

**ASIAN DEVELOPMENT BANK**

**TAR:INO 33409**

**TECHNICAL ASSISTANCE**

**TO THE**

**REPUBLIC OF INDONESIA**

**FOR PREPARING THE**

**DECENTRALIZED SENIOR SECONDARY EDUCATION PROJECT**

**December 2003**

## CURRENCY EQUIVALENTS

(as of 14 November 2003)

Currency Unit	–	rupiah (Rp)
Rp1.00	–	\$0.000117
\$1.00	–	Rp8,530

## ABBREVIATIONS

ADB	–	Asian Development Bank
BAPPENAS	–	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
EMIS	–	Education Management Information System
ICT	–	information and communications technology
JS	–	junior secondary
JSE	–	junior secondary education
JSS	–	junior secondary school
KMK 35	–	Keputusan Menteri Keuangan (Decree of the Minister of Finance) 35 KMK.07/2003
M&E	–	monitoring and evaluation
MONE	–	Ministry of National Education
NAT	–	National Assessment Team
NGO	–	nongovernment organization
PAU	–	project administration unit
RRP	–	report and recommendation of the President
SSE	–	senior secondary education
SSS	–	senior secondary school
SUSENAS	–	National Socioeconomic Survey
TA	–	technical assistance

## NOTE

In this report, "\$" refers to US dollars

This report was prepared by a team consisting of C. Gregory, (team leader); L. Kulp; K. Emzita; W. Duncan; L. Cattleya; and S.A. Chowdhury.

## I. INTRODUCTION

1. During the 2003 Country Strategy and Program Update Mission, the Government of Indonesia requested the Asian Development Bank (ADB) to provide project preparatory technical assistance (TA) to develop a proposal to improve the access to and quality of senior secondary education (SSE). The request follows the successful implementation of the ongoing Decentralized Basic Education Project.<sup>1</sup> Accordingly, ADB fielded a TA Fact-Finding Mission in August 2003<sup>2</sup> for preparing the Decentralized Senior Secondary Education Project. The Mission reached an understanding with the Government regarding the purpose, outputs, methodology and key activities, implementation arrangements, costs and financing of the TA, and the terms of reference of the consultants;<sup>3</sup> and a preliminary understanding of the framework of the ensuing Project in 2004 (Appendix 1).

## II. ISSUES

2. **Background.** Indonesia has made significant progress in expanding enrollments in basic education and has been closing the enrollment gap between males and females in education. In 2002, the gross primary enrollment rate was exceeded, and net enrollment rate was about 93%.<sup>4</sup> The financial crisis of 1997 had no lasting impact on enrollment. Achieving universal primary education is goal 2 of the Millennium Development Goals (MDGs) and is measured by the target of ensuring that by 2015, children—boys and girls alike —, will be able to complete a full course of primary schooling. This target is achievable for Indonesia.

3. Secondary education is organized into a 3-year lower secondary cycle, which complements 6 years of primary education to form basic education, followed by a 3-year senior secondary cycle. Due to success in primary education and the current policy of achieving universal 9-year education by 2008, investments have been focusing mainly on junior secondary education. Between 1993 and 2002, junior secondary net enrollment rose from 47% to 62%. As progress is made in achieving this goal, increased pressure is placed on the existing SSE system, where net enrollment rose from 31% to 38% for the same years, but further expansion is constrained by limited physical capacities.

4. Despite overall progress in enrollment, disparities in enrollment rates exist among income groups and among geographical entities. In SSE, net enrollment rates differed from 24.5% in East Nusa Tenggara to 58.4% in Yogyakarta. Overall, net enrollment in SSE in urban areas (53%) is more than double the enrollment in rural areas (25%). Net enrollment rate at senior secondary level in the richest income quintile was 62% in 2002, compared with 17.8% in the poorest income quintile. Private madrasah schools<sup>5</sup> serve mostly poor children. Equity in SSE must therefore be regarded as unsatisfactory.

5. Gaps in gender are narrowing as the less advantaged have made gains. To date, Indonesian girls have made greater advances than boys in school participation, achieving parity in primary and junior secondary education and near parity for senior secondary net education (ratio of girls to boys was 0.98 in 2000; footnote 4). However, regional gender differences are

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<sup>1</sup> ADB. 2001. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Indonesia for the Decentralized Basic Education Project*. Manila.

<sup>2</sup> The Mission comprised C. Gregory, Principal Project Specialist and PAU Head as mission leader; L. Kulp, Project Implementation Specialist, IRM; L. Cattleya, Gender Specialist, IRM; S.A. Chowdhury, Principal Education Specialist, IRM on a part-time basis; and M. Oey-Gardiner, Education Specialist/staff consultant. Mission was fielded from 27 August to 5 September 2003.

<sup>3</sup> The TA first appeared in *ADB Business Opportunities* on 18 April 2002, and was last updated on 3 October 2003.

<sup>4</sup> ADB. 2003. *Key Indicators 2003: Special Chapter on Education for Global Participation*. Manila.

<sup>5</sup> Schools under Ministry of Religious Affairs.

more pronounced. Goal 3 of MDG calls for promoting gender equality and empowering women, with the target of eliminating gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015. While gender disparity in primary education is almost eliminated everywhere, addressing gender disparity in SSE in some regions is still a challenge.

6. Private schools play an important role in SSE, providing education to 42% of all students and 68% of vocational education students. The TA will consider the comparative advantages of private and public provision of SSE and appropriate regulatory requirements when designing targeted interventions.

