

THE STATUS OF EDUCATION FINANCING

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**A PAPER PRESENTED IN A REGIONAL WORK SHOP ON THE STATUS OF
EDUCATION FINACING – LIFE LONG LEARNING PROGRAM IN SOUTH
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Introduction:

I am delighted to be here to day in Manila not as a tourist, but as a participant in this regional workshop on the status of Education Financing of lifelong learning programs in South East Asian Countries. As someone who has served in the Education Sector for over 21 years, I strongly believe that, 'Highly trained and highly Skilled workers(MAN POWER) are critical, not only to their individual prosperity, but also to the progress and prosperity of a country as a whole.

Like the developed and other developing countries, Indonesia's development needs are enormous. For instance, Indonesia is a large and diverse nation which derives its Identity from both a homogeneity and heterogeneity in geographic, religious, cultural, Ethnicity and Economic terms. Indonesia's population is 241 million covering more than 300 ethnic groups, speaking more than 583 local languages and dialects, with religious practices covering Islam, Protestantism, Catholicism, Buddhism, Hinduism and Confucianism. Education reforms must therefore respond to these opportunities, address particular geographic and economic constraints through systems which are responsive to Indonesia's life and diversity.

The government of Indonesia recognizes that as a member of the E9 group of large country Education systems, it has particular responsibilities if global EFA targets are to be achieved, thus financing life-long learning programs. However, it should be noted that, when we talk of life-long learning in Indonesian perspective little is known. This is due to the fact that, Life-Long Learning in Indonesia as a term is still in theory and principles and not in implementation. However, this does not mean that Life-Long Learning does not exist in Indonesia. When we analyze the system and structure of education in Indonesia it's fit to be categorized as life-long learning, for example; early childhood education, kindergarten education, primary education, secondary education (both junior and senior secondary education), skill based education, gender and women education, vocational education, out of school education etc, all these have been summed up into three, namely; formal education, informal education and non formal education, which serve as principles to life-long learning. So in the discussion, the terms "Education

(formal, informal and non-formal education” will be used often but in specific they will refer to life-long learning as per the theme of this workshop.

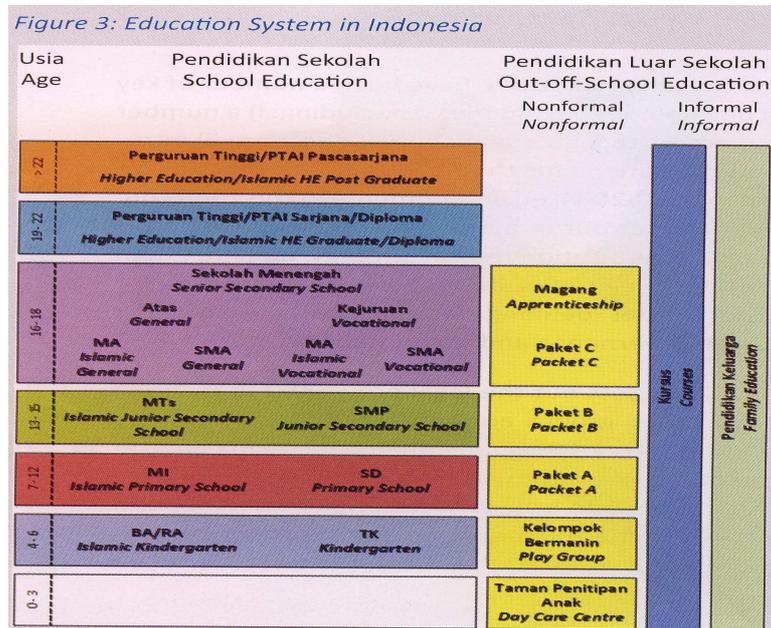
Broad Education Development Trends

Since Jomtien (1990) and Dakar (2000), there have been a number of key milestones in education development in Indonesia, including:

- i) A number of action plans to expand access to high quality basic education
- ii) introduction of legislation and regulations for the decentralization of education service management in 1999-2004
- iii) amendements to the 1945 constitution related to education set out in a new Education law 2000/2003 and
- iv) formulation of a revised education reform strategy, Renstra 2005-2009. These initiatives set out a legislative and regulatory frame work for expanding education opportunities, defining standard and measures for improving education service governance and accountability.

The revised education law 2003 sets out the legal provision for ensuring that un reached or disadvantaged groups are addressed by the Ministry of National Education and Ministry of Religious Affairs, focusing specifically on equitable treatment for: i) religious, linguistic and ethnic Minority groups, ii) socio-economic classes and other stratifications , iii) males and females, iv) students with disabilities or special needs, v) residents of remote/ rural, Island and border areas and, vi) the very poor, orphans, street and working children. Based on the 1999 decentralization legislation and the Education law 20/2003, the government has designed specific strategies and program to implement the education policy, legislation and regulations through strategic pillars: i) Ensuring expanded access and equity, ii) improving quality and relevance and, iii) Strengthening governance, accountability and public image.

