This consultant’s report does not necessarily reflect the views of ADB or the Government concerned, and ADB and the Government cannot be held liable for its contents. (For project preparatory technical assistance: All the views expressed herein may not be incorporated into the proposed project’s design.)
### Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>APBD</td>
<td>Anggaran Pendapatan &amp; Belanja Daerah (Provincial or district budget)</td>
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<td>APBN</td>
<td>Anggaran Pendapatan &amp; Belanja Negara (National budget)</td>
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<tr>
<td>AUSAID</td>
<td>Australian Agency for International Development</td>
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<tr>
<td>BAPPEDA</td>
<td>Badan Perencanaan Pembangunan Daerah (Regional Development Planning Agency)</td>
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<tr>
<td>BAPPENAS</td>
<td>Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)</td>
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<tr>
<td>BAS</td>
<td>Badan Akreditasi Sekolah (School Accreditation Body)</td>
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<td>BI</td>
<td>Bank Indonesia (Indonesian central bank)</td>
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<tr>
<td>BKN</td>
<td>Badan Kepegawaian Negara (Civil Service Board)</td>
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<tr>
<td>BOS</td>
<td>Bantuan Operasional Sekolah (Oil fund subsidy for basic education)</td>
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<tr>
<td>BPS</td>
<td>Badan Pusat Statistik (Central Bureau of Statistics)</td>
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<tr>
<td>Bupati</td>
<td>Head of district</td>
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<tr>
<td>Camat</td>
<td>Head of sub-district</td>
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<td>CGI</td>
<td>Consultative Group for Indonesia</td>
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<td>CIDA</td>
<td>Canadian International Development Agency</td>
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<tr>
<td>CLCC</td>
<td>Creating Learning Communities for Children</td>
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<tr>
<td>CPMU</td>
<td>Central Project Management Unit</td>
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<tr>
<td>DAK</td>
<td>Dana Alokasi Khusus (Special allocation fund)</td>
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<td>DAU</td>
<td>Dana Alokasi Umum (General allocation fund)</td>
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<tr>
<td>DBEP</td>
<td>Decentralized Basic Education Project</td>
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<tr>
<td>Desa</td>
<td>Village</td>
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<tr>
<td>DFID</td>
<td>Department for International Development (United Kingdom)</td>
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<tr>
<td>Dinas</td>
<td>A Provincial, District, Sub-District Office with sector responsibility</td>
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<tr>
<td>DPR</td>
<td>Dewan Perwakilan Rakyat (House of Representatives of the Parliament)</td>
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<td>DPRD</td>
<td>Dewan Perwakilan Rakyat Daerah (Regional Parliament)</td>
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<tr>
<td>DSSD</td>
<td>Capacity Building for Decentralized Social Services Delivery</td>
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<td>EA</td>
<td>Executing Agency</td>
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<tr>
<td>EFA</td>
<td>Education for all</td>
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<td>ESR</td>
<td>World Bank Education Sector Review</td>
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<td>EU</td>
<td>European Union</td>
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<td>Gaji</td>
<td>Salary and wages</td>
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<td>GOI</td>
<td>Government of the Republic of Indonesia</td>
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<td>GT</td>
<td>Guru Tetap (Permanent employee/teachers)</td>
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<tr>
<td>GTT</td>
<td>Guru Tidak Tetap (Non-permanent employee/teachers)</td>
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<tr>
<td>GTY</td>
<td>Guru Tetap Yayasan (Permanent employee/teachers of yayasan)</td>
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<tr>
<td>GTTY</td>
<td>Non-permanent of yayasan</td>
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<td>GTZ</td>
<td>Gesellschaft für Technische Zusammenarbeit (Germany)</td>
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<tr>
<td>HRD</td>
<td>Human Resource Development</td>
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<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<td>JSE</td>
<td>Junior Secondary Education</td>
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<td>JSS</td>
<td>Junior Secondary School</td>
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<tr>
<td>Kabupaten/kota</td>
<td>Autonomous District/city</td>
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<tr>
<td>Kandep</td>
<td>Kantor Departemen (District office of central government ministry)</td>
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<tr>
<td>Kanwil</td>
<td>Kantor Wilayah (Provincial office of central government ministry)</td>
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<tr>
<td>Kecamatan</td>
<td>Sub-district</td>
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<tr>
<td>Kepmen</td>
<td>Ministerial decree</td>
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<tr>
<td>Keppres</td>
<td>Presidential decree</td>
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<td>KKG</td>
<td>Kelompok Kerja Guru (Teacher working group)</td>
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<td>KKM</td>
<td>Kelompok Kerja Madrasah (Madrasah principal working group)</td>
</tr>
<tr>
<td>Kyai</td>
<td>Veneration title for Islamic religious teacher or leader</td>
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<td>LPMP</td>
<td>Lembaga Penjamin Mutu Pendidikan (Education Quality)</td>
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Lurah
Head of Village (in urban area)

Madrasah
Islamic school

MA
Madrasah Aliyah (Islamic senior secondary school)

MBM
Madrasah Based Management

MDP
Madrasah Development Planning

Menpan
Menteri Negara Pendayagunaan Aparatur Negara (State Ministry of Administrative Reform)

MESA
Madrasah Education Sector Assessment study (ADB/AUSAID)

MGMP
Musyawarah Guru Mata Pelajaran (Subject matters teacher forum)

MI
Madrasah Ibtidaiyah (Islamic primary school)

MOF
Ministry of Finance

MOHA
Ministry of Home Affairs

MONE
Ministry of National Education

MORA
Ministry of Religious Affairs

MTs
Madrasah Tsanawiyah (Islamic junior secondary school)

MPR
People’s Consultative Assembly

Negeri
Public

NER
Net Enrolment Rate

NGO
Non-Government Organization

NZDA
New Zealand Development Assistance

PAD
Pendapatan Asli Daerah (Regional own source revenues)

PCU
Provincial Coordination Unit

PERDA
Peraturan Daerah (regional regulations)

Pesantren
Islamic boarding school

PNS
Pegawai Negeri Sipil (Civil servants)

PP
Peraturan Pemerintah (Government regulation)

PROPEDA
Program Pembangunan Daerah (Regional Development Program)

PROPENAS
Program Pembangunan Nasional 2001-2005 (Medium-term Development Program)

PSC
Project Steering Committee

RAPBS
Rencana Anggaran Pendapatan & Belanja Sekolah (School revenue and expenditure plan)

RENSTRA
Rencana Strategis (Strategic plan)

RERS
Religious Education and Religion Statistic

Rp
Rupiah (Indonesian currency unit)

SD
Sekolah Dasar (Primary school)

SK
Surat Keputusan (Decision letter)

SLTP
Sekolah Lanjutan Tingkat Pertama (Junior secondary school)

SLTP Terbuka
SLTP Terbuka (Open junior secondary school)

SPM
Standar Pelayanan Minimum (Minimum Service Standards)

SSA
Standard Spending Assessments

SUSENAS
Survei Socio-Ekonomi Nasional (National Socio-Economic Survey)

Swasta
Private

TA
Technical Assistance

UAS
Ujian Akhir Sekolah (Exit examination at primary level set by districts)

UN
Ujian Nasional (Exit examination for junior and senior secondary education set nationally)

UNDP
United Nations Development Program

UNESCO
United Nations Educational, Scientific and Cultural Organization

UNICEF
United Nations International Children’s Fund

USAID
United States Agency for International Development

Yayasan
Private Non-profit Foundation
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      3. Access to Madrasah Education
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Improving Teacher Professionalism and Student Performance
Madrasah Facilities Development Program
Management and Development Results Consultancy Report
Monitoring and Evaluation Framework
Economic and Financial Analysis
Education Finance
Poverty and Social Analysis
I. RATIONALE: SECTOR PERFORMANCE, PROBLEMS, AND OPPORTUNITIES

The technical assistance agreement for the Madrasah Education Development Project (MEDP) was signed on 30 June 2005. Technical assistance (TA) activities began on 8 August 2005 and were scheduled for completion on 31 March 2006. The TA was to produce a design for a loan project that would contribute to improved quality of education in madrasah through better trained teachers, improved learning resources, and effective quality assurance systems. Selected madrasah were to become “smart” schools or schools that could attain the highest international standards. The project was to contribute to improved social equity by providing financial and academic support to disadvantaged children, especially girls and children from poor families. Health clinics were to be established in madrasah. Management and financial sustainability of madrasah was to be improved by reducing financial gaps between Ministry of National Education (MONE) general schools and madrasah, using performance agreements supported by block grants, establishing school committees and transparent financial management in madrasah.

The project design also was to support decentralization in selected districts in accordance with the Government of Indonesia (GOI) Law 22/1999 which provided districts with authority to manage and provide services in accordance with the interests of the community. This law has resulted in significant decentralization to districts of the responsibility for delivery of general education. However, under Article 7 of Law 22/1999, religion was one of five exceptional functions not handed over to the districts. The Ministry of Religious Affairs (MORA) has not yet decentralized responsibility for madrasah, an important reason being that the large majority of madrasah are private while most general schools are publicly owned and supported.

The MORA Directorate General of Islamic Education (DGIE), the counterpart agency for the TA, has identified priorities for the MEDP that are consistent with the objectives outlined in the TA agreement. The output of the proposed project (Appendix 1) is to improve the quality of madrasah graduates and enhance the coverage of 9 years compulsory basic education through madrasah within the framework of the national education system. The main objective of the project is to improve quality and equity in education services and maintaining efficiency in governance and management of madrasah. Specifically, through the project MORA should be able to develop strategies to improve the quality of madrasah graduates at least at national standard as measured by final national examinations, and to improve the level of educational accreditation status of madrasah from C (poor) to B (average), from B to A (good), and from selected madrasah from A to A+ (at international standard)."
A. Madrasah Education Sector Overview

The madrasah education system is an important component of the Indonesian educational system (Appendix 3) and became fully integrated into the national education system under Law 20/2003. Madrasah offer the national core curriculum developed by MONE, and additionally teach religious subjects developed by MORA. Students take the national examinations and can transfer into MONE general schools. In 2004/05, approximately 6,023 million students were enrolled in madrasah representing approximately 13% of the total student enrollment in Indonesia.

The MORA DGIE is responsible for three types of Islamic institutions. The most numerous are the 40,258 madrasah providing six years of primary education (Madrasah Ibtidaiyah or MI), three years of junior secondary education (Madrasah Tsanawiyah or MTs), and three years of senior secondary education (Madrasah Aliyah or MA). Madrasah are under the authority of the Directorate of Madrasah Education (DME). Other types of Islamic education institutions are 14,798 pondok pesantran and 27,698 madrasah diniyah. Pondok pesantran are Islamic boarding schools offering formal and non-formal education programs, both religious and general, at various education levels from preschool through university. Madrasah diniyah design their programs around individual educational objectives. Their students are not required to take national examinations and they are not certified as regular education institutions.

Participation rates in madrasah vary significantly by province. For example, participation rates in MI varied in 2004/05 from a high of 34.0% in Jambi and 29.5% in East Java to a low of 2.4% in West Sumatra and 1.2% in Papua. Some data indicates that madrasah, especially private madrasah, appeal to lower income populations. For example in 2004, about 44% of the pupils in MI and MTs were children of farmers. Data on direct indicators of enrollments of poorer students in madrasah is not available, but parental education may be a suitable proxy. In 2004, over 50% of parents of MI students had only an elementary education or less. Madrasah also appeal to parents of female students. In 2004, 50.7% of students in madrasah were female compared to 48.5% in general schools. The proportions of female students in madrasah were especially high in MA at 54%. Female students are not segregated in the madrasah.

The vast majority (91.5%) of madrasah are private, established by private foundations (yayasan), ranging from large national foundations such as the Al-Maarif Nahdhatul Ulama and Muhamadiyah, by regional foundations, and by small local foundations. In East Java, a province with approximately one-quarter of the total number of madrasah, 45% of the madrasah were run by just seven national foundations in 2003. Slightly over 30% of madrasah were run by small foundations. In some instances, madrasah are owned by individuals or families. The Kiai is the religious leader of the madrasah and as such is a major force in the affairs of the madrasah.

While a large majority of students attend private madrasah (4,335,867 private madrasah students versus 1,141,098 public madrasah students in 2004), most private madrasah are small having less than 200 students. These smaller private

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7 MORA (October 2005). op.cit. pps.55, 57.
8 MORA (October 2005). op.cit. pps.54.
madrasah are very close to their communities, and often community leaders provide land and financial support for the local madrasah. They also encourage poor and disadvantaged students to attend the madrasah.

B. Performance Indicators

1. Quality of Madrasah Education

A goal of MORA is a madrasah education system of high quality, equivalent to the general or non-religious education system overseen by MONE. At present, graduates of madrasah have difficulty competing with graduates of the general schools for higher paying jobs, and enrollment in higher education institutions. Wages of madrasah graduates are substantially lower than those of general school graduates. In 2004, the average wage for SMA graduates 15 to 19 years old was Rp.525,067 and for MA graduates in the same age group it was Rp.294,313. Among 20 to 24 year old SMA graduates the average wage was Rp.634,935. For MA graduates it was Rp.467,392. Job advertisements in newspapers often specify SMA graduate as a basic qualification for the job. With improved quality, the image of madrasah will be enhanced. Labor market opportunities and outcomes will improve.

Two indicators are available for measuring improvement in the quality of madrasah education: student achievement scores on national examinations and an increase in accreditation levels of madrasah.

Final examinations are held for graduation from lower secondary (MTs) and upper secondary (MA) levels. In 2002/03, most madrasah students passed the final examinations (when school-level final exams are also factored in), but not the three core subject tests covered by the national examination (ujian nasional or UN or UAN?) where the average score was failure. The recent UAN results for 2004/05 indicate that, aggregated nationally, average scores for madrasah students have improved somewhat over 2003/04 results. However, the gap between general school and madrasah students remains. More madrasah students than general school students failed overall and in the individual subject tests. At the junior secondary (JSE) level, madrasah students scored lower than general school students in all three subject areas of the UN in 2003/04, but in 2004/05 they scored lower only in Bahasa Indonesia and mathematics. In English, their scores were higher than general students. At the senior secondary (SSE) level, average madrasah student scores remained lower than general school students in all subject areas, although the gap was reduced in about half of the subjects.

The Madrasah Education Sector Assessment (MESA) has criticized the national education examination system. “National tests do not provide a complete evaluation of pupil achievement. They test cognition only, in three subjects only, at the end of junior secondary and senior secondary only.” Despite its weaknesses, the UN is the only quality measure that allows national comparison of student achievement between general schools and madrasah. Until a new examination system is developed, the UN must be used as a primary means for assessing quality improvement in madrasah education.
A new system of accreditation of general schools and madrasah was introduced under Law 20/2003. Under the new system, all general schools and madrasah are to be accredited using three categories: C - poor; B - average, and A - good (international standard schools will be considered A+). The previous system accredited private schools and madrasah using four categories: unregistered, registered, recognized (or admitted), and equivalent. Public madrasah were all considered equivalent. The new National Education Law called for local accreditation boards to be established at district level. These district level boards would use criteria, standards and procedures developed centrally by the National Accreditation Board. However, the process has lagged and there is a large backlog of schools requiring accreditation using the new standards.

Private madrasah still hold their accreditation under the old system. In 2003/04, most private MI were rated as either recognized (45.7%) or registered (34.3%). Only 12.8% of MI were considered equivalent with 0.8% unregistered. Among private MTs, 7.2% were equivalent, 40.5% recognized, 39.4% registered, and 2.2% unregistered. Only 5.5% of private MA were equivalent with 48.5% registered and 29.9% recognized. Unregistered private MA represented 3.0% of the total.

3. Access to Madrasah Education

The Government’s highest priority for education is now the 9-year compulsory basic education campaign (Wajar), which is intended to raise the net enrollment rate (NER) to 100%. In general, access to 9-year compulsory basic education is not a major issue in Indonesia. Net enrollment in primary education, either SD or MI, is officially 99%. Net enrollment in junior secondary education is lower at 78%. In 2004/05, less than 1% (0.71%) of MI students dropped out. Almost twice as many students dropped out of MTs with 1.36% dropping out of private MTs. However, by international standards, these rates are low. For junior secondary education, SMP and MTS, the problem is in part a lack of school places. (The upcoming AusAID Basic Education Project (BEP) will concentrate on construction of new SMP and MTS.) But it is also due to the large number of students who do not continue on to junior secondary education due to poverty. Overall in 2004, 21% of MI graduates did not continue to lower secondary education. To improve this situation, completion and transition rates must improve. The issue of improving access to madrasah education involves finding solutions to encourage transition of students from MI to MTS levels by targeting students who are unable to progress because of financial constraints. Introduction of remedial programs to improve completion rates would also help to raise enrollments in junior secondary education.

C. Analysis of Key Problems and Opportunities

1. Teacher Qualifications and Upgrading

Recent government legislation (Law 14/2005) has defined new minimum qualifications for all teachers. At the primary school level the requirement is a D4 (post secondary four-year diploma) or Strata 1 Bachelor Degree (S1). For junior secondary education (JSE), and senior secondary education (SSE), subject matter teachers require a minimum of an S1 qualification relevant to their teaching subject area. In addition to these requirements, S1 qualified teachers will be required to complete between 36 and 40 credits (two semesters) to gain professional certification covering four standard teacher competencies defined by the Government. Public and

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private university Faculties of Education appointed by the Government will provide these certification programs.

With professional certification civil service teachers will be eligible for a government professional incentive that will be the same amount as their base salary rate determined by qualifications and years of service. For private school teachers, including those employed by madrasah, the level of professional incentive to be paid by the Government will be determined by the public service rates based on qualifications and years of service.

An analysis of MORA EMIS data for the school year 2004/2005 indicates that approximately 83% of all MI teachers (public and private madrasah) are not S1 qualified, and only 2% of MI teachers have S1 qualifications in secular subject areas. In the MTs (public and private), approximately 55% of teachers are S1 qualified. However, as many as 98% of these teachers, depending on their particular teaching area, are teaching subject matter that is not relevant to their S1 specialization. For MA teachers, approximately 72% are S1 qualified. Up to 84%, depending on the particular teaching area, are mismatched in terms of their S1 qualification and subjects currently taught. For the MTs and MA, the lack of S1 qualifications relevant to teaching areas is particularly high for chemistry and biology and also very high for English and mathematics.

Content knowledge and teaching competence influence levels of learning among students. In the past, many short-term teacher upgrading programs have had little impact on the way teachers teach. At MTs and MA levels especially, teachers need a thorough grounding in the subject area they teach to be effective in the classroom. It is necessary to focus on providing teachers with a solid grounding in subject content to provide them with content confidence, supported by shorter programs in classroom methodology and ongoing support through strengthened subject matter teacher forums (MGMP).

2. Learning Materials

Many students in madrasah, especially private madrasah, do not have textbooks. GOI policy calls for textbooks to be provided for every child. They are to be loaned at the beginning of the year and returned at the end. When the textbooks were distributed to public and private madrasah under the World Bank Book and Reading Development Project, public madrasah received fewer than needed and private madrasah hardly any. As a result, public MTs have over 70% of their needed allotment in Indonesian language, mathematics and economics, while private MTs less than 10% in all subjects. Public MA received 50% of the required books for the two common language streams, Bahasa Indonesia and English, and private MA less than 10%. Teachers often prefer to use textbooks available on the open market, but often neither schools nor parents of their students can afford them.

Provision of textbooks can have an important influence on improving the quality of education especially in situations where no other learning materials are available. If textbooks are not available from the school, children must rely on copying notes from the blackboard. They will be unable to do self-initiated study at home. All madrasah should be able to supply all students with all textbooks.

3. Madrasah Facilities

The relatively small number of public madrasah are generally in better physical condition than the majority private madrasah. In public MI, 62% of classrooms were
in good condition in 2004\textsuperscript{20}. In private MI only 45% were in good condition. In public MTs, 78% of classrooms were in good condition. In private MTs, 63% were in good condition. In MA the figures were 83% and 71% respectively. Libraries and especially laboratories are a need in both public and private madrasah. In 2004, 56% of MA had libraries, 45% of MTs, and only 26% of MI. Among these 28% were in damaged condition. Many fewer madrasah have laboratories with private madrasah the least well off. Only 16% of private MTs and 11% of private MA had science laboratories. Among public MTs, 46% had science laboratories, as did 60% of public MA. Only 6% of private MA (24% of public MA) had language laboratories. However, 37% of both public and private had computer laboratories.