7. The Government is more concerned about the quality of SSE. Although 95% of students at this level graduated in 2000/01 and only an insignificant number dropped out or repeated a grade, the national average of the final examinations is less than 5 on a scale of 10, with average mathematics and science scores under the average of 4. The common perception is that the quality is declining and that content is not relevant and responsive to entry-level requirements of tertiary education and labor market needs. One indication is the unemployment rate of 15-24 year olds: 15% for girls and 12.2% for boys (footnote 4).

8. The Ministry of National Education (MONE) has emphasized that higher quality education at senior secondary level should be interpreted sufficiently broadly to include complementary elements such as life skills. Life skills are defined as a common core of skills relevant across professions and cultures like communication, problem solving, technology skills, lifelong learning capabilities, and also specific values that instill confidence and civic commitment. Due to a seemingly rising interest in vocational and technical education, with more new students going to vocational and technical senior secondary schools, recently MONE has been testing “integrated schools,” which combine vocational and technical senior secondary schools with general secondary schools on the same school compound to raise efficiency in the use of resources. The proposed project will address the issue of bifurcation of SSE into two parallel streams, academic and vocational, and will design a project for the entire SSE.

9. **Government Policy Dialogue with Aid Agencies.** The Government has prioritized three strategies for SSE— (i) improving access and equity to increase participation rate; (ii) improving quality and relevance; and (iii) improving efficiency in education management— and has set related objectives, key programs and a long-term plan of activities, taking as one of the main concerns, the current decentralization scheme<sup>6</sup>. ADB has had extensive policy dialogue with the Government on these strategies and activities, and the TA design for the ensuing project has taken them into consideration. The Government’s strategy for SSE is in line with ADB’s education policies and strategies.<sup>7</sup> The TA pays particular attention to (i) clarifying the purpose of SSE, (ii) determining the size of SSE, and (iii) identifying who pays for the cost of providing education. Increased private sector involvement where appropriate will be examined, while programs of expansion of publicly financed SSE will be scrutinized for least-cost alternates and provision of scholarships to enhance participation of girls and the poor.

10. ADB is currently preparing a poverty reduction strategy paper for Indonesia. ADB’s poverty assessment and poverty partnership agreement recognize that education and increased labor productivity are important factors in reducing poverty. In an increasingly open environment, Indonesian-made products must compete with products from the international market. Basic education is no longer sufficient for young people to remain competitive during

<sup>6</sup> Decree of the Minister of National Education of the Republic of Indonesia, no. 122/U/2001 – Strategic Planning, Youth and Sports Development, Year 2000 – 2004; and Plan – Activities, Target and Costs, 2005 – 2010 from Blue Print for Senior Secondary Education, up to 2010.

<sup>7</sup> ADB. 2003. *Education: Our Framework Policies and Strategies*. Manila.

their working life. SSE, as a minimum requirement, is increasingly replacing basic education in the better remunerated segments of the labor market. The summary initial poverty reduction and social analysis (Appendix 2) shows the proposed project will consider the possible related social issues of resettlement, gender, affordability, labor, indigenous people, and other risks/vulnerabilities.

11. ADB, in its policy dialogue (Country Strategy and Program of 2003) with the Government, has carefully considered the current trend in external assistance in the education sector. Most sources are focusing on basic education (para. 13). Since decentralization, ADB is as of now the first major agency preparing a project in SSE.

12. The Ministry of Home Affairs, in charge of decentralization reform, is working toward a final allocation of obligatory functions, such as the delivery of education services, including the definition of minimum service standards for education. Financial arrangements between the national Government and regional governments for Projects financed by external loans have been regulated by the Decree of the Minister of Finance No. 35/2003 (KMK 35). ADB's experience in 2003 is that KMK 35 substantially increases time and costs of project preparation as subproject proposals of regional governments have to be elaborated in detail. The number of regional governments to be selected for participating in the Project has to take into account the available budget and time frame of the TA.

13. **Lessons Learned.** When the Government requested the aid community's support to carry out a review of the basic education subsector, this guiding question was formulated: how can a much higher quality education be achieved on a sustained basis in a newly decentralized system? The draft results of the sector study were discussed by the aid agencies and the Government at the end of September 2003.<sup>8</sup> The TA will consider the sector review's analysis and recommendations on Indonesia's decentralization reform and its impact on education.

14. Similarly, the TA will incorporate lessons from ongoing decentralization projects of ADB in the health<sup>9</sup> and education sectors (footnote 1) in Indonesia. ADB has been supporting decentralized education management with advisory TA since 2001<sup>10</sup> and shares MONE's concern about the capacity of school, district/city, and province government staff to implement education programs. Another factor influencing the performance of SSE is teacher preparation, management, and performance. Under the new Education Law,<sup>11</sup> systems for managing the teaching force have not been fully specified although teacher salaries constitute 80% of public spending for education. However, the common understanding is that during the transition period, the quality of education will largely be determined not only by educational inputs but also by institutional capacity at all levels and institutional arrangements as well. The TA will consider a clear and efficient definition and assignment of roles and responsibilities across different layers of administration for the Project.

