poverty data available to SGP planners was limited, because it was based on 1996 indices and did not reflect the differential impacts of the crisis. A major redistribution of district allocations was introduced at the beginning of the second year. This had the effect of weighting the balance of resources in favour of urban areas in more developed parts of the country, and consequently reducing the coverage in predominantly rural districts.

17. The policy commitments that the Government of Indonesia signed up to were supported by a US$100 million programme loan from the ADB. The Policy Matrix was fully supported by the World Bank.

Under SIGP, a more limited number of districts was targeted: 73 in SIGP 1 and 60 in SIGP 2. During the first phase, roughly one quarter of the grants by value were provided to assist schools coping with the influx of internally displaced students or the physical consequences of natural or social catastrophes. Most of the grants in SIGP 1 and all the grants in SIGP 2, however, were poverty related and were intended for the most needy schools in the poorest districts.

The SGP involved greater decentralized decision-making than had hitherto been attempted. Once the central government had set district allocations, the selection of beneficiaries was the responsibility of multi-sectoral committees at the district and local levels. This structure was established specifically to enhance transparency and foster local decision-making and 'ownership'. District committees directly allocated secondary scholarships and grants to schools. Primary school scholarships and grants were allocated to subdistrict committees, which in turn allocated them to schools. Recipient schools were ranked to determine relative need, according to centrally prescribed composite formulae. These included the number of students from poor families, the level of compulsory parental contributions (Parent Teachers Association – BP3) or school fees, and the status of communities in the government's existing poverty alleviation scheme (IDT). This seemingly mechanistic approach to selection was tempered by a concession allowing committees to apply an element of 'local knowledge'. Schools allocated scholarships based on perceived need. SGP formally required that at least 50 per cent of all scholarships be allocated to girls.

The management of the SGP and the slightly amended arrangements for SIGP are outlined in *Appendix 1*. A PMU, based in the MONE, managed both the SGP and SIGP. These tasks required inter-ministry co-ordination

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at various administrative levels.[18] The PMU designed the programmes, produced and distributed detailed guidelines, organized the training of implementers, and managed disbursement. It also served as a focal point for communication between the government and donors. The programme director was a civil servant with a staff position in MONE, but the PMU was predominantly staffed by consultants. The programme director and the key consultants remained with the programme throughout, providing a vital element of continuity.

The administrative structure of the SGP involved committees at the provincial, district and subdistrict levels. These committees included senior representatives from local offices of the line ministries involved (education, home affairs and religious affairs) and local government. After 2001, administrative functions were decentralized to local government. The committees then comprised the local planning boards (Bappeda), local government education offices (Dinas Pendidikan), and the Ministry of Religious Affairs (MORA).[19] Committees were all required to have 50 per cent non-government participation.

The design of the SIGP specified that the same committees should be responsible at district and school levels, but the SIGP did not assign roles for provincial or subdistrict committees. Each committee had the support of a technical team that administered programme activities. These executive functions were strengthened in the second year of the SGP through the

18. Much of the inspiration for the SGP came from the National Planning Board (*Bappenas*). *Bappenas* continued to exercise a co-ordinating role for the SGP (it was formally the executing agency for the SPSDP) and the other Social Safety Net programmes. In practice, however, the SGP was 'located' in the Ministry of National Education. The programme director formally reported to the Director of Junior Secondary Education within the Directorate General for Primary and Secondary Education.

19. The Ministry of Religious Affairs was not decentralized at the same time as other line ministries.

creation of programme-specific provincial and district secretariats to provide more reliable contact points, organize internal monitoring, channel information and handle public complaints.

At the school level, implementation was the responsibility of school committees, which included community participants. There is a strong emphasis on school committee involvement in the selection of scholarships recipients and the management of SGP and SIGP grants. This involvement was of more significance in SIGP, because grants were much larger. Grant spending was intended to reflect the schools' needs, as determined by the school committee rather than by officials further up the bureaucratic hierarchy. Under SIGP, it was intended that where physical rehabilitation of school buildings took place, members of the local school communities themselves should carry out as much of the work as possible to maximize value for money, engender local ownership and lead to sustainable maintenance. Technical teams of local people with useful skills were co-opted onto school committees. Further technical advice and assistance to schools was provided through a centrally contracted network of construction supervisors/advisers.

The adoption of the block grant mechanism for funding schools allowed operational expenditure more accurately to reflect local needs. Previously operational funds were more often than not spent on behalf of schools by education officials and provided as goods and services rather than cash. These rarely reflected individual schools' needs. The system was inefficient, opaque and open to abuse. The block grant system adopted for SGP and reinforced for SIGP earmarked specific amounts of funds, in the form of cash, for specific recipient schools. Once allocated, schools were allowed freedom of choice to spend within fairly liberal parameters.

Direct transfer of funds to beneficiaries by-passed the usual public expenditure funds flow mechanisms of the government treasury system. This payment method was designed to ensure rapid transfer of funds to

end-users, and avoid the leakage associated with the normal channels, but it meant that administrative mechanisms outside the established bureaucratic delivery structures had to be created. The chosen channel for scholarships and grants under the SGP was the Indonesian Post Office (*PT Pos Indonesia*). This had the requisite national distribution network, experience of handling large quantities of small value transactions and a reputation as an honest service provider. The SIGP worked on the same principle of direct transfers, although the larger grants under this programme were channelled directly to schools through the banking system.[20]

Implementation of the programmes was regulated through comprehensive programme guidelines, which were updated and reissued annually. For each of the first three years, SGP provided a nation-wide cascade-style briefing programme to socialize committee members at all levels in respect to the nature of SGP and their roles within it. A similar approach was adopted for the introduction of the SIGP, although a smaller number of districts was involved. In order to overcome the inevitable dilution effect of this form of training, a different training system was introduced for SIGP 2. This involved a group of master trainers conducting training for both district committees and for school committees. This provided continuity and much greater consistency of message at all levels.

Programme safeguards

Given the very large size of the SGP and the history of corruption in the education sector, a number of safeguards were included in the package. In addition to the usual loan conditions, the Government of Indonesia agreed to introduce measures designed to enhance transparency and accountability. A major rationale for the chosen funds flow mechanism was that it reduced

20. *Bank Rakyat Indonesia* (BRI) provided an efficient online transfer mechanism for SIGP.

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opportunities for leakage as funds passed through the various levels of the relevant government agencies.

Emphasis was laid on opening programme processes to public scrutiny. Thus, the key committees had to comprise 50 per cent non-government representatives. Efforts were made to publicize the programme through the media and through a poster campaign. Information about the grants was to be made freely available to school communities, through meetings and school notice board displays. In the early stages of the SGP, an intensive mass media information campaign was targeted at parents and the general public, under the by-line *Aku Anak Sekolah* (literally, "I am a schoolchild"). While the campaign aimed to ensure there was general awareness of the importance of keeping children at school and to inform people of the support that the government was providing, it was also intended to deter the misuse of resources by increasing public knowledge.

Public awareness was also thought essential in the SIGP, where much emphasis was placed on the importance of 'socialization' and measures to encourage full disclosure (such as publishing lists of recipient schools in local newspapers and requiring school committees to display their programme accounts on school notice boards).

In addition to providing public information, the SGP also provided mechanisms for handling complaints. This included a toll-free telephone line, a set of procedures for handling complaints and, some time after the SGP began, a bureaucratic structure of complaint investigation units (*Unit Pengaduan Masyarakat* – UPM) at various levels of government. The idea was to provide the public with a means of redress and it was assumed that this would work to discourage venality and maladministration.

Perhaps the most significant safeguard introduced by SGP was independent monitoring. This was established from the outset to provide a stream of monitoring data on the effectiveness of the programme and the

accuracy of the funds transfers. Since April 1999, the CIMU was responsible for independently monitoring compliance with programme rules, verifying that funds reached their intended targets, assessing the impact of the programmes and providing assurance that the massive government and donor investments were correctly managed.[21]

In order to do this, CIMU and its network of field-based staff used a variety of methods for obtaining information, including survey visits to schools, both on a sample basis and at random, and special studies of particular aspects of the programme. Working within a code of conduct and a management ethos that emphasized impartiality and co-operation, CIMU also engaged in discussions with programme management at the centre and in the districts and participated in programme events (such as training for district and school committees). Information gathered in these ways was analyzed and reported to immediate stakeholders in government and the donors, and to a wider audience through widely distributed reports, a newsletter (*Warta CIMU*) and contacts with the press. CIMU also had some reactive capacity for investigating problems identified during the course of monitoring, or raised through reports in the press or letters of complaint.

Independent monitoring of a government programme was unprecedented. CIMU provided impartial verification and produced a mass of documentation from surveys and case studies that charts the progress of the programme throughout. In addition to acting as a safeguard, it also provided much-needed information and feedback to programme management, both at the

21. CIMU took over from a smaller interim monitoring team set up in November 1998. This was known as the Independent Implementation Review Team, which was funded by the Government of Australia and managed by the World Bank. CIMU was managed by the British Council, which won an international competitive bid organized by the ADB under an ADB Technical Assistance (TA) grant (this was funded by the Government of Australia). The World Bank provided further funding to enable CIMU to investigate complaints and publicize its findings. CIMU later operated under a Dutch Trust Fund, managed by the World Bank

centre and in the field. Through its regular newsletter and other publications, it contributed to public awareness.

The shifting institutional environment

The SGP was a centrally managed programme that promoted local decision-making and monitoring administered locally. The programme rules and the allocations were centrally determined, but school selection and the routine tasks of implementation were devolved to local levels. It is significant that the SGP structure continued with very few changes throughout a period in which major changes were taking place in the operating environment. The passing of the Decentralization and Regional Autonomy Laws in late 1999 set in train a series of organizational changes that have shifted the flow and allocation of fiscal resources from the national government to district governments and deeply affected the management and governance of education.

The resilience of SGP structures is partly explained by the inevitable time lag between the legislation and its implementation. Actual changes did not have much impact on the ground until 2001 or 2002. The old certainties of centralized command and control gave way to considerable vagueness about the relative roles and responsibilities and the scope of jurisdiction of the different levels of government and this process of redefinition is still in progress. SGP and SIGP structures were not unduly affected, largely because some of the key features of the SGP presaged the changes that were later introduced. The SGP committees at district and school levels were the forerunners of the district level education boards (*Dewan Pendidikan*) and school committees (*Komite Sekolah)* instituted by Ministerial Decree 044/U/2002. The idea that schools should have decision-making authority over their funds became central in the School Based Management policy. Funding by means of block grants became an established mechanism for financing schools.

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However, decentralization has fundamentally altered lines of authority and accountability. By the time SIGP was formulated in 2001, a new relationship between the centre and the districts had to be defined. The imprecision of the laws and ministerial regulations that made up the decentralization legislation meant that programme-specific arrangements had to be made to define roles and responsibilities, in the form of memoranda of understanding (MOU). Through these mechanisms, funds were made available by direct transfers to those schools that district committees selected. District administrations assumed responsibility for ensuring the proper use of the funds, even though the district government did not directly spend the money. In practice, this level of accountability has proved difficult to enforce.

The experience of programme implementation

As delivery systems, the SGP and SIGP met their core objectives. With only a few exceptions, they delivered the right amounts of money to the chosen recipients, broadly within the time scales envisaged. The SGP's mechanisms worked well, transferring sums of money to targeted beneficiaries on a huge scale, and ensuring the expected amounts were delivered with little leakage – an achievement that was almost unimaginable at the outset. Similarly, the SIGP was successful as an effective funds transfer mechanism.

The implementation of a large-scale nation-wide programme put together under crisis conditions was a major challenge for an administration not renowned for efficiency. The successful preparation and implementation of the SGP proved that it is possible to succeed in putting together a large-scale emergency package in a short time. This achievement was greatly facilitated by the relative simplicity of the concept: delivering cash to schools and students. It was also greatly assisted by a lot of hard work and a sense of urgency. Strong government leadership and co-ordination with and between the main donor organizations were also crucial factors.

Disbursement of SGP funds

SGP procedures required district, subdistrict and school committees to identify beneficiaries and provide authorized lists in order to trigger transfers from the centre and allow the post offices to release funds. Funds then had to be disbursed from the central Imprest Account (the 'Special Account') in Bank Indonesia to the post office and through the post office system down to the local areas. The actual transfer mechanism through the post office was relatively quick, but the various administrative procedures that had to be completed before this could happen were subject to bureaucratic inefficiencies. Principal amongst these was the usual practice of waiting for complete sets of recipient information before proceeding, thus ensuring that the pace of the whole process was determined by the slowest link. As a result, there were delays in the delivery of funds to schools.

There were also delays in the collection of funds by the very large numbers of recipients involved. In order to avoid interference in the handling of scholarships, the original plan was for recipients to collect the funds in person. This, however, was logistically difficult. Although the post office network is extensive, many students had to travel long distances to collect scholarships. The capacity of some local post offices to handle the required volume of individual transactions was also limited.

According to reports from *PT Pos Indonesia*, the disbursement of scholarships and block grants to schools exceeded 98 per cent throughout the programme.[22] While the officially reported expenditure figures show that, by the end of each year, nearly all of the funds were collected, they mask a much more confused in-year situation – particularly during the first

22. CIMU findings during the fifth year of the programme cast some doubt on the accuracy of post office reports. Disbursement may not therefore have been as high as these figures suggest.

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year. Funds for scholarships and school grants were disbursed from the post office in three tranches in the first year (academic year 1998/1999).[23] In many places, funds from the first and second tranches were still uncollected by the time the third tranche was made available. By the end of June 1999, the post office was reporting that 97.2 per cent of the first tranche had been disbursed, 74.5 per cent of the second, and 44.6 per cent of the third. In order to ease the collection of funds, the PMU allowed schools (initially only those in remote areas) to collect scholarship funds on behalf of students. By the third year of the SGP, school representatives collected virtually all scholarships on behalf of students.

The disbursement process improved from the second year of the programme, partly through greater general familiarity with the programme and partly through relatively minor procedural improvements made by programme management. The reduction in the number of fund transfers to two per year reduced the amount of administration. The introduction and announcement of time-limited disbursement periods, during which funds could be obtained from the post offices, greatly improved collection rates.

Disbursement rates in the province of Maluku were below average due to the disruptive effect of the communal conflict and the remoteness of many Maluku islands. Disbursement rates were also low in West Papua (formerly Irian Jaya) because of the geographic remoteness and lack of convenient and affordable transportation.

Although fund disbursement became more efficient, there were persistent problems with timing. For each of the five years of the programme, the first tranche of funds was not available until almost half way through the school year. Indeed, in years four and five the preparatory process actually

23. The original plan in the first year was for four disbursement tranches. The third and fourth tranches were combined to avoid disbursement running on beyond the end of the 1998/1999 school year (June 1999).

became slower, with disbursement of the first tranche not starting until December and the second tranche only just available before the end of the school year. [24]

Disbursements of school improvement grants

Although the Dutch agreement with the Government of Indonesia was announced in July 2000, there was a time lag before the first SIGP grants were delivered to schools in September 2001. The explanation for this lies in the fact that although it shared many of the SGP's features, it was in fact sufficiently different to require a considerable amount of preparatory work. Disbursements of SIGP 1 funds were still continuing through September 2002.[25] In the original Dutch funding framework, there were sufficient funds for three annual programmes, but implementation did not fit the planned annuality of the available funds.[26]

School selections were made by district committees and funds channelled through the banking system. District committees had to notify the PMU of the schools they had selected and ensure that accurate school bank account details were submitted. Before disbursement could take place,

24. Disbursement of SGP funds was more efficiently achieved than that of other Social Safety Net programmes. Funds intended for health centres and village midwives were subject to long delays. Some of the money for the free rice programme was allegedly never disbursed.