Condition and especially availability of facilities can have an effect on education quality especially in science, computer and language learning. Provision of adequate facilities for practical science, computer and language teaching is a need in many madrasah especially private madrasah. A confounding factor with regard to upgrading and expanding facilities, however, is the large number of public and private madrasah built on land that is registered to private owners or unregistered in the District Lands Office. The land should be registered to the madrasah prior to any new construction or rehabilitation taking place.

4. Governance

The National Education System Law (Law 20/2003) explicitly includes madrasah as part of the unified national education system. Like general schools, madrasah are governed under national education system policies. The national education system is the responsibility of “the minister”, i.e. the minister who is responsible for national education, MONE. In practice, however, MONE manages the educational system and general schools while MORA manages madrasah.

There are a series of government regulations which are required in Law 20/2003. At present, only one has been issued: Government Regulation 19/2005 setting out the principles for the national education standards (NES). The content of the standards will be set by subsequent ministerial regulations. The NES are binding on all government and private schools and madrasah. They will provide the basis for accreditation of schools and madrasah under the new accreditation system. The Law on Regional Government (Law 32/2004) specifies that education is an obligatory function\textsuperscript{21} of District Government\textsuperscript{22} and governed by minimum service standards (MSS). However, as yet only the MONE general education system has been decentralized to district level. The MORA madrasah system remains centralized.

Education Committees have been established at district level. They are composed of officials and members of the community with interest in the education sector. They influence district legislators and Bupati with regard to allocation of district resources to education. However, proponents of madrasah education are often under-represented on these committees, and as a result, all or the majority

\textsuperscript{20} MORA (2004/05). EMIS database.
\textsuperscript{21} Obligatory functions are functions (actually, sectors) which may not be handed over by Districts to another level of government.
\textsuperscript{22} Note that there is not a vertical relationship between district governments and the provincial government of the province where the district is located nor is there a hierarchical relationship with the central sectoral department (in this case, MONE). The obligatory functions inhere directly in the district government.
\textsuperscript{24} This is under the old accreditation system. The implementing procedures for applying the new accreditation system to madrasah have not yet been established (e.g. provincial vs. district level accreditation boards.)
financing for education goes to general schools. In some districts it is still believe that madrasah must be excluded from district budgets because they have not been centralized. A lack of coordination between MORA, Dinas and local government can lead to madrasah being unaware of and/or lacking access to sources of government revenue such as deconcentration funds, school block grants, BOS, and provincial and district budget funding (APBD). There is a need for organization and advocacy at district level on behalf of madrasah to encourage support from local government and improve collaboration between Dinas and Kandap MORA.

5. Financing of Madrasah

Finance for basic education in Indonesia is very complicated. To some degree this is caused by the complexity of the education delivery system, with two Ministries (Ministry of National Education/MONE and Ministry of Religious Affairs/MORA) each having two types of schools (public and private) and the additional complication that the MONE system has been decentralized to the district level while the MORA system is still centralized. The situation is also complicated by the fact that there are multiple sources of funding flowing into schools and madrasah and each of these funding channels has its own reporting and accountability system.

There are two sources of funding for education activities: (i) Indonesian government budgets; and (ii) extra-governmental sources. There are three types of Government budgets which provide funds for education services: (i) central budget, which flows through central offices of ministries as ministerial budgets; these funds may be spent in schools or direct to students; madrasah are funded from the central budget via the provincial and district MORA offices (Kanwil and Kandep); (ii) provincial budgets, which are partially funded by the central budget and are permitted to fund educational activities “at the provincial level”; and (iii) district budgets, which are also partially funded by the central budget and have the main responsibility for funding provision of education services in the district’s public schools.

Some of the district revenues from the central budget are tied to expenditure allocations for specific activities: i.e. the “basic allocation” component of the general subsidy (DAU) to cover civil servant salaries and basic operational expenses for provision of public services and the special subsidy (dana alokasi khusus/DAK) for specific activities. Some districts are of the opinion that they are legally forbidden from funding madrasah through district budgets because “religion” is one of the reserved sectors and madrasah are under the authority of MORA. This is not correct. Madrasah have access to the same funding sources available to general schools.


The provincial Kanwil is responsible for formulating plans to implement national policies determined by MORA. Within the Kanwil, the Division for Madrasah Education (DME) is responsible for the governance and management of madrasah. The Kanwil DME is responsible for management of public madrasah, issuing permits for the establishment of new private madrasah, accreditation of private madrasah, and accepting applications to convert private madrasah into public madrasah. At the district level, governance of madrasah is delegated to the district level Madrasah Education Section (MES).

A primary function of MES is data collection to support the provincial DME in planning, decision-making, programming and budgeting. Other functions include implementation of the annual program, running school examinations, issuing permits for the establishment of new private madrasah, accepting applications for converting private madrasah to public madrasah, and reporting to the upper level of bureaucracy within MORA. At both levels, DME offices have varying numbers of staff assigned to
four or five units with supervisors assigned to direct oversight of madrasah. The supervisory system suffers from a number of constraints. In many instances supervisors are older DME staff who have reached retirement age. There also is a lack of funds for operational expenses for supervisors. To help overcome some of the problems of the supervisory system, the DGIE is planning to hire younger supervisors and provide more operational support.

Improved efficiency, transparency and financial accountability in management of madrasah have become priorities for MOR. This involves implementation of Madrasah Based Management (MBM), establishment and strengthening of madrasah committees, changing the culture of MOR management at all levels to support for madrasah rather than control, and introducing performance-based planning and budgeting and results-based management. Rather than simply measuring inputs, success is to be measured by attainment of targets and objectives. To attain these objectives a major reorientation in perspectives and roles of DME staff and supervisors will be required.

The DGIE is planning to implement a number of policy initiatives to strengthen the management of madrasah? They include: 1) reorientation of the madrasah administration at provincial and district level to a support and service role rather than one of implementation and control; 2) reform of the madrasah supervisor system; 3) government subsidies for private rather than public madrasah as in the past; 4) provision of more substantial support (Rp.500 million to Rp.1.5 billion) to madrasah who sign and adhere to results based management contracts; and 5) more support for madrasah in the pesantren. (The AusAID BEP will be providing support to pesantran.)

7. Social Image

Because they provide a full national curriculum combined with religious studies, madrasah are becoming increasingly popular. Growth of madrasah enrollments has been approximately 3% per year over the last five years, with the largest growth rates at MTs (3.58%) and MA (7.60%) between 1999/00 and 2004/05. This compares with rates of growth in general junior secondary and general senior secondary enrollments of -0.11% and 3.03% respectively. Despite this madrasah are still seen by many as providing a level of secular education inferior to that of general schools. Graduates of MA are less successful than SMA graduates in enrolling in prestigious universities, and in finding more desirable and higher paying positions in the labor market. As mentioned earlier wages of madrasah graduates are substantially lower than those of general school graduates. In addition, madrasah need to counteract potential negative reactions due to the global concerns about terrorism.

Several strategies have been identified by MOR to address these concerns and raise the status of madrasah education. The first is the emphasis on improving education quality to raise madrasah student examination scores, and improve accreditation levels of madrasah. This will raise the status of madrasah education and place madrasah graduates on an equal footing with graduates of general schools. The second is raising selected MA to international standard, i.e. to become A+ schools. This is in response to the GOI (mandatory) objective of having at least one senior secondary school of international standard in each district. The third proposed strategy involves organizing madrasah communities for advocacy. This would include publicizing positive aspects and accomplishments of madrasah and their students.

7. Government Strategy and Policy
The Government is committed to development of madrasah. Madrasah are acknowledged as an integral part of the national education system in the national Education Law. In its draft development program for 2006 to 2021, DME acknowledges the need to transfer madrasah management to lower levels of authority. This requires strengthening of institutional capacity. The madrasah strategic development program identifies a number of other priorities for development over the next 25 years. They are: 1) decentralization of planning responsibility to madrasah, 2) strengthening of madrasah management, 3) diversification of madrasah institutions (with international, national and local standards, and vocational and professional orientation), 4) private madrasah quality improvement, 5) madrasah organizational development and empowerment, 6) financial management improvement (transparent and accountable), and 7) strengthening the madrasah network.25

8. Other External Support and Donor Coordination


Donor coordination in the education sector began informally after the tsunami struck Indonesia in December 2004. Recently an Education Sector Working Group has been formed among education donors. AusAID is chairing the group for the first six months.

9. Lessons Learned

A number of important lessons have been learned from previous projects and are reflected in the project proposal described below. A more complete review of these lessons learned can be found as Appendix 5. Those of most direct relevance to the project design are related to managing teacher upgrading programs, madrasah development planning, community involvement in madrasah improvement, provision of scholarship support for poor students, scope of the project and project implementation and financing mechanisms.

Teacher upgrading programs should provide teachers with solid grounding in content (as well as methodology) to build thorough knowledge of subject matter and confidence in the classroom. Initial training should be followed up and reinforced through forum where teachers can discuss problems and new approaches. Full accountability and transparency is required in the allocation of resources for teacher

upgrading to avoid abuses that have occurred in the past. Principals should be trained in leadership and school management skills and empowered with more authority over operations of private madrasah.

Top down prescriptive approaches to education improvement have proven ineffective in many instances and wasteful of resources. School based planning approaches with community involvement have proven more effective in identifying real needs for quality improvement. However, previous projects have underestimated resource needs. School/madrasah development planning (MDP) also can be difficult and time consuming. It is necessary to provide close and effective guidance and support when newly introduced.

Block grants are an effective tool for funding school improvement activities, but must be implemented with clear technical directions on their use and very strict reporting and public disclosure mechanisms. To improve accountability, madrasah should be required to implement a project-designed management information system (MIS) and an accounting and finance information system and use them for monthly reporting on funds used and activities achieved.

Student scholarship support should be provided to the school rather than to the students themselves or their families to help avoid misuse of funds and provide more transparency in distribution systems.

New financial regulations and needs for transparency and accountability require new approaches for planning, budgeting and financial management. The Ministry of Finance is calling for implementation of performance based planning, budgeting and financial management at all administrative levels. Monitoring systems should be reoriented to support performance based approaches.

The use of international or national versus local trainers is very expensive given the need for ongoing guidance, support, and capacity building. Also, it makes it difficult to develop a local cadre of experts who can provide ongoing support to capacity building. A cadre of locally-based advisors, facilitators and/or trainers, trained by national and international experts, provide a more readily available and localized resource.

II. THE PROPOSED PROJECT

A. Objectives

The ultimate goal of the MEDP is for the madrasah education system to produce high quality graduates that can contribute equally with graduates of general education to national development. The objectives of the project are: 1) to develop and test strategies to improve the quality of madrasah education as measured by national examinations of graduates and accreditation levels of madrasah; 2) to enhance the quality and coverage of 9 years compulsory basic education through madrasah within the framework of the national education system; and 3) improve quality and equity in education services while improving efficiency in governance and management of madrasah.

Madrasah are an increasingly important part of the Indonesian national education system. They are important not only because they encompass 13% of enrollment or approximately 6 million students, but also for the “national education with Islamic values” that they offer. At present, 91% of madrasah are private. In the past, most project assistance went to public madrasah. MORA now wants to direct attention and support toward the private madrasah, most of which are less well resourced and tend to serve poorer communities. The project will design and test a model for the future
development and improvement of madrasah education?. The project design is based on a "whole school", cluster approach. This approach involves concentrating support on a local network (cluster) of madrasah and responding to the development priorities identified by the madrasah themselves.

A total of 340 madrasah will be involved in the MEDP. The project focus is private madrasah in the accreditation categories of recognized and registered (approximately 80% of the 340), and encompasses many poor madrasah. The madrasah will be organized into 34 clusters of 10 madrasah, with one cluster in each of 34 districts from eight provinces (two clusters overlap into other districts, see Appendix 7). Madrasah at each level (MI, MTs and MA) will be included in the clusters. A step-wise selection process was followed. First, provinces were selected according to their high density of madrasah. Moving from west to east, the provinces chosen are Jambi, South Sumatra, Lampung, Banten, East Java, Bali, and South Kalimantan. Next, districts within the provinces were selected, initially by the district DME on the basis of number of madrasah, need and poverty level. The initial selection was refined on the basis of a formula calculating poverty levels, supply and demand for madrasah education, and gender profiles.26 Districts involved in other donor project activities in education were excluded. Finally, the individual madrasah in these districts were selected according to geographical proximity. They include 121 MI, 154 MTs, and 65 MA. Private madrasah represent 90% of the total.

A participatory madrasah development process27 will be used by each madrasah to identify its priorities for education quality improvement. Through this participatory process, madrasah principals and teachers, with their local communities, madrasah committees, and leadership (Kiai of foundation) identify priorities for the development of the school as a whole. The priorities supported by the project will include upgrading under-qualified or mismatched teachers,28 learning materials provision, facilities upgrading, provision of health centers or sanitation (sanitation to be provided through separate MORA budget funding), and/or addition of libraries, and computer and science laboratories. Support will also be provided for joint activities among madrasah in the clusters.29 One senior secondary madrasah in each province (four private and four public) will be upgraded to international standard.30 The MEDP will provide support for improved teaching and learning in the national curriculum subject areas, while MORA regular budget funding will support improvement in teaching and learning of the Islamic curriculum subjects.

The GOI national objective of 9-year compulsory education for all will be addressed by the MEDP through two means. A retrieval program will be implemented in the 34 districts to encourage children who have dropped out from MI and MTs or discontinued their education after completing MI to reenroll and complete basic education. A second program, targeting girls who cannot attend formal programs primarily because they are married, will assist them to enroll in non-formal Paket A and B (primary and junior secondary) equivalency certification programs. Girls will be

26 Poverty variables were % poor, number of poor, and depth of poverty. Supply and demand variables were participation rates, enrollment rates, and number of students per classroom. Gender variables were female mean years of schooling, and gap between male and female enrollment.
27 The madrasah based management (MBM) process will involve parent committees, sponsoring foundations (yayasan) as well as madrasah staff.
28 Teachers teaching subjects in which they have not received qualifications.
29 Such as activities of teacher working groups (Kelompok Kerja Guru or KKG) and subject teacher forum (MPMG)
30 The previous ADB Development of Madrasah Aliyah Project (DMAP) upgraded 35 public MA to become model schools. Four of these public MA will be further upgraded to international standard.
targeted because of the importance of educating mothers. In both instances, scholarships will be provided to encourage students to enter these programs. The scholarships will give priority to poor and female students.

A third component of the MEDP will examine means to improve the efficiency and effectiveness of madrasah education by improving transparency and financial accountability not only in madrasah but in provincial and district MORA offices as well – a MORA priority. It will introduce results-based management and performance-based planning and budgeting in compliance with government guidelines. It will also support information and advocacy programs to build local support for madrasah education and help madrasah gain access to national and local financial resources. Madrasah committees will be formed at district level to help lobby for support to madrasah. Madrasah will be assisted in gaining access to government funding available at district level.

The MEDP is designed to produce three outputs. If the approaches used to attain these three outputs are successful they will act as models for further MORA investment in madrasah education improvement. The outputs are: 1) improve the quality of madrasah education as measured by student examination scores and increases in levels of accreditation of madrasah; 2) expand opportunities for madrasah education especially for poor, and female students; and 3) enhance the sustainability of madrasah education through improved governance, management and financing. In addition to the three components addressing these outputs, a technical assistance grant will be provided for external monitoring and evaluation of the MEDP. The project design and monitoring framework is in Appendix 1 and problem analysis is in Appendix 2.

B. Outputs and Interventions

1. Output 1: Improve Quality of Madrasah Education

Quality improvement efforts in madrasah are to be aimed toward two primary results – improvement in student achievement, and levels of accreditation. Each of the approximately 600 madrasah involved in the MEDP will prepare a three-year madrasah development plan prior to the end of the first year of project implementation. The plans will identify activities and resource requirements (investment plans) for quality improvement efforts of the madrasah. (Development plans can also be prepared for the madrasah cluster as a whole, and/or cluster activities by level of madrasah, i.e. MI, MTs and MA.) The activities will be funded in part by the project and in part from other sources. Activities funded by the project must correspond to the MEDP design.

The MEDP design for improving the quality of madrasah involves four interventions: a) improve teacher professionalism and student performance; b) upgrade essential teaching/learning resources and facilities; c) introduce madrasah based management systems and procedures; and d) upgrade selected MA to international standards. Specific activities under each of these four interventions will be defined for each madrasah in accordance with their madrasah development plans.

a. Improve Teacher Professionalism and Student Performance

Four groups of activities will be conducted to improve teacher professional development and student performance: i) S1 professional qualifications upgrades in the areas showing significant teacher-subject mismatch (mathematics, sciences and languages) and Professional Certification; ii) subject content upgrades (mathematics,
sciences and languages) and classroom methodologies training; iii) on-going teacher support and mentoring; and iv) student remedial programs.

**S1 Professional Qualifications Upgrades and Professional Certification:** Based on the current qualifications profiles in the target madrasah, project funding will allow for approximately one-quarter of teachers (about 1,200) in the targeted madrasah to receive formal qualification upgrades to S1. The focus of the S1 programs will be on English, mathematics and the sciences. Provision will be made for current S1 qualified teachers to fulfill the new qualifications requirements mandated under the new teacher’s law (Law on Teachers and Instructors No.15/2005) by participating in the two-semester Professional Certification programs to be developed by MONE. Short-term training activities will be demand and needs driven, focusing primarily on subject content in the sciences, mathematics and English and training in classroom methodologies. At least 25% of S1 training participants will be female. Further information on the program can be found in Appendix 8.

Scholarship funding will cover all costs of the programs including tuition costs and participant living costs. Salaries for replacement teachers will be covered by the Project, and teacher salaries will be maintained by madrasah for the duration of the programs. Scholarship funds will be provided through the training institutions which will be fully accountable for their use. Living expenses for the scholarship recipients will be provided to them by the institution. Where possible, S1 programs will be provided within the participant’s province, however some choice should be available for those who specifically request to attend programs in other provinces. Not all programs are available in all provinces. Primary level teacher education faculties are not available in South Kalimantan or South Sumatera. Similarly, faculties for English language are not found in Lampung, or South Sumatera. In these instances it will be necessary for participants to travel outside of their province for these programs.

S1 and Professional Certification scholarship recipients will be required to sign 2\(n+2\) contracts to commit to teach for twice the number of years of their upgrading program, plus an additional two years. The names of participants violating their 2\(n+2\) contracts will be circulated by the relevant Kandep and will be ineligible to be hired as civil service teachers for the period of their 2\(n+2\) contract.31

**Subject Content Upgrades and Classroom Methodologies Training:** Given the need for subject content improvement for madrasah teachers and the time required, 1,000 teachers in the targeted madrasah will be able to apply to attend a carefully programmed sequence of two three-week training activities annually over a period of three years (Years 2 to 4 of the project) to provide a total of six three-week activities in three years.

With the limited duration of these subject content training activities, it will be critical that they are focused on essential subject content matter relevant to school curricula. Selection of program content will be defined by participant pre-tests, and participants will be grouped based on their needs. The training activities will be programmed over the six courses (two per year over three years) to provide participants with a gradual and carefully sequenced increase in subject content knowledge and understanding. The project will coordinate with MONE to issue certificates of achievement which will be accepted by MONE for the process of recruitment and/or promotion in the civil service.

In an effort to respond to the special interests of teachers in the clusters, a number of short orientation/training programs will be provided. For these short-term training

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31 An agreement would be made with MORA to this effect.
activities, individual madrasah, MGMP teacher groups and/or clusters as a whole will need to prepare proposals, and the activities will be funded through the block grant to the madrasah.

Ongoing Teacher Support and Mentoring. Block grants and classroom innovation grants will be provided by the project to successful applicants during Year 2 to Year 5. The project will facilitate the establishment and development of MGMP serving the clusters. The task of MGMP is to provide support for subject teachers to assist each other in solving day-to-day teaching and learning problems. They are, therefore, strictly “for-teachers-by-teachers” and not another avenue for the delivery of top-down teacher training. The MGMP should be facilitated by well qualified and experienced subject specific master teachers, including master teachers from the general education system.