15. ADB has been assisting all levels of education in Indonesia since 1975, including 10 projects at SSE level with assistance to private schools. Lessons learned are as follows: (i) a vision of education with long-term objectives resulting in a systemic approach is required; (ii) a bottom-up approach to design that involves stakeholders is recommended to ensure a strong sense of ownership at lower levels of government and by schools and communities; (iii) each intervention needs strong independent monitoring and evaluation (M&E) and a comprehensive

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<sup>8</sup> Indonesia Education Sector Review. Draft Education in Indonesia: Managing the Transition to Decentralization.

<sup>9</sup> ADB. 2000. *Report and Recommendation of the President to the Board of Directors on a Proposed Loan to Indonesia for the Decentralized Health Services Project*. Manila.

<sup>10</sup> ADB. 2001. *Technical Assistance to Indonesia to Support Decentralized Education Management*. Manila.

<sup>11</sup> Education Law No. 4/2003, enacted in June 2003, underlined the Government's commitment to 9 years basic education and decentralization of management of basic and secondary education.

M&E approach needs to be developed and agreed upon at the design stage; (iv) a project duration of 5 years is often too short to expect the changes in attitudes and behaviors that are being sought; and (v) a clearly spelled-out system of incentives, rewards, and punishments is needed to improve governance and accountability.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

16. The TA will assist the Government to define the current status of SSE in Indonesia and to prepare the proposed Project. Indonesia's important role in an expanded Association of Southeast Asian Nations (ASEAN) economic zone and in the Asia-Pacific Economic Cooperation (APEC) will demand increased competitiveness in terms of skilled workers and professionals at secondary and post secondary education levels. In this strategic setting, the Project will improve the quality of SSE, expand capacities, and increase access of students from the poor income quintile in the new context of decentralization. The TA will design a proposed project in line with the three priority strategies of the Government on SSE (para. 9) and consistent with the proposed preliminary framework (Appendix 1) focusing on (i) improving the quality and relevance of SSE, (ii) improving access to and equity in SSE, (iii) improving efficiency in SSE management, and (iv) preparing for future needs in SSE. The TA will ensure that the poor will disproportionately benefit most likely through social targeting.

17. The TA outputs will include among others (i) an analysis of current issues of SSE related to financing, management, and teaching of SSE by public and private providers; (ii) a multi-year plan for financial, technical, and management assistance to selected regional governments linked to specific SSE goals; (iii) a proposal on strengthening life skills in the general curriculum and production-based training for vocational education, including relevant training and development support for teachers; (iv) a selection of minimum service standards as potentially useful tools for regulating and managing SSE while considering budgetary, technical, and administrative constraints of regional governments; and (v) the design of a M&E system and specific implementation arrangements that strengthen good governance and increase accountability.

18. The TA will be implemented in two phases. In phase 1, the consultants will prepare an analysis of current SSE issues in Indonesia based on available documents and interviews with Jakarta-based stakeholders, including development partners. In phase 2, the consultants will formulate a project proposal using ADB's format for the Report and Recommendation of the President (RRP), consult with regional governments and prepare district proposals in a limited number of these regional governments, and deliver subject-specific reports.

#### **B. Methodology and Key Activities**

19. MONE will use its own resources for initial project preparation, i.e., for selecting the participating regional governments in regions favored by ADB's geographic focus and based on criteria agreed upon with ADB that consider (i) enrollment rates, (ii) fiscal capacity and poverty prevalence, (iii) budgetary commitments to SSE, (iv) commitment to zero tolerance for fraud and corruption, and (v) implementation capacity. MONE will coordinate with the Ministry of Home Affairs on the definition and implementation of minimum service standards and obligatory functions of regional governments related to SSE. It will coordinate with BAPPENAS on national development plans for human development and regional autonomy.

20. Consulting services will be used to prepare the initial assessment of the SSE subsector and a project proposal that essentially builds on the outputs listed in para. 17. Developing multiyear plans with regional governments will require close consultations and participatory planning with preselected governments and their legislative and executive branches while

assisting them to elaborate technically and financially viable proposals, that can be submitted for Government approval.

### **C. Cost and Financing**

21. The total cost of the TA is estimated at \$1,250,000 equivalent, comprising \$585,000 in foreign exchange and \$665,000 equivalent in local currency. The Government has requested ADB to finance \$1,000,000 equivalent, covering the entire foreign exchange cost and \$415,000 equivalent of the local currency costs. The TA will be financed on a grant basis from ADB's TA funding program. The Government will finance the remaining \$250,000 equivalent of the local currency costs by providing office accommodation, transport, and remuneration and per diem of counterpart staff. The detailed TA costs and a financing plan are in Appendix 3. The Government has been advised that approval of the TA does not commit ADB to financing any ensuing project.

### **D. Implementation Arrangements**

22. The Executing Agency will be the Directorate General of Primary and Secondary Education of MONE. A technical team, comprising senior staff in the directorates of general and technical/vocational education set up prior to the TA Fact-Finding Mission, will work closely with selected regional governments on their SSE needs, provide guidance to the TA consultant team, and constitute the direct counterpart of ADB throughout project preparation.

23. The TA will be implemented over 6 months, with completion in December 2004. Using the quality-and cost-based selection method, international and domestic consultants will be recruited through an international consulting firm in accordance with ADB's *Guidelines on the Use of Consultants*. Before the invitation for proposals are sent out to the short-listed firms, the Executing Agency will have selected provinces and a number of districts/cities that can reasonably be assisted by the TA in preparing their proposals. The TA will require 24 person-months of international and 57 person-months of domestic consulting services. The consulting firm will be responsible for organizing and facilitating workshops, most of which will take place in the concerned districts and provinces, to ensure local stakeholders' participation and project ownership, and understanding of the poverty reduction, and gender and development objectives of the Project.