The table below shows equitable access to education (formal)



Organization and Structure of Education System

Under Education law 20/2003, the education system is organized as: i) early Childhood education including day care centers, play groups and kindergartens, ii) primary Education including both formal and non-formal (paket A), iii) junior secondary education including both formal and non-formal (paket B), iv) Senior secondary education including both formal (general or vocational) and non-formal (paket C and apprenticeships) and, v) Higher Education, including professional education of managers and teachers.

The Education Services are primarily delivered through institutions under the auspices of the Ministry of National Education (MONE) and Ministry of Religious affairs (MORA) which regulate both public and private providers, along side public and private Universities which have variable degrees of autonomy. The system also incorporates formal, Non-formal, informal and distance learning approaches to education service delivery, with a growing emphasis on ICT based education service. Legal provision,

organization and service delivery incorporates special needs, including both students with learning disabilities/constraints and gifted students. A diagram of the organizational structure of the Indonesian education system is shown above.

National Policy and strategic Frame work on Education (life long learning).

In Indonesia, the Dakar agreement on life skills is defined in EFA National Action Plan as: “Life skills which means the skills or capability that must be owned by each individual in order to be able to adapt and to act positively, which makes someone, effectively, to be able to face various of life claims, challenges and daily life, and be able to act in generic skills (psycho social) including the social and personal skills: healthy life behavior, cooperation skills, communication skills, critical skills and have a value and attitude such as : disciplines, responsible and respect towards other people. The specific skills are academic and vocational skills, so that with various skills and basic attitude that has close relation with personal development concerned to the health, either physical, mental, social and entrepreneurship.

Life skills for basic and secondary levels has been implemented from kindergarten (TK and RA), SD/MI, SMP/ MTS, SMA/MA, and SMK. The life skills in elementary level is concerned on the generic life skills which are stressed on the ability development in psycho social and educational character, in order to provide foundation or sound basics in light of facing the future role and life. Life skills for SMA/MA level concerned on the specific life skills with focus on the Academic skills (science) and generic life skills including Psycho-social and vocational skills. These skills must be given in the SMA/MA in order to anticipate the working field, if the students will not continue to the higher Education or drop out of school.

Life skills for SMK level concerned on the Sound Knowledge of vocational skills and generic skills including the Psycho social. The academic skills which are given in the SMK level are science Academic that directly relate to the technological mastery and as anticipation for those who will continue education to a higher level of professional education. Life Skills for out of school education level focus on the preparation for the

learning community to be able to work and run Independent business, have a positive attitude and behavior, and self protection to wards the pandemic of HIV/ AIDS and drug abuse and early pregnancy.

The broad life skill strategy, as defined with in the EFA National Action Plan, aims to:

- i) Produce quality graduates or employee candidates and who are ready to enter the working world or become independent business owners, and be able to access the working opportunities, either at local, domestic, or international levels,
- ii) Develop the community productivity mainly the workers who intend to join production sector of goods and services that fulfill the market demands,
- iii) Develop the business or industry activity which is managed by personal, family, group of family, group of community who is able to employ other workers and become a strength to the growth of Industry and public economy,
- iv) Improve the community health and avoid from the pandemic of HIV/AIDS and drug abuse
- v) Reduce the number of unemployment and poor communities and
- vi) Increase the income and community prosperity.

The key life skills operational strategies are:

- i) to ensure the expansion and even distribution in gaining quality education for all Indonesians, in order to achieve the high quality of human being
- ii) to increase the life skills education quality and its relevancy
- iii) to develop the efficiency of educational implementation. Management by empowering and developing the educational institution quality, both at school and out of school levels, and develop the family and community participation which is supported by facility and infrastructure
- iv) to implement the integrated effects to accelerate the process of poverty reduction with in the community and to reduce the unemployment which become the impact of economic crisis and

- v) to realize an integration of education system based on the needs of working world, mainly a synergy cooperation with the community.

EDUCATION FINANCE: PATTERNS AND TRENDS OF FINANCING LIFELONG LEARNING PROGRAMS IN INDONESIA.