25. SIGP 1 funds for the district of Pulau Buru were never disbursed. An internal dispute within the local government meant that the necessary preparations were not completed before the deadline of 30 September 2002 set by the Director General for Primary and Secondary Education.

26. The funding of SIGP 1 was financed by the Dutch 2000 budgetary allocation, channelled through World Bank trust funds. SIGP 1 was still in progress the following year, so the Dutch allocation for 2001 was directed to debt relief by paying the loan-funded costs of the SGP for the school year 2001/2002. The 2002 allocation financed the second phase of the SIGP through to June 2004.

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the district committees and school committees had to undergo training. During SIGP 1, districts were in charge of providing training to school committees. The speed with which districts carried out these tasks varied, and the slowest link in the chain generally determined the pace of progress. This part of the process was beyond the control of the PMU, which had to abandon its plans for phased disbursement. In addition, consulting firms had to be hired to provide technical supervision of school-managed construction activities. The required procurement procedures imposed their own timetable. Disbursement could not start until the necessary supervisory contracts were in place.

Despite changes in programme design for the second phase of SIGP, and a much tighter planning process, the first disbursements did not take place until March 2003, and the process was still going in some places in December of that year. One significant improvement was that the PMU retained control of the training process and could thereby manage the schedule of a major part of the preparatory work undertaken by districts. However, before disbursement could proceed, districts had to provide specific information to the PMU, so necessary steps in the preparation process remained outside the PMU's manageable control.

Chapter 2
Programme effectiveness and lessons learned

Assessment of programmes against their performance indicators

The SGP had two objectives, according to the original Program Implementation Plan (PIP) (1998). The first objective of maintaining enrolments in primary, junior secondary and senior secondary schools was to be measured by enrolment and drop-out rates, and transition rates between stages of schooling. These indicators were to have been disaggregated by district. The second objective was the maintenance of education quality as measured by the results of the national end of cycle examinations (NEM) scores, which were later renamed *Ujian Akhir Nasional* or UAN. The SIGP aimed to make a 'significant difference' to the quality of education in recipient schools.

School attendance by district was a problematic indicator, due to a lack of data sets providing reliable district level information.[27] The appropriateness of using NEM scores as measures of relative education

27. The best source of comparative trend data on enrolment ratios is the annual series of *Susenas* surveys conducted by *Buro Pusat Statistik* (BPS). Although MONE kept enrolment data by district, which was a reasonable baseline, this database became increasingly unreliable. By 2003 only about 30 per cent of districts submitted enrolment data to the centre. For a discussion of the relative merits of the various data sets, see Jones, Hagul and Damayanti (2000).

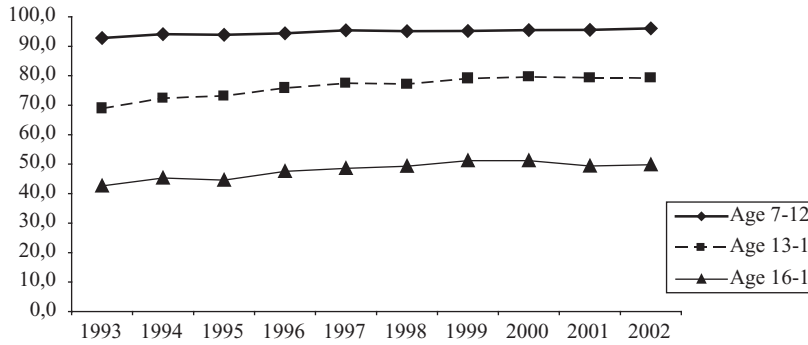
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quality was questionable. It is commonly recognized that NEM scores did not provide a satisfactory measure of learning outcomes. The successor to NEM, UAN was not a nationally set test at all levels of education, and therefore not a source of comparable data. In any case, no baseline was established for assessing quality. Educational outcome measures were afforded less emphasis in subsequent annual revisions to the PIP. Input measures, principally schools' non-salary expenditure, were used instead as convenient proxies for education quality. As such, they were far from perfect, since levels of funding are not by themselves, adequate proxies. Funding can support quality only as long as other factors, such as school management and parental involvement, are effective. Nevertheless, the rationale for the grants was based on the reasonable premise that they provided the essential wherewithal for quality maintenance and, in the case of the SIGP, for quality improvement.

Several studies of the available data on enrolment, continuation and transition have been conducted over the course of the SGP (see *Figure 2.1*).[28] These studies indicate that enrolment was maintained at pre-crisis levels, and there was no dramatic increase in school drop-out over the life of SGP. The feared sharp decline in school enrolment ratios after the economic crisis began in 1997 did not take place. Indeed, at the key lower secondary age groups (13-15), the enrolment ratio actually rose between the 1997/1998 and 1998/1999 school years, but then, over the following three years, there was virtually no change in this ratio. At the primary school ages, the enrolment ratios barely changed over the period. At the senior high school level (ages 16-18), a similar trend occurred – a rise in the enrolment ratios in the 1998/1999 school year, but in this case followed by a levelling out and then a decline to a lower level in the 2000/2001 and 2001/2002 school years. The net result of changes in enrolment ratios at this level is that the enrolment ratio barely changed since the first year of the crisis.

28. Accessible summaries of these analyses can be found in *CIMU* (n.d.(*a*), n.d.(*b*)).

Figure 2.1 Indonesia: trends in enrolment ratios by age group, 1993-2002



Source: Susenas, various years.

When examined by socio-economic group, rural-urban residence and sex, the trends have been much the same as for the overall population (see *Table 2.1*). If anything, the enrolment ratios have tended to improve for the lowest socio-economic groups and decline slightly for the highest socio-economic groups, thus narrowing a little the still wide differences between these groups in enrolment ratios, especially at ages 16-18.

Table 2.1 Urban-rural and male-female differences in educational enrolment rates, 2002

Age group	Urban	Rural	Male	Female	Total
7-12	97.5	94.7	95.7	96.4	96.1
13-15	88.2	72.3	79.0	79.4	79.2
16-18	64.8	37.6	51.1	48.6	49.8

Source: Tables from 2002 *Susenas*, supplied by BPS.

Programme effectiveness and efficiency

Scholarships

The Scholarships and Grants Program contributed to the maintenance of enrolment through the crisis. However, precise attribution of causality is difficult. Whereas the programme provided support to many poor families, its direct influence on school continuation levels remains uncertain.[29] The scholarships component of the SGP always had a much higher public profile than the grants. Intended as a demand-side intervention to influence retention rates, it supported very many poor students, prevented families from falling into debt and from suffering the stigma associated with non-payment of school fees.

Available evidence suggests that the effect of the scholarships on preventing drop-out was quite weak. CIMU has suggested that only about a quarter of scholarship holders would have dropped out in the absence of the programme (CIMU, n.d.(*b*)). There are several possible explanations for this. One is that the threat of massive drop-out was exaggerated. Projections of catastrophe were based on the empirical evidence of sharp drops in enrolments in the recession in the mid-1980s. Another reason may have been that, during this later crisis, schools were more tolerant of deferred or even non-payment of fees, and less inclined to exclude students who could not meet monthly dues. There is some evidence of such a shift in attitudes. The possibility also needs to be considered that the collective psychology was affected by the sense of crisis, and that this led to greater public consciousness of the need for continued schooling. Public opinion was perhaps influenced by *Aku Anak Sekolah* propaganda. The perception that the government was actively seeking to ameliorate the situation may

29. For a full discussion of the contribution of the SGP in preventing drop-out, see Ridao-Cano (2004).

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have contributed. The fact that it was (by maintaining public expenditure on education at more or less pre-crisis levels) was also an important factor.[30]

Although predominantly focused on less well-off students, the targeting of scholarships was not so precise as to reach only the most vulnerable groups. Much could be made of the findings from the *Susenas* data that 18 per cent of scholarships went to relatively wealthy students, but concentration on the distribution of scholarships amongst socio-economic groups can be misleading. The SGP was intended to benefit those students in danger of dropping out of the school system. Although the poorest sections of the population were vulnerable, so too were the 'new poor' – those previously slightly better-off families who were newly affected by unemployment.

If targeting of scholarships was only partly successful, this was due both to the way the programme was designed and to the way selection was carried out. In terms of design, it should be remembered that the programme had implicit political objectives. It was important that the government be seen to be providing assistance to as wide a population as possible. The decision to spread the scholarships programme to almost all schools was in line with a culturally accepted concept of equity of treatment, but it meant that there were disparities in the levels of relative disadvantage of recipients. In addition, the inclusion of senior secondary students (who are generally not from the poorest socio-economic groups), meant that the programme lost some of its pro-poor bias.

Setting district allocations proved problematical. The original distribution was made using 1996 poverty indices. This resulted in a bias in favour of poorer rural areas outside Java and Bali. Changes had to be made at the end of the first year of the SGP to take into account the differential

30. The maintenance of government education budgets was one of the conditions of the Policy Matrix.

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impact of the crisis. There were also problems in selecting beneficiaries. The chosen system of allocating scholarships to school committees and devolving responsibility for choosing needy students also affected the overall profile of scholarship recipients. Identifying the poor and vulnerable is a task fraught with difficulty.[31] Guidance was provided, but the validity and use made of information, such as the household ranking system used by the family planning agency BKKBN, is open to question. The data used in selection was probably the best that was available, but it undoubtedly produced some anomalies. The devolved nature of the selection process allowed for a range of different perceptions of relative need. Despite exhortations to schools to seek out recent dropouts, the natural tendency was to provide scholarships to needy students still enrolled. All the available evidence suggests that school committees made genuine attempts to distribute scholarships fairly. On occasions their reluctance to discriminate in favour of particular individual students resulted in the practice of subdividing scholarships and distributing them evenly (*bagi rata*) to a larger number of students. This practice seems to have become more common over the course of the programme.

Despite the obvious benefits felt by scholarship recipients and their families, it seems that the efficiency of the scholarships was relatively low. This is particularly true at the primary level, where the danger of increased attrition rates was not as acute as the threat of drop-out from junior secondary schools. Furthermore, scholarships were not set up to impact on the transition between school levels. Parental decisions at the key transition point between primary and junior secondary school were not affected by scholarships. Students in the last year of primary school, who were considering progressing to the next level could have no assurance that they would receive financial support until some time after they had enrolled. Even those who were chosen did not receive any benefit until half-way

31. There were no common criteria for selecting recipients of Social Safety Net benefits. The target population of health and nutrition interventions, for instance, were selected using different indicators from those of the SGP.

through the school year, long after the period of highest expenditure.[32] Thus, the system lacked an essential element of incentive to students to progress through the school system.

The standard values of scholarships were originally based on notional average school fees plus residual amounts to assist with the costs of transport and other school-related expenditure. The amounts did not change throughout the five years of the programme, so the real value of scholarships underwent considerable erosion. On the other hand, the maintenance of the monetary value of scholarships can be seen as a means of restricting families' dependency on external financial support.

The timing of scholarship availability was never quite as intended. After a somewhat shaky first year, the SGP settled down to an annual two-tranche arrangement of two equal instalments. The hope that the first instalment would be available at the beginning of the school year in July was never realized. On the other hand, annual allocations were always delivered within the intended school year and, in any case, for scholarships recipients, the actual timing of the transfer was less important than the knowledge that funds would eventually arrive, especially as expenditure on school fees could be deferred.

It seems, however, that the identity of beneficiaries was not always as certain as the programme intended. Whereas the intention was that scholarship holders would retain the entitlement to their scholarships until they reached the end of their school cycle, this was not always the case. By the end of the programme, the practice of pooling scholarships and redistributing them amongst a wider or different group of students seems to have been common.

32. Entry into a new school involves a *siswa baru* entry fee, new uniforms and often higher daily transport charges.

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Generating demand for education through financial incentives is not a straightforward process. There was a lot of concern at the outset of the SGP that news of the government's intentions to support students would create too many expectations that could not be satisfied.[33] The system of providing scholarships in the form of cash to individual students was administratively simple, but logistically difficult. It involved millions of small individual transactions and it assumed that beneficiaries had ready access to the post-office outlets. The decision (mid-way through the first year) to allow school representatives to collect funds on behalf of students was an expedient measure, but one that fundamentally altered perceptions of the nature of scholarships. They ceased being individual entitlements and became increasingly viewed as school subsidies. Ownership of the scholarships shifted from students to schools and it would therefore be a mistake to regard scholarships as simply a demand-side intervention.

It is worth considering whether an alternative system would have had more effect. A system of earmarked grants to schools, so that they could offer fee relief to needy students is one such possibility. Fee relief was in fact one of the suggested uses of the DBO. In practice, it was provided only in a small minority of cases, presumably because of the availability of scholarships. Most schools found other, more pressing uses for the DBO. An extension of the idea of fee relief would be a voucher scheme, by which targeted families would be given an entitlement to free or subsidized education. This is a similar arrangement to the health cards issued to poor families in other Social Safety Net programmes. The advantage of vouchers is that they could be transferable between schools and between levels, thus addressing the transition problem that the SGP failed to tackle.

However, the SGP was not primarily aimed at poverty alleviation. Its objective was to keep students currently enrolled from dropping out,

33. The *Aku Anak Sekolah* media campaign was not specific about the details of government assistance in order to avoid popular clamour for scholarships.

and it left the business of selecting recipients to school committees. For a voucher system to work, some entity other than the school would have to decide who should benefit. This raises difficulties in ensuring transparency and in preventing rent-seeking behaviour amongst those with discretion in such matters. Moreover, a voucher system has to incorporate a quick and assured mechanism for conversion into cash. Schools operate in a cash economy. They could not pay their suppliers with vouchers and such a scheme would require a quick and leak-free means of reimbursement. Given that the prime concern was to support students in imminent danger of dropping out, a bureaucratic system of education vouchers would probably have been unworkable. For all their shortcomings, scholarships provided large injections of much needed cash resources into the school system with comparatively little leakage and delay. Indeed one of the overriding reasons for the successful implementation of the SGP was its lack of complexity. It was based on a simple idea of providing cash to students and schools.[34]

The important point about scholarships that is sometimes overlooked is that they were not purely a demand-side intervention. Schools recovered much of the money paid out as scholarships through fees of one sort or another. Despite appearances therefore, both the scholarships and the grants were primarily a means of subsidizing school incomes and of funding service provision. Viewed in this light, the infusion of SGP funds made a substantial difference to a broad range of schools. The provision of cash resources undoubtedly mitigated the worst effects of the crisis on school expenditures, by easing the double burden of higher prices for school purchases and constraints on income from parental contributions. The SGP allowed schools to maintain fees at lower levels than they would otherwise have been and therefore benefited all students. A downward spiral of falling fee income and falling student numbers was avoided.

34. By contrast, Social Safety Net interventions in the health sector involved a variety of forms of assistance to multiple target populations, which greatly complicated implementation and affected outcomes (see ADB, 2003).