24. The terms of reference for consultants are in Appendix 4. The consultants will provide an inception report/workplan after 2 weeks, an initial report on SSE subsector within 5 weeks after services are fielded, and an interim report at the end of the fourth month in the form of a technical proposal for the proposed project using ADB's format of the RRP. The technical proposal will be the basis for the loan fact-finding mission. During the remaining 2 months of the feasibility study, the consultant team will continue to work with regional government officials, representatives of local associations of private schools, and education boards on detailed and costed proposals resulting in a draft final report that can be submitted to the interministerial assessment team as instituted by KMK 35. The project proposals of regional governments will be endorsed by all relevant central and regional government authorities. Two weeks before completion of the assignment, the consulting team will deliver a draft final report to be followed by the final report at the end of month 6 of the TA.

## **IV. THE PRESIDENT'S DECISION**

25. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$1,000,000 on a grant basis to the Government of Indonesia for preparing the Decentralized Senior Secondary Education Project, and hereby reports this action to the Board.

### PROPOSED PRELIMINARY PROJECT FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>Increased competitiveness of Indonesia due to improved human resource base</p>	<ul style="list-style-type: none"> <li>• Increase the number of students completing SSE as % of total labor force</li> </ul>		
<p><b>Purpose</b></p> <p>Decentralize senior secondary education for more and better qualified graduates</p>	<ul style="list-style-type: none"> <li>• Participation rates</li> <li>• Achievement of minimum service standards</li> </ul>	<ul style="list-style-type: none"> <li>• SUSENAS</li> <li>• District Heads' accountability speech</li> </ul>	
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>1. Improve quality and relevance of SSE</li> <li>2. Improve access and equity in SSE</li> <li>3. Improve efficiency in SSE management</li> <li>4. Prepare for future needs in SSE</li> </ol>	<ul style="list-style-type: none"> <li>• Improve national examination scores</li> <li>• Improve employability of graduates</li> <li>• Reduce dropout and repetition rates</li> <li>• Comparison urban vs rural</li> <li>• Increase overall enrollment</li> <li>• Increase enrollment among the poor and girls</li> <li>• Implement school-based management</li> <li>• Adopt formula for school funding allocations</li> <li>• Recommend performance-based funding</li> <li>• Upgrade curriculum and teaching methodologies</li> <li>• Expand use of ICT</li> </ul>	<ul style="list-style-type: none"> <li>• MONE statistics</li> <li>• Tracer study</li> <li>• MONE statistics</li> <li>• MONE routine reporting</li> <li>• SUSENAS</li> <li>• SUSENAS</li> <li>• MONE</li> <li>• MONE</li> <li>• MONE</li> <li>• MONE</li> </ul>	
<p><b>Major Activities</b></p> <ol style="list-style-type: none"> <li>1a. Introduce quality assurance</li> <li>1b. Introduce competency-based curricula</li> <li>1c. Introduce relevant life skills</li> </ol>	<ul style="list-style-type: none"> <li>• Quality assurance standards developed</li> <li>• Quality assurance adopted and applied</li> <li>• Competency based curricula adopted</li> <li>• Inclusion of life skills curricula adopted</li> <li>• Life skills training modules developed</li> <li>• Life skills modules used</li> </ul>	<ul style="list-style-type: none"> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Loan review mission</li> <li>• Competency -based test results reported by Government</li> <li>• Skills certification issued</li> <li>• Project monitoring system</li> <li>• Independent monitoring and evaluation of modules on quality and relevance</li> </ul>	<ul style="list-style-type: none"> <li>• Assuming establishment of BNSP and LSP</li> <li>• Assuming local ability to develop life skills curricula</li> <li>• Assuming availability of necessary teachers</li> </ul>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>1d. Offer a wide range of options</p> <p>1e. Design production-based training</p>	<ul style="list-style-type: none"> <li>• Increase in number of integrated and inclusive schools</li> <li>• Increase in special education schools</li> <li>• Production unit established in schools</li> <li>• Students involved in school production unit</li> </ul>	<ul style="list-style-type: none"> <li>• Project monitoring system</li> <li>• Project monitoring system</li> </ul>	<ul style="list-style-type: none"> <li>• Assuming availability of teachers and other necessary resources</li> <li>• Assuming schools can cater their production to local consumer needs</li> </ul>
<p>2a. Increase number of schools and classrooms</p> <p>2b. Design alternative delivery systems such as boarding and integrated schools</p> <p>2c. Design targeted assistance to poor children and girls</p> <p>2d. Design inclusive schools (disability friendly)</p>	<ul style="list-style-type: none"> <li>• Increased number of schools</li> <li>• Increased number of classrooms</li> <li>• % of boarding and integrated schools developed</li> <li>• Increased use of shifts</li> <li>• Age constraints released (more outreach to poor, especially poor girls)</li> <li>• Targeted scholarship program expanded to cover % of poor students and girls</li> <li>• Inclusion methodology in teacher training curriculum</li> <li>• One inclusive school accredited per district</li> </ul>	<ul style="list-style-type: none"> <li>• MONE routine reporting</li> <li>• MONE routine reporting</li> <li>• MONE Policy statement</li> <li>• Project monitoring</li> <li>• Teacher training materials</li> <li>• MONE routine reporting</li> </ul>	
<p>3a. School-based management</p> <p>3b. Community -based education</p> <p>3c. Review current needs -based funding allocation</p> <p>3d. Performance-based funding</p>	<ul style="list-style-type: none"> <li>• Establishment of school committees</li> <li>• Decisions made by school committees</li> <li>• Community contributions in policy decisions</li> <li>• Community resources mobilization</li> <li>• Revised needs -based funding allocation formula recommended to Government</li> <li>• New formula adopted</li> <li>• Formula applied in funding allocation</li> <li>• Performance-based funding formula recommended to Government</li> </ul>	<ul style="list-style-type: none"> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Government policy statement</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Government policy statement</li> </ul>	<ul style="list-style-type: none"> <li>• Assuming school committees are not just established but actually work</li> <li>• Assuming school principals and teachers can accommodate community needs</li> <li>• Assuming availability of data to properly apply the formula</li> <li>• Assuming availability of data to properly apply the formula</li> </ul>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>3e. Efficient use of resources</p> <p>3f. Effective teacher management</p>	<ul style="list-style-type: none"> <li>• Formula adopted</li> <li>• Formula applied in funding allocation</li> <li>• Increased use of school facilities (including classrooms, labs, teachers)</li> <li>• Horizontal and/or vertical integration</li> <li>• Teacher recruitment, allocation, and assignment raised to province level</li> <li>• Reduce teacher absenteeism</li> <li>• Improve consistency between teachers' educational background and assignment</li> </ul>	<ul style="list-style-type: none"> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> <li>• MONE annual education statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Assuming vertical and/or horizontal integration can actually work</li> </ul>
<p>4a. Upgrade curriculum, methodology delivery systems</p> <p>4b. Expand use of ICT</p>	<ul style="list-style-type: none"> <li>• Develop creative and problem solving curricula</li> <li>• Develop ICT plan including budget and time frame</li> </ul>	<ul style="list-style-type: none"> <li>• Proper design in TA consultant report and loan review missions</li> <li>• Proper design in TA consultant report and loan review missions</li> </ul>	<ul style="list-style-type: none"> <li>• Assuming resources available for ICT installation, operation, and maintenance</li> </ul>