Small block grants will be provided annually to each cluster for the establishment and ongoing facilitation of MGMP. The activities to be supported will encourage teachers to come together for discussion, problem solving and mutual development within school clusters. The project will establish selection criteria for the allocation of block grants, and a component of this assessment will be incorporation of MGMP development into local planning and the performance of existing MGMP. The project will also provide financial support through 200 competitive block grants annually for the development of madrasah-based teaching and learning innovations developed by individual teachers, MGMP or school clusters. These grants will be strictly focused on classroom teaching and learning using a set of clear selection criteria developed by the project. Guidance and support for the selection and provision of grants will be facilitated via MDC/CLRC.  

The MDC will have a role in facilitating the strategic planning for MGMP establishment and development. The CLRC will compete to provide the facilities and resources for any non-school based activities. As training providers, the CLRC have a number of potential strategic advantages including good facilities, established management structure, strategic locations, and established madrasah networking.

Student Remedial Programs. The purpose of this component is to increase completion rates and examination pass rates through the provision of after-school student remedial programs that target under-achieving students. The programs will not function as extra "cramming" classes prior to final examinations. The project will facilitate the implementation of after-school student remedial programs supported by annual remedial block grants provided directly to madrasah. These annual funds will be released in stages based on satisfactory reporting from participating madrasah. Reports will include remedial class sizes, participant selection statistics, subject areas, participant absenteeism, participant satisfaction, and test results.

In order to become eligible for remedial block grants, madrasah will be required to submit a proposal following CPMU guidelines. The proposal will include remedial class-size, participant selection, remedial subjects, parent permission to join classes, class frequency, provision of lunches (where students do not have opportunity to go home between regular class and remedial class), selection of learning materials, and teacher qualifications.

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32 Madrasah Development Centers (MDC) and Community Learning Resource Centers (CLRC) were established under the ADB Madrasah Aliyah Development Project.
33 A remedial program under MONE is financed under deconcentration funds, but the program does not cover madrasah.
During Year 1 the project will introduce the concept to provincial and district officials and provide training to madrasah principals in the preparation of applications for grants and the implementation of remedial programs. Regular monitoring mechanisms will be defined during Year 1, and will include regular classroom visits (for example every two weeks) and by local and monthly meetings with madrasah principals and remedial teachers to discuss student progress. Locally based facilitator/supervisors at the cluster level will carry out this monitoring.

Competitions for Excellence. Local excellence programs such as student and school competitions in various subject areas, teaching competitions and teacher awards and other activities will also be supported within and between clusters.

b. Upgrade Essential Teaching/Learning Resources and Facilities

The madrasah development plans will define what is required by each madrasah in terms of teaching/learning resources and facilities upgrading to improve the quality of education in the madrasah. Madrasah will identify their needs from a “menu” of options prepared by the MEDP. Three categories of activities will be supported: i) provision of textbooks and learning support materials; ii) provision of equipment, software and furniture; iii) rehabilitation and construction of required learning facilities (classrooms, libraries and laboratories); and provision of health clinics. Construction or rehabilitation of Islamic learning facilities, as well as upgrading of sanitation systems will be undertaken with MORA regular budget funding. In addition, the project also will support the design and application of preventative maintenance in the madrasah.

Provision of Textbooks and Learning Support Materials: The project will prepare a list of approved textbooks and learning support materials from which the madrasah may choose. The list will be prepared by a working group of 10 persons selected by MORA and the CPMU (Appendix 9). The working group will include at least four teachers who are subject specialists, a gender specialist, and a reading materials specialist. Upon review and approval of their selections, the madrasah may purchase the materials either individually or with other madrasah in the cluster. A set of textbooks and learning materials will also be provided to each teacher completing their S1 program to ensure they have a set of appropriate teaching materials when they return to their madrasah.

A list of approved textbooks and learning materials will be prepared and distributed to madrasah in the clusters. It is expected that at least 75% of cluster madrasah will include learning materials provision in their development plans. Sets of textbooks and teachers’ guides, learning support materials, library materials, and reading materials also will be provided.

Provision of Equipment, Software and Furniture: The menu of approved options will include teaching equipment and software that can be purchased by the madrasah for their quality improvement needs. Purchase of furniture also is an option if there is a serious need. Madrasah can purchase certain items (such as replacement furniture) individually or as a cluster. Procurement in bulk will be arranged by the CPMU for purchase of equipment and furniture for new classrooms, libraries, and

34 The gender specialist will examine content of learning materials for gender support and gender bias. Gender sensitive learning materials have been developed by MONE. The reading specialist will develop a set of children’s reading materials (such as recreational reading materials with Islamic themes).

35 The equipment can include audio-visual equipment, computers, language learning equipment, and science laboratory equipment.
Availability of maintenance and repair services will be taken into account when evaluating requests. It is anticipated that science equipment kits, computers and software, sets of library equipment, and sets of health clinic equipment will be provided through central purchase.

**Rehabilitation and Construction of Learning Facilities:** The MEDP will support rehabilitation of classrooms, or rooms to be used for libraries, laboratories, and/or health clinics. The project will also support construction of new classrooms, libraries, computer and science laboratories, and health clinics that can be added to existing structures. Land must be available if new rooms are to be added. The land must be owned or under long-term lease by the madrasah if rehabilitation or construction is to occur. If new classrooms, libraries, computer and science laboratories, or health clinics are to be rehabilitated and/or constructed, appropriate equipment and furniture will be provided. The Assistance Scheme for Facilities Improvement (ASFI) used successfully in previous school/madrasah infrastructure projects developed by ADB and since implemented widely, will be adopted by the MEDP.

The following process will be followed: (i) Madrasah, in collaboration with their madrasah committee, will identify construction and/or rehabilitation needs for classroom, library, science and computer laboratory facilities, and health clinics, and submit the requests to the Kandep and MEDP facilitator; (ii) Kandep officials and the MEDP facilitator will visit the madrasah to review the request and discuss contract requirements with the madrasah committee; (iii) if acceptable, requests will be approved and forwarded to provincial project coordinator and CPMU; (iv) block grants will be provided to cover construction or rehabilitation, and provision of furniture, equipment and supplies; (v) the madrasah committee will oversee implementation of the block grants; and (vi) MDC facilitator/supervisors will monitor the facilities upgrading and use of the block grant carefully in collaboration with the madrasah committee. Furniture, equipment and supplies will be provided for all newly constructed and rehabilitated facilities.

**Design and Application of a Preventive Maintenance Program:** The MEDP will provide for a domestic consultant to design and conduct a 3-day program in preventive maintenance for persons from each of the approximately 340 madrasah and Kandep offices to be included in the project. Training will be conducted on a cluster basis. Participants will include the principal, and two community/foundation representatives from each madrasah. The project will cover the preparation, trialling and revision of a preventive maintenance handbook and training program. Participants will prepare a maintenance plan and budget for their madrasah. The independent monitoring TA will monitor implementation of the preventive maintenance activities at the madrasah level.

c. **Introduce Madrasah Based Management Systems and Procedures**

A school based management approach was developed by MONE as early as 1997 and continues to be introduced in general schools (and some madrasah) with support from government and donor agencies. A comparable madrasah based management (MBM) approach was subsequently developed by MORA and a handbook published in 2003 (revised in 2004). However, full scale implementation of MBM has not yet taken place, due partly to the distinctive management structure of private madrasah. A particular challenge is encouraging involvement of the

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36 The donor assisted projects include the USAID supported Managing Basic Education (MBE) Project and Decentralized Basic Education (DBE) Project, and the AusAID IAPBE and Support for Basic Education Project

yayasan (foundations) in joint development planning and decision making with the madrasah committees. Implementation of MBM is now a primary objective of the new MORA DGIE master plan for development of madrasah.

At the same time, the MORA DGIE wants to reorient DME away from a role of regulatory agency to one of support service provider, especially for private madrasah. This change would require stronger commitment to public services on the part of MORA managers and staff and would require a new human resource development orientation. Paradigms, future policies and programs for the provision of public services through MORA, from the central office through Kanwil/Kandep to madrasah would change.

The combined needs to i) introduce MBM, including madrasah development planning, ii) upgrade skills in leadership, management, planning and accountability, and (iii) reorient MORA staff away from a regulatory to a service role presents a rare opportunity to effect change in the management system. Human resource development programs can be designed to convey needed skills within a new service orientation that is based upon performance and results. The MEDP will support the introduction of MBM and promote a new role for DME as service provider through four categories of activities: i) leadership development and application; ii) madrasah development planning and accountability; iii) project monitoring information systems; and iv) teaching learning assessment and quality assurance.

Leadership Development and Application: This activity will lay a foundation for the introduction of MBM and preparation of madrasah development plans in the MEDP provinces and districts. It will transfer the knowledge, understanding and skills required by managers of DME offices at Kanwil and Kandep levels, as well as madrasah principals and managers. This will help them to perform their responsibilities better within a context of public service and help redefine the role of DME in support of madrasah development. It is hoped that public satisfaction with MORA educational services will increase with the transition from regulatory to public services.

A 3-day workshop will be developed to reach senior managers at central level and in the eight Kanwil, DME district section heads, KKM/KKG leaders, and madrasah principals and yayasan/foundation heads from the cluster madrasah. A firm/individual will be contracted by the MORA CPMU to: (i) review training needs, propose training activities and schedules for review by a Madrasah Development Network (MDN)38, (ii) with the MDN prepare a training manual for the approved training programs, (iii) develop, trial and revise the manual, (iv) conduct national training for trainers, (v) prepare and produce training materials, (vi) implement, monitor and evaluate the training activities, and (vii) conduct regional and national workshops as follow up and improve future training programs. Gender training for managers will be included in the training program.

Madrasah Based Management (MBM) and Accountability: MBM will place the responsibility for development and improvement in the hands of the madrasah staff working with madrasah committees and yayasan. It will empower them and build pride and ownership. Madrasah development planning and management is a critical component of MBM and the key to successful madrasah improvement. Accountability is a second key element of MBM. Decision making on financial allocations will be the responsibility of the madrasah with the yayasan head/Kiai and its madrasah committee. Allocations mechanisms will be open and transparent.

38 The Madrasah Development Network would be composed of representatives of MEDP, MDC, and LPMP (MONE Institute for Quality Assurance).
The contractor/individual for the leadership development and application training will also conduct training in MBM.\(^{39}\) The 10-day workshop in madrasah development planning and accountability will be provided for staff from central and provincial level, for district planning and finance staff, and for madrasah principals, madrasah committee members and yayasan heads/Kiai from the cluster madrasah. The training will introduce new approaches for application of performance based planning and budgeting, transparency and accountability in financial management. After the workshops, 3-year Madrasah Development and Investment Plans will be prepared and priorities for quality improvement identified by each madrasah. Development and investment plans will be prepared among madrasah at MI, MTs and MA levels and for the cluster as a whole.

**Project Monitoring Information Systems:** This activity will ensure that those involved in the implementation and monitoring of the MEDP will have adequate capacity to gather, store, retrieve, process and analyze data, and therefore provide the needed information for decision making in a timely and accurate manner. This will include providing and/or upgrading facilities such as computer hardware and software and training of adequate number of staff to operate the information system.

A comprehensive PMIS will be designed and standardized for the different levels of management including the provincial DME, MDC, district MES, and madrasah. The design will be pilot-tested and debugged. Once verified to be working and operational, a users’ manual will be developed, trialled and revised. Based on the manual, two workshops of 4 days duration will be developed for provincial, MDC, district and madrasah staff. The workshops will consist of (i) an orientation-training for officials so that they will understand and appreciate the value of the PMIS, and (ii) technical training for those who will operate the PMIS. A domestic consultant will be contracted to design the PMIS, develop the users’ manual and conduct the training.

Physical facilities including computer hardware and/or software for PMIS at eight Kanwil, eight MDC, Kandep, and madrasah will be provided or upgraded. Officials and staff of the Kanwil, Kandep, MDC, and madrasah will receive training on PMIS. Based on the specifications for the required hardware and software, the component(s) needed by the organizational units will be determined through the baseline survey. Some of them may only need training while others may need all components.

**Teaching Learning Assessment and Quality Assurance:** Attaining performance oriented goals is the new educational policy in the MORA DGIE. For this policy, student academic achievement remains the main vehicle for measuring the quality of teaching/learning in madrasah, and all students are expected to pass the national examination. Improving madrasah accreditation status is a second important priority of the MORA DGIE. Most madrasah, particularly the private madrasah, need additional resources to move to higher levels of accreditation. A 10-day training program will be provided for managers at central, provincial, district and madrasah level.

A Madrasah Quality Assurance Working Group (MQAWG) will be established at provincial level to support MDC as a collaborative body in MEDP implementation. This group is specifically designed to: 1) implement the MQA system and procedures in madrasah; 2) perform MQA training needs assessment for the madrasah system;

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\(^{39}\) The contract will include development and implementation of both closely interrelated training programs. The eight implementation steps mentioned will encompass both training programs.
3) organize training and regular meetings to provide consultation service to madrasah principals; 4) review madrasah accreditation proposals and other required documents submitted by madrasah; 5) with MDC prepare a final recommendation for the madrasah to be accredited; and 6) if it is deemed appropriate by the National Accreditation Board (NAB), select and train supervisors, KKM leaders, and madrasah principals to become members of the local assessor team for madrasah accreditation.

MEDP has an opportunity to encourage networking between MONE and MORA as part of a strategy for implementing a national system of quality assurance and teaching learning assessment at provincial level. MONE has developed an Institute for Quality Assurance (IQA)\textsuperscript{40} to assure the quality of schools. MORA already has the MDCs\textsuperscript{41} and the CLRCs\textsuperscript{42}, but they lack the organizational linkages that would enable them to perform as the integrated provincial agencies to support madrasah in gaining higher levels of accreditation and better student academic achievement.

During the implementation of MEDP, MORA and MONE will establish a special joint committee for developing a system of quality assurance at central level. The objective of the committee will be to reinforce the partnership between MORA and MONE in closing the quality gap between madrasah and general schools. The special joint committee for madrasah quality assurance will work with the CPMU in MORA to perform the following activities: (i) with the support of project managers, conduct meetings to identify personnel roles and performance objectives, organization structure, schedules and budgeting; (ii) design a draft of inter-ministerial agreement at the level of Directorate General from MORA and MONE to be signed by the two Directors General during the first 6 months of project implementation; (iii) with the training consultant, organize a series of meetings to prepare an MQA training needs assessment and develop a training program, manual and materials; (iv) conduct a national workshop to introduce the MQA system and procedure; and (v) with M&E consultant, prepare a framework for monitoring the implementation of madrasah quality assurance (MQA) by the MDC at provincial level.

2. **Output 2: Expand Opportunities for Madrasah Education**

Indonesia is committed to achievement of the Millennium Development Goals and Education for All. Field research and analysis of secondary data show that the challenges in achieving compulsory universal 9-year basic education include: (i) drop out from primary school by students from households in the lowest income quintile; and (ii) failure of primary graduates to make the transition to JSE.

The Government has actively addressed these challenges through a variety of programs. However, the programs have now reached the state that economists refer to as “diminishing marginal productivity” which means that the inexpensive successes have already been attained and that further achievements will be more difficult and expensive. The remaining drop outs are those who have not been reached through normal channels and will need special targeting and support.

In some instances, the demand for madrasah education is in excess of the supply of places available in the local madrasah. This may result in applicants being denied enrollment in MI and MTs, and/or MI graduates being unable to enroll in MTs in their local areas. In limited instances where demand for madrasah education is especially high, additional classrooms can be added under the project.

\textsuperscript{40} This IQA is Institute for Quality Assurance/Lembaga Penjaminan Mutu Pendidikan (LPMP).
\textsuperscript{41} MDC refers to Madrasah Development Center/Pusat Pengembangan Madrasah (PPM)
\textsuperscript{42} CLRC means Common Learning Resource Center/Pusat Sumber Balajar Bersama (PSBB)
The MEDP will implement two interventions to support the expansion of opportunities to madrasah education. They are designed to: (i) provide retrieval programs to reduce dropout among madrasah students, and (ii) expand participation capacity in selected madrasah.

a. Provide Retrieval Programs for Madrasah

The project will implement three activities to reach drop outs with special programs and support for reentering madrasah education: (i) retrieval programs, (ii) nonformal (Paket A and B) programs for girls, and (iii) scholarships for students to enter special programs (Appendix 11).

Implement Retrieval Programs: Existing formal madrasah education programs have been successful for the largest proportion of beneficiaries, but are not appropriate to address the specific needs of the remaining drop outs and non-transitioning students. Research has shown that the challenges faced by the remaining candidate beneficiaries are demand-side forces (desire and/or ability to pay for education) which cannot be addressed through supply-side interventions (increased access). The ADB's Second Junior Secondary Education Project developed a retrieval program to identify JSE drop outs and non-transitioning students from primary to JSE and then re-enroll them in JSE schools. The program was successful and can be used as a basis to design a retrieval program for MI and MTs. Financial support will be an important aspect of the program given that most primary-level drop out is concentrated in the lowest income quintiles. Non-transition and JSE drop out is driven by a more complex combination of problems, including financial but also social and cultural values.

The retrieval program will retrieve (i) primary/MI drop outs and support them to achieve their MI certificates, and (ii) primary/MI graduates who did not move on to JSE and support them to achieve their MTs certificates. Drop outs and primary graduates from MONE schools will be eligible for retrieval into MI and MTs. A drop out is defined as a student who has been out of school for at least one academic year but is still within the age band for MI or MTs respectively. A non-transitioning student is defined as a student who graduated from primary school at least one year ago and did not continue on to JSE but is still within the age band for MTs.

Six activities will be conducted under the retrieval program: (i) introduction to principals; (ii) allocation of quotas to districts based on indicative interest from principals; (iii) recruitment of retrieved students by principals; (iv) submission of proposals by principals to the CPMU; (v) return of students to school at the class in which they left; and (vi) payment of student financial support to students who made satisfactory progress in their studies. The intervention will also provide financial support to retrieval students who complete retrieval programs, so that the can continue on to the next level. At least 50% of the retrieval students will be female.

The retrieval program will be offered to MI and MTs in all districts in the 8 project provinces. If there are more proposals than the funding quota, madrasah in districts with enrolment ratios lower than the national average will be given priority. The intervention will be limited to the first 4 years of the project in order to assure that retrieved students have an opportunity to achieve their certificates.

Establish Nonformal Programs for Girls: In some areas there are still significant numbers of school-aged girls who are not enrolled in school and who are not able to participate in the regular or open school programs. Many of these girls are married. Because of the importance of educating mothers, they are the target group for this intervention. The Government has developed nonformal education programs for equivalency at the primary level (Paket A), and JSE level (Paket B). These programs are available in two types: for adults and for school-aged students. Given cultural
constraints in rural areas, madrasah have a comparative advantage in reaching school-aged married girls and poorly-educated adult women.

The Paket A and B program will not only help expand participation by increasing access for girls to education, but will also help alleviate poverty and greater equity in access for girls and previously underserved groups. The intervention will provide access to Paket A and B certificates for girls aged 6-18 years and adult women who never completed formal basic education.

There are seven activities to be conducted: (i) introduction to principals; (ii) formation of a joint team with Madrasah Development Centers (MDC) in the eight project provinces and the non-formal education team in MONE to develop materials for Paket A and B; 43 (iii) production of pilot materials (modules, guides for tutors, guides for difficult materials, etc.) to supply the project's non-formal programs; 44 (iv) preparation and submission of proposals by principals; (v) disbursement of block grants to selected madrasah; and (vi) implementation of programs in madrasah.

Provide Scholarships for Students to Enter Retrieval and Nonformal Programs: Many madrasah students come from poor families which cannot pay school fees, buy books and learning materials, or to provide daily allowances for food and transportation. Poverty is a major cause of student dropout, especially in primary grades, and at the junction of primary schooling and JSE. Despite the Government’s support to the operating costs of both public and private madrasah under various national assistance schemes, some private madrasah also have schemes in which parents pay school fees on a sliding scale based on their income and ability to pay. Some schools allow parents to defer payments for up to 4 months. Others provide scholarships donated by the communities or private enterprises. However, the number of madrasah being able to provide this type of assistance is small. Overall, parents still have to pay sizable fees to enroll or keep their children.

The scholarship program is designed to support the objective of 9 years of compulsory education for all. Students who have dropped out or discontinued their education prior to completing JSE will be provided with scholarships to enter the retrieval program and the nonformal programs for girls. Retrieval students will enter regular, full-time madrasah programs. Non-formal programs for girls will have flexible schedules designed to meet the special needs of female students.