Education (LLL) program are financed from a number of sources, including central provincial and district government budgets and parental/community contributions. The Indonesian Government has demonstrated its commitment to implementing EFA. Through a significantly up ward trend in public expenditure on education (LLL). Over all, in the past decade, there has been an upward trend in government expenditure on education programs. Public expenditure on education has grown from around Rp. 42 Trillion in 2001 to Rp. 79 Trillion in 2005. Education shares of national expenditure have grown from 12% to almost 15% over the same period. Similarly, the education share of GDP has increased from 2.5% to 2.9% over the same period.

Table 1: National Public Expenditure on Education (Central + Province + District) for 2001 to 2007 (in Trillion Rupiah)

Education	2001	2002	2003	2004	2005	2006*	2007**
Nominal National Education Expenditures	42.3	53.1	64.8	63.1	78.6	114.7	131.0
National Education Expenditures (2001 prices)	42.3	47.4	54.3	49.8	56.2	72.7	78.1
Growth Real National Education Expenditures	40.3	8.5	18.4	-8.4	12.8	29.4	7.5
Education Exp. (% Total National Exp.)	12.0	15.7	16.0	14.2	14.7	15.7	16.8
National Education Exp. (% GDP)	2.5	2.8	3.2	2.8	2.9	3.5	3.9
Total Nominal National Expenditures	352.8	336.5	405.4	445.3	535.8	728.2	778.2
Total Real National Expenditures	352.8	300.8	339.9	351.6	382.9	461.3	464.0
Government Size (Total exp. % of GDP)	21.0	18.1	19.8	19.6	19.6	22.0	22.0

Source: Investing in Indonesia's Education, World Bank, January 2007, Note: * = budget, ** = estimated.

In the past three years, Government Commitment to accelerating the implementation of EFA goals and targets has been reflected in increased central public expenditure allocations for education. For instance, in 2007, the allocation for education was estimated at Rp. 131 Trillions constituting 67% increase over expenditure in 2005. This implies that, the share of public expenditure in 2007 was estimated at 16.5%, Constituting

Table 2: Nominal Education Expenditures per Level of Government 2001–04 (in Trillion Rupiah)

Level	2001	%	2002	%	2003	%	2004	%
Central	12.6	31	13.8	27	21.3	34	18.8	30
Development	8.5	67	9.2	67	16.0	75	12.5	67
Routine	4.1	33	4.6	33	5.4	25	6.3	33
Provincial	1.9	5	4.0	8	3.9	6	3.8	6
Development	1.4	70	2.6	66	3.1	80	3.0	79
Routine	0.6	30	1.4	34	0.8	20	0.8	21
District	26.2	64	32.6	65	38.3	60	40.0	64
Development	3.0	11	4.6	14	5.3	14	4.8	12
Routine	23.2	89	28.0	86	33.0	86	35.2	88
Total Expenditures	40.8	100.0	50.4	100.0	63.6	100.0	62.6	100.0

Source: Investing in Indonesia's Education, World Bank, January 2007

3.9% of GDP.

Between 2001-2004, the majority of education spending took place at district level (see table below). The spending at national and provincial level has increasingly focused on development spending (eg. school infrastructure, scholarship, text book) specifically related to achieving EFA goals and targets. The share of education spending on personnel costs has remained roughly constant over the period 2002-2004 with around 94-96% share of district expenditure and 62-71% of provincial expenditure.

In Indonesia, patterns in expenditure per pupil are broad typical of international norms. For Example, expenditure per pupil in junior secondary education is approximately 25

Table 3: Expenditure on Educational Institutions/Student/Level - Based on Full-Time Equivalent (2002 USD PPP)

Countries	Pre-primary Education	Primary Education	All secondary Education	All tertiary Education
Indonesia	64	110	315	1296
India	79	396	712	2,486
Malaysia	552	1,897	2923	14,405
Philippines	62	491	452	1730
OECD Mean	4,294	5313	7002	10,655