BNSP = Badan Nasional Standardisasi Profesi (National Board for Standardization of Professions), ICT = Information and Communications Technology, LSP = Lembaga Sertifikasi Profesi, (Institute for Professional Certification), MONE = Ministry of National Education, SSE = senior secondary education, SUSENAS = National Socioeconomic Survey, TA = technical assistance.

## SUMMARY INITIAL POVERTY REDUCTION AND SOCIAL ANALYSIS

### A. Linkages to the Country Poverty Analysis

Sector identified as a national priority in country poverty analysis?	Yes	Sector identified as a national priority in country poverty partnership agreement?	Yes
<p><b>Contribution of the sector/subsector to reduce poverty in Indonesia:</b>            Education and increased labor productivity are important contributors to poverty reduction. In an increasingly open environment, Indonesian-made products must compete with products from the international market. A basic education is no longer sufficient for young people to remain competitive during their working life. As a minimum requirement, senior secondary education (SSE) is increasingly replacing basic education in the better remunerated segments of the labor market.</p>			

### B. Poverty Analysis

#### Proposed Classification: PI/GD

**Analysis:** Past investment in education has resulted in closing the gap between participation of the poor and non-poor in basic education. A significant gap still exists at the SSE level. The consultants will recommend methods to close the gap by targeting schools in underserved areas, stipend programs for the poor, expanding the range of educational streams/options offered, allowing parents to choose schools, relaxing age constraints, and enhancing the role of the private sector in delivery of SSE.

### C. Participation Process

**Stakeholder analysis:** Carried out during TA fact finding.

**Participation strategy:** Project design will include extensive consultations and workshops with district officials working in SSE, representatives of local associations of private schools, heads of districts and municipalities, district education boards, local parliamentarians. A school-based management approach is proposed to increase the school's responsiveness and accountability of the school to the community served.

### D. Social Issues

Subject	Significant, Not Significant, None	Strategy to Address Issues	Output Prepared <sup>a</sup>
Resettlement <sup>b</sup>	Not significant	The proposed project will call primarily for rehabilitating the existing facilities and increasing the functionality of existing structures by increasing the use of existing facilities rather than constructing new ones. As such, little new land acquisition is expected. Given the expected size of any new facilities to be constructed, little, if any, need for resettlement is likely, and the proposed project will not accept new school locations that require significant resettlement. Some land acquisition may be required and minor compensation may be needed for use of right-of-ways during the construction period.	Assessment of need for land acquisition and prepare short resettlement plan
Gender	Positive	The TA will pay attention to methods for increasing access of under-served and underrepresented groups, including female students. This may include stipends, dormitories, or other mechanisms to enhance access.	A gender strategy will be prepared under the TA.
Affordability	Positive	The TA will help design targeting strategies to increase affordability of SSE for children from lower income quintiles.	No
Labor	Positive	The proposed project is intended to improve the employability of Indonesian labor by increasing the stock of senior secondary school graduates and improving the quality of the education received. The improvement will help increase the productivity of Indonesian labor as well. There may be minor employment impacts related to construction of facilities; however, this is likely to be temporary and limited.	No
Indigenous People	None	To be addressed as part of TA design. Consultants will address need for plan.	As needed
Other Risks/Vulnerabilities	None	No negative impacts to be mitigated	No

<sup>a</sup> A plan will be required if any of the potential issues are found to be significant.