Notwithstanding the limited efficacy of the scholarships programme in meeting its stated objectives, the provision of scholarships remains a popular form of intervention. It is a visible means of reaching a wide target relatively easily, and from an implementer's point of view, it fits neatly into a pre-existing and relatively efficient delivery system. During implementation of the SGP, there was no pressure from implementers to change the programme or its delivery system. The need for the government to be seen to be doing something in response to the crisis should not be underestimated. This imperative has remained, and this helps to explain the popularity and the scale of the *Bantuan Khusus Murid* (BKM) introduced in 2001/2002 and expanded up to 2003/2004, even though the original rationale of crisis relief is no longer applicable.

DBO

Although it is hard to prove that the SGP grants maintained school quality, the DBO provided a lifeline to schools, all of which faced operating difficulties and some of which would have ceased operating. Moreover, the grants were a reliable source of income at a time when receipts from parental contributions could not be certain. The impact of the DBO was not significantly affected by implementation delays, because of the fungibility of school budgets and the possibilities of deferred payments to suppliers.

From an historical perspective, the size of the DBO grants does not look large, but DBO represented a large proportion of schools' disposable operating budgets. In 1999/2000, about 18 per cent of rural primary schools relied on the grants for over 50 per cent of school income (Filmer, 2000). Data obtained from a CIMU (2000*b*) study estimated the average DBO contribution to primary school budgets in 1998/1999 as 21 per cent and 17 per cent in 1999/2000. A later study for 2001/2002 and 2002/2003 paints a similar picture (CIMU, 2004*b*). DBO made a substantial, if gradually declining contribution to sustaining primary school incomes. The general

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decline of the DBO contribution can be ascribed to the recovery of income from other sources, primarily from government budgets and BP3 parental contributions, all of which rose steadily in nominal terms over the years, while DBO remained stationary. It is clear that DBO worked extremely well at primary level, maximizing its relative contribution during the period in which school incomes were most drastically squeezed, and tapering off gradually in later years as other forms of income recovered. Overall, for the primary school sector, DBO operated to smooth the effects of the crisis and helped sustain an even flow of income.

For state junior and senior secondary schools, which were generally larger, the contribution was less pronounced (3 per cent of junior secondary school income in 1998/1999 and 2.5 per cent in 1999/2000, according to the CIMU survey). Indeed, both junior and senior secondary schools lost between a fifth and a quarter of their income in real terms over the first two years of the crisis (CIMU, 2000*c*). By the end of the programme, DBO made only a minor contribution to most secondary school budgets. Even though the DBO per school was more generous than at the primary level, the differential did not make up for the loss of income from other sources, nor did it reflect the scale of the difference between primary and secondary school incomes. In the secondary sector as a whole, the DBO could only have served as a welcome palliative for recipient schools. On the other hand, private religious junior secondary schools, *Madrasah Tsanawiyiah*, often operating with very small budgets were substantially assisted by DBO. As much as 20-30 per cent of their income came from DBO (CIMU, 2004*c*).

DBO was historically important as the first large-scale attempt to fund schools through grants, but it was a blunt instrument. A fixed amount applied to both small and large schools (apart from the subdivision of grants that was allowed for very small schools). No extra allowance was made for large student enrolments. DBO remained largely undisturbed throughout the programme. There was no attempt to provide grants based on enrolments,

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even after other 'smarter' funding mechanisms, such as DOP[35] for primary schools were introduced. DBO therefore had different effects on different schools, largely depending on size. Moreover, the maintenance of the DBO at 1998 levels throughout the five years of the programme seriously eroded its purchasing power. The cumulative effect of standard inflation rates prevailing in Indonesia accounted for a 29 per cent drop in purchasing power over the four and a half year period from 1999 to mid-2003 (CIMU, 2004*c*).

Although the intention of the SGP was that DBO should be available recurrently each year, there is evidence that some district and subdistrict committees preferred to spread funds around amongst schools. In these cases, DBO was a less reliable source of income than intended. There is also evidence of subdivision of grants. One study suggests that in some districts it was common for twice the number of schools each to receive half the amount of the DBO (CIMU, 2004*c*).

The selection of schools to receive SGP grants sometimes produced anomalies. Even though 60 per cent of schools was a large target to hit, some relatively rich schools received awards, while apparently poorer neighbouring schools did not. Private schools, on the whole, received a proportionally smaller number of grants than government schools, even though private schools often served the poorest communities. The coverage of grants was 10 per cent lower in private schools than in public schools, except in *Madrasah Ibtidaiyah*, which received slightly more than a proportional allocation (Filmer, 2000). Accurate targeting and allocation relied on more knowledge of the relative needs of schools than most district committees possessed. Selection was often subject to considerations other than those set out in the SGP guidelines. However, it should be noted that a system that espouses devolved decision-making and which allows for the application of 'local knowledge' is bound to throw up some variations from the intended norm.

35. *Dana Operasional Pembangunan* (DOP) was introduced as a funding mechanism for primary schools in the school year 2000/2001.

School improvement grants

School Improvement Grants were introduced in recognition of the fact that for the most disadvantaged schools, and for those dealing with extraordinary circumstances, DBO grants were insufficient to make a real difference. For this reason, they were set at much larger amounts. Schools coping with refugee students (SIGP 1 Category 1) were limited in their expenditure choices and mainly opted to increase their stocks of furniture and books. All the rest of the schools involved in the programme spent on average 70-80 per cent of their grants on physical rehabilitation of school buildings. Most of these schools, however, allocated some funds for furniture to furnish renovated classrooms adequately. Out of 414 schools surveyed by CIMU during SIGP 2, 84 per cent had adequate amounts of serviceable furniture when the programme ended, whereas only 49 per cent had at the start. Lesser amounts were allocated for books, working on an assumption that other government funds would be available to buy books. Although there was a rise in the availability of books in four major subjects (Bahasa Indonesia, mathematics, science and social science), at the end of SIGP 2, only 20 per cent of schools could claim to have sufficient books in these subjects for each student to have their own copy. Those books that were purchased tended to be for teachers rather than students. Very little was spent on teacher upgrading, perhaps because the opportunities for this sort of activity were not sufficiently spelled out in the programme guidelines and training sessions.

Implementation delays were of some significance for the SIGP. The late arrival of grants intended for schools providing for internally displaced students and schools that had been affected by disasters reduced the efficiency of the programme. For SIGP 1 Category 3 schools and schools in SIGP 2 delayed disbursement was an inconvenience, but did not seriously affect the programme's effectiveness, although there were knock-on effects. Some renovations had to be rushed, and the availability of construction advice was adversely affected because the contracts of the

school construction consultants were not adjusted to take into account the late availability of funds.

Although large in relation to normal operational expenditure, the amount of each grant under SIGP was smaller than that available under other projects, such as the Basic Education Projects and the Junior Secondary Projects. Comparisons are difficult because the SIGP aimed at school improvement and not just physical rehabilitation, but even for those schools that chose to spend all their money on renovations, the money available was only sufficient for partial restoration. This resulted in some schools being only partly refurbished when the money ran out. SIGP provided only one-off grants, and therefore there could be no immediate prospects for the completion of the rehabilitation. Finishing work, particularly paintwork, was poor in some cases. In other places, schools obviously benefited from some extra funds, but grants may have provided more money than was strictly necessary, in view of the competing needs of other schools. SIGP 2 recognized that some schools required more money than others, and introduced variably sized grants to replace the 'one-size-fits-all' approach of SIGP 1. Still, this did not always result in a more equitable distribution of the available funds. Districts were not well equipped with information about relative needs of schools, or with established mechanisms for deciding fund allocations and it was rarely clear how they arrived at their decisions. Some districts, such as Belu and Manggarai, decided to give all schools the same amount to avoid having to discriminate.

Targeting of SIGP was a challenging exercise. The amount of SIGP 1 Category 1 grant payable was related to the number of internally displaced students, but the shifting nature of refugee populations caused difficulties in identifying recipient schools. SIGP proved a cumbersome method of assisting the education of internally displaced students. The PMU was unable to distribute funds quickly enough or in large enough amounts to be fully effective. It also took far too long to organize assistance to schools that had suffered damage due to natural calamities or social conflict

(Category 2). The administrative arrangements for SIGP were not well suited to provide emergency relief.[36] Moreover, the stipulation that the SIGs could only be used for repairing light and medium damage (intended to allow local governments to focus other relief funds on schools that needed full reconstruction) resulted in some of the worst affected schools getting no assistance from the programme.[37] Overall, SIGs undoubtedly reached damaged schools, but some Category 2 SIGs went to schools where damage was due to general dilapidation rather than any specific disaster.

Category 3 SIGs were intended for the poorest 10 per cent of schools in the poorest 10 per cent of districts (as determined using the 1998 poverty index). Overall, poorer districts were targeted, but it cannot be said with confidence that the poorest 10 per cent of districts received assistance from the programme. The selection of districts produced some curious omissions. Relatively few districts in eastern Indonesia, for example, were included under Category 3 although these areas are generally regarded as poor. When the exercise of ranking districts was undertaken for SIGP 2, the same poverty index was used, but in conjunction with other indices.[38] The resulting list of districts was strikingly different from the list for SIGP 1 Category 3. Recipients of SIGP 1 Category 3 grants were excluded from SIGP 2, but prior to this, relatively few districts appeared in both lists. From

36. Many of the schools affected by the earthquake in Bengkulu, for instance, had already been partially and to a degree ineffectively rehabilitated by the time the SIGP funds started to flow.

37. The decision to exclude totally derelict schools was made to ensure that SIGP funds could provide benefits to as many schools as possible. Financing new buildings would have exhausted available funds quickly and benefited far fewer communities. The prohibition on completely new construction was to discourage the unnecessary demolition of damaged, but still serviceable buildings.

38. SIGP 2 district allocations were derived through composite indices: the 1998 poverty index, gross regional domestic product (1998) and gross enrolment rate for junior secondary schools.

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an intuitive standpoint, the SIGP 2 list of recipient districts more accurately reflected the target areas.

There was also some question about the eligibility of some recipient schools in both SIGP 1 Category 3 and SIGP 2. Independent monitors noted instances where relatively well off schools received SIGs. There was also concern over schools receiving multiple forms of assistance, while other schools received none. Many private junior secondary schools for instance received 'matching grants' from a government scheme known as *Imbal Swadaya.* In fact, some district committees had difficulty in finding sufficient junior secondary schools to meet their allocation of SIGP 2 grants, because so many had received grants from other sources.

Maintenance and repairs were issues that the programme did not adequately tackle. In some schools, the effects of rain damage on ceilings became apparent soon after renovations were complete. Without timely remedial action, rehabilitated schools are likely to face renewed problems of dilapidation. Very few schools have funds dedicated to repairs. Indeed, few schools have operational funds beyond the limited and unpredictable income derived from parents and serendipitous project funding.

However, with all these caveats in mind, the overall results of SIGP-funded rehabilitation were impressive. The quality of materials and workmanship was good in the majority of cases, supporting the notion that school- and community-led improvement has major advantages over traditional methods involving government contractors. In an exercise conducted by CIMU during SIGP 2, the quality of renovations was ranked on a five-point scale of ascending excellence. Of sample schools, 88 per cent scored three and above, with 45 per cent scoring four and 9 per cent five. SIGP has demonstrated that a school led approach to physical renovation is cost effective in terms of both price and quality. Another CIMU study of the comparative costs per square metre of school renovation on a number of different projects in October 2002 concluded that SIGP was the most

cost effective programme, and one that was about twice as cost effective as traditional contractor managed construction (CIMU, 2002*a*). Although some care is needed in interpreting such comparisons, they do seem to indicate that SIGP rehabilitation activities provided value for money.

Improvement of learning environments is a necessary precondition for quality improvement. The SIGP has made striking differences to schools in roughly 30 per cent of districts. Since most grants have been spent on the improvement of physical infrastructure, the changes had visible impact. The grants directly contributed to better teaching and learning conditions in improved buildings and furnishings, reduced overcrowding in classrooms, and improved access to books. By improving health and safety and improving sanitation facilities, the grants have directly contributed to the welfare of students. Improvements in physical environments also had noticeably positive effects on teacher motivation and local pride.

The impact of the grants was greater amongst primary schools and less pronounced amongst junior secondary schools. This is partially attributable to the fact that junior secondary schools generally have greater access to other sources of funds. The grants also seemed to be more transparently handled and had more community involvement at the primary level. These findings also hold true comparing the results and processes adopted in *Madrasah* schools as opposed to state schools. *Madrasah* schools generally do not have the resources of state schools (particularly at secondary level), but also tend to have a tradition of community participation.

School leadership was a decisive factor in determining the effectiveness of the results achieved. Those schools that made the most of the opportunities provided by the receipt of grants were those that had purposeful leadership from head teachers and school committees. Impact was notably reduced where management capabilities were lacking. Most schools managed the use of SIGP grants competently. Considering the fact that many smaller schools were accustomed to running with very little funding for operational

purposes, they coped remarkably well with sudden windfalls of perhaps ten times their annual incomes. The practice of co-opting technical teams to school committees, made up of people in the localities with relevant technical expertise, proved an effective innovation. CIMU monitoring reports and World Bank supervision have pointed to evidence of strong community involvement in the process of using the grants (World Bank, 2004*b*).

The influence of the programmes on policy

The SGP and later the SIGP had the prime purpose of maintaining school attendance and education quality in the short term, but they also had tacit longer-term goals. The box below outlines the main themes of the Policy Matrix agreed in 1998, and provides an update on progress achieved.

An update on the policy matrix

Policy priorities	Update on actions taken
Maintain education participation rates a. Extend scholarship programme for poor students and improve targeting b. Reduce costs to poor students c. Remove barriers to enrolment for poor students d. Develop incentive programme for schools to maintain enrolment	• Participation rates were maintained. The scholarships programme was maintained for five years, supplemented and extended with funds redirected from oil subsidies (BKM). It is not clear whether targeting has improved, because of the widespread practice of schools sharing out the benefits to a larger, or different group of students than originally intended. • The SGP and the oil subsidy programme provided much-needed subsidies to schools, which reduced the need to raise school fees. In real terms BP3 parental contributions have fallen. The official abolition of school fees and the waiving of the requirement for students to wear uniforms do not appear to have had much effect in practice. A variety of charges persists, and the private costs of education remain high. • Enrolment amongst poor students increased slightly through the crisis, but progress towards the goal of nine years' basic education was stalled.

	• Development of a system of capitation, relating central government derived operational income to numbers of students occurred briefly with the introduction of DOP for primary schools, and OPF for junior secondary schools, but these schemes lapsed with decentralization. Formula funding, which makes enrolment one of the bases of funding, is being developed for the allocation of local budgets (APBD). This offers possibilities for weighting allocations in favour of schools in poor catchment areas, those that manage to retain students in higher grades or those that show improvements in performance (although identifying measurable indicators of value added may prove to be a problem).
Maintain quality of education a. Maintain basic education budget b. Increase resource allocation to schools in poor communities.	• The share of government spending devoted to education dropped from 7.25 per cent in 1997/1998 to 4.71 per cent in 2001/2002. Since then it has risen substantially to 8.9 per cent in 2004, due to the infusion of funds previously subsidizing fuel prices. • The principle of discriminating in favour of poorer communities in resource allocation has now been established. However, decentralization runs the risk of increasing existing inequities, because of the variable capacity of districts to raise their own revenue and the proportion of total resources individual districts choose to devote to education.
Enhance decentralization of education management a. Empower schools by giving them authority to plan and manage integrated budgets b. Strengthen community involvement in basic education c. Increase transparency in budgeting d. Establish block grant funding mechanism to strengthen school control of its resources. e. Develop school management capacity.	• Integrated school budgets and expenditure plans (RAPBS and RAB), pioneered under SGP and SIGP are now widely used. The extension of school-based management is a MONE policy priority and is enshrined in the Education Law 2003. • Education is now the formal responsibility of districts, and district parliaments have responsibility for resource allocation and scrutiny. The introduction of district Education Boards and School Committees (Ministerial Decree 044/U/2002), with strong community involvement has the potential for strengthening public participation. SIGP demonstrated that school-based rehabilitation could both increase community participation and produce creditable results. Some districts have opted to adopt block grant funding and school-led approaches to rehabilitation.