Poorer students willing to reenter full-time madrasah programs will be provided with scholarship support for all fees and expenses. For MI students the amount will be Rp. 240,000 per month and for MTs students Rp. 300,000 per month. Girls in the non-formal programs will be given Rp. 150,000 per month to study learning packages at their own pace in study groups with a tutor, at schedules and locations which are convenient for them and the madrasah. Around 7,000 students in these programs will receive scholarship support. All will be supported by the project until the completion of their programs. Students will be assisted to complete their programs prior to the end of the project.

b. Expand Participation Capacity in Selected Schools

43 These materials will maximize the existing Paket A, B and C materials, revising and augmenting only as required for the special characteristics of the madrasah curriculum.
44 These MDCs will be responsible for evaluating and revising the non-formal materials produced by the project using their own budgets. They will also produce the additional materials required for any other non-formal participants funded by MORA, outside the project activities.
The MEDP will implement two activities to expand capacity in madrasah. However, these activities will be implemented only in special circumstances, i.e. where a demand for madrasah education exists that is well beyond the seating capacity of existing local madrasah. The activities are: (i) expand physical capacity in MI and MTs, and (ii) add MTs programs to MI. Baseline studies of demand and enrollments will help determine whether excess demand exists. Specific requests for expansion of capacity must also be received from the madrasah in these areas.

Expand Physical Capacity in MI and MTs: In local areas where the demand for madrasah education outstrips capacity, and if a madrasah decides it has the teaching resources available to deal with an increase in the enrollment, it may request support for: (i) rehabilitation of a classroom(s) not currently in use because of disrepair; and/or (ii) add a new classroom(s) if there is sufficient land for expansion.

The procedure to be accomplished involves a number of steps. After discussions with madrasah committee/yayasan, the MI or MTs will incorporate the request in its madrasah development plan. The district will review the local demand for expansion of the MI or MTs and endorse it to the provincial coordinator. The provincial coordinator will review the request and forward it to the CPMU for approval. If approved, the project coordinator will assign a facilitator to work with the MI to prepare a more detailed request. A district supervisor and MEDP facilitator will visit the schools to evaluate the request and discuss contract requirements with the madrasah committee. If acceptable, requests will be approved and forwarded to provincial MORA and the PIU. Block grants will be provided for the upgrading and, provision of furniture and equipment. Implementation will be overseen by the madrasah committee. Supervisors and the MDC facilitator will monitor the facilities upgrading in collaboration with the madrasah committee.

Add MTs Programs to MI: If the demand is for establishment of a local MTs on land currently in possession of an MI, a request may be made for expansion of the MI to MTs level. The procedure outlined above for expanding physical capacity will be followed.

3. Output 3: Enhance Sustainability of Madrasah Education

MORA directives indicate a commitment to more cost effective and efficient actions for madrasah development which in turn will lead to the sustainability of the madrasah system. This requires greater clarity of direction based on policy articulation, the adoption of more systematic processes to determine priorities and to assess progress, better-defined roles and responsibilities, and a reduction of inbuilt bureaucratic procedures. The introduction of results-based management and performance-based planning and budgeting (as supported by the MOF) will underpin the drive towards greater efficiency and effectiveness. This must occur in tandem with a parallel commitment to developing more professional and competent human resources within the MORA apparatus, among education support services, and in individual madrasah.

The continued sustainability of madrasah education will be enhanced through, improved access to the resources available at local level. These resources include district and provincial budget allocations for education, ‘deconcentration’ funds from MONE, school block grants and other direct assistance from MONE. Local Education Councils (established under Law 20/2003) advise the district executive authority in preparing the budgets submitted to the local parliaments for approval, and in this way can influence resource allocations to schools and madrasah. However, madrasah often have little influence in these Councils. To strengthen their influence, MEDP will support network models that will enable greater advocacy and increased community awareness and action in support of madrasah education.
To enhance the sustainability of madrasah education, the MEDP will: (i) improve governance, management and accountability systems and procedures; and b) establish advocacy programs to sustain madrasah operations and develop partnerships.

a. Improve Governance, Management and Accountability Systems and Procedures

Longer term madrasah development is best defined, and ultimately managed, through articulated provincial and district strategies and plans. At these levels, demand and supply can be monitored according to national policy and quality standards. Local social and economic conditions can be better accommodated. Presently, central MORA, Kanwil and Kandep each prepare annual plans.\textsuperscript{45} Rarely do existing plans include performance management strategies relative to compliance, measurable results or accomplishment of targets.\textsuperscript{46} Plans at one level of the organization often do not relate to plans developed at higher levels of the same organization. Therefore, although planning systems exist, there is essentially no accountability and no test to match financial allocations with the planning exercise. Typically, there is no real commitment from any organizational level to strategic and operational planning tied to budget and incentive systems that support systematic actions toward bone fide “results”. Nor is there a feedback process (reporting) to enable longer term decision making.

MEDP will give the highest priority to targeted results at the madrasah level (institutional). It will also focus at the Kanwil and Kandep level to build capacity to implement results and performance based management, planning and budgeting systems by implementing: (i) human resource development programs for central, provincial and district support to madrasah; and ii) performance-based planning and budgeting.

Implement Human Resource Development (HRD) Programs for Central, Provincial and District Support to Madrasah: MEDP will design four human resource development programs: (i) results-based management; (ii) Performance Management Systems; (iii) performance-based budgeting; and (iv) EMIS data input and report preparation (see Appendix 13).

In addition, 16 persons (2 from each province) will be selected by MORA to attend masters degree programs overseas. Ideally, these persons will be connected with the MDC before and after their training. Five Ph.D. training programs overseas will also be supported under the MEDP. The programs of training will center upon management and evaluation with emphasis upon results-based management, performance based planning and budgeting, accountability and transparency.

A qualified and experienced firm or institution will be selected to design and implement the HRD programs. International and national consultants will be contracted for the design, pilot testing and training of advisors, facilitators and trainers in the eight provinces. Integral to the project management training provided by the CPMU will be the need to be consistent with new laws relative to results-based management. After training, advisors, facilitators and trainers will introduce and then reinforce the training within Kandep and madrasah as part of madrasah development plan preparation. Introduction of performance management systems will apply to all requests for project funds. Therefore, contracts, block grants and other

\textsuperscript{45} To date, there has been limited effort to introduce similar planning processes in individual madrasah.

\textsuperscript{46} However, the new budget laws require compliance with measurable results and accomplishment of targets.

funding requests will be issued based on the approval of a plan with specific targets and timeline stated.

The MDC will play an important role in delivery and reinforcement of HRD programs. MDC will identify six candidates to work closely with MEDP in HRD and quality assurance. The MDC will be prepared for quality assurance certification (ISO 9001). Three persons from the MDC will be trained to become quality assurance specialists. MDC will work with district level facilitators who in turn will work with Kandep and madrasah clusters. Subsequent to the initial design and pilot testing, funds for training in the above programs (except policy and strategic planning) will be provided to the MDC based on their submission of a plan and the guarantee of local advisors to implement the programs. Kandep will identify participants to be trained in each of the programs (except the special pilot studies where only the districts directly involved will identify such individuals). Central MORA will also provide persons who will participate in monitoring and evaluating each of the five activity areas.

As a result of the training, Kanwil, Kandep and madrasah senior managers will understand and apply procedures that ensure planning and implementation is governed by a focus on performance and results consistent with new budget laws and procedures. At least three project beneficiaries in each core agency and madrasah will understand and be able to produce semi-annually and annual accountability reports that measure progress toward each targeted result articulated in the approved annual plan. A cadre of qualified advisors and facilitators will be developed within each province to provide ongoing guidance for applying performance management practices specific to the preparation and assessment of annual development plans. In accordance with the DGIE objective to improve supervisory systems, MEDP facilitators will be drawn from the group of selected supervisors reforming their role and functions. In addition to their regular MORA salaries, supervisors will be given a stipend to serve as MEDP facilitators.

b. Establish Advocacy Programs to Sustain Madrasah Operations and Develop Partnerships

Law No. 20/2003 requires the establishment of an Education Council (Dewan Pendidikan or MP3A) in each district. Madrasah are to be represented in the Education Councils, but in reality the general schools system dominates and the representation and influence of madrasah is generally minimal. A single large foundation operating a number of private madrasah may have influence in an Education Council, but most private madrasah are run by small, local foundations or individuals. In noting this reality, the MESA recommended that “MoRA should take an active role in facilitating the establishment of associations of Madrasah foundations in each district, to represent their rights and provide a basis for representation and lobbying.”

MEDP will not only help develop a networking model designed to improve conditions among groups of target madrasah, it will also support network models that enable greater advocacy and increased community awareness and action. The MEDP will: (i) implement advocacy programs, and (ii) disseminate information on accessing existing funding sources.

Implement Advocacy Programs: Some good examples exist of communities raising their voice for madrasah concerns. However, madrasah lack a formal organization at the district or provincial level that can represent their views and act as a link between madrasah communities and government, the media and society as a whole. Establishment of madrasah clusters can help to organize madrasah communities at the grassroots level. However, madrasah networks should also be established at district and provincial levels to publicize and lobby for madrasah concerns, acting as a liaison with local government and society.

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49 Accessing funding sources for individual madrasah will be included in the MBM training.
Madrasah education has the advantage of being able to provide “general education with Islamic characteristics” appealing to many students and families. In today’s global society concerned with the threat posed by extremists, it is especially important to maintain the positive social image of madrasah education as an equivalent and desirable alternative to general education. Advocacy programs can help.

This activity is designed to increase awareness of the positive role played by madrasah and encourage sustainable support for quality improvement of madrasah. It is also designed to encourage the local executive authorities at district level (Bupati) to provide additional funding support for madrasah. Madrasah Councils will be established in project provinces and districts. Membership can include yayasan heads/Kiai, principals, teachers, students and their parents, and any other community member interested in furthering madrasah education. The Councils will hold periodic meetings to discuss common concerns of madrasah, ways in which madrasah concerns can be effectively conveyed via the media, and other activities to improve the social image of madrasah and obtain additional support from government and society at large. A request will be made to the Bupati/Governor to appoint the head of the Madrasah Council as a member of the Education Council.

In the first stage of activities, the structure and function of Madrasah Councils will be formalized, the Madrasah Councils will be established, and Madrasah Councils will form advocacy teams. A national consultant will be contracted to develop advocacy programs for the teams, including a 6-day training program. These advocacy programs will include information on government resources available to madrasah, lobbying techniques for obtaining these resources, and techniques for accessing and utilizing the media. A national madrasah linkages website will be established. In a second phase, support will be provided for periodic meetings of the Madrasah Councils and advocacy teams, and to the advocacy teams for the development and delivery of media materials and programs. Support also will be provided for content development and operation of the madrasah linkages website.

The teachers in the project madrasah will benefit from more governmental and social support for quality improvement in the madrasah. An improved image for madrasah education will raise morale and help motivate teachers and students.

Disseminate Information for Accessing Existing Funding Sources: The 2002 Amendments to the Constitution and the National Education Law of 2003 commit Indonesia to providing 20% of national and district government budget resources to education. This commitment explicitly covers all formal education providers including both schools and madrasah. The new government budget format recognizes that substantial numbers of students are being educated in schools which are governed by MOR, and there are many educational activities funded through the MONE budget which are also open to madrasah. Central MONE directives assure that these programs are open to madrasah, but implementation is highly dependent upon information and correctly completing application forms. Some districts have come up with creative solutions to the,50 but most have not and madrasah are unable to access the benefits.

This intervention will contribute to enhanced sustainability of madrasah education by assisting madrasah to acquire the information and skills necessary to improve their access to existing funding sources. Madrasah will be oriented on how to access deconcentration funds, school block grants, BOS, and regular budget funds. Information leaflets will be distributed and briefings held by Madrasah Council members. The beneficiaries will be all madrasah in the project districts.

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50 Opening a madrasah office in the district education service or creating a line item for madrasah in the budget for the Office of the Head of District.
C. Special Features

Funds Allocated Directly to Madrasah: Through the use of block grants, funding will be allocated directly to madrasah based upon approved madrasah development plans. Full transparency and accountability in the use of MEDP funding will be required. Madrasah committee members will be involved in the madrasah planning process and in accounting for the use of funds. A member of the madrasah committee will be a signatory on the madrasah MEDP bank account.

Quality Assurance Certification of MDC: The MEDP will support MDC staff to become quality assurance specialists and the MDC to obtain quality assurance certification. The ISO 9001 quality assurance certification agency hired by the project will identify the changes that must be made in the MDC to obtain quality assurance certification. These changes may be in the form of staff training, changes to management or financing mechanisms, or other changes.

Community Monitoring and Evaluation: The MEDP PMIS data may provide early warning of implementation problems, but it will often insufficient for understanding the true nature of the problems or suggesting solutions. The M&E framework established by the MEDP calls for community involvement in monitoring and evaluation through discussions between madrasah staff, madrasah committee members, yayasan heads/Kiai, parents and students on problems and solutions.

D. Cost Estimates

The total cost of the Project is estimated to be $143 million equivalent, comprising $43.9 million (31%) in foreign exchange cost and $99.1 million (69%) equivalent in local currency cost. A summary of cost estimates by project component is in Table 1, and the detailed cost estimates are in Appendix 14.

Table 1: Project Cost by Component

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>A. Base Cost</td>
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<td>1. Improve Quality of Madrasah Education</td>
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<td>2. Expand Opportunities for Madrasah</td>
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<td>3. Education</td>
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<td>4. Enhance Sustainability of Madrasah</td>
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<td>5. Project Management</td>
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<td>6. Taxes and Duties</td>
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<td>Subtotal (A)</td>
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<td>B. Contingencies</td>
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<td>1. Physical Contingencies</td>
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<td>2. Price Contingencies</td>
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<tr>
<td>Subtotal (B)</td>
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<td>C. Interest and Other Charges</td>
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Totals may not add up because of rounding.

Table 2: Project Cost by Category

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<table>
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<tr>
<th>Project Component</th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>A. Civil Works</td>
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<td>B. Furniture and Equipment</td>
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<td>C. Staff Development</td>
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<td>D. Consultancy Services</td>
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<td>E. Research Studies</td>
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<td>F. Block Grants to Schools</td>
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<td>G. Scholarships</td>
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<td>H. Incremental Recurrent Costs</td>
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<td>Total</td>
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Totals may not add up because of rounding.

E. Financing Plan

It is proposed that ADB provide a loan of $100.2 million from its ordinary capital resources (OCR) under ADB’s London interbank offered rate (LIBOR)-based lending facility. The loan will have a 25-year term, including a grace period of 6 years, an interest rate determined in accordance with ADB’s LIBOR-based lending facility, and a commitment charge of 0.75% per annum. The Borrower will be the Government of the Republic of Indonesia. ADB will finance 100 percent of the foreign exchange cost of the Project and 57 percent of the local currency cost. The Government will finance about $42.6 million equivalent in local currency cost (Table 2).

Table 3: Financing Plan

<table>
<thead>
<tr>
<th>Source</th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
<th>%</th>
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<tr>
<td>Government of Indonesia</td>
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<td>Total</td>
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F. Implementation Arrangements

1. Project Management

The executing agency (EA) for the project will be MORA and the implementing agency will be DGIE which will have the overall responsibility to plan, organise, manage, supervise, coordinate and monitor the project. A project steering committee (PSC) will be established to advise and guide on matters relating to project strategy and will review and approve annual project plans. The PSC will be composed of representatives of the Ministry of Finance (MOF), the National Planning Committee (Bappenas), the Ministry of Home Affairs (MOHA), MONE, and the Secretariat General of the MORA Agency for Research and Development and Education and Training, the National Statistics Bureau, and national yayasan. The Director General for Islamic Education will act as Secretary of the PSC. The Director of DME will be Director of the MEDP. A Central Project Implementation Unit (CPMU) will be responsible for day-to-day project implementation, and will be headed by a professional Project Manager acceptable to ADB. The CPMU will be responsible for ensuring (i) detailed project planning and scheduling; (ii) procurement of all goods and services, except as may be otherwise agreed; (iii) recruitment and supervision of international and domestic consultants; (iv) project accounting, including arranging
necessary audits; (v) disbursement of funds, including timely submission of withdrawal applications; (vi) management of the imprest account and (vii) reporting to ADB on project progress.

In each of the project provinces, Project Coordinator(s) working with the provincial Madrasah Development Center (MDC) will oversee project activities. The Project Coordinators will be selected on a competitive basis by a panel composed of Central MoRA, provincial and district representatives. Project advisors and facilitators will be assigned to the eight Provincial Coordination Units to provide technical and implementation support. The provincial MoRA office and the MDC will take part in training programs and be responsible for monitoring and evaluation of project activities in the province, teaching quality assurance and accreditation support for madrasah. District staff and supervisors will take part in training programs and support the work of the local facilitator/supervisors, assist with monitoring and evaluation, and with advocacy activities. The organization and terms of reference for these units and staff members can be found as Appendix 15.

2. Period of Implementation

The MEDP will be implemented over five years, from 2007 to December 2012. First year activities will focus upon staffing of provincial level offices, planning and coordination activities with MDC, human resource development, madrasah development planning and degree programs for teachers. In subsequent years, MEDP funding and support will be allocated in accordance with approved madrasah development plans. A schedule of anticipated implementation activities can be found in Appendix 16.

3. Procurement

All ADB-financed procurement for goods and services including consulting services for the project will be in accordance with ADB’s Guidelines for Procurement. The CPMU will be responsible for procurement under the guidance and supervision of the MoRA steering committee (Appendix 17). Supply contracts for goods estimated at $500,000 or more will be awarded on the basis of ICB while contract packages costing between $100,000 and $500,000 will follow international shopping procedures. Supply contracts for instructional materials costing between $100,000 and $500,000 will follow LCB procedures. Minor items including teaching and learning materials costing less than $100,000 may be procured on a direct purchase basis. Supply contracts for curriculum materials, teachers’ manuals and handbooks may be awarded to qualified and appropriate education publishing houses on the basis of LCB if the amount is between $100,000 and $500,000, or by direct purchase if the amount is less than $100,000. Procurement of textbooks, library books, maps, charts, and posters will be made locally in accordance with appropriate Government’s procurement procedures acceptable to ADB.

4. Consulting Services

All ADB-financed consultants will be selected using quality- and cost-based selection in accordance with ADB’s Guidelines on the Use of Consultants and other arrangements satisfactory to ADB for engaging domestic consultants. MoRA, through the CPMU, will be responsible for hiring consultants. Short-term national and international consulting services will be minimal (Table 4). However, technical services also will be obtained through contracts to firms providing implementation services. These include civil works, teacher upgrading and training in madrasah based planning and management. Staff assigned to the CPMU, as well as provincial level coordinators, advisors and facilitators working on a full- and part-time basis will
also provide technical services. A summary of all these services and terms of reference can be found as Appendix 18.

Table 4: Consultant Services (person months)

<table>
<thead>
<tr>
<th>Consultant Services by Component</th>
<th>International Pers Mths</th>
<th>National Pers Mths</th>
<th>Total Pers Mths</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Improve Quality of Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Improve Teacher Professionalism and Student Performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Upgrade Essential Teaching/Learning Resources and Facilities</td>
<td>-</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>3. Improve Madrasah Based Management Systems and Procedures</td>
<td>6</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>4. Upgrade Selected MA to Internl. Standard</td>
<td>3</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>B. Expand Opportunities for Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Provide Special Programs in Madrasah</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Expand Participation Capacity</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C. Enhance Sustainability of Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Improve Governance, Management and Accountability Systems and Procedures</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>8. Establish Advocacy Programs</td>
<td>-</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>9. Evaluative Studies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Project Management</td>
<td>12</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Person Months</strong></td>
<td><strong>33</strong></td>
<td><strong>126</strong></td>
<td><strong>159</strong></td>
</tr>
</tbody>
</table>

* National person months include only those for short-term national consultants. National coordinators, advisors and facilitators are project implementation staff working on a full or part-time basis. Their person-months are not included on this summary table. Subcontracts with national firms are also excluded.