<sup>b</sup> Significant involuntary resettlement requires a full resettlement plan; nonsignificant resettlement requires a short resettlement plan.

**COST ESTIMATES AND FINANCING PLAN**  
(\\$)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	500,000	0	500,000
ii. Domestic Consultants	0	265,000	265,000
b. International and Local Travel	50,000	15,000	65,000
c. Reports and Communications	0	5,000	5,000
2. Equipment	0	5,000	5,000
3. Training, Seminars, and Conferences	0	50,000	50,000
4. Miscellaneous Administration and Support Costs	0	5,000	5,000
5. Representative for Contract Negotiations	5,000	0	5,000
6. Contingencies	30,000	70,000	100,000
<b>Subtotal (A)</b>	<b>585,000</b>	<b>415,000</b>	<b>1,000,000</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0	150,000	150,000
2. Remuneration and Per Diem of Counterpart Staff	0	50,000	50,000
3. Others	0	50,000	50,000
<b>Subtotal (B)</b>	<b>0</b>	<b>250,000</b>	<b>250,000</b>
<b>Total</b>	<b>585,000</b>	<b>665,000</b>	<b>1,250,000</b>

<sup>a</sup> Financed by ADB's technical assistance funding program.  
Source: Asian Development Bank estimates.

## OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. A team of consultants will be engaged for 6 months to work with the Directorate General of Primary and Secondary Education of the Ministry of National Education (MONE), the Executing Agency to conduct the feasibility study leading to a project proposal for senior secondary education (SSE) in Indonesia. An international consulting firm, selected in accordance with ADB's *Guidelines on the Use of Consultants* and using quality- and cost-based selection, will provide 24 person-months (pm) of international and 57 pm of domestic consulting services, and will select the domestic consultants.

2. The consultant team will produce (i) an inception report/work plan after 2 weeks; (ii) a sector report on senior secondary education (SSE) within 5 weeks of fielding of services, including the Government's education policies and strategies, expenditure review, assessment of education structure, dropouts, repetitions, achievement rates, and factors affecting performance; (iii) an interim report, including the draft project technical proposal and sample draft district proposals, in the format of the report and recommendation of the president (RRP) at the end of 4 months; the interim report will be the basis for fielding the loan fact-finding mission; (iv) a draft final report incorporating the revised district technical and financial proposals at the end of 5 months; and (v) at the end of 6 months a final report, incorporating ADB and Government's comments. The consultant team will work closely with the Inter Ministerial Assessment Team on KMK 35, to ensure that requirements and guidelines of KMK 35 and other prevailing regulations on the channeling of funds from central to local government, and the latter's capacity to borrow, are complied with for Government's evaluation and approval.

3. The TA will be implemented in two phases. In phase 1, the consultants will prepare an analysis of current issues of SSE in Indonesia based on available documents and on interviews with Jakarta-based stakeholders and development partners. In phase 2, the consultants will formulate a project proposal using ADB's RRP format, consult with regional governments and prepare district proposals in a limited number of these regional governments, and deliver subject-specific reports.

4. **Phase 1: Analysis of Current Issues.** The consultants will undertake the following tasks.

- (i) Review the Government's education policies and strategies, make a thorough expenditure review, and determine the status of minimum service standards and obligatory functions and other decentralization issues.
- (ii) Review (based on known practices in education reform) current objectives and policy recommendations for decentralized SSE.
- (iii) Assess education structure; enrollment, dropout, repetition, and achievement rates; underlying factors affecting enrollment, dropout, or quality; and recommend solutions.
- (iv) Assess roles and responsibilities at different levels of education management.
- (v) Assess capacity and skills mix of staff at different levels and training needs, supportive information system, incentive structures for teachers.
- (vi) Make a demand analysis of SSE: whether tuition is a deterrent to attendance or the opportunity cost of going to school is a key concern for families.
- (vii) Make a supply analysis: overall availability and quality of schools, spending and funding analysis, school management, and incentives.

**5. Phase 2: Project Proposal, including Proposals of Regional Governments and Specific Technical Reports.** The outputs are as follows:

- (i) An overall project design, including the project framework, sector/subsector analysis, external assistance, cost estimates and financing plan, contract packages, implementation schedule, and summary poverty reduction and social strategy;
- (ii) For each regional government, (a) multiyear SSE investment plans, (b) assessment of financial and human resource capacity of the regional government and other organizations involved to implement the investments planned, and (c) detailed capacity building and institutional strengthening plans for the organizations involved.
- (iii) A proposal to strengthen life skills in the curriculum and production-based training for the vocational education curriculum;
- (iv) A proposal for a realistic number of output/outcome-based minimum service standards for SSE that can be funded either through the special funds allocation or through regional general funds allocation;
- (v) A proposal for a comprehensive Monitoring & Evaluation (M&E) system that will be piloted by the Project; a proposal for introducing a performance management system; and a proposal for an education management information system (EMIS);
- (vi) A review of school-based management in Indonesia and a proposal for its application at senior secondary level;
- (vii) A proposal regarding needs, costs, and sustainable information technology solutions for SSE.
- (viii) A report on special measures and safeguards to prevent fraud and corruption in the project framework, including outsourcing of procurement and financial management; and
- (ix) Summary reports on the proceedings of workshops with individual regional governments, including a description of main issues, consensus building processes, and final results.