Source: Investing in Indonesia's Education, World Bank, January 2007

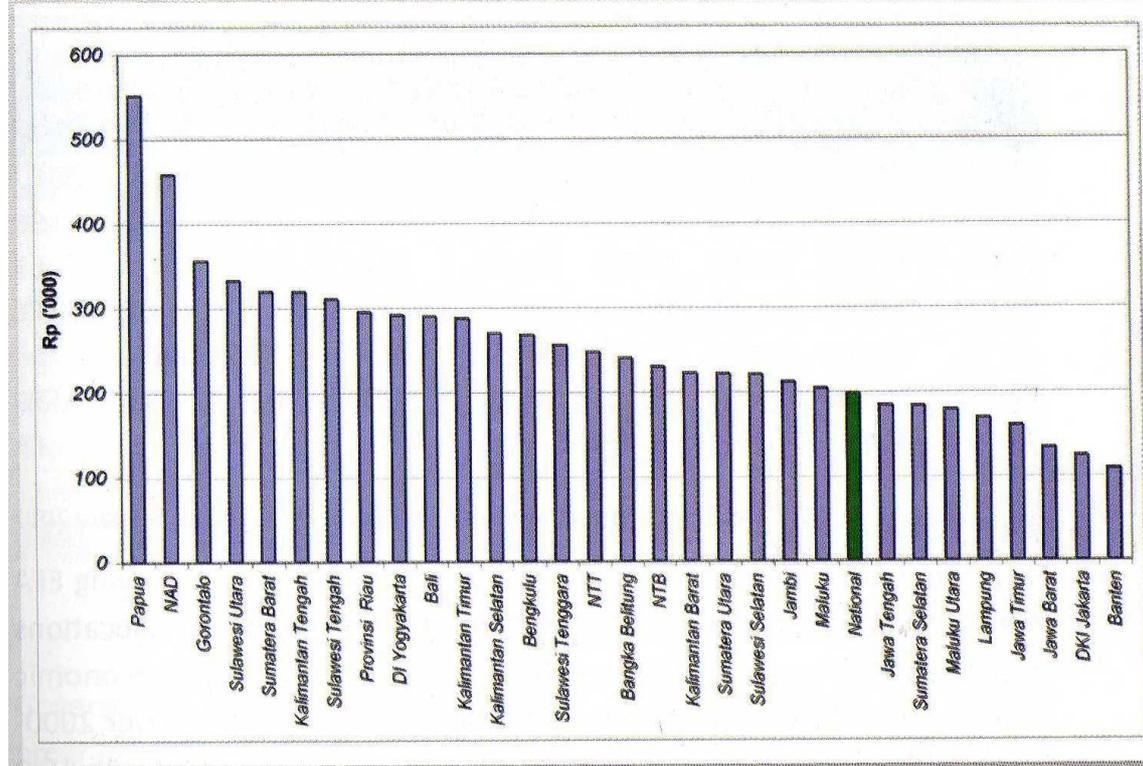
times that of primary education, whereas senior secondary education is 3.4 time more than primary. Per student expenditure at tertiary any education levels is roughly 11 times more than primary education.

School are funded from a number of sources including government and parental contributions. A 2002/03 survey indicated that 92% of primary school budgets are funded by district governments with parents contributing 4% in the form of school fees and other contributions. Parental contributions for junior and senior secondary schools represented an estimated 13% and 17% respectively, constituting a significant access barrier for students from poorer households. Recognizing these constraints, government introduced a new primary and junior secondary school funding mechanism (BOS) designed to offset parental school fee contributions, through operational budget support direct to schools. The BOS is also designed to increase the volume and share of non-personnel spending at the school level. The scholarship for the poor program (BKM) has continued In reduced from.

There is significant variation in per capita spending on education between provinces in Indonesia, covering all forms of education. The national average is Rp. 198,000 per

capita per annum in 2004 (see figure 4) with individual provincial spending ranging from around Rp. 110,000 to Rp 550,000. Much of this variation is due to larger economies of

Figure 4: Regional government per capita education expenditures per province (2004)



scale for education service delivery in more densely populated provinces. Many of the higher spending provinces have scattered populations and small school sizes, making it difficult to utilize staff and other resources cost efficiently.

There is significant variation in the per capita spending on education across districts. In broad terms, spending patterns at the district level show that the richest districts have not only higher per-capita spending but also higher per-student expenditure. The spending gap between the poorest and richest district also has increased over the period 2001-2004 (see table below). Nevertheless, the poorest districts are according similar priority to education spending as other, richer, districts. These patterns are due in part to higher enrolment in secondary education (which has higher unit cost) in the richer district. The

table below also highlights the low proportion of district spending on non personnel costs.

Table 4: District Expenditures on Education per Poverty Quintile

District Quintile	Per Capita Total District Expenditure		Education Expenditure per Public School Student		Education as % of Overall Expenditures		Non-personnel Education as % Total Expenditure	
	2001	2004	2001	2004	2001	2004	2001	2004
Poorest	558,116	725,459	165,486	215,523	35.7	34.4	5.5	5.3
2	364,804	724,234	148,595	228,492	40.1	36.3	4.4	4.7
3	393,305	690,836	144,850	209,021	43.0	35.0	4.3	4.6
4	493,893	899,841	184,214	245,510	40.0	32.0	4.9	5.6
Richest	619,163	950,714	182,893	272,704	32.9	31.1	5.2	3.9
All	484,758	798,819	165,168	234,718	38.2	33.7	4.8	4.8