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	• Block grant funding is now the accepted method of financing schools' non-salary expenditure. Of the budget of the Directorate General for Primary and Secondary Education, 70 per cent is now delivered as block grants. District allocations of operational funds from APBD are also increasingly through block grant mechanisms. However, teachers' salaries absorb over 80 per cent of districts' recurrent expenditure on education. No plans currently exist to devolve responsibility for staffing deployment and wage bills to schools. • The quality of school leadership, particularly the management abilities of the head teacher and the head of the school committee, has been identified by CIMU as a major determinant of successful implementation of SIGP. There remains an urgent need for training in financial management and financial control of public funds. CIMU identified this as a major risk that needs to be addressed if the extension of school-based management is to avoid costly inefficiencies.
Improve the efficiency of education management a. Maintain private sector involvement b. Rationalize school location planning	• Private sector involvement has been maintained. Private schools have benefited from the SGP, the SIGP and the oil subsidy funds, although evidence of the distribution of benefits between state and private schools is mixed. The virtual cessation of state school-building programmes during the crisis ensured that pressure on poor private schools from competition from the state sector was reduced. Greater emphasis has been given to rehabilitation than new school building. • School mapping is now a commonly used technique, although consolidation to rationalize location planning tends to be project-driven. The resumption of activities towards the nine-year basic education policy goal (after abeyance during the crisis years) underlines the need for rational planning.

An assessment carried out by the ADB (2001) argued that while most of the conditions of the original donor loans were directly relevant to the immediate task of tackling the effects of the crisis, the relevance of the longer-term policy reforms was questionable. The study argued that measures concerned with decentralizing education management, while important to the long-term effectiveness of education delivery, may not have

been strictly necessary for crisis relief. Indeed, packaging these reforms with short-term emergency assistance might be regarded as imposing unwelcome conditions on a temporarily weakened recipient.

This argument, however, misses an important point. Policy reform was a central theme of the SGP, and an integral part of the package. Enthusiasm within government for the reform process was certainly not universal, but the policy reforms were internally driven. Reform of the highly centralized, unaccountable and under-funded school system had been on the agenda for some time. It had been a major item in the ongoing dialogue between the government and the donors prior to the crisis, and much of the impetus behind the policy provisions of SGP came from government, particularly from *Bappenas*. The crisis weakened the opposition within government, because the old system had proved it had no solutions to offer.

Moreover, in view of subsequent events, the policy direction of the programme proved highly relevant. The SGP policy bias provided an essential basis for the development of decentralized mechanisms of education delivery that were required after the passing of the decentralization laws. Thus, the SGP helped to prepare the groundwork for a major shift in the institutional environment. Local participation in resource allocation is now a requirement under the decentralized administrative structure. Hindsight can distort perception. When it was formulated, the SGP was ahead of its time in pushing for decentralization, in order to increase efficiency and make the management of education more responsive to needs. It is a measure of how much progress has been made in this direction, that the SGP policy conditions now seem rather modest.

As one of the conditions of the SGP, the government committed to maintaining the proportion of government spending devoted to education. The education budget (routine and development) as a percentage of the government budget was 7.25 per cent in 1997/1998. This dropped to 4.71 per cent in 2001/2002. Since then, the redeployment of public funds

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that previously supported the price of fuel has brought education's share of government expenditure up to 8.9 per cent. In 2004, the education development budget was 21.6 per cent of the government's total development budget. The Education Law 2003 stipulates that a minimum of 20 per cent of government expenditure should be spent on education. On the face of it, this seems an optimistic aim, since the mechanisms for delivering funds to schools through districts are still in development.

The SGP introduced an allocation system for central government funds to the regions that deliberately discriminated in favour of poorer regions. It is now generally recognized that the previous system of allocating according to population size will not address major inequalities in resource allocation. The Ministry of Home Affairs decree 29/2002 set a policy framework for local budgets (APBD) which enshrined formula funding as a means of weighting intergovernmental flows in favour of disadvantaged areas.

The principle of grant funding has now been established as an accepted means of funding schools. In 2004, 70 per cent of the total budget of the Directorate of Primary and Secondary Education (Rp.9.64 trillion) will be spent in the form of block grants, of one sort or another, to schools.

The SGP and SIGP demonstrated that allowing schools authority over integrated budgets, and enabling them to manage funds flexibly in response to local needs, can produce improvements in service delivery. The requirements for budgetary planning and reporting introduced under SGP and SIGP have promoted the use of simple financial management tools such as school budgets (RAPBS) and expenditure plans (RAB). This is a significant departure from past practice, by which schools' needs were dictated by central procurement, with all the attendant inefficiencies and leakages.

Moreover, the programmes, by requiring disclosure and community scrutiny, contributed towards greater transparency in the education system.

The idea of limiting the monopoly of civil servants through the inclusion of non-government participation was given powerful endorsement by the creation of school committees and district boards of education, with prominent civil society representation. It may be an exaggeration to believe that the programmes achieved a revolution in accountability, but it is now improbable that major policy initiatives would be introduced that did not contain provision for informing the public, involving communities or the kind of safeguards against corruption developed under SGP and SIGP.

The important legacy of the SGP and SIGP was their significant contribution to an enabling framework for reform. This is not only evident in the emerging legislative infrastructure for decentralization, but also in approaches to systemic problems of corruption. As will be seen below, there has been a marked change in MONE attitudes to the enforcement of rules of conduct. MONE is formulating a less tolerant approach to corruption and is contemplating incorporating aspects of independent monitoring into its programme management structures.

Not all the innovative features of the SGP/SIGP will necessarily live on in the precise form developed under SGP and SIGP. The funds flow mechanism has been replicated in other government programmes, such as those channelling the savings from the reduction of oil subsidies into education (BKM and *Batuan Khusus Murid* – BKS). There must be some doubt about the long-term sustainability of channelling public expenditure through a system that deliberately bypasses the government's treasury system, but such is the volume of direct project funding that it may create a permanent alternative funds flow mechanism. However, the continuance of central direct funding from the MONE DIP, which bypasses local government, seems to run counter to the spirit of decentralization, if not the letter of the decentralization regulations in which DIP funding was allowed for only a limited transition period.

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Gender impacts

The SGP succeeded in providing half the scholarships to girls. In fact, the proportion was slightly higher than 50 per cent.[39] The gender profile of enrolment continuation and transition did not alter significantly over the period of the programme. DBO can be said to have benefited both boys and girls. SIGP grants also benefited all students in the schools involved. Inasmuch as the grants led to improvements in sanitation facilities, they contributed to healthier environments. By supporting the construction of specifically separate facilities for boys and girls, the availability of which has been found to affect girls' attendance, they can be said to have met the programme's gender objectives. In a sample of 422 SIGP 2 schools surveyed by CIMU, 37 per cent had no toilets before the programme and, of those that did have toilets, 40 per cent could not be used. After the programme, all but about 15 per cent had functioning toilets. However, it has to be said that although many schools devoted part of their grants to building or renovating toilets, sanitation was not invariably regarded as a top priority. Although the availability of toilets to the number of students rose as a result of the programme, the percentage of schools where the ratio of students per toilet was over 50 : 1 was still 55 per cent, and in 12 per cent of schools there was only one toilet for 100 or more students.

The improvement of learning environments that SIGP achieved brought about improved teaching conditions. A large proportion of the teaching force is female.[40] CIMU has noted that, apart from the health and safety considerations of working in better physical conditions, there was a general

39. Official figures from MONE put the proportion at 52 per cent, averaged over the three school levels; this is confirmed in sample-based studies. According to Cameron (2000) 51 per cent of scholarships went to girls.

40. According to *Indikator Pendidikan* (2003), 54 per cent of teachers in primary schools are female and 45 per cent in junior secondary schools.

rise in teacher morale in SIGP schools at least in the period immediately following the completion of grant spending. Working in cleaner, lighter, cooler and generally less challenging conditions in addition to the greater access to books and in-service training that the grants allowed, must have contributed to greater professional satisfaction.

No available data suggest that female participation in the formal management structures of the programmes diverged from the norm. The programme guidelines did not stipulate the gender composition of school or district committees. It can be assumed that this simply reflected the gender profile of government and of society as a whole. It can be further assumed that parental and community participation, particularly at the school level provided opportunities for active women to voice their opinions and influence the direction of programme planning and implementation, but the programme did not set out to empower females disproportionately. Management structures probably reflected existing social power structures and relations.

The impact of civil society participation

The SGP and SIGP made a major contribution to the development of new forms of education governance. Introduced on a wave of enthusiasm for reform, community awareness and participation were basic tenets of the programmes. In the SGP, this participation was regarded as an essential safeguard to regulate the conduct of officials. The SIGP took the principle further by encouraging community involvement in the management and participation of local people in the actual work of school improvement. School governance was removed from the exclusive domain of civil servants. The SGP and SIGP widened the scope of community interest and in many places engendered a sense of ownership, where previously there was a lack of interest or alienation.

Public oversight of the programme's administrative processes was actively encouraged from the start of the SGP. The *Aku Anak Sekolah* campaign, supported by UNICEF, conveyed messages about the importance of children staying in school and the role of community participation in ensuring transparency and accountability. The most prominent feature of the campaign was a series of television commercials encouraging school attendance. The campaign achieved a high level of name recognition, according to an evaluation carried out by UNICEF. There was also an extensive poster campaign. Subsequently, public information announcements about the SGP and later the SIGP were made in newspapers and local radio. A video about community-based school rehabilitation was produced for public broadcast. District committees were required to publish lists of schools selected to receive SIGP grants and the amounts allocated. School committees were required to post information about the grants and spending plans on school notice boards, and were encouraged to explain these plans in meetings with parents.

Community participation is an idea that receives universal approbation, but its meaning is rarely defined. Despite a considerable effort to generate public awareness, knowledge of the programmes amongst the general public remained patchy (CIMU, 2002*b*). A key objective of working through local district committees was to give civil society a greater voice in the delivery of public education services. The degree to which this was achieved by SGP and SIGP depended both on the composition of the committees and the roles that were played by different members. The requirement that half of the members of the district committee should be representatives of the community, as a means of promoting both transparency and accountability, was rarely achieved. If representatives who were retired from military or government positions were excluded, the proportion of committee representatives from outside the government sphere was rather less than had been hoped.

School committees were supposed to include at least the head teacher, a senior teacher, the head of the BP3, village representatives and parents. A CIMU survey analyzed the composition of committees in 225 schools (2000/2001 academic year) and found, unsurprisingly that BP3 representatives were included on more than 90 per cent of committees, probably a reflection of practice predating the advent of SGP. It also found that parents were represented on 48 per cent of all committees. The degree to which these figures represent an advance in civil society participation is qualified somewhat by a variety of factors. First, 61 per cent of BP3 representatives and 26 per cent of parents were either active or retired civil servants, in contradiction to the guidelines. Parents were consistently more active in senior secondary schools than in others, suggesting the prevalence of the educated and relatively well off amongst parental representatives. Moreover, the educational level of parents was significantly correlated with their level of involvement.

Variation in the extent and nature of civil society participation was as much a result of the interplay of existing social relationships as of the stipulations of programme guidelines. The presence of a few enthusiastic and vocal individuals in the community, the attitudes of head teachers towards sharing information and decision-making and the community traditions of each locality, all played a role in shaping how much participation took place and how effective it was. Experience from SGP and SIGP shows the difficulty of attempting to legislate for purposeful community involvement. The reason for the stipulation of 50 per cent non-government representation on committees was not fully explained in the guidelines or readily understood. The target was very rarely achieved and programme management made no attempt to enforce it.

Numbers alone do not determine the influence of civil society. On the district committees, local government officials held the key posts and staffed the secretariats. Non-government members were selected rather than elected,

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and the extent to which they could be said to represent 'the community' is debateable. Head teachers dominated many school committees. The presence of most members was more symbolic than effective. Powerful individuals in the community could hold sway through force of personality or their position in the social hierarchy.

Despite these qualifications, the mould had been broken. SGP and SIGP started a trend towards greater community and NGO involvement in education, which will not be reversed. The inner workings of education administration are now open to greater public scrutiny. NGOs and the press are actively engaged on education issues. Civil society participation is now supported by legal endorsement. For community participation to become more effective, however, greater guidance will be needed on how committees should operate. Apart from specifying the composition and responsibilities of committees, the programme guidelines did not attempt to explain the dynamics that determine the balance between oversight and operational management. Committee procedures for conducting business were not specified. If education boards (*Dewan Pendidikan*) and school committees (*Komite Sekolah*) are to develop into useful institutions, attention should be paid to defining their roles and procedures and developing their members' skills.

Civil society encompasses a variety of groups beyond those with a direct stake in education. NGO advocacy groups of various types and complexions interacted with the SGP and SIGP from time to time. Although the programme management encouraged NGO involvement in a generalized sense, these interactions could not be described as a continuous dialogue between service providers and NGOs. By their nature, NGOs tend to have narrow agenda and much of their attention was concerned with complaining when things went wrong. For its part, the government retains its traditional sense of nervousness of any forms of criticism.

Strengths and weaknesses of programme implementation

The institutional setting

In 1998, the prospects for a successful implementation of the SGP did not look good. Not only did the government machine rise to the occasion, it quickly assimilated new processes and made them routine. The SGP was created quickly through the co-ordinated efforts of government and the donors. Strong government leadership was an essential factor and ensured the success of the programme's launch. The National Planning Board (*Bappenas*) played a key role at the beginning. Its role in inter-sectoral planning provided essential mechanisms for line ministries to co-ordinate their efforts. *Bappenas* fought for the programme with great determination, often in opposition to other ministries. The Ministry of Finance (MOF) had misgivings about the direct funds flow mechanism. The Co-ordinating Ministry for Social Welfare (*Menkokesra*), which had a very different conception of the programme and its aims, tried to take charge of the SGP. *Bappenas*, through strong commitment to the aims and innovative design features maintained the integrity of the initial design and enabled the programme to be created in a remarkably short period.

Co-ordination was essential in order to produce consensus amongst the key stakeholders, but insufficient when clear central direction and thorough socialization of the programme's principles and procedures were needed. Although *Bappenas* retained a co-ordinating role as the body responsible for the Social Safety Net, chaired an SGP steering committee (National Review Board) and established a secretariat to oversee programme implementation, for all practical purposes the management of the SGP passed to MONE from the outset.