5. **Staff Development and Training**

Staff development will consist of S1 and Professional Certification training for madrasah teachers. Programs to support development of classroom competencies will be provided based on requests from MGMP. Remedial programs will be provided for students having difficulties in learning. Training in preventative maintenance will be provided for madrasah receiving rehabilitation and construction support from the project. Madrasah based management training programs will include leadership training for madrasah principals, madrasah based management and accountability for madrasah staff and madrasah committee members, teaching/learning assessment and quality assurance for and program monitoring information systems from madrasah staff. Staff of the provincial and district MORA offices will receive training in performance management systems, madrasah based development and advocacy, and EMIS data input and report production. A more detailed listing of these programs can be found as Appendix 12.

6. **Disbursement Arrangements**

To expedite the disbursement of loan funds, the Government will channel part of the loan proceeds into an imprest (special) account in Bank Indonesia (BI). The imprest account will be established, managed, replenished, and liquidated in accordance with the Asian Development Bank’s Loan Disbursement Handbook and arrangements agreed upon by the Government and the ADB. The deposit for the imprest account will not exceed US$ 10 million.

7. **Accounting, Auditing and Reporting**

The Government, acting through MORA, will maintain records and accounts adequate to identify good and services financed from the loan proceeds. MORA will
maintain separate records and accounts for the Project, and ensure that accounts and financial statements are audited annually by certified external auditors acceptable to ADB. The auditor will prepare a report on the use of loan funds, compliance with loan covenants, and use of the imprest account under ADB’s SOE procedure under the project, issue a certification as well as findings of any regularities or discrepancies, and recommend necessary and appropriate remedies and or corrective measures so that the financial statements and the audited accounts will be certified as “meeting the generally accepted accounting practices” by the auditor. MORA will submit the audited financial statements and the auditor’s report to ADB in English within 6 months after the end of the fiscal year (see Appendix 19).

The CPMU will prepare quarterly reports on the status and progress of project implementation and submit them to ADB and MORA within 20 days after each quarter. The reports will have a format acceptable to ADB and will indicate (i) progress made against established targets; (ii) status of performance indicators; (iii) problems encountered and actions taken; (iv) compliance with loan covenants and (v) proposed program of activities for the following quarter. Within 3 months after project physical completion, the Government will prepare and submit to ADB a project completion report describing project implementation, accomplishments, benefits, impact, costs and compliance with loan covenants.

8. Anticorruption Policy

ADB’s Anticorruption Policy (1998) was explained to and discussed with the Government and MORA. Consistent with its commitment to good governance, accountability and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project. To support these efforts, relevant provisions of ADB’s Anticorruption Policy are included in the loan regulations and the bidding documents for the Project. In particular, all contracts financed by ADB in connection with the Project shall include provisions specifying the right of ADB to audit and examine the records and accounts of the EA and all contractors, suppliers, consultants and other service providers as they relate to the Project.

9. Project Performance Management and Review System

To ensure efficient project implementation, the Government will prepare and provide ADB with the next fiscal year’s project operational plan at least 30 days before the start of the next fiscal year. The operational plan will include: (i) project activities with cost estimates proposed for each component/subcomponent with performance targets; (ii) a plan for complying with outstanding loan covenants; (iii) a breakdown of financial requirements, including loan proceeds withdrawal and counterpart funds from the Government and (iv) details of how project activities are to be integrated into other ongoing programs.

MEDP performance will be monitored and evaluated regularly through the project’s monitoring and evaluation (M & E) system (see Appendix 20) from two perspectives: internal (to be done by those involved in project implementation) and external (to be done by a contracted independent firm and/or individual not involved in project implementation). The internal M & E will monitor implementation progress of the various interventions in accordance with the indicators and targets in the project framework. Monthly and quarterly project progress reports will be prepared based upon information from the provincial, district, and school level monitors including community monitoring reports of the madrasah committees. External M & E will be contracted to an independent firm through a parallel TA (see below).
10. Project Review

The Government and ADB will jointly review the Project’s progress at least once a year. In addition, the Government and ADB will jointly undertake a mid-term review shortly after the CPMU's submission of the third year annual report. The midterm review will focus on overall project strategy and achievements which may require adjustments of targets, processes, and reallocation of resources if necessary. Specifically, the midterm review will (i) review the project scope, design, implementation arrangements, institutional development and capacity building; (ii) assess project implementation against projections and performance indicators; (iii) review compliance with loan covenants; (iv) identify critical issues, problems and constraints and (v) recommend changes in project design or implementation as needed. One month before the review, the CPMU will submit to ADB a comprehensive report on each of these issues.

III. TECHNICAL ASSISTANCE

Technical assistance will be provided for external monitoring and evaluation. The external M & E, will focus on compliance with the general principles, processes and procedures of the project; quantity and quality of goods and services according to specifications, schedules, and budget; accuracy in procurement, accounting, and other financial records; and transparency in selection and awarding of contracts and related transactions (see Appendix 21 for the Terms of Reference). In-depth assessment of outcomes and impacts of project interventions will be undertaken through comprehensive evaluation studies in the third and final years of project implementation. To be able to measure progress over time, a baseline study will be conducted within the first six months of project commencement. This study will establish the baseline data of the selected outcome and impact indicators. Accreditation of madrasah also will provide an effective indicator of progress. As the evaluation studies will be formative evaluations, the findings and recommendations will be used to improve project implementation.

IV. PROJECT BENEFITS, IMPACTS, AND RISKS

A. Project Benefits and Impacts

1. Sectoral Benefits and Impacts

The project will provide programs for madrasah education managers and supervisors that are designed to change their role and reorient them toward improved performance, attainment of tangible results, and sensitivity to the needs of the private sector. These performance-based planning and budgeting, and results-based management programs are designed to help madrasah managers become more service oriented and more focused on output rather than input. Monitoring and evaluation systems will be improved to focus more upon attainment of targets and objectives rather than solely upon inputs. Advocacy programs implemented through the project will raise the social image of madrasah education in the eyes of the general public. Advocacy will involve improving access to the media, and stimulating communities to support madrasah education and work to influence decision makers at local level to support madrasah.

2. Social Benefits and impacts
The ultimate objective of the project is to produce better educated graduates from the madrasah education system. All project interventions are aimed toward this end. Success of the project will be measured through improvement in national examination results and transition of graduates to higher levels of education. The project will provide upgrading for madrasah teachers that is designed to make them more effective in the classroom and provide the minimum certification they need to remain qualified teachers. The project supports infrastructure, material and human resource improvements identified by madrasah staff and communities as most necessary for raising the quality of the education provided in their madrasah. Through the madrasah development planning process madrasah managers, teachers, parents and community supporters prioritize madrasah quality improvement objectives and needs and monitor progress toward their attainment.

Over 90% of madrasah are private. Private madrasah tend to serve more rural and poor communities. Drop out rates within MI and MTs are relatively low but many students do not transition from MI to MTs. Many drop out and non-transition students do so due to financial constraints. The project will support retrieval programs to bring back into the madrasah education system students who have dropped out due to financial reasons. Scholarships will be provided with poor and female students the beneficiaries. Many girls, especially those who are married, are unable to attend. For these female students, a special scholarship Paket A and B program will be provided by the project. This will offer non-formal MI and MTs level education in a more convenient time and setting.

3. Economic Benefits and Impacts

Participation in the madrasah development process will bring madrasah staff, students and parents into a close working relationship to identify and prioritize madrasah improvement needs. Focus will be upon priorities for madrasah improvement and lead to more efficient use of available resources. They will become involved in madrasah based management that is more open and transparent financial management systems.

Remedial programs will be implemented to help ensure students remain and stay in MI and MTs. This will improve efficiency by reducing drop out rates and improving transition and completion. Implementation of results based management will also contribute to increasing cost efficiency of government and private expenditures.

4. Environmental Impact

Environmental impact will be minimal. Most infrastructure work will be rehabilitation rather than construction. Some new classrooms will be added, but they will be on land already owned by the madrasah. Communities will be involved in decisions about rehabilitation and construction and will monitor progress. This will help ensure against any negative environmental impact for infrastructure work.

F. Project Risks

1. Political Risks
The project should not entail political risk. On the contrary, the project is designed to enhance the quality and image of madrasah education in Indonesia at a time when the nature of madrasah education could be misinterpreted. This would have a positive political impact in the country.

2. Economic and Financial Risks

Approximately 85% of the madrasah included in the project are private madrasah. Private madrasah receive little MORA support for operations nor are they provided with civil service teachers. Many private madrasah face serious financial constraints and their teachers work at negotiated salary levels that are sometimes very low. After teachers are upgraded to degree level they may consider they should be paid more. Private madrasah may be reluctant or unable to pay these higher salary levels. To counteract this the contract arrangement with the teacher trainees to serve 2n+2 years in the school after returning from training should hold many of them in schools for several years. Thereafter, MORA is planning to introduce a system of subsidies for teachers in private schools and the MEDP trained teachers can be among the target group.

The financial sustainability of madrasah, especially private madrasah, is a concern that will be addressed in several ways. Upgrading and expansion of the madrasah should attract more students. Advocacy programs will make madrasah more aware of the financial resources, such as the BOS, available to them. As the BOS is based on per-pupil allocations, madrasah will have access to larger allocations.\(^{53}\) Lastly, instituting madrasah development planning strengthens community involvement. Decision making would no longer remain in the hands of only the yayasan head/Kiai and/or the principal. More community involvement usually brings with it more community support for the madrasah.

3. Social Risks

There is a risk that the yayasan head/Kiai may be reluctant to accept community involvement in decision making for the madrasah. Advocacy programs will be carried out to convince the yayasan head/Kiai of the benefits of community involvement, in particular the primary benefit that madrasah communities will be expected to contribute to the implementation of the madrasah development plans. Madrasah/community/yayasan partnership agreements signed with the project will specify these contributions.

V. ASSURANCES

A. Specific Assurances

In addition to the standard assurances, the Government has given the following specific assurances, which will be incorporated into the legal documents.

1. Issuance of a Ministerial decree to establish a scholarship fund within the first 3 months of loan effectiveness.
2. Within 6 months of loan effectiveness MORA will issue an executive order to officially establish the madrasah clusters in all the project districts together with administrative system and arrangements to enable the madrasah clusters to perform their functions in accordance with the project design.

\(^{53}\) For small schools, an argument will be made that the BOS formula should apply only to schools above a certain size with a flat rate allocation made to schools below that size.
3. Increase in levels of accreditation of madrasah is a primary outcome indicator for the project. Madrasah have not been accredited under the new accreditation system. There is as yet no baseline to use for measuring progress. Once the new accreditation system is underway in July 2006, MORA should obtain an agreement with the National Accreditation Board ensuring that all 608 madrasah included in the project are accredited during the first round of accreditation.

4. MORA will take special measures to promote the participation of women and girls in project activities. This includes the number of teachers, staff, and female students who are awarded scholarships to enroll in madrasah.

5. MORA will cause madrasah and teachers who are selected to undergo teacher upgrading programs to sign a contract and submit a bond to guarantee that the teachers will return to teach at the same madrasah for at least two times of the study duration plus 2 years whether they graduate from the program or not. Further, the madrasah will rehire the teachers to teach at their schools and adjust the salaries to reflect the new qualifications obtained by the teacher.

6. MORA shall carry out the ASFI through the CPMU in accordance with arrangements acceptable to the Bank. These arrangements shall in particular include eligibility criteria agreed upon between the Borrower and the Bank, transparent procedures in the selection of madrasah applying for assistance under this scheme.

7. MORA shall ensure that the private and public schools selected for support provide quarterly reports on the status of the project implementation, including the manner and utilization of funds.

8. The participating madrasah must open and maintain a separate account(s) for block grants and scholarship fund at a branch of an approved bank with at least 3 signatories – yayasan, principal, and a member of the madrasah development committee.

9. Official establishment of the clusters to be supported under the project.
## Appendix 1. Madrasah Education Development Project Framework

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets/Indicators</th>
<th>Data Sources/Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPACT</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| The madrasah education system produces more high quality graduates contributing equally with graduates of general education to national development | • Equal access of madrasah graduates to higher education and to formal sector employment | • Labor market surveys  
• Susenas data\(^1\)  
• Sample surveys of university enrollments |                       |

### OUTCOME

| Opportunities for Madrasah Education will be expanded to reach more poor and female students | Wildlife of Madrasah Education at MI, MT and MA levels will improve and accreditation levels will be raised for madrasah |                  | Assumptions:  
Madrasah have equal access to accreditation review services  
Risks:  
National exam system loses validity  
Accreditation review capacity not expanded |
|---|---|---|---|
| • Increased enrollments in MT  
• Increased enrollments in MI and MT among poor, indigenous, female students  
• Return of drop-outs to madrasah  
• Improved transition rates from MI to MT  
• Reduced repetition and drop out rates | • Average pass rates of students of madrasah vis-à-vis general schools in national final examination  
• Average scores of students of madrasah vs. general schools in national final examination.  
• Madrasah raising accreditation levels from level C to B and level B to A | • National examination scores  
• Baseline and endline achievement indicators  
• National Accreditation Board results  
• MORA EMIS data  
• Interviews and field reports |                       |

| Sustainability of madrasah education will be increased through improved governance, management, and financing |                       |                       | Assumptions:  
Madrasah Development Centers will to become IPO QA accredited |
|---|---|---|---|
| • Model developed for performance based planning and budgeting at madrasah, district and provincial levels | • District, provincial and national budget and expenditure reports  
• Interviews and field reports |                       |                       |

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\(^1\) At present, data collected under the Susenas does not differentiate between madrasah and general schools. This situation should be changed.
<table>
<thead>
<tr>
<th>OUTPUT</th>
<th>In Participating Districts/Cities:</th>
<th>- National examination scores</th>
<th>Assumptions:</th>
<th>Risks:</th>
</tr>
</thead>
</table>
| Improve the quality of madrasah graduates as measured by final       | % improvement in average pass rates of students compared to district averages
| examinations and raise accreditation levels of madrasah              | % improvement in average scores of students compared to district averages
|                                                                      | No. of madrasah accredited from level C to B and B to A accreditation status
|                                                                      | 3000 poor students who have dropped out of MI and MT return to school
|                                                                      | 3000 poor students who have not transitioned for MI/SD to MTs are retrieved
|                                                                      | 645 female students who have not completed MI or MT are enrolled in Paket A and B programs       | - National Accreditation Board results
|                                                                      | MORA EMIS data                                                                               |                               | • Madrasah have equal access to accreditation review services
|                                                                      |                                                                                               |                               | • Madrasah staff conduct outreach programs to bring drop outs back into
|                                                                      |                                                                                               |                               |   system                                                                 |
|                                                                      |                                                                                               |                               | • Madrasah Development Centers will to become IPO QA accredited            | • National exam system loses validity
|                                                                      |                                                                                               |                               | • Accreditation review capacity not expanded                                |
|                                                                      |                                                                                               |                               | • Abuse of scholarship mechanism                                            |
| Enhance the equity and coverage of 9 - year compulsory basic education through madrasah within the framework of the national education system |                                                                                               |                               | • Madrasah Development Centers will to become IPO QA accredited            | • National exam system loses validity
|                                                                      |                                                                                               |                               | • Accreditation review capacity not expanded                                |
|                                                                      |                                                                                               |                               | • Abuse of scholarship mechanism                                            |
| Improve quality and equity in education services while maintaining efficiency in governance and management of madrasah |                                                                                               |                               | • Madrasah have equal access to accreditation review services
|                                                                      |                                                                                               |                               | • Madrasah staff conduct outreach programs to bring drop outs back into
|                                                                      |                                                                                               |                               |   system                                                                 |
|                                                                      |                                                                                               |                               | • Madrasah Development Centers will to become IPO QA accredited            | • National exam system loses validity
|                                                                      |                                                                                               |                               | • Accreditation review capacity not expanded                                |
|                                                                      |                                                                                               |                               | • Abuse of scholarship mechanism                                            |
|                                                                      |                                                                                               |                               | • Madrasah Development Centers will to become IPO QA accredited            | • National exam system loses validity
|                                                                      |                                                                                               |                               | • Accreditation review capacity not expanded                                |
|                                                                      |                                                                                               |                               | • Abuse of scholarship mechanism                                            |

| In Participating Provinces:                                           | No. of madrasah receiving block grants increases
|                                                                      | No. of madrasah receiving deconcentrated funding increases
|                                                                      | No. of madrasah receiving BOS increases
|                                                                      | No. of madrasah receiving DAK funding increases
|                                                                      | No. of districts that include funding for madrasah in district budget increases
|                                                                      | No. of districts that include funding for madrasah in district budget increases
|                                                                      | No. of districts that include funding for madrasah in district budget increases
|                                                                      | No. of districts that include funding for madrasah in district budget increases

Assumptions: • Madrasah have equal access to accreditation review services
• Madrasah staff conduct outreach programs to bring drop outs back into system
• Madrasah Development Centers will to become IPO QA accredited

Risks: • National exam system loses validity
• Accreditation review capacity not expanded
• Abuse of scholarship mechanism
<table>
<thead>
<tr>
<th>ACTIVITIES AND MILESTONES</th>
<th>INPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. IMPROVE QUALITY OF MADRASAH EDUCATION</strong></td>
<td></td>
</tr>
<tr>
<td><strong>A.1. Improve Teacher Professionalism and Student Performance</strong></td>
<td></td>
</tr>
</tbody>
</table>
| A.1.1. Upgrading of madrasah teachers to S1 level and professional certification | In Participating Madrasah:  
- 1,204 teachers achieve S1  
- 580 teachers receive Professional Certification  
- 25% S1 teacher trainees are female | Instructional materials  
Staff dev. Local  
Local contracting  
Recurrent cost |
| A.1.2. Provide short-term training in subject content and classroom competencies | 34 of madrasah cluster plans for teacher support produced  
960 teachers completing short term training activities | Instructional materials  
Staff Dev. Local  
Local contracting (block grants) |
| A.1.3. Provide madrasah-based on-going teacher support and mentoring | 80% of MGMP hold monthly meetings  
800 MGMP innovation grants awarded  
No. of innovations resulting from innovation grants that are successfully introduced into classrooms | Instructional materials  
Staff dev. local  
Recurrent cost |
| A.1.4. Increase completion rates & examination pass rates through the provision of student remedial programs. | Remedial materials developed  
Remedial materials reviewed and revised  
880 teachers trained in remediation  
340 madrasah in which remedial program established | Instructional materials  
Local consultancy  
Staff dev. local  
Recurrent cost |
| **A.2. Upgrade Essential Teaching/Learning Resources and Facilities** | |
| A.2.1. Provide textbooks and learning support materials | List of approved textbooks, library and reading materials prepared  
78 MI, 136 MTs, 54 MA and received block grants for textbooks and learning materials | Instruc. materials  
Block grants  
Recurrent cost  
Local consultancy |
| A.2.2. Provide equipment and software | 91 MI; 83 MTs; 33 MA receive new equipment and software  
Level of utilization of equipment and software | Madrasah Dev. Fund |
| A.2.3. Rehabilitate and construct required learning facilities | No. of old classrooms renovated and passed quality inspection: 97 MI; 109 MTs; 46 MA  
No. of new classrooms constructed and passed quality inspection: 51 MI; 65 MTs  
No. of old laboratories renovated and passed quality inspection: 14 MTs; 22 MA  
No. of new laboratories constructed and passed quality inspection: 109 MTs; 27 MA  
No. of old libraries renovated and passed quality inspection: 21 MI; 26 MTs; 27 MA  
No. of new libraries constructed and passed quality inspection: 67 MI; 91 MTs; 20 MA  
173 health rooms in MI, MTs, MA | Civil works (rehab of classrooms, libraries, science labs, computer labs)  
Civil works (new classrooms, libraries, science labs, computer labs)  
Furniture  
Equipment  
Recurrent cost |
| A.2.4. Design and apply preventative maintenance program | Preventative maintenance program design prepared, reviewed and finalized  
748 persons trained in maintenance  
Maintenance records established and maintained | Staff Dev. Local  
Instructional materials  
Local consultancy |
### A.3. Improve Madrasah Based Management Systems and Procedures

| A.3.1. Training in madrasah leadership development and application | • Training program developed  
  • Training program include gender and leadership  
  • 914 participants trained; % female participants  
  • % participants actually practicing what they learned in training.  
  • 340 madrasah principals trained  
  • A female principals trained in project madrasah | • Local contracting for program development and implementation  
  • Staff Dev. Local |
|---|---|---|
| A.3.2. Training in madrasah development planning and accountability | • Training program developed  
  • Training program include gender sensitivity  
  • 1,848 participants trained; % female participants  
  • % district and madrasah able to prepare development plan.  
  • Madrasah committees meet at least once a month  
  • Budget and expenditure reports posted each quarter for public review | • Local contracting for program development and implementation  
  • Staff Dev. Local |
| A.3.3. Develop comprehensive project monitoring information systems and training | • Madrasah project management information system (PMIS) developed  
  • Training program for PMIS developed  
  • 914 participants trained; % female participants  
  • % of madrasah able to implement PMIS. | • Local contracting for program development and implementation  
  • Staff Dev. Local |
| A.3.4. Develop teaching learning assessment and quality assurance systems and training | • Teaching learning assessment and quality assurance system developed  
  • Training program for PMIS developed  
  • 1,273 participants trained; % female participants  
  • % of madrasah able to implement teaching learning assessment and quality assurance | • Local contracting for program development and implementation  
  • Staff Dev. Local |