6. To achieve the outputs, consultants with the following expertise are recommended. The duration of consulting services in person-months is in parenthesis.

**7. Economics of Education and Education Planning/Team Leader** (6, international). The team leader will (i) supervise inputs from all experts and ensure smooth implementation of their tasks; (ii) work closely with the Government's technical team, MONE, BAPPENAS, Ministry of Finance, and nongovernment organizations (NGOs) at national, provincial and local levels, to ensure adequate consultations among all relevant stakeholders during project formulation, through workshops and other means; (iii) collaborate with assessment team to provide technical advice and necessary information and consultation for their evaluation and approval of the project; (iv) regularly brief the ADB project team and key government counterparts on work progress; and (v) be responsible for preparation and timely submission of quality reports (para. 2).

8. The consultant will assess the various options examined by each expert, and recommend the policies, reforms, innovations, and interventions that should be designed for testing, piloting, and replication, and the proposed increased access to and supply of senior secondary schools (SSS) in the proposed project. The experience of comparable countries in offering SSE with multiple and similar types of options will be reviewed for contextual validation. Lessons from past similar projects of ADB, the government, and external agencies will be incorporated.

9. **Education Management and School-Based Management** (2,international; 6, domestic). The education management consultant will assess the various reforms, and innovative interventions that are being tested by the directorates of general, and vocational/technical education, for the expansion of recommended interventions. The consultant will review the minimum service delivery standards developed by MONE, in the context of the ongoing discussions of obligatory functions and minimum service standards and MONE's progress in this area. The consultant will first define the criteria used in the review, and analyze the central Government's decision on its role to ensure minimum service standards. Depending on Government's defined function, the budget and operational implications for implementing these minimum standards will be examined and included in the project design for further review and analysis, and for recommending the proper policy dialogue and conditions.

10. The school-based management consultant will (i) review the experiences so far with the school-based management system introduced in the pilot schools, and assess the advantages and disadvantages of this system; (ii) review the current Government policy and implementation strategy on school-based management; (iii) recommend the positive aspects of this system, which could be designed in the proposed project for further testing and expansion in the project schools; (iv) design for the project, a plan for SSS to implement the school-based management system, including guidelines for school-based budgeting and financing, resource reallocation strategies, personnel, professional development, curriculum and teaching methodologies for school-based management system, teachers' compensation and staff reward system, involvement of communities and parents, and accountability mechanisms; and design components and budget requirements (e.g., teachers' training, curricula development, books, facilities, and schools) in project design accordingly.

11. **Financial Analysis and Costing** (2.5,international). The consultant will (i) carry out financial analysis of the project, using ADB's *Guidelines for the Financial Governance and Management of Investment Projects*, to examine the following: project rationale, demand analysis, least-cost analysis, costs and benefits, sensitivity and risk, sustainability and beneficiaries. This analysis should be integrated into the technical proposal due at interim reporting; (ii) assess the financial sustainability of the project in view of the fiscal constraints and decentralized systems, provide a financial sustainability plan covering the recurrent and operation and maintenance costs due to the proposed project, and examine ways to increase private sector involvement and the possibilities of private-public partnerships in SSE; (iii) prepare the project cost estimates once the technical proposal is drafted; and (iv) assist the team leader, governance and antifraud, M&E, and quality assurance experts to develop the accountability mechanisms system to be used in the project.

12. **Economic Analysis** (2, international). This consultant will cover the terms of reference outlined in phase 1. The consultant will (i) support the financial analysis expert and team leader in undertaking the initial report on SSE, covering specific sections on expenditure reviews and resource allocation pattern for the SSE sector at different levels including the changes due to implementation of decentralized systems; (ii) carry out the economic analysis of the project, using ADB's *Guidelines on Economic Analysis of Projects*; and (iii) together with the financial analysis expert, examine the project rationale, demand analysis, least-cost analysis, costs and benefits, sensitivity and risk, sustainability and beneficiaries.

13. **Social Analysis, and Gender and Development** (2,international;1,domestic). The international and domestic consultants will (i) give the consultant team a qualitative and quantitative analysis of issues regarding access and equity, quality and relevance, and efficiency in management of the SSE system in Indonesia, with focus on women, disadvantaged groups, indigenous people and those living in remote areas; (ii) guide the consultant team in using the analysis to (a) determine priorities and the sequence of interventions for the greatest

impact on achieving the objectives of the project; (b) conduct gender analyses in SSE; and (c) assist the EMIS, and the M&E experts to develop a system for required sex-disaggregated data at the national, province, district, and school levels. Data could include macroeconomic indicators (gender distribution on poverty, distribution of wealth), labor market (employment, unemployment, informal sector, labor standards and minimum wages, by sex), social indicators (education level and health status of the poor, by sex), and (iii) include in project design measures that will enable districts and schools to reduce gender gaps in SSE. The consultants will prepare a poverty and social assessment paper according to ADB guidelines, review all environmental aspects of the interventions, and propose measures to mitigate risks.

**14. Curriculum Development Including Life Skills Education** (3, international; 3, domestic). The consultants will review the current curricula in SSE, to broaden the instructional and educational contents for SSE students. The current teaching is considered not relevant and responsive enough to the demands of life after school and the labor market. The concept of the life skills education curriculum, being introduced by MONE will be reviewed for the appropriate design that includes the methodology for further testing of life skills education that go beyond academic classroom teaching only. In this design, curricula revision, student performance standards, and necessary resources including teachers with the needed skills to teach the new curricula, and appropriate facilities and school buildings will be assessed.