The establishment of the central Program Management Unit in the Directorate General for Primary and Secondary Education in September 1998 and the channelling of funds through the MONE development budget (DIP)

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set the institutional pattern for the management of the programme. The institutional interest of the Ministry for Religious Affairs and the Ministry of Home Affairs declined. They were consulted and their representatives attended meetings, but increasingly the agenda was set by MONE. There was intermittent concern in the Ministry of Religious Affairs that *Madrasah* schools were inadequately represented amongst the beneficiaries. Private and religious schools were under-represented in the first year of the SGP. This prompted changes to the selection rules to facilitate the inclusion of more non-state schools. Similar concerns were expressed about the SIGP. An analysis of school recipients of SIGP 2 grants shows that 6.8 per cent of state primary schools in the districts concerned received grants, whereas 6 per cent of *Madrasah Ibtidyiah* were recipients. At the junior secondary level, the contrast is greater: 7.8 per cent of state schools (SLTP) received grants and only 4.3 per cent of *Madrasah Tsanawyiah*. However, since school selection was devolved to districts, this bias was due more to the composition and opinions of the various district committees than to the institutional location of the PMU.

The concentration of central executive functions was a vital factor in the success of the programme [41]. It provided focus to what could have been a confusion of individual ministry efforts. It avoided the usual bureaucratic problems of relating high-level steering committee discussions into operational reality. It established a central repository of knowledge, point of contact and source of action.

Apart from a realignment of representation on district committees, SGP and SIGP structures and procedures survived largely untouched by decentralization. In part, this was because the programmes anticipated devolved functions. However, decentralization radically altered the

41. The advantages of having a strong, unified PMU can be seen by a comparison with the much looser arrangements for the health, nutrition and family planning components of the SPSDP (ADB, 2003).

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institutional context and introduced an element of uncertainty in the institutional relationship between the central government and the districts. An illustration of this is seen in the accountability structure of the SIGP. The Director-General, Primary and Secondary Education, as the officer accountable for the programme, was responsible for the efficiency and effectiveness of the programme, but most of the activities were carried out by the districts, over which he has no institutional jurisdiction. The institutional mechanism by which the accountability loop was closed was the Memoranda of Understanding between MONE and the *Bupatis* as heads of local government. The MOU, however, remains a relatively under-developed means of governing this relationship.

Performance of central management

The management of the SGP and SIGP was far more successful than many observers expected. The PMU managed to push the SGP and later the SIGP over the various internal MONE and MOF procedural hurdles by which government funds are released. The PMU and its senior managers proved adroit in steering the programmes through the system. They also had to manage the interface with the donors, who did not at all times provide clear unambiguous messages. The complexity of such back-room activity is not always visible. More obviously, the PMU managed to codify the programmes in comprehensive guidelines, organize training on a massive scale and disburse very large sums of money according to plan. It also successfully introduced significant changes to the SGP at the end of the first year and created two different SIGPs. These accomplishments were achieved largely due to the conscientiousness and commitment of the PMU staff and their continuity on the job.

Inevitably, there were both highs and lows in management performance. Organizational difficulties in the PMU and a lack of forward planning resulted in delays. In the early days of the SGP, momentum was sustained more by a sense of 'backs to the wall' than by systematic planning. Work overload,

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insufficient time on task and the lack of proper job differentiation between members of the PMU led to crisis management, in which all available resources were devoted in turn to the next most urgent task. Planning was not perceived as a linear process progressing from step to step. It was often a more roundabout process in which decisions already made were revisited several times, seemingly without progress being made. Poor planning prevented programme management from beginning the annual programme planning process sufficiently early to ensure funds were available at the start of the school year. The SGP and SIGP introduced new ways of operating. The application of new systems and their articulation with the old system inevitably caused problems. Most of the delays that occurred were due to reliance, at critical points in the process, on unreformed bureaucratic practices. Assumed time projections for programme development, funds disbursement and accounting processes were consequently often optimistic, made insufficient allowance for systemic inefficiencies, and failed to take account of risk factors outside management control.

The PMU relied heavily on consultants to carry out the executive tasks of the unit. From time to time, additional civil servants were involved, but they were mainly in support roles. The decision to contract out the operation to consultants ensured that the programmes were competently handled, but the transfer of skills and knowledge to regular MONE staff was limited. Pay differentials, low performance expectations and limited human capacity mean that civil servants did not carry out the more complex tasks and had little incentive to learn from the consultants. However, it is likely that MONE will continue to contract out the running of future programmes and projects to consultants. It is also likely that there will be some continuity of personnel, so the apparent lack of skills transfer to civil servants may not be as significant a problem as it once seemed.[42]

42. Concerns about the low profile of civil servants in the PMU were a familiar theme of World Bank Supervision *Aide Memoires* over the early years of the SGP.

Senior management provided strong support for the PMU, but this support tended to be intermittent rather than systematic, determined by the concentration of decision-making authority with the Director-General and the exigencies of his busy schedule. As a result, management decisions often had the appearance of being ad hoc rather than part of an established management process.

SIGP 2 represents something of a watershed in the attitude of the PMU to the business of programme management. Up to this point, their prime concern was making things work. Programme success was judged principally in terms of amounts disbursed. Questions of impact and value were afforded less priority. The idea that things could be made to work better, and that management was a process of learning from experience, were major innovations in thought. The design of SIGP 2 very deliberately took into account the lessons from SIGP 1. Its implementation showed that PMU personnel were learning the art of pro-active management. They exercised much tighter control over events, basing decisions on information from the field. They did not get everything right. Their management of the performance of construction advisory services was in the old tradition of reactive management, but overall the record of the PMU is one of impressive development (CIMU, 2004*d*).

The central problem for the PMU was that a great deal of what it was expected to manage was not within its orbit of control. Beyond setting and distributing the rules, the PMU could have little control of how the programmes were administered at the local level. It was not an easy task to make districts comply with centrally determined programme requirements and schedules that took no account of the districts' other concerns. Even before the institutional map was changed by decentralization, central government authority as the arbiters of all that went on in the regions was much weaker in practice than the monolithic structure would suggest. Districts were habituated to doing as they were told, but there was always some uncertainty about how and when the intentions of the central government would translate to the periphery.

The SGP started on a wave of collective goodwill and, despite its innovative features, was very quickly assimilated into the routine business of government. The sense of crisis that had swept the programme along subsided and the speed of administration, particularly at local levels, slowed. The tendency for officials to be less rigorous in their observance of SGP programme requirements was quite noticeable. This was reflected in the length of time districts took issuing authorized lists of recipients (*Surat Keputusan,* or SKs) and their generally lacklustre approach to monitoring. Decentralization made the bureaucratic lines less distinct and increased the self-confidence of the districts. Moreover, the SGP and SIGP set out with the intention of devolving administration to the regions, which meant that traditional command and control methods were not appropriate. Under the circumstances, the PMU achieved a great deal by harnessing the goodwill of the districts.

Training

The SGP included an annual briefing for large numbers of implementers during its first three years. This training was essentially concerned with imparting information about programme rules. In order to transfer information to upwards of 400,000 people, a cascade approach was adopted. PMU briefed a central group of trainers (TOT). They provided training at provincial level to district staff, who in turn trained subdistrict and school committees. Training for the first phase of SIGP followed a similar cascade pattern. PMU trained a central group of trainers who trained district staff who, in turn, trained school committees.

The provision of training for very large numbers of programme implementers was an impressive logistical achievement, but its effectiveness was limited. It tended to be organized in big groups and not always in the most appropriate venues. The PMU had little influence on the outputs of district level training and socialization. The competence of trainers and their familiarity with the materials declined as the training moved from level

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to level. Frequent staff changes at district level meant that many officials holding key posts of responsibility missed the training. Essential messages about the programmes became diluted as they passed down the cascade. Consequently, the training was least effective at the school level, where the need for a clear understanding of the programmes was greatest.

It was not until the introduction of a new system of training for SIGP 2 in 2003 that any radically different training pattern was adopted. In recognition of the inadequacies of the cascade model, the PMU invested in a group of master trainers who undertook the training of both district committees and school committees, thus ensuring training that is more professional, and better and more consistent knowledge transfers. Moreover, the PMU maintained control of the schedule for training. Since the completion of training was one of the main factors determining the timing of disbursements, maintaining management control of the process was important.

These improvements did not come without a cost. The amount devoted to administration for SIGP 2 was just under Rp.16 billion. For SIGP 1 the figure was Rp.6.2 billion. The difference was largely due to increased costs of training. The new system required careful organization and it was manageable mainly because the scale of the programme was restricted to 60 districts. Even so, only two members of each school committee (the chairperson and the head teacher) were trained. It would have been useful if others, such as the treasurer and the head of the construction team, could have participated. More extensive training has cost and timing implications, but since quality training is important to successful implementation, more extensive investment in training may be necessary in future programmes.

Management in the districts

In 1998, the relative importance of provinces, districts and subdistricts was not well defined. The management structure of the SGP had to take the

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interests of all three levels into account. Thus provincial committees, for example, were formed with somewhat vaguely articulated co-ordinating roles. In view of the changing institutional environment, this many-layered structure was not sustainable. By the time SIGP was formulated in 2000/2001 no roles were specified for provinces or for subdistricts, reflecting the pre-eminent position of districts. By this time, this position had been enshrined in legislation.

The SGP committees helped to pave the way for the kind of integrated local executive structures that decentralization required. Prior to the SGP, co-ordination between the constituent parts (*instansi*) in charge of government at the local level tended to be haphazard. By bringing together local representatives of line ministries and local government, in common endeavour, the SGP committees provided a level of co-ordination rarely seen before. When they were first formed, the SGP district committees lacked reliable means of translating decisions into practice. The creation of programme specific secretariats greatly facilitated the implementation of the SGP and later the SIGP.

The operation of the district committees has been a valuable learning experience. Practice in co-ordinating the efforts of various interested parties helped to prepare for greater integration of local functions in the decentralized setup that has now come about. It was also good groundwork for the introduction of the Education Boards at district level, although there are still gaps to be filled in to define the roles, methods of selection and powers of non-government representatives on *Dewan Pendidikan* and clarify the relationship between the Education Boards and *Dinas Pendidikan* as the executive agency for education.

In accordance with the devolved nature of programme management and accountability, district committees had responsibility for monitoring the SGP and SIGP. Funds were made available from programme funds for this purpose. The programme guidelines stipulated the amount of monitoring

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that should take place, and the reports that should be submitted. Overall, monitoring was not done purposefully, mainly because local officials had limited understanding of what they could achieve through monitoring or how it should be done. When it was carried out, monitoring was often regarded as a mechanical process. Little attention was paid to analysing findings or presenting them in ways that would be useful to future programme implementation. The PMU could also do little to ensure that districts undertook the requisite monitoring. The only way it could encourage the districts to submit monitoring reports was to threaten to withhold funds for future monitoring. This provided very little incentive and only encouraged the idea that the physical submission of reports mattered more than the quality of their contents or the usefulness of the exercise to programme implementation.

Local government was on a very steep learning curve, and local officials were generally ill-prepared for their new roles. The need for local governments to develop strategies and procedural frameworks for resource allocation was illustrated by concerns that came to light about the allocation of SIGP 2 grants. It emerged that district officials possessed neither the information nor the necessary tools to decide funds distribution. Generally, they did not know which schools were the poorest or in the greatest need. A relatively high proportion of SIGP 2 junior secondary schools had received substantial grants from other sources in the recent past. Technically this was one of the grounds for exclusion from the selection and it suggests that the districts had no reliable means of tracking school incomes. A profusion of different block grant schemes emanating from the centre in recent years did not help the situation. In the absence of objective measures of relative need and established mechanisms for arriving at decisions, it is easy to see how district committees might have fallen back on a system of rewarding those that had lobbied hardest or happened to have grabbed the limelight. For schools, the most effective way of achieving this was to offer financial inducements.

In the face of problems like this, it is easy to paint a gloomy picture of the situation in the districts. There are, however, signs that many local officials took their responsibilities very seriously. Although the overall impression of district committee performance in monitoring SGP and SIGP has been negative, there were places where genuine efforts were made to learn from experience. In early 2004, CIMU held a seminar on monitoring for representatives from 19 SIGP districts. The level of interest and commitment was impressive.

Management in schools

The SGP and SIGP made novel demands on school managers. The infusion of cash presented head teachers and school committees with unfamiliar problems. The poorest schools were used to scraping by with very little disposable income. Prior to the SGP, items such as books and furniture were often supplied in quantities that bore no relation to individual schools' needs through procurement organized by the local education offices. The provision of large SIGP grants was particularly challenging. While most schools managed the cash responsibly, there is plenty of evidence to suggest that bookkeeping skills and appreciation of basic safeguards and financial controls were seriously underdeveloped.

In other ways too, school level management was put to the test. Choices had to be made about the allocation of scholarships, which often put school managers in the invidious and culturally uncomfortable position of favouring a few students at the expense of many in similar circumstances. Choices also had to be made about what grant funds should be spent on. In most cases, the physical dilapidation of the school fabric pre-determined the choices to be made about school improvement, but there were cases under SIGP where the choices produced curious results. The independent monitors cited schools that renovated part of their buildings to high standards, leaving the rest unserviceable, or a few that spent all the money on repairing buildings, and could not then afford the furniture to go in them. That they

did so with no assurance of further funding indicates that management was often based more on faith than on planning.

The most pressing need at the school level revealed by the SGP and SIGP was for better financial management and better financial control. The incidence of poor budgeting, inadequate financial safeguards and falsified accounts reported by the independent monitors and programme auditors suggest a need for a thoroughgoing programme of awareness-raising and skills training for school committees. This should be a precondition of further progress towards school-based management. Some traditional financial practices, such as the requirement for reports on actual expenditure to mirror planned expenditure clearly do not help and only encourage 'creative' reporting. Further progress also needs to be made in improving the predictability of school incomes to enable schools to plan properly. A further precondition would also be to reverse the recent tendency towards the segmentation of school budgets caused by the provision of earmarked block grants, each with its own reporting requirements. SGP and SIGP, for all their emphasis on integrated budgeting and transparency, actually contributed to budgetary segmentation.

Performance of other stakeholders and service providers

MONE was the key player in the SGP and SIGP. The PMU was located in MONE and critical programme funds were channelled through the MONE development budget (DIP). The vital role of *Bappenas* at the beginning of SGP has already been discussed. Its role during implementation declined.[43] The relatively minor part played by the Ministry for Religious Affairs, despite the large number of beneficiaries amongst *Madrasah* schools, has also been noted. The Ministry of Home Affairs, responsible centrally for

43. The influence of *Bappenas* as a major player in national affairs waned during the presidency of Abdulrahman Wahid (2000-2002) and was gradually restored under President Megawati Sukarnoputri.

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local government, regarded the SGP and SIGP as education programmes and therefore the proper preserve of MONE.

However, the MOF played a decisive role in a number of ways. It maintained budgetary provision to education at something approaching pre-crisis levels in the face of considerable pressure to reduce public expenditure because of declining revenues. Despite initial reservations about the direct funding mechanism, MOF demonstrated flexibility in taking on responsibility for the memorandum of agreement with *PT Pos Indonesia*, thereby bypassing its own State Treasury. MOF also managed all the budgetary mechanisms and adjustments, (the DIP process and amendments) and financial flows (Statements of Expenditure, or SOE, loan withdrawal applications and Special Account replenishments).

Throughout the SGP, the post office provided high levels of service, managing large scale and logistically complex transfers with efficiency and commitment. Very little money is thought to have leaked during transfers, or been misappropriated by *PT Pos* officials. The government was sufficiently pleased with this arrangement to use the same mechanism for the BKM and BKS programmes.