### B. EXPAND OPPORTUNITIES FOR MADRASAH EDUCATION

#### B.1. Provide Retrieval Programs in Madrasah

| B.1.1. Implement retrieval programs | • No. of assisted MI and MTs implementing retrieval program  
  • 6000 students enrolled in MI and MTs as result of the retrieval program  
  • All madrasah assess retrieval capacity  
  • 60% madrasah implement retrieval programs  
  • 50% retrieval students female | • Local Consultants  
  • Instructional Materials.  
  • Research Studies |
|---|---|---|
| B.1.2. Establish Packet A and B programs for girls | • Training program developed for MT  
  • No. of assisted MT implementing Paket A and B program  
  • 645 students enrolled in Paket A and B program  
  • Handbook prepared | • Local Consultants  
  • Instructional Materials.  
  • Research Studies |
| B.1.3. Providing scholarships for students to enter special programs | • 6000 students from families with income of Rp. 1,000,000/month or less provided scholarship under the retrieval program  
  • 645 scholarship students who complete Paket A and B program  
  • 50% scholarship students female | • Scholarships |
### B.2. Expand Participation Capacity in Selected Schools

| B.2.1. Expand physical capacity in MI and MT | Civil Works  
  Furniture  
  Equipment  
  Instruct. Materials.  
  Recurrent Costs |
|---|---|
| • classrooms added in 35 MI  
  • classrooms added in 39 MTs | --- |

<table>
<thead>
<tr>
<th>B.2.2. Add MT programs in MI</th>
<th>Recurrent Costs</th>
</tr>
</thead>
</table>
| • No. of MI campuses with added MT program  
  • No. of new students are enrolled | --- |

### C. ENHANCED SUSTAINABILITY OF MADRASAH EDUCATION

#### C.1. Improve Governance, Management and Accountability Systems and Procedures

| C.1.1. Implement human resource development programs for central, provincial and district support to madrasah | Local contracting for program development and implementation  
  Staff Dev. Local  
  Research Studies |
|---|---|
| • 474 participants in 3-day workshop on introduction to performance management  
  • 26 participants in 12-day workshop on performance management system  
  • 793 participants in a 6-day workshop on madrasah development planning and advocacy  
  • 517 participants in 6-day workshop on EMIS data input and report preparation  
  • Both men and women would have equal opportunity to compete for the training  
  • 7 provincial DME and 43 district MES accomplish performance-based planning and budgeting  
  • 7 provincial DME and 43 district MES implement results-based management  
  • 7 provincial DME and 43 district MES demonstrate support/service activities for private madrasah | --- |

#### C.2. Establish Advocacy Programs to Sustain School Operations and Develop Partnerships

| C.2.1. Implement advocacy programs | Local consultants  
  Recurrent costs |
|---|---|
| • 34 districts that established Madrasah Councils.  
  • No. and type of advocacy programs prepared | --- |

| C.2.2. Disseminate information for accessing existing funding sources | Local contracting for program development and implementation  
  Staff Dev. Local  
  Local consultants  
  Recurrent costs |
|---|---|
| • No. staff participating in a 3-day workshop on revenue generation; % female participants  
  • No. madrasah receiving block grant funding  
  • No. madrasah receiving deconcentrated funding  
  • No. madrasah receiving BOS funding  
  • No. madrasah receiving DAK funding  
  • No. districts that include funding for madrasah in district budgets | --- |
Appendix 2. Problem Analysis

Problem Tree Diagram

The core problem to be addressed by the MEDP is the lower level of performance of madrasah graduates as measured by national examination results. This lower performance can be attributed to lower academic quality of madrasah education. The generally lower academic quality of madrasah education is a result of the high proportion of private madrasah (91.6% in 2004) many of which are under-resourced. These under-resourced madrasah are characterized by under-trained (and mismatched) teachers, shortages of learning materials (textbooks, demonstration materials, equipment and supplies), a lack of certain facilities such as libraries and laboratories, and other facilities in poor condition. To a certain extent, this is due to lower income level of the communities served by madrasah education. Lack of involvement of communities in decision making for the madrasah can also contribute to resource constraints.

Madrasah also lack access to resources available to the general schools because madrasah managers do not have sufficient information on the resources available and how they can be accessed (for example how to correctly complete application forms), and because the political influence of madrasah is less than that of general schools. In many instances general schools have much more influence on local legislatures and the education council than do madrasah.

The lower performance of madrasah graduates – the core problem – has two negative consequences. Madrasah graduates are less likely to move to higher levels of education and can have more difficulty in enrolling in the universities of their
choice. Lower performance of graduates of madrasah education also lowers public opinion. Madrasah education is seen as of lower status than general education. Both of these factors can result in madrasah graduates being placed at a disadvantage when competing in the job market.
## APPENDIX 3. STRUCTURE OF THE INDONESIAN EDUCATION SYSTEM

<table>
<thead>
<tr>
<th>Official School Age</th>
<th>Higher Education</th>
<th>Islamic Education</th>
<th>Academic Education</th>
<th>Professional Education</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Islamic Doctorate Program (S3)</td>
<td>Doctorate Program (S3)</td>
<td>Second Professional Program (SP II)</td>
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<td></td>
<td></td>
<td>Islamic Master Program (S2)</td>
<td>Master Program (S2)</td>
<td>First Professional Program (SP I)</td>
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<tr>
<td>22</td>
<td></td>
<td>Islamic Graduate Degree Program (S1)</td>
<td>Graduate Degree Program (S1)</td>
<td>Diploma 4 Program (D4)</td>
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<tr>
<td>21</td>
<td></td>
<td>Islamic Graduate Degree Program (S1)</td>
<td>Graduate Degree Program (S1)</td>
<td>Diploma 4 Program (D4)</td>
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<td>20</td>
<td></td>
<td>Islamic Graduate Degree Program (S1)</td>
<td>Graduate Degree Program (S1)</td>
<td>Diploma 4 Program (D4)</td>
</tr>
<tr>
<td>19</td>
<td></td>
<td>Islamic Graduate Degree Program (S1)</td>
<td>Graduate Degree Program (S1)</td>
<td>Diploma 4 Program (D4)</td>
</tr>
<tr>
<td>18</td>
<td>Secondary Education</td>
<td>Islamic General Senior Secondary School</td>
<td>General Senior Secondary School</td>
<td>Vocational Senior Secondary School</td>
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<tr>
<td>17</td>
<td></td>
<td>Islamic Junior Secondary School</td>
<td>Junior Secondary School</td>
<td></td>
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<td>16</td>
<td></td>
<td>Islamic Junior Secondary School</td>
<td>Junior Secondary School</td>
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<td>15</td>
<td>Basic Education</td>
<td>Islamic Primary School</td>
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<td>Islamic Primary School</td>
<td>Primary School</td>
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<tr>
<td>6</td>
<td>Preschool Education</td>
<td>Islamic Kindergarten</td>
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<td>Islamic Kindergarten</td>
<td>Kindergarten</td>
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<tr>
<td>4</td>
<td></td>
<td>Islamic Kindergarten</td>
<td>Kindergarten</td>
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</table>
APPENDIX 4. MADRASAH SECTOR ANALYSIS

A. Introduction

A full madrasah education sub-sector assessment (MESA) was completed in October 2003 with assistance from ADB and AusAID. The MESA notes a number of advantages held by madrasah education in comparison to general education. These include its roots in Indonesia's historic educational philosophy, its growth in times of crisis, its pro-poor and pro-gender characteristics, and especially its foundation in Islamic norms and values. The MESA also notes important weaknesses in madrasah education. These include wide disparities in resources allocated for madrasah between regions and between public and private madrasah, resulting in a lower standard of quality than general schools.

The MESA presents 54 recommendations for improvement of madrasah education in areas of management and governance, learning achievement, human resources, facilities and services, and financing. The status of these recommendations is reviewed in a situation analysis prepared by the Madrasah Education Development Project (MEDP) technical assistance TA No. 4547-INO. A number of these recommendations have been implemented. Many others are still to be addressed. Areas of improvement that remain of highest priority for MORA are learning achievement, facilities and services, management and governance. Objectives include raising achievement levels of madrasah graduates as measured by national examination scores, improving facilities and services to raise accreditation levels of madrasah, instilling a more service oriented culture among madrasah education managers, and instituting madrasah-based and results-based management.

1. Development of Madrasah Education

Indonesia is well on the way to fulfilling the Millennium Development Goal 2 of achieving universal primary education. The Government’s Report on Developments in Achieving the MDGs (2004) shows that primary school net enrolment rates are in the mid 90% range while gross enrolment rates are above 110%. The madrasah sector, while quantitatively small, represents an important alternative to general schools. Although madrasah students currently represent only about 13% of total enrollments in general education (or approximately 5.466 million students), the average annual growth rate of madrasah enrollment 1998/99 to 2003/04 outpaced that of the public general education system. The growth rate in Madrasah Ibtidayah (MI) was 1.97% in 2003/04 in opposition to a primary schools (SD) growth rate of 0.22%. The comparative growth rates for Madrasah Tsanawiyah (MTs) and junior secondary schools (JSS) were 3.86% and -0.11. The rates for Madrasah Aliyah (MA) and senior secondary schools (SSS) were 11.89% and 3.03% respectively. In 2003/2004, 72% of new class 1 students in MTs had graduated from MONE primary school.

References:
2 MORA (October 2003). op. cit. p.5.
4 The latter is caused by a large number of primary students who are enrolled in Class 1 at the age of 7 or 8, rather than the required age of 6.
5 This low percentage is caused primarily by the enormous size of the MONE primary sector which accounts for 55% of all students at all levels.
At the SSE level, 31% of new class 1 students in MA had graduated from MONE JSE schools. The madrasah education system is predominately private. While most MONE schools are public, 91.45% of madrasah are private. Of the total number of madrasah (40,258 in 2005), 36,816 were private. Approximately 81% of students are in private madrasah (4,885,867 of 6,026,965) and 85% of the teachers (446,865 of 524,679).

Drop out rates have been declining in madrasah. In 1998, the drop out rate in private MI was 1.10% and in public MI 0.78%. In 2004 the rates were 0.64% and 0.46% respectively. Drop out rate in private MTs was 2.03% in 1998 and in public MTs 1.39%. In 2004 the rates were 1.81% and 0.87% respectively. The rate in private MA in 1998 was 2.22% and in public MA 1.36%. In 2004 the rates were 0.41% and 0.90% respectively. Repetition rates show mixed results, rising in MI and MTs but declining in MA. The 1999 repetition rate in private MI was 2.34% and in public MI 3.85%. In 2004 the rates were 2.49% and 3.68% respectively. Repetition rate in private MTs was 0.16% in 1998 and in public MTs 0.25%. In 2004 the rates were 0.21% and 0.32% respectively. The rate in private MA in 1998 was 0.47% and in public MA 0.18%. In 2004 the rates were 0.21% and 0.17% respectively. Repetition rates also have improved.\(^8\)

2. Governance and Management

At independence in 1945, madrasah remained outside the new national education system because they were not part of the Dutch school system. During the New Order in the late 1960’s, Presidential Orders required the madrasah schools to come under the administration of the Ministry of Education. These two developments caused serious political protest and social unrest – even in the highly controlled environment of the New Order – and the order was rescinded. Instead, madrasah were required to offer the general curriculum, in addition to Islamic studies. They were also permitted to retain their Islamic characteristics in campus life, e.g. Islamic dress for females, separation of the sexes in varying degrees, etc. Partial integration occurred in 1975 when a joint decree of the Ministry of National Education (MONE), MORA, and the Ministry of Home Affairs (MOHA) called for madrasah to allocate 30% of their teaching time to the MONE national curriculum. In the 1989 Law on Education,\(^9\) this proportion was increased to 70% and madrasah were specifically integrated into the mainstream of the national education system. Madrasah were required to abide by national education rules and regulations but continued to be administered through MORA.

A new National Education System Law was passed in 2003 in response to constitutional amendments which included the following principles:

- in addition to the right to education, every citizen also has the obligation to obtain basic education at government expense;
- the government is required to provide a single national education system;
- the government should give priority to education funding by providing a minimum of 20% of the central budget and a minimum of 20% of regional budgets; and
- the government should support development of science and technology which places a high respect on religious values, national unity, the progress of civilization and the welfare of all humankind.

The first three of these principles were explicitly enshrined in the law. The law does not define schools or madrasah, instead it refers to “education provider units" (satuan...\(^7\)

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\(^7\) This represents 15% of MONE’s 2002/2003 graduating cohort.
\(^8\) MORA (2004). op.cit. pps.44-49.
\(^9\) Law 8/1989
penyelenggara pendidikan). However, it explicitly uses the terms school and madrasah.

Madrasah are administered under the vertical apparatus of MORA, i.e. the MORA Directorate General of Islamic Education (DGIE) at central level, the Provincial Office of MORA (Kanwil) and the District Office of MORA (Kandep). There is no direct line of authority linking administration of the general schools (Dinas) with administration of the madrasah (Kandep Agama). This has the result that horizontal coordination is a function of the individual officials in the offices. In some districts, there is close coordination, with joint coordination teams for certain activities and routine mutual invitations to meetings. In many other districts, either Kandep Agama is not invited (and does not invite) or Kandep Agama is unable to participate actively in the policy discussions and planning activities. In many cases this is due to lack of current and accurate data.

3. Financing

There are two sources of funding for education activities: (i) Indonesian government budgets; and (ii) extra-governmental sources. There are three types of government budgets which provide funds for education services. Central budget flows through central offices of ministries as ministerial budgets. These funds may be spent in schools or direct to students; madrasah are funded from the central budget via the provincial and district MORA offices (Kanwil and Kandep). Provincial budgets are partially funded by the central budget and are permitted to fund educational activities “at the provincial level”. District budgets are also partially funded by the central budget and have the main responsibility for funding provision of education services in the district’s schools.

Some of the district revenues from the central budget are tied to expenditure allocations for specific activities, i.e. the “basic allocation” component of the general subsidy (DAU) to cover civil servant salaries and basic operational expenses for provision of public services and the special subsidy (dana alokasi khusus/DAK) for specific activities. Most districts are of the opinion that they are legally forbidden from funding madrasah through district budgets because “religion” was not one of the decentralized sectors.

The central office of MORA receives 23% of the budgeted funding, while the Kanwil receive the 77%. The DGIE receives 69% of the central budget. Personnel expenses account for only 4% of the total central MORA budget and only 1% of the DG budget, but account for 68% of the Kanwil budget, as the MORA civil service teachers are funded through the Kanwil. Funding for basic education accounts for 60% of the total budget within the central DGIE.

MORA’s budget, flowing through the Kanwil and Kandep, provides both operational funds to public madrasah and MORA civil service teachers. MORA’s budget also funds teachers in private madrasah who are MORA civil servants (10.7% at of teachers at primary/MI level; 4.3% at JSE/MTs level; and 2.9% at SSE/MA level in 2004). There are two types of central transfers to madrasah the Bantuan Operasional Sekolah (BOS) and block grants from MORA. The need for more funding for madrasah with regard to operational costs and teachers is known by the Government.

10 Some MONE civil servant teachers are assigned to madrasah: 6.1% of teachers in public MI and 0.6% in private MI are MONE civil servants; 5.8% in public MTs and 0.4% in private MTs; and 8.4% in public MA and 0.7% in private MA (2004 data).
B. Quality

There is no official definition of education quality in the National Education Law. The government position is that quality is measured by examination scores. Minimum education quality is an underlying objective of the National Education Standards (NES). It is assessed through the accreditation system and national examinations. The accreditation system has recently been changed\(^\text{11}\) but many madrasah still follow the older four level accreditation system (unregistered, registered, acknowledged and equivalent). In 2003, only 12.7% of private MI, 7.2% of private MT and 6.1% of private MA had been accredited at the highest, or equivalent, level. Only a small number of private MI (1.7%) were unregistered, but 13.9% of private MT and 17.1% of private MA were unregistered. (All public madrasah are categorized as equivalent under this system.)

The National Final Examination (UAN), which replaced the EBTANAS system in 2002, tests students at the end of JSE/MT and SSE/MA levels in three subject areas – Bahasa Indonesia, mathematics and English. The UAN is combined with school examination results to determine if the student passes and graduates. The MESA noted that, based upon scores from the end of the 2002/03 school years, overall most students passed the examinations (when school final exams are also factored in), but failed the three individual subject tests on the national examinations. More madrasah students than general school students fail overall and in the subject tests.\(^\text{12}\) Results for students in private madrasah are still generally lower than those of students in public madrasah.

Raising the quality of madrasah education to a level equivalent to that provided in MONE schools will be especially challenging for the vast majority of private madrasah and involve interventions in a number of areas. Areas of concentration for quality improvement are: 1) teacher upgrading in selected subjects such as language, math and science to overcome problems of teacher under-qualification and mismatch (teaching subjects for which they have not been trained); 2) provision of learning materials; and 3) facilities upgrading, especially provision of libraries and laboratory rooms. Applying the national education standards for teacher qualifications (D4/S1), approximately 85% of all MI teachers are under-qualified, 47% of the MT teachers under-qualified, and approximately 25% of MA teachers do not meet the basic requirement for S1 qualification. Public MI have only half the number of textbooks they are supposed to receive, private MT on average have textbooks for only 10% of their students. Teachers often prefer to use textbooks available on the open market, but often neither schools nor parents of their students can afford them. Major or minor rehabilitation is needed in 56% of classrooms in private MI, in 37% of private MT, and in 29% of private MA. 65% of MA have libraries, but only 49% of MT and 29% of MI. Among these libraries 56% are in damaged condition. Many fewer madrasah have laboratories (only 18% of MT and MA) with private madrasah the least well off.

\(^{11}\) The new accreditation system has four categories A (excellent), B (good), C (sufficient) and D (denied).
\(^{12}\) However, the MESA also notes that “National tests do not provide a complete evaluation of pupil achievement. They test cognition only, in three subjects only, at the end of junior secondary and senior secondary only.” GOI and ADB (October 2003). Madrasah Education Sector Analysis (MESA). Chapter 3.
C. Access

1. Poor Children

The overriding issue for the poor is that children from poverty families have lower enrolment rates than those from more affluent families. Transition rate from primary to JSE for the lowest income level is particularly low.\(^\text{13}\) (However, once students make it to JSE they tend to continue on to SSE at the same rate as students from higher income levels.) Madrasah are viewed as an alternative education delivery system used primarily by the poor. While data for direct indicators is not available, parental education may be a suitable proxy. Parents of students in private MORA schools have a higher probability of primary education and lower probability of SSE or tertiary education than do parents of students in public MORA schools.

People living in remote areas tend to be poor and frequently the problems of remoteness are difficult to separate from those of poverty. The main issue for children in remote areas also is cost. Both demand and supply side forces raise costs. Population densities in remote areas are low, reducing opportunities for economies of scale. Lack of accessibility and long distances from sources of supply raise costs as does lack of infrastructure (e.g. bank branch offices). Personnel are reluctant to be assigned to indigenous and remote areas not only because it is difficult to receive their salaries, but also because of lack of health, education and social facilities for their families. Small salary supplements are not enough to compensate for these conditions. Increasing access for students living in these areas, at an acceptable cost, will require innovative delivery systems. There are few options available for primary level, but government policy allows alternative delivery systems which would be appropriate for madrasah, for example, non-formal programs, scholarships and adding additional classrooms to existing primary schools.