Source: Investing in Indonesia's Education, World Bank, January 2007

Government has demonstrated its strong commitment to achieving EFA goals and targets through increased education expenditure allocations over the past 7 year (see figure). Recovery from the 1997 economic crisis meant only gradual growth in Money budget allocations over 2000-2004, with allocations rising from Rp. 11.3 Trillion in 2000/01 to Rp. 16.9 Trillions in 2004/05. Since the adoption of revised EFA strategies in Renstra 2005-2009, education expenditure allocations have grown significantly: rising to projected Rp. 44.1 Trillion in 2007/2008. Budget allocations for achieving 9 years of compulsory education have also increased from Rp 7.1 trillion (in 2004) to Rp 19.9 Trillion (in 2006/07 and 2007/08)

Money Budget execution and realization rates have also improved due to improved implementation of programs, 2005/06 budget disbursements were Rp. 23.1 Trillion from a budget of Rp 26.1 Trillion (89%). As of end February 2007, Rp 37.2 Trillion of the 2006/07 budget of Rp 40.5 Trillion had been disbursed (92%).

Table 5: Central Education Expenditure Allocations, MoNE Only, By Program

Program	2004/05	2005/06	2006/07	2007/08
Early Childhood	0.4	0.4	0.3	0.5
Formal Basic Education	7.1	10.9	19.9	19.9
Formal Secondary Education	2.1	2.6	3.6	3.7
Higher Education	2.4	6.2	10.8	7.8
Out-of-School Education	0.7	0.5	0.8	1.2
Quality Improvement	N/A	2.8	3.3	2.4
Other	4.2	2.7	1.8	8.5
Total	16.9	26.1	40.5	44.0

Source: Ministry of National Education

Government has increased expenditure allocations on all EFA related programs over 2004-2007. formal early childhood program allocations have increased complemented by expansion of non-formal early childhood initiatives. Program budget allocations for 9 years of compulsory basic education have more than doubled, focusing on expanded primary and junior secondary school infrastructure repair and new construction, dedicated textbook program allocations and the expansion of the school operational budget support initiative. Out of school non formal education budget allocation have almost doubled, with priority for expanded adult literacy, increased access to equivalency programs and new early childhood education initiatives.

Government is also according growing attention to lifelong learning and life skills education programs through formal and non formal approaches. The increased secondary education program allocation reflects implementation of strategies to increase transition rates to senior secondary education, both general and vocational. The out of school program also includes expansion secondary equivalency (paket C programs). The

increased allocation for higher education includes programs that help assure transition from senior secondary to higher education, including vocational and professional studies. A key feature of the MoNE program budget patterns is the introduction of a dedicated program for implementing the legislation associated with upgrading and certifying the teaching force at University graduate levels. The program is managed through the directorate of Quality Improvement for Teachers and education personnel. A related initiative is increased spending on education standards setting and monitoring, through the MoNE examinations centre and the board of National Education Standards (BSNP). Set up in 2004, new programs and budgets have also been introduced since 2005 to strengthen MoNE financial management, accountability and audit systems.

IMPLEMENTATION ARRANGEMENTS

The organizational arrangements for implementing life skills education include:

- i. non formal education course institution/out of school education implemented by the community (Pendidikan Luar Sekolah dan Masyarakat/ Diklusemas)
- ii. learning Activity centre (sanggar kegiatan belajar/SKB)
- iii. learning activity development centre (Balai Pengembangan Kegiatan Belajar/ BPKB)
- iv. youth and Out of school education development Centre (Balai Pengembangan Pendidikan Luar Sekolah dan Pemuda/ BP-PLS)
- v. community learning centre (Pusat Kegiatan Belajar Masyarakat/ PKBM)
- vi. community integrated Development institution (Lembaga Pengembangan Terpadu Masyarakat/ LPTM), (e.g. Islamic Boarding School (Pondok Pesantren), non formal foundation)
- vii. community Service Institution (Lembaga Pengabdian Masyarakat/ LPM) within the Higher Education which concerns on the non formal education and
- viii. Youth Organization, Foundation and Cooperation.
- ix. Responsibilities for managing life skills education include:
 - x. central government
 - xi. regional governments (provincial, district/town, sub-district, and village levels
 - xii. nongovernmental organization and

xiii. Local community.

Key functions include : i) Curriculum development, ii) Development, production and distribution of learning materials (book and modules), iii) Technical assistance in learning activity development and, iv) Management training for educators. In addition, resource management includes management of education staff, information systems, community mobilization and socialization/advocacy activities.

The role of government is a combination of enabling and providing life skills education through: i) school fee or scholarship for education participants, ii) provision of educational facility and infrastructure, iii) provision of learning materials, skills modules, and other supporting materials, iv) education and development of UKS, v) honorarium for educational staff and management, vi) competence assessment, vii) funds for business learning, viii) socialization, promotion and advocacy and, ix) monitoring, evaluating, technical assistance and study.