Two lingering concerns remain, however. At the end of 2002, CIMU noted discrepancies in the reports on disbursement submitted by regional post offices. Higher levels of disbursement were recorded than had actually taken place. There was no evidence of malfeasance, but significant amounts of money were unaccounted for. Further evidence was collected, but the post office has yet to offer a satisfactory explanation. An audit commissioned by the PMU reported its findings in March 2004, but the issue of misreported disbursement was unresolved. This is an issue of some significance for both the post office and the government. Large amounts of public expenditure continue to be channelled through the post office and future business of this sort will be dependent on the restoration of the post office's credibility.

The second area of concern is the transparency of the arrangement between the government and *PT Pos*. The post office received no management fee for the services provided under the SGP. Instead, for each disbursement exercise, it was allowed to hold large sums on deposit for 15 days. The accrued interest therefore became in effect, the post office 'management fee'. In the early days of the SGP, when interest rates were very high, returns were probably substantial. It would have been a lot more transparent if the programme had paid more directly for the services of the post office.

Transfers of School Improvement Grants were channelled through Bank Rakyat Indonesia. This proved an efficient delivery mechanism for the smaller number of large grants involved. Online facilities allowed rapid transfers within three working days. In practice, this process took up to fifteen days. In view of the large sums of money involved, the potential for interest for monies held on deposit pending transfer was substantial. However, no problems were reported by recipient schools and the correct amounts were transferred and received.

The provision of technical construction advice by consulting firms, centrally contracted by the PMU for SIGP was less satisfactory. The consultants were engaged to provide technical advice and guidance to schools to ensure that construction activities were well planned and costed, and took into account building standards and health and safety considerations. The cost of these services was substantial (over $1 million for SIGP 2), but the firms generally provided services that did not fully meet the requirements. There were problems with their management of staff and their personnel administration, which inhibited the capacity of field staff to operate as intended. Despite the committed efforts of individual construction advisers, the overall operation did not represent value for money. For both SIGP 1 and SIGP 2, there were problems with the length of contracts set by the PMU, which meant that construction advice was not always available

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when needed by the schools.[44] This is a disappointing outcome in view of the probable importance of school-managed rehabilitation in the future.

Independent monitors

The concept and practice of independent monitoring developed progressively. Initially conceived as a means of assessing compliance with programme rules and safeguarding the large investments of the donors and the Government of Indonesia, the range of CIMU's activities grew over time. By the start of SIGP 2, the list of CIMU's responsibilities had increased to include monitoring programme management and providing advice to the PMU, building monitoring capacity in districts, investigating complaints, tracking complaint resolution, publicizing findings and managing a relationship with the press. CIMU achieved a high degree of name recognition amongst programme participants and amongst a wider audience, through contacts with the press and the web site.

The monitoring of SGP initially relied on national surveys and case studies. Given the size of the target populations, the need for national coverage and constraints on resources, sample sizes were necessarily proportionally small. As the nature of the main monitoring task narrowed, because SIGP was targeted on fewer schools than SGP, CIMU's monitoring became more intensive. During SIGP 2, CIMU set out with the intention of undertaking 2,150 school visits, to a minimum of 1,290 schools, during five rounds of field monitoring. Schools in each of the 60 districts involved in the programme were included. This figure represents 45 per cent of the total number of grant recipients. A smaller number of schools (430 or 15 per cent of the total) were to be visited three times. This level of regular monitoring activity was achieved. In addition, a great many schools were visited in the course of CIMU investigations, studies or during review missions. By the end of the programme, CIMU had visited 87 per cent of all recipient schools

44. For a full discussion of the issues involved, see CIMU (2004*d*).

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in districts in Sulawesi, for example, and a similar pattern can be seen in other regions. This amounts to a wide monitoring 'footprint', but it is only part of the story of CIMU's presence in the field. Independent monitors were regular visitors to each district committee. CIMU participated in the training for district committees and school committees and helped to organize the districts' own monitoring activities. In conducting investigations, CIMU repeatedly visited some of the more problematic districts.

As well as becoming more intensive, monitoring was also increasingly focused on assisting the management process. During SIGP 2, CIMU reports were written to the PMU, copied to the donors and the relationship with programme management was a closer partnership than had existed prior to this time. CIMU had a formal role in the initial design of the programme, the training of implementers, the monitoring conducted by districts, the investigation of complaints, the series of monthly meetings with the PMU and the donors and the periodic reviews of progress. This was a far more 'hands on' role than the title 'independent monitor' implies. Moreover, a close working relationship existed between members of CIMU and members of the PMU, built up over time through regular informal meetings. This degree of closeness could be regarded as inappropriate, a form of indirect technical assistance rather than independent monitoring. However, the independence of CIMU does not appear to have been compromised. Nor was the programme made worse by CIMU's involvement with programme management. On the contrary, CIMU is generally regarded as having made a positive contribution.

As CIMU's terms of reference became more demanding, changes were made in the organization of monitoring to reflect the need for widespread and intensive monitoring, to improve internal communication and to ensure greater management control. The initial ADB technical assistance terms of reference for independent monitoring envisaged a small central unit co-ordinating a loose consortium of NGO field staff. Such an arrangement became increasingly unsuitable for organizing monitoring activities and for

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retrieving, analyzing and synthesizing the masses of information generated from the field. In order to maintain sufficient management control of the monitoring process and quality control over monitoring outputs, CIMU adopted a much more centralized organizational structure than was initially envisaged. Field-based staff were hired directly, rather than through partner organizations, and they were grouped in five geographical regions, each led by a member of the central team. This arrangement had the advantage of allowing a regular pattern of monitoring to take place, while providing the flexibility required by the differential pace of the programme in different areas and the need, on occasions, to respond rapidly when circumstances required. Thus, for instance, in August 2003, CIMU was able to field 14 monitors in Garut district within a week of serious allegations of corruption in the local press, while at the same time maintaining, without undue disruption, the planned regular school monitoring in all programme districts.

The investigation of complaints and problems identified during routine monitoring was an important and integral feature of independent monitoring from the beginning of the Scholarships and Grants Program. CIMU maintained a responsive capacity throughout. For most of the time, this involved a core specialist team of two senior consultants, but the team could be expanded as required by drawing in other CIMU consultants and the regional monitoring staff. The team worked alongside the PMU and district committees, as well as the investigative branches of central and local government, such as the Inspectorate General and *Bawasda*. Over time, CIMU developed experience and expertise and as monitoring needs developed, investigation activity became an increasingly significant part of CIMU's work. Under SIGP 2, CIMU was given the pre-eminent role in investigating allegations of corruption. Circumstances dictated that CIMU's resources became increasingly focused on investigative work. Indeed, for the last six to nine months of the contract, work relating to corruption investigations became the main focus of CIMU activities and involved the whole CIMU team.

The history of SGP and SIGP shows that competent investigative capacity was necessary, but not in itself sufficient to bring about resolution of the problems of corruption. CIMU investigations were conducted, reports were issued and these were discussed with the PMU and the relevant local authorities. In many cases, this process of discussion was enough to facilitate local solutions to minor problems. However, this process of fact-finding did not always result in the satisfactory conclusion of more serious corruption cases, particularly those in which local respondents were themselves implicated. Within the central government's bureaucratic structure, no coherent and consistent system for follow-up and generally agreed means of resolving problems existed. It was not clear whose job it was to press for remedial action. Lines of authority and jurisdiction were indistinct and with the advent of decentralization this lack of clarity became further complicated.

The publicity given to corruption in SIGP in the domestic and international press and the subsequent pressure for improvements in the handling of corruption cases, prompted CIMU to take the lead in developing a more rigorous and systematic approach to case management. The list of CIMU investigations that CIMU had compiled since the beginning of SGP was transformed from a simple record of activities into an effective management tool. This so-called 'investigations matrix' was a summary of the issues investigated from the beginning of 2001 to June 2004, together with the corresponding follow-up actions taken and the necessary next steps. An extract of the matrix for the month of February 2004 is attached for illustrative purposes in *Appendix 2.*

From August 2003, CIMU and PMU updated the matrix monthly, adding cases as they were investigated and amending the 'actions taken' in accordance with developments on existing cases. The matrix was reviewed during regular monthly meetings with the PMU and the donors. By the end of the programme, the matrix listed 52 investigations since January 2001

and charted progress by which most of the cases (all but eight by June 2004) had been brought to closure.

Over the course of the SGP and SIGP, CIMU built up a large archive of reports that document the programmes thoroughly. All these reports, with the exception of reports on ongoing investigations, were distributed widely and remain publicly available on the CIMU website (www.cimu.or.id). CIMU developed effective monitoring methodologies and considerable monitoring expertise. Operating within a strict code of practice, CIMU staff built up a strong reputation for impartiality and professionalism.

Many in government initially viewed the independent monitors with suspicion as externally imposed fault-finders, but familiarity and personal working relations built up over five years helped to foster an appreciation of the value of their contributions. There has been much interest in the idea of establishing of a monitoring and evaluation unit within the Ministry of National Education, borrowing elements from CIMU's experience, but not all the elements of this model of independent monitoring may be replicable in the future. With a central resource of professional and support staff and an extensive field network of regional independent monitors (RIMs), CIMU was a formidable, but relatively expensive resource. During the busiest period, CIMU and its network of RIMs numbered almost 60 people. In addition, CIMU brought in extra international and national consultants to carry out special studies of the SGP and SIGP and related cross-cutting issues.[45] The cost of independently monitoring the SIGP was almost $3 million, or 5 per cent of the cost of the grants. Effective monitoring comes at a price.

45. Eight such studies, published as *Warta CIMU* special issues, were carried out between January 2003 and June 2004. These can be accessed through the CIMU web site (www.cimu.or.id).

Donor performance

The willingness of the donors to work together and in concert with the government was a vital element in ensuring the rapid development of the SGP. It was significant that not only did the donors agree a common approach to the SGP itself, they also agreed on the policy framework that went with it. This commonality of approach was maintained and is exemplified by the policy of the Royal Netherlands Government in channelling its support through the World Bank. The history of donor co-ordination in the education sector has been an up and down affair, with each retaining its own agenda, but on major issues relating to the crisis response, the donors spoke with one voice.

Although there were regular donor/Government of Indonesia reviews, which recommended improvements in SGP administration, there was no radical departure from the pattern set in 1998. The programme followed the course set in the original financing plan. Although there were attempts by the World Bank to orient collective thinking towards an exit strategy, there was no formal mid-term evaluation of the impact of the programme, which might have prompted a fundamental readjustment of the programme. The arrival of Dutch funding, announced in mid-2000, might have occasioned such a rethink, but the Dutch priorities were to follow a programmatic approach to education reform and support the ongoing crisis support. By agreement with the government, they saw their best contribution lay in extending the principle of block grants to the poorest schools. The SIGP did not alter the course of the original SGP. It was bolted onto its side.

Important lessons have been learned about approaches to donor supervision. In the early days of SGP, the donors' main concerns were making the programme mechanisms work. Thus, there was great emphasis on processes, such as disbursement, because these seemed to be the most pressing. Over time, the emphasis changed, and donor supervision became more concerned with engaging in dialogue with government on other

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priorities, such as programme safeguards and the wider policy agenda. The presence of the independent monitors was crucial to this process. Donors had access to reliable and ongoing monitoring information and analysis, and did not themselves have to expend much effort in establishing how the programmes were progressing.

Coincidentally, the issue of corruption became much more prominent in the corporate approach of the World Bank. With the publication in the Netherlands of reports and press articles linking SIGP to corruption, the issue took on political significance. Corruption and its prevention lay behind many of the SGP and SIGP safeguards, but until recently it was treated as an issue of sensitivity and referred to through various euphemisms. It is now openly and honestly discussed between the donors and the government.

The effectiveness of safeguards against corruption

The high volume of small transactions involved in the SGP and the system of direct transfers may explain why the programme was largely free from leakage. Petty corruption in the administration of scholarships was the focus of many of the complaints received through the PMU's toll-free telephone line, reports in the press and findings from the independent monitors. There were allegations of underhand practice against head teachers, some of which were justified. The practice of allowing schools to collect scholarship monies from the post office increased opportunities for questionable deductions. Problems also arose in relation to DBO, largely due to a lack of transparency at the school level, which fuelled suspicions of abuse, and there were occasional attempts by district authorities to control grant funds through compulsory central procurement of books and materials. Overall, though, given the scale of the SGP, there were relatively few proven cases of corruption.

The SIGP, with its larger grants, offered more opportunities for corruption. Indeed corruption came to dominate perceptions of SIGP. This perception was directly linked to the bad publicity that derived from the criticisms of advocacy groups, such as Indonesian Corruption Watch, and unsympathetic press coverage in Indonesia and the Netherlands. It was apparent that the grants attracted a lot of attention from those providing real or bogus services to schools. Some schools were reluctant to comply with the requirement to advertise their receipt of grants, not through any desire to reduce the desired level of transparency, but in an effort to avoid the unwelcome attention of opportunists and supplicants. Of particular concern were cases in which local officials corruptly diverted funds from grant recipient schools, and construction consultants who charged for services that were supposed to be provided free to schools. The means of diverting funds took various forms, ranging from 'taxation' for services rendered or favours given, to opaque and unaccountable central procurement practices for the purchase of books and furniture, which provided poor value for money. CIMU produced a number of case studies on corruption.[46] NGO and press interest served to concentrate minds on these issues.[47]

The government's well intentioned attempts to come up with a workable system of handling and resolving complaints ran into difficulties from the start. The elaborate system of UPM introduced in 1999/2000 failed

46. In response to a request from the Director-General of Primary and Secondary Education in November 2002, CIMU drew together information published in several previous reports in the *CIMU Report of taxation of SIGP Funds*, January 2003. Later, reports in response to specific allegations were produced, including: *CIMU investigation of alleged corruption of SIGP 1 funds in Kapuas district,* April 2003, and *CIMU investigation of alleged malpractices in relation to the SIGP in Kabupaten Bungo, Kabupaten Garut and Kabupaten Sumenep*, August 2003.

47. Indonesian Corruption Watch was particularly vocal about the district of Garut in West Java where it alleged school selection for SIGP grants was determined by auction to the highest bidders. These and other allegations were taken up by the press in Indonesia and in the Netherlands.

to take root, largely because there was some confusion about how their activities and scope of jurisdiction fitted with the existing administrative structures and lines of authority.[48] Furthermore, there were few signs that the central government was seriously addressing the issues of corruption. The initial reaction of MONE towards corruption appeared timid. There was a reluctance to confront district officials implicated in allegations. Part of the explanation for this lies in a bureaucratic tradition that combines minutely detailed regulation and unsystematic, laissez-faire approaches to enforcement. In part, this seemingly irresolute approach demonstrates a genuine uncertainty about the extent of the central government's jurisdiction in an era of decentralization.

From the beginning of the SGP, the independent monitors conducted investigations of complaints and problems identified during monitoring. Investigation reports were handed to the PMU and, where possible, attempts were made to resolve problems locally by CIMU staff personally engaging the heads of district governments (*Bupati*) or the local auditors (*Bawasda*). However the system of follow up was haphazard and there was little case management to ensure that investigative trails did not disappear in bureaucratic inaction and buck-passing. From mid-2003, CIMU developed the investigations matrix to track the follow-up and resolution of serious corruption cases.