2. Gender

The universal compulsory 9-year basic education campaign (Wajar) launched in 1989, like the universal compulsory primary education campaign which preceded it, implicitly required gender equality in education. National level statistics indicate equality has nearly been achieved, particularly at the SSE level (but hide regional variations in female enrollments). MT and MA have made a significant contribution toward gender equality, and compare favorably with general schools. In 2003/04, 49.8% of students in private MI and 49.1% in public MI were female (48.8% in SD), 50.1% of students in private MT and 52.6% in public MT were female (49.8% in JSS), and 51.1% in private MA and 58.5% in public MA were female (51.3% in SSS).

D. Summary

This report draws substantially upon data and analysis provided in the 2003 MESA as well as upon several reports prepared for the MEDP under ADB TA No. 4547-INO. These reports stress the importance of raising quality of madrasah education especially in the vast majority of private madrasah which serve primarily poorer populations. These private madrasah suffer from poor facilities, a lack learning materials, and under-trained teachers. Quality improvement is essential if madrasah graduates are to compete on an equal basis with graduates of public schools for formal sector jobs and places in higher education institutions.

\(^{13}\) Filmer, 1998, using World Bank data, found that only three countries in the world showed this pattern. The other two are Turkey and Tanzania.
APPENDIX 5. LESSONS LEARNED FROM INDONESIAN EDUCATION PROJECTS  
(this section adapted from DSSEP project proposal)

The lessons learned are drawn from the following primary sources:
- Private Junior Secondary Education Project, ADB Loan 1359
- Senior Secondary Education Project, ADB Loan 1360
- Development of Madrasah Aliyahs, ADB Loan 1519
- First Junior Secondary Education Project, ADB Loan 1194
- Second Junior Secondary Education Project, ADB Loan 1573/74
- Decentralized Basic Education, Bali/Lombok, ADB Loan 1863

<table>
<thead>
<tr>
<th>Lessons Learned</th>
<th>Actions to be Taken by MEDP</th>
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<tr>
<td>Previous projects have maximized the number of schools that receive benefits from the project. The result is that each school gets minimal inputs that have limited impact.</td>
<td>The MEDP project design calls for limitation of the number of schools. This will help: 1) ensure that the investment in the school is sufficient to allow madrasah development priorities can be met; 2) ease of project implementation when a smaller number of madrasah concentrated in a geographical area are being assisted; and 3) a critical mass for sustainable change is created.</td>
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<td>Previous projects have prescribed an approach for project interventions that applies to all schools. As a result some interventions may not be relevant to a particular school at a particular time.</td>
<td>Madrasah will be encouraged to develop their own madrasah development plans choosing from a menu those interventions they require.</td>
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<tr>
<td>Effective and sustainable reform is a process that involves all aspects of the school and all individuals within the school and the community. Such change processes are complex, do not happen quickly and require continuous support and guidance to ensure the changes are effective and sustainable.</td>
<td>The MEDP supports a madrasah development process that includes full madrasah and community participation. The design also provides for on-going guidance and support on site, particularly in the annual review and accountability procedure whereby each madrasah must account for the extent to which plans have been achieved.</td>
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<td>Most projects in the past have established provincial and district project implementation units (PIU) reflecting the structure of the central project implementation unit (CPIU). Decisions are made by the CPIU and implemented by the PIU. Initiative and ownership at lower levels are not sufficiently encouraged.</td>
<td>New MOF regulations would result in loss of accountability of project funds being transferred to Kanwil and Kandep offices. The new MOF guidelines also call for funds be transferred directly to recipients, in this case madrasah and/or contractors. Doing so will encourage local initiative and ownership.</td>
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Most projects use a block grant system to provide schools with their own funds to embark on school determined priorities. Too often this process does not include any accountability or reporting procedures that provide accurate data on what the funds have been spent on, the extent of the contribution or the benefit of the training.

Typically projects concentrate on delivering project inputs to meet targets that are specified in various agreements with insufficient time devoted to monitoring, providing guidance, quality assurance and outcome assessment.

Past training programs for teachers were often short, one-time affairs where output was high (large numbers of teachers trained), but results were minimal (no real change in teaching or education quality.)

Engaging in reform programs requires continuity of personnel and continued commitment to high standards.

In many projects training courses listed as priorities within the staff development framework are offered using different syllabus and different instructors in different locations, which creates inconsistency. The use of international versus local trainers is very expensive given the need for ongoing guidance and support. Also, there is difficulty in developing a local cadre of experts who can provide ongoing support to capacity building.

Block grants are an effective tool but must be implemented with clear technical directions on their use and very strict reporting and public disclosure mechanisms. Madrasah will be required to implement a project-designed management information system (MIS) and an accounting and finance information system (AFIS) and use them for monthly reporting on funds used and activities achieved. Failure to report will result in removal of the right to expend the funds. All funds received by a madrasah of group of madrasah in the cluster must be processed through a trust account, which will be reviewed regularly. All members of the school and the school committee will be able to monitor the use of funds and report annually via an accountability contract.

The MEDP has a results-based focus, with target specifications that are carefully and consistently documented, along with formal mechanisms to commit to the process of using results monitoring for ongoing feedback and design adjustments.

The MEDP will implement longer-term, content focused S1 and certification programs with tangible benefits (degrees and certifications). Emphasis will be on content rather than methodology. Training programs will be reinforced in coordination with local MGMP.

Covenants are included to ensure that individuals who have the benefit of extensive project investment in their careers commit to continued support for their respective schools. Also, district officials are required to commit to retaining principals and teachers in their positions rather than the project having to deal with changes in personnel.

The MEDP design calls for identification of a cadre of technical advisors, facilitators and trainers in each province, trained by national and international experts, who are recognized and readily available as a local resource.
Principals are key players in any school reform program but often the scope and pace of change required is beyond their individual capabilities and those of their key support personnel.

Madrasah leadership is included in the MEDP human resources development program. The program will cater to principals, and other key staff.

Experience from other projects has shown that there are also financial constraints that could be classified, not as constraints to sustainability, but to project implementation. These constraints can affect implementation because of delays that would occur if steps are not taken to resolve them.

1. **Delay in the release of block grants because of administrative procedures.** A possible solution is to clarify MOF and MORA’s rules on block grant procedures, both under ADB funding and GOI funding, and disseminate to all project schools. This subject should be included in the madrasah development planning component of the project.

2. **Scholarship funds not reaching the intended recipients on time and in the proper amount.** The design of scholarship program must consider an implementation arrangement that has been proven successful in implementing past scholarship components of other projects. As with the Junior Secondary Education Project scholarships for retrieval students should be sent to schools rather than individuals.

3. **Teacher training fund or block grants for upgrading of teachers, not reaching intended recipients on time and in the proper amount.** The design of the funding mechanism for teacher upgrading program calls for the funds to be sent in the form of block grants to the service providers (for tuition and living expenses) and to the schools (for substitute teachers).

4. **GOI counterpart funds for the project not available in an adequate and timely manner.** Under the new finance laws the schedule for budgets passing parliament is now set and followed.

5. **Replenishment of Imprest fund delayed due to incomplete documentation and/or unfamiliarity with ADB’s replenishment procedures.** Appoint capable personnel in the CPIU, preferably those who have done payment processing in other ADB projects. If the personnel are new and inexperienced, request that they be included in the regular ADB seminars on project implementation, and liaise closely with the Indonesia Resident Mission staff, on requirements for fund replenishment.
### Appendix 6. External Assistance: Recent Education Project and Areas Assisted

<table>
<thead>
<tr>
<th>Project</th>
<th>Funding Agency</th>
<th>Years</th>
<th>Provinces (# madrasah)</th>
<th>Districts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decentralized Basic Education Project</td>
<td>ADB</td>
<td>2001-2008</td>
<td>Bali (6)</td>
<td>Badung, Bangli, Buleleng, Gianyar, Jembrana, Karangasem, Klungkung, Kota Denpasar, Tabanan</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nusa Tenggara Barat (NTB) (190)</td>
<td>Bima, Dompu, Lombok Barat, Lombok Tengah, Lombok Timur, Mataram, Sumbawa</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tusa Tenggara Timor (NTT)</td>
<td>Rote Ndao, Timor Tengah Selatan</td>
</tr>
<tr>
<td>Indonesia-Australia Partnership in Basic Education</td>
<td>AusAID</td>
<td>2004-2006+</td>
<td>East Java</td>
<td>Jember, Jombang, Gresik</td>
</tr>
<tr>
<td>LAPIS</td>
<td>AusAid</td>
<td>2004-</td>
<td>NTB</td>
<td>West Lombok</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>East Java</td>
<td>Tuban, Bojonegoro, Madura</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South Sumatra</td>
<td>Bangkabelitung, Lampung</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>West Sumatra</td>
<td>Tanah Datar</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jakarta</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South Kalimantan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>West Kalimantan</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>South Sulawesi</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Jambi</td>
<td></td>
</tr>
<tr>
<td>Managing Basic Education (MBE)</td>
<td>USAID</td>
<td>2003-</td>
<td>Central Java</td>
<td>Banyumas, Purbalingga, Kebumen, Purworejo, Kota Magelang, Sukoharjo, Kab. Semarang, Pati</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>East Java</td>
<td>Pacitan, Magetan, Trenggalek, Nganjuk, Kab. Blitar, Kota Batu, Banyuwangi, Kota Madiun, Kab. Malang, Kota Pasuruan, Kab. Probolinggo, Situbondo</td>
</tr>
<tr>
<td>Improved Quality of Decentralized Basic Education (DBE)</td>
<td>USAID</td>
<td>2005-</td>
<td>Banten</td>
<td>Kota Cilegon, Kota Tangerang, Kab Lebak</td>
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<td></td>
<td></td>
<td></td>
<td>West Java</td>
<td>Kab Karawang, Kab</td>
</tr>
<tr>
<td>Project Description</td>
<td>Implementing Agency</td>
<td>Time Frame</td>
<td>Number of Districts</td>
<td>Details</td>
</tr>
<tr>
<td>----------------------------------------------------------</td>
<td>---------------------</td>
<td>------------</td>
<td>---------------------</td>
<td>---------</td>
</tr>
<tr>
<td>Development of Madrasah Aliya Project (DMAP)</td>
<td>ADB</td>
<td>1997-2004</td>
<td>30 Provinces</td>
<td>38 MAN Model, 30 MDC and 32 CLRC established</td>
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<td>Second Junior Secondary Education Project</td>
<td>ADB</td>
<td>1997-2004</td>
<td>South Kalimantan (105)</td>
<td>All districts in each province</td>
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<td></td>
<td>East Kalimantan (67)</td>
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<td></td>
<td></td>
<td>North Sulawesi (32)</td>
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<td></td>
<td>Gorontalo (25)</td>
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</tr>
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<td></td>
<td></td>
<td>Central Sulawesi (95)</td>
<td></td>
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<td></td>
<td></td>
<td>Southeast Sulawesi (86)</td>
<td></td>
</tr>
<tr>
<td>Basic Education Project (BEP)</td>
<td>ADB</td>
<td>1996-2002</td>
<td>Lampung, West Java, Central Java, East Java, NTB</td>
<td>All Districts</td>
</tr>
<tr>
<td>Private Junior Secondary Education</td>
<td>ADB</td>
<td>1995-2002</td>
<td>East Java, Lampung South Kalimantan, South Sulawesi West Java</td>
<td>11 Districts</td>
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</tbody>
</table>
Appendix 7. Textbook and Learning Materials Review Committee

A. Introduction

GOI policy calls for textbooks to be available to all students, however in many madrasah, especially private madrasah, students do not have access to textbooks. Previous textbook interventions have not enjoyed wide success, where for example under the World Bank funded Book and Reading Development Project the public madrasah received fewer textbooks than required, and in the private madrasah this was in some cases less than 10% of requirements. The reasons for these shortfalls are not clear.

MONE provides an approved list of student textbooks with a number of choices from various publishers and authors for each subject, and madrasah are legally bound to use only the student textbooks identified in this list for national curriculum subjects.

Currently many madrasah are “learning resource poor” and in order to adequately support teacher professional development activities it will be necessary to provide “learning resource rich” teaching and learning environments where students have access to a variety of learning resources to meet the needs of all learners, including slower learners and the exceptionally able.

The materials to be introduced into madrasah classrooms fall into three categories:
(i) Student textbooks selected from the MONE approved materials for national curriculum subjects.
(ii) Additional student enrichment and support materials including class sets of student activity booklets, additional reading materials etc.
(iii) Teacher classroom resources and display materials. For primary level classes - Alphabet charts, numeracy charts, etc. For secondary classes- periodic table of the elements, parts of a cell, solar system, etc.

The materials in categories (ii) and (iii) are not required to be on the MONE approved materials list, as this only covers student textbooks.

B. Objectives

The Textbook and Learning Materials Review Committee will be responsible for the development and implementation of procedures to ensure the provision to participating madrasah of good-quality, cost-effective student textbooks, library books, and additional classroom learning materials to support improvements in teaching quality. The learning materials and textbooks provided will be off-the-shelf titles, there is no need to develop new materials.

The focus will be on providing sufficient numbers of relatively low unit cost materials as opposed to high-technology resources such as CD-ROMS, as these generally require expensive hardware resulting in limited student access in crowded classrooms.

In addition to simply supplying materials ,a prime objective will be to provide learning materials that are useful and relevant, and ensuring that teachers have sufficient guidance to use materials effectively.
C. Critical Imperatives

Given the current learning environment in madrasah where there are few, if any, teaching-learning resources, those accustomed to a single "official" textbook will tend to continue using this resource even when other books are approved and made available. This situation is further perpetuated in an environment where many madrasah teachers are under-qualified and/or mismatched with the subject content they are delivering in the classroom. Under these conditions, new learning materials are unlikely to be used unless teachers are adequately prepared for their introduction. Consequently, the provision of new classroom teaching and learning materials should be closely aligned with Project activities promoting changes in teaching-learning processes where teachers become familiar with new teaching approaches prior to selecting textbooks/learning materials designed to support these methods.

D. Supply Model

The supply model for textbook and learning resource provision to be adopted by the Project will be a Multiple-Book Option. From the MONE approved list, the Textbook and Learning Materials Review Committee will select titles for each subject at each grade level and produce a recommended list of student textbooks appropriate for madrasah. The committee will also select other enrichment materials and teaching/learning resources for classrooms. These may include for example wall charts, student activity books, educational games, simple models etc. Teachers will make their final selection from this approved list, and madrasah will use block grant funds provided by the Project to make these purchases through LIB, NCB or procurement from specialized agencies.

Each madrasah will be supplied with the full list of the textbooks and other learning materials that have been authorized for use. The list should be annotated as a teacher guide, and teachers (also principals who may have the final say in any selection) will be provided with suggested criteria and guidelines for choosing from the approved textbooks and learning materials.

E. Terms of Reference: Textbook & Learning Materials Committee

The committee will be composed of 10 participants under the leadership of a Committee Chairman. Membership should consist of approximately 75% S1 qualified subject classroom teachers in non-secular content areas. Committee membership should have the appropriate gender balance. The teachers selected should have demonstrated commitment and achievements in modern classroom teaching methodologies.

The Committee should be divided into three sub-committees to produce (i) situational analysis and preparation of evaluation guidelines, (ii) operational guidelines for block grants, and (iii) materials selection across subject areas. The participants in sub-committee (iii) should be exclusively S1 classroom teachers as described above. The other two sub-committees will require a mix of skills in teaching and administration.

The committee will operate for three months full-time under the following Terms of Reference:

(i) Conduct a situational analysis including visits to Project madrasah to determine:
   • Attitudes towards introduction of new learning materials, especially in the science areas.
- Critical imperatives that may limit the capacity or willingness of teachers to use new learning materials, particularly in the science areas.
- Constraints on local availability and purchase of learning materials.
- Views on the types of learning materials preferred by madrasah teachers.

(ii) Prepare selection and evaluation guidelines including:
- Identifying subjects requiring student textbooks and supporting classroom-learning materials.
- Criteria for identification and provision of supplementary student materials and other classroom learning materials such as charts, and models.
- Criteria for school library collections.
- Textbook: pupil ratios and allowable expenditures based on student enrollments.
- Committee procedures for evaluation and recommendation of textbooks, charts, models, and student supplementary learning materials.

(iii) Prepare Project operational guidelines for textbook/materials block grant awards, especially to ensure that a critical mass of teachers within participating madrasah have been exposed to new teaching approaches prior to the awarding of grants for materials purchases.

(iv) Prepare Committee ethical and operational procedures including:
- Guidelines for procedures in regard to communications with textbook publishers and their representatives.
- Guidelines for the provision of materials to meet the needs of all learners, including slower learners and the exceptionally able.
- Strategies and madrasah guidelines to ensure that where textbooks are assigned in a class, every student shall have his/her own copy of the assigned textbook, which he/she can take home each day for home study.
- Guidelines to involve parents and the school community in materials selection from the approved list.

(v) Produce a list of approved textbooks and learning materials;
- Based on agreed selection and evaluation guidelines, produce draft list of recommended textbook titles and classroom teaching/learning resources (charts, models, supplementary learning materials) for each subject at each grade level.
- Based on agreed selection criteria, produce a draft list of recommended titles/resources for madrasah libraries.
- Purchase and make available in each cluster one set of the full range of recommended materials and resources with appropriate feedback forms. Reviews of these materials to be completed by teachers, parents and the school community. Completed feedback forms are returned to the Committee.
- Report teacher feedback to the CPIU.
- Produce a final recommended list of student textbook titles and classroom teaching resources for each subject at each grade level.

(vi) Prepare a Teacher Guide outline techniques for (i) effective classroom use of student textbooks, (ii) strategies and methods for the incorporation of teaching aids (charts, models, supplementary learning materials) into teaching.

(vii) Prepare a guide on the effective use of resources in madrasah libraries.

(viii) Prepare a list of recommended children’s reading materials for libraries.
Appendix 8. Retrieval Program including Scholarships

Issue

1. Indonesia is committed to the achievement of the Millennium Development Goals and Education for All. The top priority for the Government is achievement of compulsory universal 9-year basic education (Wajar). Field research and analysis of secondary data show that the challenges in achieving wajar include: (i) drop out from primary school by students from households in the lowest income quintile; (ii) failure of primary graduates to make the transition to junior secondary level (JSE). Drop out and lack of transition at the post-primary levels are less serious.

2. The Government has actively addressed these challenges through a variety of programs such as the social safety net and subsequent scholarship programs. However the programs have now reached a state whereby the inexpensive successes have already been attained and that further achievements will be more difficult and expensive. The remaining drop outs are those who have not been reached through normal channels and will need special targeting and support.

Assessment of alternatives

3. Existing programs have been successful for the largest proportion of beneficiaries. However they are not appropriate to address the specific needs of the remaining drop outs and non-transitioners. Research indicates the challenges faced by the remaining candidate beneficiaries related to their desire and/or ability to pay for education (demand) which cannot be addressed through supply-side interventions (increased access).

4. The Asian Development Bank Second Junior Secondary Education Project developed a retrieval program to identify JSE drop outs and non-transitioners from primary to JSE and then re-enroll them in JSE schools. The program was successful and can be used as a basis to design a retrieval program for madrasah ibtidaiyah (MI) and Madrasah Tsanawiyah (MT).

5. Financial support will be an important aspect of the program, given that most of the primary drop out problem is concentrated in the lowest income quintiles. Non-transition and JSE drop out is driven by more complex combination of problems, including financial but also social and cultural values.

Purpose viz a viz project

6. The retrieval plus scholarship intervention will contribute to Component 2, increasing access to basic education in order to achieve universal basic education. It will also contribute to the poverty alleviation cross-cutting theme.

Expected results

7. The intervention will retrieve (i) 3,000 primary drop outs and support them to achieve their MI certificates; and (ii) 3,000 primary graduates who did not transition to JSE and support them to achieve their MT certificates.

Beneficiaries

8. The intervention will benefit 6,000 individuals. Drop outs and primary graduates from MONE schools will be eligible for retrieval into MI and MT. The definition of a drop out is a student who had been out of school for at least one

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1 Referred to as “diminishing marginal productivity”
2 Access is not the top priority for senior secondary/madrasah aliyah level.
academic year but is still within the age limits for MI or MT respectively. The definition of a non-transitioning student is a student who graduated from primary at least one year ago and did not continue on to JSE but is still within the age limits for MT.

9. The intervention will be offered to MI and MT in all districts in the 8 project provinces. If there are more proposals than the funding quota, madrasah in those districts with enrolment ratios lower than the national average will be given priority. The intervention will be limited to the first 4 years of the project in order to assure that retrieved students have an opportunity to achieve their certificates.