NATIONAL PERFORMANCE IN ACHIEVING EFA GOAL AND RELATED OBJECTIVES

Figure 25: Educational Background of the Labour Force, 2004

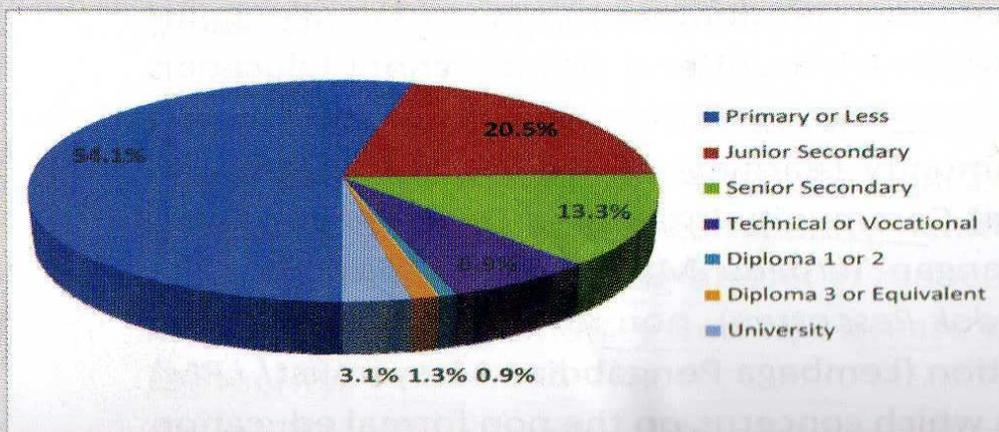


Figure 26: Technical and Vocational Education Gross Enrolment Rate

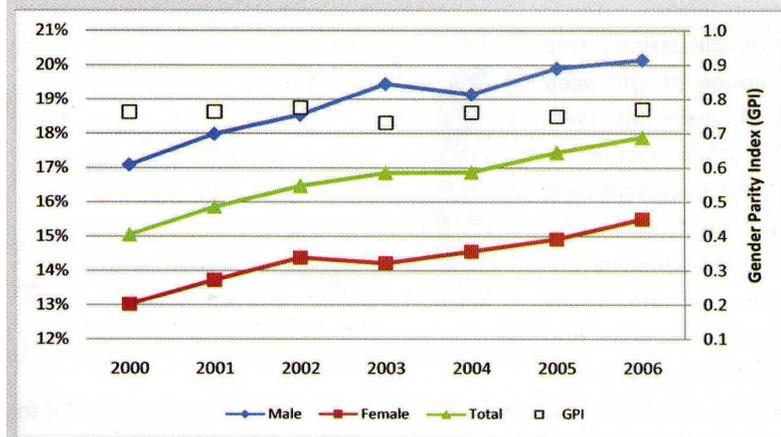
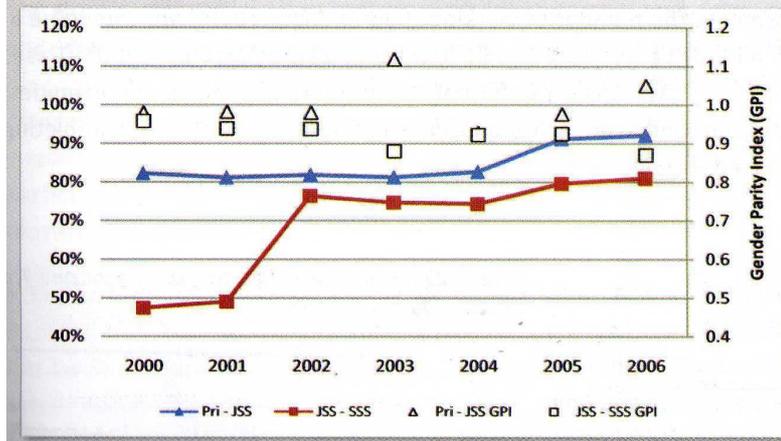