**15. Capacity Building** (2, international). The consultant will develop a capacity building (professional development) program in the proposed project in various areas—skills, knowledge, and competencies—that will be piloted and expanded to train headmasters, teachers, administrative staff, government officials (central, provincial, and local), communities, and other people engaged in SSE, particularly in relation to the reforms and innovations to be piloted and expanded. Program development will consider an assessment of existing training and skills development programs to be more responsive to decentralization operations and to deliver the minimum services standards in SSE, life skills education, the application of school-based management, and so on.

**16. Information and Communications Technology** (1.5, international; 1, domestic). The international and domestic consultants will (i) assess the needs, feasibility, and issues of developing ICT in the project, at present and in the future; (ii) recommend the design in the proposed project of an ICT system for SSE in Indonesia, including its infrastructure (equipment) requirements, connectivity, integration into the curriculum, pedagogy, and classroom practice, guidelines on the use of ICT for teachers and students, ICT standards for classroom-based assessment, and so on; and (iii) work closely with the EMIS expert in preparing this design.

**17. Monitoring and Evaluation, Quality Assurance, and Education Management Information System** (2, international; 3, domestic). The main tasks of the consultants include (i) preparing the M&E system to be used during project implementation, designing monitoring tools and mechanisms, identifying the most appropriate methodology and techniques to develop and collect relevant data for M&E purposes, including data on progress of the project and data on lessons learned and best practices of the project; (ii) recommending terms of reference for both internal and external auditors to conduct both financial and technical audit on project districts and schools; and (iii) recommending and designing a quality assurance framework and mechanism for the project, which should be participatory and involve community participation.

**18.** The consultants will also design the necessary activities in the project to ensure the development or improvement (where EMIS already exists) of a good EMIS. This will involve considering the following activities in designing the proposed project: (i) a simple EMIS that schools can design, use, and manage effectively within their own available information system and technology, and how schools can access reliable data; (ii) development of EMIS at MONE

and at central, provincial and local levels; and information/data to be collected, processed, and analyzed at the various levels: basic enrollment and completion by type of education, and by gender; districts' budget allocation for SSE, schools' revenues and expenditures; staffing by number, qualifications, and experience; students' performance; socioeconomic data of the community served by schools; and (iii) guidelines for districts and schools in collecting and analyzing sex-disaggregated data. All EMIS targets and indicators should be disaggregated by gender.

19. **Governance and Antifraud** (1, international; 2, domestic). The consultants will (i) review recent assistance to the Government on good governance and antifraud measures, and government regulations that affect MONE operations, regulations, guidelines, and procedures was to identify inconsistencies and conflicts that prevent MONE from providing efficient and transparent project management and auditing; (ii) determine antifraud measures that should be introduced by MONE at national, provincial, and district levels, and in schools to ensure good governance and transparency in the project; (iii) develop an operational manual based on standard international auditing systems, including procedures and guidelines, for MONE, at all levels, and for schools managing and implementing the project; (iv) design the relevant training programs for audit, management, and administrative staff involved in the project; and an awareness program to disseminate information on standards and procedures for internal audit to all concerned stakeholders, including relevant NGOs, private sector, parents, and media.

20. **Civil Engineering/Architecture** (3, domestic). The consultant will (i) assess various types of school buildings for SSE and recommend improvements in physical facilities and budget implications; (ii) examine the need for additional student space and schools required to meet the Government's targets for SSE; advise on the number of new schools, alternative types of schools (boarding, integrated, etc.), and renovations/upgrading based on cost-effectiveness in expanding education services for that level; and include the civil works needs and advise on engineering aspects to be considered in integrated schools; (iii) design features that will ensure quality standards of construction of school buildings and facilities, and proper supervision of contractors; and (iv) review the environmental implications of the project and, if found necessary, recommend mitigating measures. If voluntary land contribution or compulsory land acquisition is required, include a resettlement plan/resettlement framework according to ADB's involuntary resettlement safeguard principles.

21. **Coordination and Project Implementation** (38, domestic). The lead consultant (6 person-months) will coordinate the consultations between central, provincial, and local governments; and organize the necessary workshop, to ensure a sense of project ownership by the districts and intended beneficiaries. The expert will (i) ensure the development of specific district proposals based on the standard outline of the proposal, and cost-sharing arrangements in close consultation with the Ministry of Finance; (ii) initiate the necessary meetings and discussions with the assessment team of KMK 35; (iii) design the project management structure, project implementation, and funds flow and disbursement of the project; (iv) work closely with the team leader to provide all relevant inputs in formulating the project and in ensuring Government's approval; and (v) guide the experts in this group to ensure that their inputs are properly incorporated in the design of the proposed project.

22. The implementation specialists (32, domestic) will (i) design and conduct workshops at national, province, and district levels, during TA implementation, aiming at, but not limited to, the development of district proposals and cost-sharing arrangements of districts in the projects; (ii) ensure that stakeholders, especially the poor, women, and disadvantaged groups are able to participate with the TA team, government agencies, district governments, and schools in preparing good quality proposals that fully reflect issues and priority interventions in accessing SSE and improving its quality, in particular for the poor, girls, and disadvantaged children.