Of the 52 cases listed in the matrix by the end of June 2004, 12 related to SGP and 40 related to SIGP. Some of the SIGP cases involved allegations against the construction consultants hired to advise schools, who charged for services that were supposed to be provided free. Such opportunism could have been better controlled if compliance with the terms of the consultants' contracts had been more closely supervised. More problematic were the cases involving the corrupt diversion of funds from grant recipient schools by local government officials. Because of the direct funds flow arrangements, grants

48. Although these measures had limited success, they represented a major step for a government that had hitherto discouraged any form of dissent or criticism.

could not be filtered as they passed down through the system. Instead, they had to be siphoned up from the schools and this process took a number of different forms. Corrupt practices by local officials included: (a) accepting bribes to influence the selection of grant recipients; (b) 'taxing' schools for services rendered or favours given; (c) colluding with local building contractors to subvert the requirement that rehabilitation works should be school-managed; and (d) operating opaque and unaccountable central procurement arrangements on behalf of schools for the purchase of books and furniture, which provided poor value for money.

All but eight of the matrix cases had been resolved by June 2004 when the programme finished and, in all but two of these unresolved cases, local authorities had made sufficient progress for it to be assumed that a satisfactory conclusion was likely. Only two district authorities denied or ignored the queries raised by the central government. In most other cases, the districts eventually took action because of the threat of sanctions. Given the number of investigations, the complexity of the cases and the institutional uncertainty over lines of jurisdiction, this was a significant achievement for MONE.

Responding to continued pressure from the donors and the wider press and NGO constituency, MONE made headway in defining a set of procedures for dealing with corruption cases and improving the enforcement of programme rules. In defining these programme-specific procedures, MONE was also defining its wider role in regulating the activities of districts and sharpening the accountability mechanisms implied in the MOU arrangements. That these procedures have not yet been fully implemented does not suggest a lack of political will, simply a perceived need to tread carefully and a belief that, unsettling as these cases are, they have to be put in the context of far greater problems in other projects.[49]

49. For example, MONE is dealing with a $30 million mis-procurement in the World Bank 'Book and Reading Project'.

Despite the publicity given to the issue, the extent of corruption in SIGP was not as extensive or as damaging as might be thought. The SGP initiated, and the SIGP progressively refined a set of safeguards that successfully prevented leakage on the scale of other projects and programmes. Transparency and accountability mechanisms were built into programme design, public awareness and scrutiny were encouraged, funds were delivered direct to beneficiaries and the programmes were independently monitored. Precisely because of the transparency and accountability safeguards built in to SIGP and the scrutiny it received, corrupt activity was brought into the light of day, in ways that did not apply in most other programmes. By the standards of these other programmes, the amount of corruption was limited and its negative impacts contained. Thus, corruption was not worse in SIGP. It was just more visible.

Indeed, through the SGP and SIGP, considerable progress has been made in the development of an anti-corruption political environment in which complaints of misuse can be made, mechanisms exist for gathering evidence of wrongdoing, findings can be reported publicly and attempts are made to resolve problems. The willingness to embrace SGP-type safeguards shows that MONE is interested in attacking corruption in a much more head-on fashion. However, the scale of the task should not be underestimated. It is a bold move for a government ministry to campaign against a system that has been its modus operandi for so long. Decentralization has provided the opportunity for MONE to redefine its role and approach. Beyond MONE, the climate seems right for progress against corruption. An appreciation of the costs of corruption is growing and Indonesians are embarrassed about their country's poor reputation in the area of corruption.

Lessons learned

The SGP demonstrated that it is possible to mount a large-scale crisis response and that even a sluggish bureaucracy, espoused to inefficient, business-as-usual practices can embrace radically new approaches. Strong central co-ordination and direction and standardized approaches were important factors in the success of the crisis response. In a decentralized context, such approaches may not be desirable or indeed possible. In the current situation, in which considerable development funding is still held at the centre, it may still be possible. However, it is interesting to speculate whether or not the more fully decentralized Indonesian education system envisaged by the legislation would be better able to weather another economic crisis.

The SGP introduced measures that were appropriate to the aim of short-term crisis response. The debate over the efficacy of scholarships will continue. Experience seems to suggest that demand-side interventions need to be more finely targeted to be fully effective, for example measures that support the transition between schools. There are reasonable grounds for thinking that fee income recovered from scholarships and the DBO together gave sufficient supply-side support to the school system to maintain a minimum level of service provision. Measures that were appropriate in a crisis, however, may lose their relevance if converted into longer-term funding mechanisms. Scholarships and grants are not an adequate substitute for a resource allocation system that deals with problems of inequality in resource distribution and availability. These problems would be eased by intergovernmental funding arrangements based on agreed formulae that favoured poor areas. By the same token, a series of one-off SIGP grants, which were a valid way of dealing with the crisis of under-investment in school facilities, do not provide a long-term solution to either the dilapidated school stock or sustained school improvement. The former problem requires a managed programme of capital spending and provision of recurrent

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maintenance funds. The latter problem needs longer-term funding and capacity building.

The experience of the SGP and SIGP suggests a need for better data. SGP targeting was hampered by a dearth of appropriate information on relative poverty levels and the differential impact of the crisis. SIGP targeting suffered from a lack of basic information about the state of schools and the economic circumstances of their catchment areas. In fact, a great deal of data is both produced and collected, but poor information management limits its usefulness.

SGP and SIGP have shown that positive results can be obtained from raising public awareness and involving local communities. School-based solutions can be more effective than the top-down approaches of the past, but this does not imply that things will necessarily be better simply left to schools. The quality of school management is critical. Schools need support in managing their own affairs and capacity building to help them cope with unfamiliar tasks, such as planning for improved educational outcomes, maintaining the condition of physical assets and financial management and control.

Monitoring, investigating problems and following them up are essential tools of management. The paucity of internal monitoring and the inability of the system to come up with a workable investigations function meant that these tasks largely fell to the independent monitors. This is not a sustainable situation and the need for robust internal monitoring systems is self-evident. In order to capitalize on the experience of CIMU, MONE might consider incorporating some of the features of independent monitoring that have proved valuable. These include a professionally strong, full-time regional network working to a code of conduct, which is closely managed and adequately funded to allow regular and rapid deployment. The internal monitoring system will also require the capacity to handle and absorb information and present it in useful ways. In order to have credibility

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as an impartial element of the government's wider accountability, links will have to be maintained with the press and civil society.

There were a number of useful lessons in relation to the specific issue of corruption:

It cannot be assumed that everyone shares common perceptions about what constitutes corrupt behaviour or how it should be dealt with. There can be differences of definition and expectation. In Indonesia, for instance there is a tradition of providing gifts or money as tokens of appreciation to visitors. Usually the amounts of money handed out by schools to visiting officials were quite small, but occasionally more significant sums were involved. At what point do such payments become more than mere polite contributions to travel expenses or pocket money, or become bribes intended to curry favour? Officials seeking contributions from schools towards their operational expenses would not necessarily recognize that they were involved in corrupt activity.

Similarly, there can be different perceptions of what constitutes satisfactory resolution of cases involving corruption. During the latter part of SIGP there was strong pressure, particularly from the donors, for categorization of cases into those that had been resolved and those that had not. For the central government, cases were resolved if wrongdoing had been admitted, monies corruptly obtained returned and sanctions applied to the wrongdoers. However, this covered a wide spectrum of actual practice, and to outside observers these actions might seem neither adequate recompense nor appropriate punishment for transgression of the rules. The procedures for dealing with misdemeanours by officials lacked clarity and there was little consistency in the severity of sanctions associated with inappropriate behaviour. In the absence of due process, the administration of justice can be arbitrary and unfair.

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Corruption is not simply a case of predators and victims. Some schools appeared to have put up remarkably little resistance to the corrupt demands of local government officials. This is attributable, in part no doubt, to the cultural discomfort that refusal would entail, particularly in relation to those in authority. School officials are accustomed to being towards the bottom of the food chain. However, it should be recognized that, for the corruption to succeed, there is a degree of collusion throughout the system in which the small fry also benefit. This may help to explain why the victims of corruption are willing to acquiesce. When corruption is part of the fabric of daily life, it is regarded as inevitable and 'normal' by both the perpetrators and by the victims. It is as much a matter of expectation as it is of definition or a different sense of morality. When all decisions, from the entry of a child into a favoured school to the judgements of the highest courts are subject to market forces, it does not pay the individual not to participate. Private interest dictates that everyone becomes a player in the game, even though public welfare suffers as a result.

Moreover, the size of the grants under SIGP may have influenced the collective psychology. The amounts made available to schools, although not excessive in terms of needs, were greater than most school committees were used to handling. A little siphoned off from a large sum, still leaves a fairly large sum, and it is possible that some committees felt they could afford to purchase a little goodwill as an 'investment' for relations with those able to influence current or future funding. There were a limited number of grants to go around and their winner-takes-all nature meant that, for schools, being selected carried a high premium. If the choice was one of getting a much-needed grant at a price or not getting anything, there was often considerable pressure for school committees to do whatever was necessary to be chosen. It is not surprising that allegations arose that grants had been auctioned to the highest bidders. In fact, inquiries by CIMU suggested that the arrangement had been more subtle than the term 'auction' implies. Schools routinely made payments or promises of payments in order to access funds provided at

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the discretion of district officials. This process, known as *mancing* (fishing), was not specific to SIGP, but was a manifestation of a long tradition that influenced the allocation of funds generally.

Programmes such as SIGP rely heavily on regulatory approaches to ward off corruption, but rules are ineffective without the will to enforce them. The programme could not be criticized for having too few rules or leaving too many gaps or loopholes. It was designed specifically to promote transparency and accountability. The whole package of measures – direct funds transfers, dual signatory authority for cash withdrawals, civil society representation on committees, financial disclosure and the rest – was intended as a safeguard against monopoly control and secrecy. The guidelines were comprehensive and generally available. Implementers were fully briefed.

Programme design can go a long way in establishing a framework of anti-corruption measures, but it is unrealistic to believe that corruption can thereby be wished away. The conscientiousness with which detailed rules were established for SIGP was not matched by resolute enforcement. It is as if reliance on regulation was viewed as a substitute for the more difficult job of ensuring that the rules were kept. The process of investigation and follow-up of corruption cases was slow and painful. No coherent and consistent system for dealing with allegations of corruption existed within the central bureaucratic structure. There was no generally agreed means of resolving corruption problems that arose. It was not clear whose job it was to press for remedial action. Genuine confusion persisted about who had the responsibility to take decisive action to enforce programme regulations.

This systemic problem of partial and overlapping areas of institutional responsibility can be a major limiting factor in the efficiency of government programmes. None of the enforcement agencies assigned to investigate and act upon abuses against SIGP had clear lines of authority and jurisdiction. To add to the confusion, the Indonesian Government is going through a process

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of decentralization, which has done little to clarify the situation. Because of this institutional uncertainty, the incidence of significant sanctions being imposed on proven wrongdoers during SIGP was rare. There is little deterrence in a system in which there is little chance of being caught, and even less chance of being punished as a result.

It is interesting to note that there was belatedly a marked hardening in the attitude of senior managers in the MONE towards corruption, and that this proved to be the decisive factor in resolving many of the more stubborn corruption cases. The threat of withholding future central government funding from recalcitrant districts had a remarkable effect on their willingness to resolve past issues.

Anti-corruption strategy is not simply a matter of rules and enforcement. There have to be rules and there have to be available mechanisms for dealing with corruption when it occurs, but there also has to be a framework of generally accepted procedural mechanisms for government business, that provide consistency of approach and the expectation of due process. In other words there has to be a 'good' way of doing things, otherwise 'bad' practices will prevail. Corruption leads to inefficiency and waste, but it is a workable way of getting things done, when an alternative solution is not available. The fact that the SIGP selection process in some districts was influenced by bribery is a reflection of the lack of a 'clean' mechanism for allocating scarce resources. District officials had insufficient information and inadequate procedural tools for deciding funds distribution. They had an incomplete picture of which schools were the poorest or in the greatest need. The administrative tradition in which they worked had not prepared them for the difficult tasks of working out and agreeing objective measures of relative need and establishing sound, constant and defensible mechanisms for arriving at decisions. Without this sort of governance framework, they fell back on a system of rewarding those that lobbied hardest and let resource allocation be determined by the price mechanism.

A procedural framework, therefore, is important, but reliance on procedures alone can be ineffective when they are not operated within a culture of control. Conventional accounting practices for instance can actually contribute to corruption. Government accounting procedures are based on the premise that by specifying each line item in great detail and prescribing predetermined unit costs, expenditure against plan can be faithfully recorded, discretion minimized and hence impropriety avoided. The majority of final accounts produced by schools recording the use of SIGP funds, for example, were exact images of their expenditure plans. Thus, the principle of disclosure was sacrificed in an effort to make the figures look right. The falsification of supporting documentation and the extensive use of off-balance-sheet transactions meant that the numbers in the accounts neatly added up, but they did not necessarily bear any relation to the truth.

Contrary to their intended outcomes, therefore, accounting procedures actually provide the perfect cover for all manner of nefarious dealing. In an atmosphere of lax financial control, in which there are few checks on the recording of marked up prices, inflated quantities or fictitious orders and receipts, there is potential for virtually any financial transaction to be subject to falsification. Such practices provide cover for building 'slush funds' that can be made for 'under-the-table' payments.

Independent monitoring can be an effective safeguard, but it has limitations. Effective monitoring can be an uncomfortable experience for the government, which is perhaps why it was sometimes criticized as an expensive luxury, tying up funds that would otherwise have financed other project activity. The idea of independent monitoring of Government of Indonesia programmes was unprecedented and was not universally welcomed. Initially viewed with suspicion as externally imposed police officers, the independent monitors gained acceptance because an appreciation of the value of their contributions grew over time. CIMU

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proved an adaptable resource, whose monitoring and reporting intensified to meet changing needs and whose activities provided information, analysis and advice that were widely recognized as useful.

Independent monitoring will not prevent corruption. CIMU was certainly well known to the participants of the programme and some anecdotal evidence can be found that the presence of monitors had a deterrent effect. However, more significant value lay in the role the independent monitors had in exposing of weaknesses in programme design and implementation, and contributing to improvements.

Of particular importance was the fact that the independent monitors provided competent investigative capacity and the capacity to communicate findings to practical effect. The publicity given to corruption in SIGP and the subsequent pressure for improvements in the handling of corruption cases, prompted CIMU to take the lead in developing a rigorous and systematic approach to case management. The list of CIMU investigations that CIMU had compiled since the beginning of SGP was transformed from a simple record of activities into an effective management tool. This so-called 'investigations matrix' was a summary of the issues investigated together with the corresponding follow-up actions taken and the necessary next steps. It was updated monthly and reviewed during regular monthly meetings with the Program Management Unit and the donors. This served to maintain the clarity of issues that could easily become obscured. It also served to keep outstanding cases in view and helped to step up pressure for action towards resolution. An important element of the matrix process was that is helped concentrate minds.

The tasks involved in creating and maintaining the matrix seemed deceptively simple. However, the compilation of accurate and up-to-date summarized information in a famously indirect cultural context was a difficult task. It was at times hard to ensure that the summarized information in the matrix was an accurate reflection of reality. Moreover, the sensitive

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nature of the corruption investigations and the careful manner in which findings and hard evidence had to be presented meant that there is little scope for vagueness. This kind of work requires a level of forensic skill that is not readily available.