Figure 27: Primary and Secondary Transition Rates, Male and Female

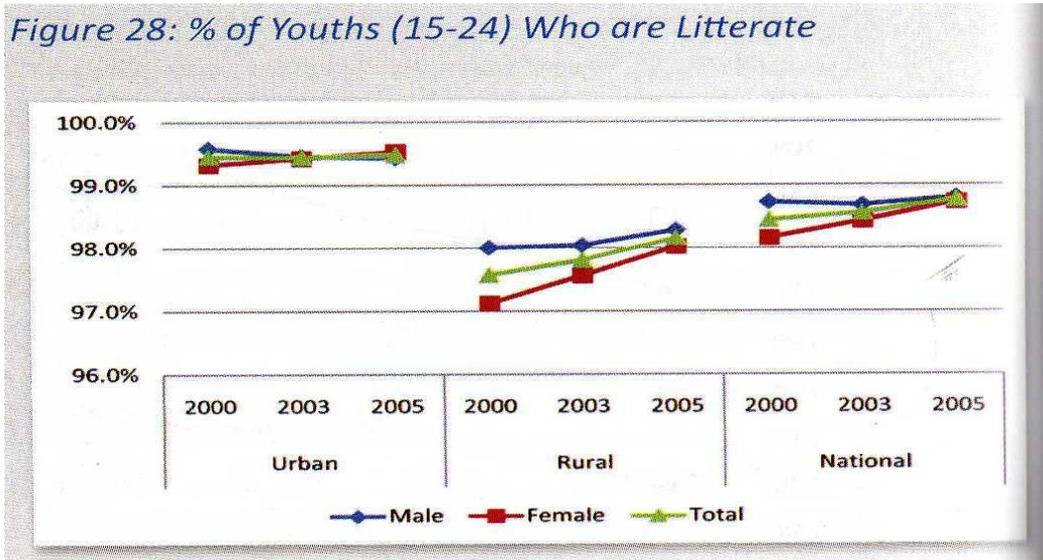


One indicator of national performance is the international human development index (HDI). Indonesia's ranking remains disappointing at 108 out of 179 countries, in 2006.

The education profile of the labor force, though improving slowly, is also relatively low, with more than 50% of the labor force having only, at most, a primary education. The proportion with senior

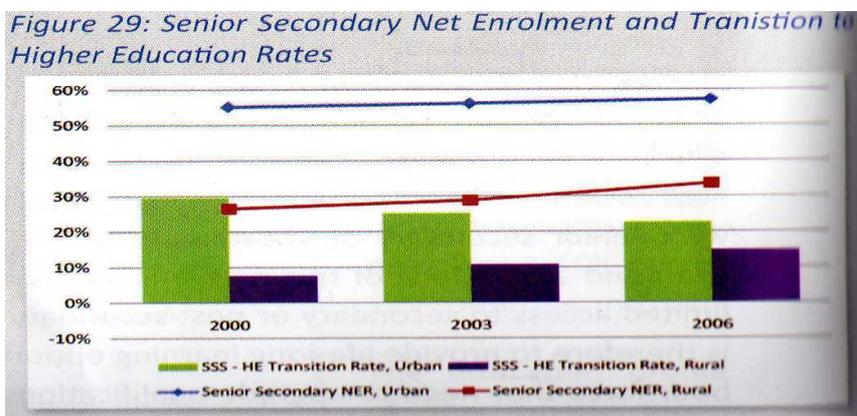
secondary or vocational/ technical education qualifications is around 20%. Much of this profile is an historical legacy of previously limited access to secondary or post-secondary education. The challenge is therefore to provide life-long learning opportunities to those in the labor force that need to upgrade qualifications and skills in response to changing work force skill requirements.