The SIGP experience shows that competent monitoring and investigative capacity was necessary, but not in itself sufficient, either to prevent corruption or to bring about resolution of the problems of corruption. Furthermore, independent monitoring has to be intensive in order to be effective and this cannot be done without substantial inputs. With a central core of professional and support staff and an extensive field network of regional independent monitors, CIMU was a formidable, but relatively expensive resource. During the busiest period, CIMU and its network of RIMs numbered almost 60 people. The cost of independently monitoring the SIGP was almost 5 per cent of the cost of the grants. Effective monitoring comes at a price.

Much can be achieved in terms of controlling corruption at the level of an individual project or programme, but programme-based measures could be far more effective if they are part of a sector-wide anti-corruption strategy. An anti-corruption framework for the education sector would have a number of foundations:

- Management structures that provide hierarchies of authority and defined jurisdiction. In a decentralized environment, in which there are sensitivities over the traditional central-local government relations, this requirement could be satisfied through agreement to clear, unambiguous roles and responsibilities expressed in memoranda of understanding or service-level agreements between the parties involved.
- Re-establishment of 'good practices' and the capacity building that goes with them to create and institutionalize a framework of objectives and procedures that provide the alternative to corrupt shortcuts. There also need to be incentives for 'getting it right'. Programme planners need to be aware that requirements for transparency and accountability

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are not only at odds with the established ways of doing things, but they also disrupt the intricate system of incentives that sustains the usual business of governance. Some other forms of incentives have to be put in their place.

- A generally agreed set of values or code of acceptable conduct for all government employees, backed up by disciplinary procedures and a system of appeals: in other words a recognized system of due process.
- A credible armoury of enforceable sanctions.
- A willingness to enforce the rules. The political will to draw the line between what is and what is not acceptable, and to act decisively and impartially is a key ingredient. Sanctions only work as a deterrent if they are applied. Catchphrases such as 'zero tolerance' are empty rhetoric without action.
- A commitment to transparency. Public trust in measures aimed at reducing corruption will depend not only on actions that are taken, but also on actions that are seen to be taken.

Above these foundations, a superstructure of anti-corruption measures and capacities is required. These have recently been provided within the context of individual projects and programmes, but there are strong arguments for their being established within routine administrative structures. They include:

- Monitoring capacity to provide accurate and timely management information on compliance with the rules, performance and impact.
- Administrative capacity to handle complaints and sort out serious from less serious problems.
- Professional capability to undertake proper investigations, to record evidence that supports conclusions and to report findings clearly and in such a way as to point the way to remedial action.
- Mechanisms, such as the matrix, for keeping track of cases and ensuring there is sufficient pressure for resolution.

Programmes and projects that attempt to tackle corruption can become victims of their own success; this has implications for donor policy. The SGP initiated and the SIGP progressively refined a set of safeguards that introduced transparency and accountability and successfully prevented leakage on the scale of other projects and programmes. It was precisely these transparency and accountability mechanisms and the scrutiny the programme encouraged that shone a spotlight on corrupt activity, which in most other programmes was shrouded in darkness. Corruption became an issue in SIGP because of all the effort that went into discovering it.

The lesson here for donors is that they should know what they are getting into, understand the complexities of controlling corruption and hold a realistic view of the efficacy of the safeguards put in place. Armed with this knowledge and understanding they should not be surprised when corruption is found, waver in their commitment – or look around for someone to blame.

Moreover, they should retain a realistic view of what is being achieved. In the furore surrounding corruption in the SIGP, it was easy to lose sight of the purpose of the programme and its achievements. It was not primarily an anti-corruption programme. It was a school quality improvement programme that happened to acknowledge the corrupt environment in which it operated, and do something about it. As such it deserves to be judged against its own objectives. As it happens, SIGP substantially met its objectives of making significant improvements in the learning environments of the poorest schools. Education programmes and projects can contribute towards a more general anti-corruption strategy, but they cannot, single-handedly, be expected to change society.

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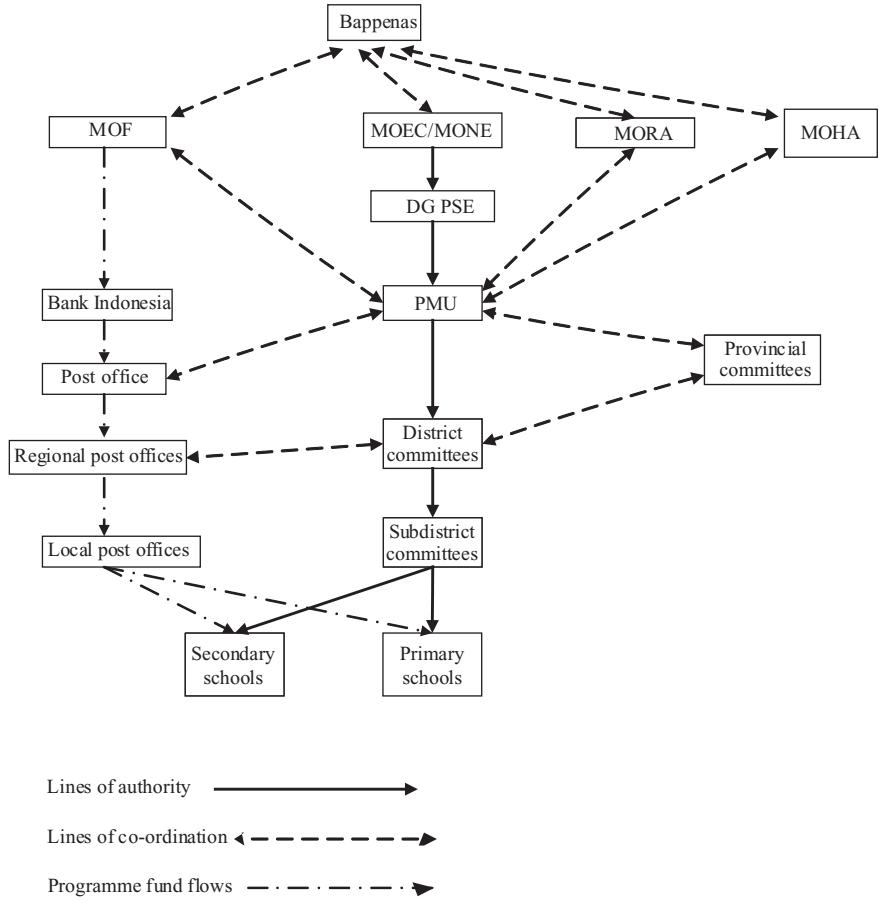
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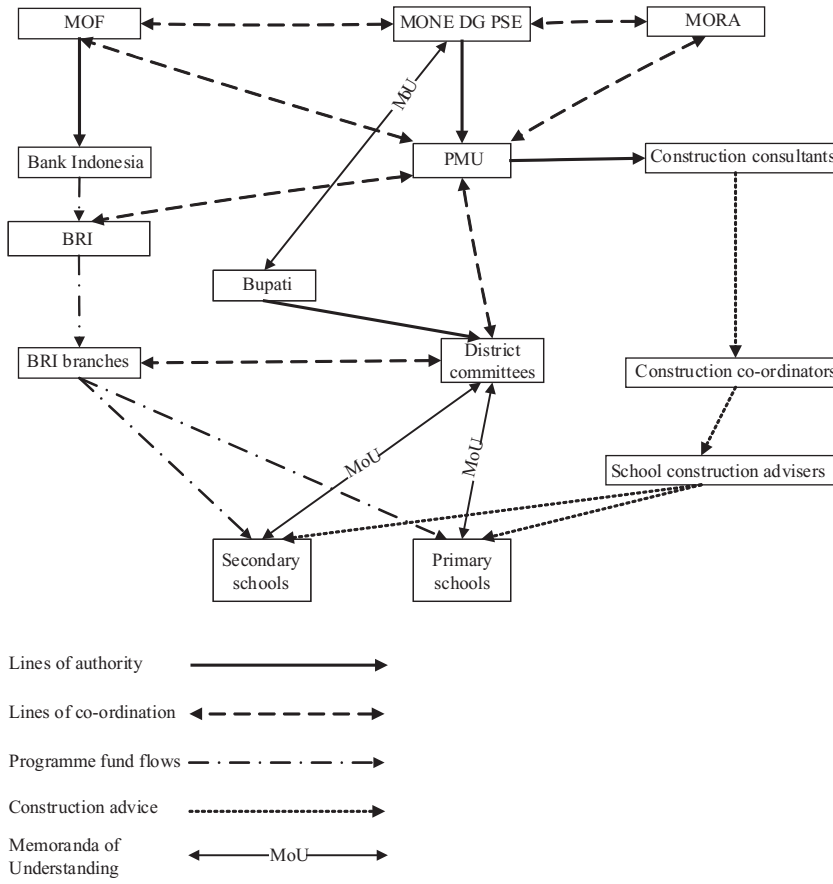
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Appendix 1

Simplified diagram of the SGP implementation structure



Simplified diagram of the SIGP implementation structure



Appendix 2

Extract from the matrix of cases of alleged corruption, February 2004

21.	October 2003	Buton, South-east Sulawesi	• SIGP 2 • Alleged payment of SIGP 2 funds to district committee members and SCAs. • District level problem	• Head teachers of five schools admitted to having made substantial payments to named district committee representatives. • Head teachers from two further schools admitted to having made payments to the SCA who provides technical advice to both schools.	• In October 2003, CIMU reported initial findings to the PMU. • On 4 November 2003, the head of Bawasda, Buton met with PMU and CIMU in Jakarta. During this meeting, the current findings were discussed, and Bawasda promised that it would begin its own preliminary investigation into CIMU findings of illegal payment and that it would report this discussion to the Bupati. • On December 8, PMU met with Bupati of Buton, a representative of Bappeda and CIMU in Jakarta. PMU gave a clear and concise summary of the cases from SIGP 1 and 2 in Buton. The Bupati told PMU that he would look into the matter personally and inform the PMU of his actions in the near future. • On 25 January 2004, the Bupati sent a letter to the DG* stating that the Secretariat Manager had been replaced. The letter indicated that the district would seek the return of funds to schools that made illegal payments.	• DG* to write to the Bupati by February 23 expressing his disappointment with the district's lack of progress in resolving the case and requesting clarification on when and how funds will be returned to schools. • CIMU will continue with a more extensive investigation in February 2004. • CIMU/PMU to continue monitoring progress of repayment to schools.	• Case unresolved

22	August-October 2003 and November-December 2003	Maluku Tengarra, Maluku	• SIGP 2 A. Allegations of organized procurement of books (district level problem).	A. Evidence gathered during October shows that 30 out of 31 primary schools in the district purchased books from a specific vendor at the urging of the district committee. These purchases totalled Rp.260 million, but if purchased at local retail prices, the same books would cost Rp.109,375,000. The scheme therefore represents poor value for money. 11-17 December 2003, CIMU gathered further evidence that confirmed earlier findings.	A. CIMU reported investigation findings to the PMU. New findings were reported to PMU. 20 December, CIMU reported findings to officials at Bappeda. By 7 January 2004, Bappeda informed CIMU that the Bupati had been informed of CIMU's findings, that the Kepala Dinas Pendidikan had been moved to a different position on 3 January 2004, and that the Bupati had ordered Bawasda to investigate the matter. On 7 January 2004, the Ketua Bappeda informed CIMU that the Bupati had moved the Kepala Dinas Pendidikan out of his position at Dinas Pendidikan to a different Dinas office. He also said that Bawasda was investigating the case and would report to the Bupati once the investigation is complete.	A. DG* to write to the Bupati by 23 February commending the district for progress on the investigation and encouraging them to expedite follow up actions to resolve the matter. CIMU will continue to monitor for the report from Bawasda and for follow up action from district officials.	A. Case is unresolved, although significant progress has been made.
			B. Allegations of illegal payments to CC and SCAs (construction consultant firm problem).	B. Head teachers at five SIGP schools admitted to having paid Rp.1.5 million each (a total of Rp.7.5 million) to the CC and SCA.	B. In late August, CIMU reported initial findings to the PMU. A more thorough investigation was begun in November 2003. CIMU reported these findings to the PMU. On 21 August, the PMU raised these findings with the firm. On 15 September, head teachers at all five schools confirmed repayment from CC and SCAs. 11-17 December 2003, CIMU conducted further investigation in the district. On 18 December, the firm responded formally to the PMU saying that the matter had been resolved.		B. Case resolved

23	September-October 2003 and December 2003	Kuningan, West Java	• SIGP 2 • Allegations of illegal payments to district and subdistrict officials • District level problem	• Five schools paid a total of Rp.23 million to some officials at the district and subdistrict level. • A CIMU investigation on 4-9 December 2003 collected evidence from seven schools that were not included in the initial investigation. This new investigation did not find evidence of illegal payments, however, six of these schools marked-up the quantity and price of purchased goods by a total of Rp.20.2 million. The DC* had not taken any follow-up action on the previous findings, and had only visited one school.	• CIMU reported initial findings to PMU. CIMU also reported investigation findings to the DC* for further follow up action at the local level. • The latest CIMU investigation findings were reported to the PMU on 11 December 2003. • From 15-17 January 2004, CIMU met with the Ketua Bappeda and the Bawasda of Kuningan and delivered a detailed report on CIMU investigation findings. The Ketua Bappeda and Bawasda promised to follow up on these findings.	• DG* to write to the Bupati by February 23 expressing his disappointment with the district's lack of progress in resolving the case. • PMU and CIMU to monitor follow up actions by the Ketua Bappeda and Bawasda through February.	• Case unresolved

24	September-October 2003 and December 2003	Cianjur, West Java	• SIGP 2 • Allegations of illegal payments to district and subdistrict officials. • District level problem	• Seven of 14 schools that CIMU visited in October made illegal payments to district and subdistrict officials These payments totalled Rp.90 million. • From 4-10 December 2003, CIMU conducted a follow-up investigation that included visits to six schools that were not included in the initial investigation. Five of these schools told investigators that they made illegal payments to outsiders. Investigators collected evidence from three of these schools showing that they paid a total of Rp.57.3 million to outsiders including district and subdistrict officials, district committee monitoring team members, journalists, SCAs and others.	• The RIM reported findings to the PMU and to the district committee that committed to take follow up action. • In early November 2003, the PMU met with the Kepala Dinas Pendidikan, presented the CIMU findings and urged him to take appropriate follow-up action and inform the PMU of this. • Findings from the CIMU follow-up visit in December were reported to Bawasda and the DC*. • 12-15 January 2004, CIMU and Bawasda conducted a joint investigation of ten schools and found evidence that seven of these made illegal payments to various parties including district committee core team members, subdistrict officials, journalists and members of local NGOs. Following this investigation CIMU and Bawasda met to confirm their agreement on the findings, and Bawasda agreed to take follow up action. On 30 January, CIMU delivered its formal written report on these findings to Bawasda and PMU.	• Bawasda will continue with further investigation of additional schools. • DG* to write to the Bupati by 23 February, commending the district for progress on the investigation and encouraging them to expedite follow up actions to resolve the matter. The letter will request clarification on the results of the Bawasda investigation and planned follow up action. • CIMU/PMU will monitor the outcomes of the Bawasda investigation and any follow up action.	• Case unresolved

*: DC: District committee; DG: Directorate General.

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