Figure 28: % of Youths (15-24) Who are Literate

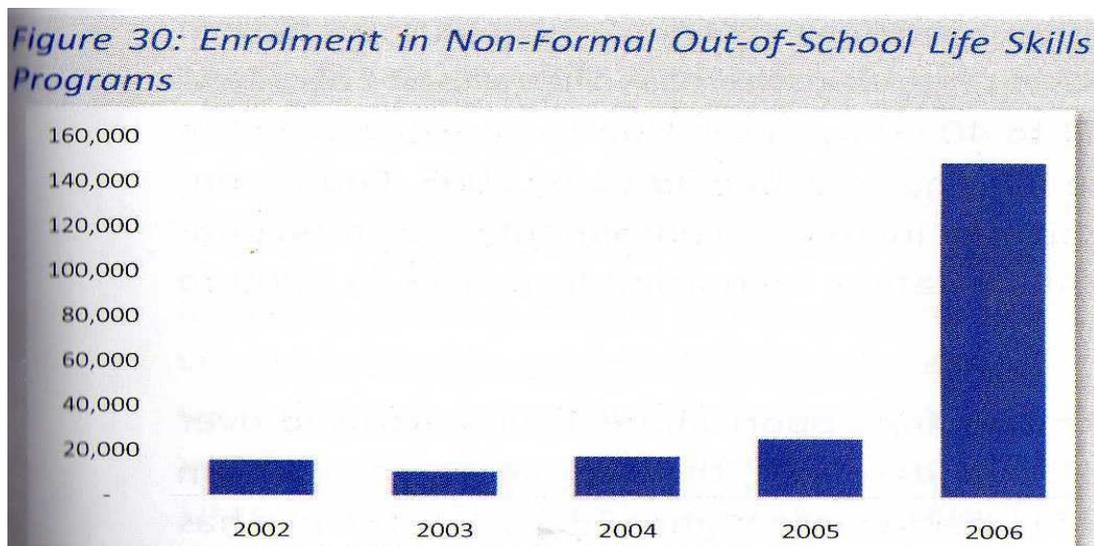


A related national performance indicator is the literacy rate of young people aged 15-24 years old. Over 2000-2005, these literacy rates have improved from 98.4% to 98.8% with a significant improvement in literacy rates in rural areas due to expanded access to formal and non-formal basic education and other life-long learning opportunities. Nevertheless, the frequency of working children remains a constraint in accessing these growing life-long learning opportunities. Positively, the number of working children (ages 10-14) appears to be in decline with a decrease from 670,000 in 2004 to 516 in 2005. This is due to increased access to formal and non formal learning opportunities, alongside better advocacy and information on the value of completing basic education.

Figure 29: Senior Secondary Net Enrolment and Transition to Higher Education Rates



Another national performance indicator is that Indonesia remains in the bottom third of the global economic competitiveness index. A key factor identified by Indonesia firms is the lack of an adequately trained and education workforce; with over 25% of Indonesian firms considering this an obstacle on their profitability and competitiveness. Limited opportunities for workforce skills upgrading by firms is seen as another key constraint. Similarly, the shortage of better educated and trained workers in rural areas, alongside limited post secondary education and training opportunity, is a key constraint on rural economic diversification and non agricultural employments.



The shortage of high quality secondary and higher education graduates and inadequate business education program in schools and universities is recognized as a key factor in rural SME development. Ensuring increased progression to secondary and post secondary education is a key enabling factor for improved income and paid employment generation, particularly in poorer rural areas, most badly affected by any formal employment downturn.

A key factor in beginning to enable life skills and life-long learning is to improve transition rates into secondary education. National performance has been encouraging with significant increases in particularly junior to senior secondary schools. In the longer

term, an increasing number of qualified senior secondary graduates will enable improved transition to higher education and other forms of further training.

A key government strategy is to increase access to secondary vocational educational (SMK). Government target is to increase the ratio of SMK/SMA schools from 30:70 in 2004 40:60 by 2005. Due to an extensive SMK infrastructure program, the ratio has reached 39:61 by 2005. Equally encouraging has been the significant increase in enrolment rates in secondary vocational and technical education, increasing from 15% in 2000 to around 17.5 % in 2005.

Urban/rural gaps in life long learning opportunities have narrowed over the last 6 years. For senior secondary NER, the gap has narrowed from 28.8% to 23.7%. for rates of transition into higher education, the gap has narrowed from 21.9% to 7.7% over the same period. This is due to significant expansion both public and private senior secondary and higher education institutions and opportunities in the rural areas in the past six years. For example, in 2004/2005, more than 50% of senior secondary schools were private and around two thirds of students were enrolled in private higher education institutions. The incidence of fee paying in senior secondary and higher education, help institutions to be more labor market responsive.

Enrolment in non-formal life-skill program has grown significantly in the past 2 years. Programs consist of village level life skills programs, including income generating activities, the Government enable these programs through small block grant to community groups. At the same time, senior secondary vocational schools have also been expanding income generating activities through small scale production units and expansion of afternoon and evening classes for adults.

Government has also taken steps to strengthen the life skills orientation of primary and secondary education programs to incorporate aspects of environmental, HIV/AIDS and civic/social affairs in modified school curricula and examinations. Schools are being increasingly encouraged to include a local component in the curriculum as part of

curriculum decentralization and responding to local contexts and environment. Schools are increasingly working with other sectors, including health, environment, industry and trade in both curricular and extracurricular activities. In some cases, schools are being encouraged to use school funds to promote such life skills activities within the mainstream program.

SUMMARY:

In summary, according to Indonesian government; education Finance is a critical issue to the long-run well-being of the nation. Because education (life-long learning) enhances national productivity and raises living standards of citizens. It also enables citizens to make informed decisions and choices, thus contributing to the prosperity of the country as a whole. Lastly, education (LLL) finance in Indonesia does not solely rest on government “shoulders”, and policy makers, who are ideally responsible, but the responsibility too, rests mostly on individual citizens taking the responsibility to involve in life-long learning, making decisions and choices that will be of great use to the development and the prosperity of the country as seen above.

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