Activities and implementation stages

10. There are 6 activities for this intervention: (i) socialization to principals; (ii) allocation of quotas to districts based on indicative interest from principals during socialization; (iii) recruitment of retrieved students by principals; (iv) principals submit proposals to project implementation unit (PIU); (v) students return to school at the class in which they left; (vi) payment of student financial support to students who made satisfactory progress in their studies. The intervention will also provide financial support to retrieval students who complete their retrieval programs, so that the can continue on to the next level.

11. Socialization: The intervention will be socialized in the 8 project provinces during the feasibility study activities of the PPTA. Staff of the Madrasah and Islamic Education (Mapenda) section of the MORA District Office (Kandep) will be invited, together with principals of all public MI and MT. Selected principals of private MI and MT, recommended by Kandep will also be invited. Mapenda staff will be responsible for socializing the intervention to the remaining private MI and MT.

12. Allocation of quotas: The total quota of retrieval opportunities will be divided among districts based on indicative requests during the socialization process. Allocations to individual districts should be staggered by years, i.e. each year a specific group of districts should receive their full quotas. This will make managing and monitoring the intervention more efficient.

13. Recruitment: Principals of MI will be responsible for recruiting a minimum of 3 and a maximum of 10 drop outs. Principals of MT will be responsible for recruiting a minimum of 5 and a maximum of 15 drop outs or primary graduates who did not transition to JSE level.

14. The recruitment process has 3 stages: (i) identification of candidate students; (ii) socialization of the program to parents and agreement by parents to the program requirements; and (iii) enrolment of the candidates in school as active students.

15. Proposals: The PIU will prepare simple forms to be used by principals as retrieval proposals. The form will consist of the following items: (i) names of candidate students; (ii) grade/class into which they will be retrieved; (iii) number of students in the class (to assure that the new students will not overload the madrasah capacity).

16. Supporting documentation for the proposals will include signed parental agreements, specifying the parents’ agreement to the retrieval intervention requirements.

17. Students return to school: Retrieval students will participate in the regular class and be responsible for full participation in all school activities. They must achieve a minimum of 75% attendance and passing grades in all subjects every semester.

18. Teachers will monitor the attendance and progress of retrieval students to assure that they are fulfilling the madrasah requirements and moving toward
achievement of their certificates. If the students are not fulfilling the attendance requirements and/or making satisfactory academic progress during any one month period, the principal will consult with the parents to determine the source of the problem and identify solutions. If the student has not fulfilled the requirements at the end of the semester, the student will be dropped from the retrieval intervention.

19. Financial support: Financial support for the intervention will be provided to the school in the form of a block grant for each retrieval student. The block grant will consist of 3 parts: (i) tuition and fees, to be retained by the school; (ii) books, uniforms and schools supplies, which will be purchased by the school and provided to the student in kind; and (iii) cash stipend for student to cover transport and pocket money, which will be paid by the school to the student.

20. The block grant will be issued to the madrasah at the beginning of the semester for all retrieval students who have fulfilled the requirements and made acceptable academic progress during the previous semester. The block grant funds will be sent directly from the PIU and each madrasah will be required to maintain accurate financial records to demonstrate full compliance with the intended allocation of funds. Failure to provide such records will result in the madrasah being removed from any other project intervention option.

21. Funds for students who are dropped from the program will be re-allocated by the PIU to districts who are eligible for the retrieval intervention during the subsequent academic year.

22. Financial support for graduates to continue to the next level: Retrieval students who successfully achieve their certificates will be eligible for financial support to continue their studies to the next level. Principals of the retrieval recipient schools will report successful graduates to the PIU together with documentation of the graduates’ having been accepted at a madrasah (or school) at the next level. The recipient madrasah (or schools) will then register with the PIU to receive the block grants for the continuing program. The PIU will provide annual block grants to the madrasah (or school) as long as the student continues to achieve satisfactory academic progress.

Management challenges

23. Management challenges occur at all levels of the administrative hierarchy: center, province, district, madrasah and student/family.

24. Center: the retrieval program will be managed directly by the central PIU. The PIU will allocate the total quota of retrieval students among the districts, based on indicative requests generated during the socialization process. The PIU will also schedule the districts over the first 4 years of the project implementation period, with certain districts commencing implementation of the program during each year. The PIU will send retrieval fund block grants direct to the retrieving madrasah at least 2 weeks before the beginning of the semester, based on the compliance report from the previous semester. The PIU will send continuing program block grants direct to the madrasah (or school) at least 2 weeks before the beginning of the academic year, based on the compliance report from the previous year.

25. Province: the Provincial office of MORA (Kanwil) will be responsible for selection of madrasah to participate in the retrieval program, based on the madrasah proposal and in accordance with the quota of retrieval block grants provided by the PIU. The Kanwil will be responsible for reporting on student and madrasah compliance with the requirements of the retrieval block grant. The Kanwil will coordinate madrasah (or schools) which receive retrieval students who transition to the next level. The Kanwil will also be responsible for reporting on student and madrasah (or school) compliance with the requirements of the continuing program.
block grant. The Kanwil will prepare an annual report based on the PIU issued format.

26. **District**: the District office of MORA (Kandep) will be responsible for collecting the proposals and verifying the information before sending them on to Kanwil for final approval and selection. The Kandep will also monitor compliance at participating madrasah and send the reports to Kanwil every semester, including monitoring use of the block grant funds (purchase of in kind items for distribution to students and distribution of cash stipends). The Kandep will assist madrasah (or schools) who admit graduating retrieval students to register for the continuing block grant.

27. **Madrasah**: the principal of the participating madrasah will be responsible for the following activities: (i) recruiting retrieval participants who fulfill the criteria; (ii) obtaining parental permission to participate in the retrieval program and agreement to fulfill the requirements; (iii) monitoring student attendance and academic performance every month; (iv) contacting parents of students with unsatisfactory performance to identify the problems and find solutions.

28. The principal of the madrasah (or school) receiving the block grants for the continuing program will be responsible for monitoring and reporting on student performance at the end of the academic year. All such monitoring will be recorded on PIU issued standard formats.

29. **Students and families**: the students and families are responsible for assuring that the student attends school a minimum of 75% and achieves passing grades in all subjects. The student and family are also responsible for the student to remain in school until the final semester and sit for the national exit examination.

**Expected completed activities**

30. 3,000 MI drop outs and 1,500 non-transitioning students achieve their certificates.

**Monitoring indicators**

31. There are 2 monitoring indicators: (i) number of students retrieved; (ii) number of students who achieve their certificates. Supervisors will be trained to collect monitoring data and to participate in review workshops designed to improve the overall program and its management.

**Indicative costing**

32. Each retrieval grant will be based upon unit cost established by MONE (or by other official agency, such as Bappenas or MOF) increased by the inflation rate between the time of the survey and the time of the block grant.
### Appendix 9. Human Resource Development Program

#### Table 2: Government Agency and Education Service Providers Programming

**Output C: Improve Governance, Management and Accountability Systems and Procedures** *(Course 1-7 contracted to consulting firm - see appendix 18)*

<table>
<thead>
<tr>
<th>Course or Program</th>
<th># of Days</th>
<th># Modules</th>
<th>Total Participants</th>
<th>Pilot Test From Central &amp; From Kanwil Advisors</th>
<th>From Cluster Kandep</th>
<th>Non-Cluster Kandep</th>
<th>From Madrasah</th>
<th>From Mdh Committee/Yayasan</th>
<th>Other</th>
<th>Total Person Days</th>
<th>Accountability Workshops or Forums</th>
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<tr>
<td>1 Introduction to Performance Management Systems</td>
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<td></td>
<td>540</td>
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<td>7</td>
<td>270</td>
<td>258</td>
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<td>1,620</td>
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<td>2 Performance Management Systems</td>
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<td>5</td>
<td>21</td>
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<td>3 Introduction to Madrasah Development Planning and Advocacy</td>
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<td>4 EMIS Data Input and Report Production</td>
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**Output D: Project Management**

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<th>Course or Program</th>
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<th># Modules</th>
<th>Total Participants</th>
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<th>From Cluster Kandep</th>
<th>Non-Cluster Kandep</th>
<th>From Madrasah</th>
<th>From Mdh Committee/Yayasan</th>
<th>Other</th>
<th>Total Person Days</th>
<th>Accountability Workshops or Forums</th>
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<td>90 12 90</td>
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<td>Sub-Total D</td>
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**NOTE:** The above program does not include the training for ISO Certification and ISO Assessor training which will be included in the Procurement Contract for ISO MDC Certification
Appendix 10. Project Implementation Structure and Terms of Reference

CPMU personnel = 25
Prov. Coordination (9 persons each province + 16 facilitators= 79)
### Appendix 11. Project Implementation Schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-Proj</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>I</td>
<td>II</td>
</tr>
</tbody>
</table>

#### A. Improve Quality of Madrasah Education

- Improve Teacher Professionalism and Student Performance
- Upgrade Teachers to S1 and Professional Certification
- Provide Short-Term Training in Subject Content and Classroom Competencies
- Provide Madrasah-Based On-Going Teacher Support and Mentoring

A.1.4. Increase Completion Rates and Exam Pass Rates Through Remedial Program

#### A.2. Upgrade Essential Teaching/Learning Resources and Facilities

A.2.1. Provide Textbooks and Learning Support

A.2.2. Provide Equipment and Software

- Rehabilitate and Construct Required Learning Facilities
- Design and Apply Preventative Maintenance Program

**Improve Madrasah-Based Management Systems and Procedures**
- Train Provincial, District, and Madrasah Staff
- Train Madrasah Leadership
- Staff in Madrasah Development Planning

A.3.3. Develop Comprehensive Project Management Information System (PMIS)

#### C.1. Improve Governance, Management, and Accountability Systems and Procedures

- Implement Human Resource Development Programs
- Implement Performance-Based Planning and Budgeting
- Workshops
- Provide Mechanism to Handle Complaints/

**Implement Advocacy Programs to Sustain School Operations and Develop Partnership**

- Implement Advocacy Programs
- Disseminate Information for Accessing Existing Funding Sources

- Establish CPIU

#### B.1. Provide Special Programs in Madrasah

- Implement Retreival Programs
- Establish Paket A and B Programs for Girls
- Enter Special Programs

**Selected Schools**

B.2.1. Expand Participation Capacity in MI and MT

B.2.2. Add MT Programs to MI

#### C.2. Expand Opportunities for Madrasah Education

**Improve Governance, Management, and Accountability Systems and Procedures**

- Implement Human Resource Development Programs
- Implement Performance-Based Planning and Budgeting
- Workshops
- Provide Mechanism to Handle Complaints/

**Establish Advocacy Programs to Sustain School Operations and Develop Partnership**

- Implement Advocacy Programs
- Disseminate Information for Accessing Existing Funding Sources

- Establish CPIU

**Baseline Survey**

**Mid-Term Survey**

**Mid-Term Project Review**

**Final Survey**

**Final Project Review**

**Technical Assistance for Project Compliance**

- Implement TA
Appendix 12. Consulting Services

<table>
<thead>
<tr>
<th>Consultant Services by Component</th>
<th>International Pers Mths</th>
<th>National Pers Mths</th>
<th>Total Pers Mths</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Improve Quality of Madrasah Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Improve Teacher Professionalism and Student Performance</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2. Upgrade Essential Teaching/Learning Resources and Facilities</td>
<td>-</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>3. Improve Madrasah Based Management Systems and Procedures</td>
<td>6</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>4. Upgrade Selected MA to Internat. Standard</td>
<td>3</td>
<td>24</td>
<td>27</td>
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<tr>
<td><strong>B. Expand Opportunities for Madrasah Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Provide Special Programs in Madrasah</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6. Expand Participation Capacity in Selected Schools</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>C. Enhance Sustainability of Madrasah Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Improve Governance, Management and Accountability Systems and Procedures</td>
<td>12</td>
<td>12</td>
<td>24</td>
</tr>
<tr>
<td>8. Establish Advocacy Programs</td>
<td>-</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>9. Evaluative Studies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. Project Management</td>
<td>12</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total Person Months</strong></td>
<td><strong>33</strong></td>
<td><strong>126</strong></td>
<td><strong>159</strong></td>
</tr>
</tbody>
</table>

Consulting services included here refer to individual international and national consultants working on a short-term basis. They do not include persons employed full time or part-time for the CPMU or PCUs (see Appendix 15). Subcontracts with national firms are also excluded.

1. **Improve Teacher Professionalism and Student Performance**

No short-term consulting support is required under this sub-component. The Teacher Quality Improvement Specialist assigned full time in the CPMU will provide the required expertise.

2. **Upgrade Essential Teaching/Learning Resources and Facilities**

List of Approved Textbooks and Learning Support Materials (National 10 persons, 3 months, 30 p/m): (see Appendix 9)

Preventative Maintenance Program (National, 2 p/m): The consultant working with the civil works specialists in the CPMU will develop a training program and preventative maintenance manual for use in training. They will then train 16 trainers, two from each province, to deliver the training. The consultant will:

i. Visit madrasah and discuss with principals about current maintenance practices;
ii. Discuss with community members their views on their role in maintenance of the madrasah;
iii. Work with the civil works specialists in the CPMU and provinces to prepare a proposed 3 day training program for school principals and members of the madrasah committee on preventative maintenance of facilities and heating systems.
iv. Draft a manual on preventative maintenance;
v. Review the proposed training program and manual with the civil works specialists and CPMU, and revise as appropriate
vi. Prepare a 1-week training of trainers program and train 16 trainers.
vii. Prepare a report reviewing activities and providing recommendations.
3. Improve Madrasah Based Management Systems and Procedures

Madrasah Leadership Development (International 3 p/m, National, 6 p/m): The madrasah leadership development consultants will have a background in school management and a thorough understanding of madrasah education. Experience working with madrasah/school principal would be an asset. Working under the guidance of and reporting to the CPMU Training Specialist, the consultant will:

1. Interview a cross section of stakeholders in madrasah education (teachers, students, parents, yayasan) concerning their roles and responsibilities in management of the madrasah;
2. Interview the cross section of stakeholders in madrasah education concerning the roles, responsibilities, and expectations they have for madrasah principals;
3. Interview madrasah principals concerning constraints they face and the type management skills they feel are necessary to be effective in their job;
4. Design, try out and revise a comprehensive leadership development program for madrasah organizations (school, madrasah committee, student organization, etc.);
5. Design a madrasah leadership and management training program for madrasah principals;
6. Develop draft madrasah leadership and management training materials and a trainers manual;
7. Try out and revise the draft training program materials; and
8. Conduct training of provincial management advisors, facilitators and trainers.

Madrasah Based Management (MBM) and Accountability (National, 12 p/m): The MBM consultant will have a thorough understanding of MBM and experience in developing and delivering MBM training programs in Indonesia. Experience working with madrasah would be an asset. Working under the guidance of and reporting to the CPMU Training Specialist, the consultant will:

1. Review the current MORA policy and implementation strategy for MBM;
2. Review the experiences so far with the MBM system introduced in the madrasah, and assess the opportunities and constraints to the system;
3. Review the level of knowledge and training requirements of madrasah teachers and staff, madrasah committee members and yayasan leaders regarding MBM;
4. Design a training program for madrasah stakeholders to implement all aspects of the MBM system, including guidelines for madrasah-based budgeting and financing, resource reallocation strategies, rationalization of teacher workload, professional development of teachers and staff, involvement of communities and parents, accountability mechanisms, and madrasah development planning and budgeting requirements (for teacher training, special program development, facilities, learning materials and other resources);
5. Develop draft MBM training materials and a trainers manual;
6. Try out and revise the draft MBM training program and materials; and
7. Conduct training of provincial management advisors, facilitators and trainers.

Project Monitoring Information System (National, 2 persons 4 months, 8 p/m) The PMIS (Project Management Information System) programmers must have a good understanding of the management information system of education management and have good working knowledge of distributed and large volume of database, and computerized project management information systems. The key tasks and expected outputs are:

i. Review and study the overall design of the MEDP monitoring and evaluation (M&E) system including all its components and the general schedule for implementation;
ii. Design, develop, and test the PMIS computer program based on user requirement;
iii. Produce PMIS program documentation;
iv. Prepare PMIS maintenance manuals;
v. Together with the M&E Specialist, prepare M&E Operations Manual to provide guidance to the Provincial M&E/PMIS Advisors, District Facilitators, and Madrasah Community Monitoring Task Forces in conducting the monitoring and evaluation functions;
vi. Assist the M&E Specialist in conducting orientation training to all Provincial M&E/PMIS Advisors and District Facilitators on the overall design of the MEDP M&E;
vii. Assist the M&E Specialist in conducting the training of the Provincial M&E / PMIS Advisors on the PMIS;
viii. Conduct the training of the CPMU, Provincial Coordinator, and Madrasah computer operators of the PMIS;
ix. Perform other functions that the M&E Specialist may reasonably assign him/her.

**Teaching-Learning Assessment and Quality Assurance (International, 3 p/m):** The international teaching-learning assessment and quality assurance consultant will be an expert in learning assessment and be thoroughly familiar with quality assurance systems. S/he will collaborate closely with the CPMU Teaching Quality Assurance Specialist and Training Specialist. With the teaching-learning assessment and quality assurance consultant, s/he will:
i. Review current learning assessment systems used for madrasah education in Indonesia;
ii. Interview a cross section of stakeholders in madrasah education (teachers, students, parents, yayasan) concerning the adequacy of existing learning assessment and quality assurance systems;
iii. Design, review and revise a teaching-learning assessment and quality assurance program for madrasah organizations involving madrasah staff and committee members, parents and the community;
iv. Design a madrasah teaching-learning assessment and quality assurance training program for advisors, facilitators and trainers;
v. Develop training materials and a trainers manual;
vi. Try out and revise the draft training program materials

**Teaching-Learning Assessment and Quality Assurance (National, 8 p/m):** The national teaching-learning assessment and quality assurance consultant will have experience in learning assessment and a thorough knowledge of madrasah education. S/he will work with the international teaching-learning assessment and quality assurance consultant and collaborate closely with the CPMU Teaching Quality Assurance Specialist and Training Specialist. With the teaching-learning assessment and quality assurance consultant, s/he will:
i. Provide support and assistance to the international consultant in implementing the terms of reference and provide insight concerning local culture in general and madrasah education in particular;
ii. Assist the international consultant in the design, try out and revision of training programs for provincial advisors, facilitators and trainers;
iii. Conduct the training programs for provincial advisors, facilitators and trainers.

**4. Upgrade Selected MA to International Standard**

**International Standards Specialist (International 3 p/m):** The international standards specialist will be broadly experienced in international schooling and the characteristics necessary for schools to become recognized as of "international standard". Ideally, the specialist will have worked or is working for an international school accreditation institution. S/he will work in close collaboration with the eight national Facilitators of Madrasah Development and Investment Planning. The following are the key tasks and expected outputs:
i. Review and characterize the Indonesian schools of international standard;
ii. Prepare and conduct a seminar providing an overview of international schooling around the world;
iii. Prepare recommendations on criteria to be used to determine if and when Madrasah Aliya (MA) have reached international standard;
iv. Discuss and revise the recommendation with MORa counterparts;
v. Review the development plans prepared by the eight MA involved in the MEDP that are to be raised to international standard;
vi. With the eight facilitators determine the likelihood that the interventions included in the plans will result in reaching international standard in accordance with the agreed criteria;
vii. If the plans are deemed insufficient, prepare recommendations to be made to the MA during the second round of preparation of madrasah development plans in the second half of the first year of project activities; and
viii. Work with the eight madrasah in reviewing and refining their plans.
Facilitation of Madrasah Development and Investment Planning (National 8 persons, 3 months, 24 p/m) Facilitators provide operational guidance to the MA with an emphasis on MA development planning and implementation of project interventions toward global competitiveness of graduates entering the workplace or acceptance into national or internationally recognized tertiary education, MA transparency, accountability, and monitoring block grant allocations. Following are the key tasks and expected outputs:

i. Assist the MA in the operational aspects of the project implementation as it relates to education planning, management, and compliance.

ii. Assist the Madrasah Development Plan and Investment Proposal (MDIP) submission and revision process, including coordinating the assessment of each MA. Accountability Report and recommending the block grant allocation award for initial and succeeding years. Coordinate the contributions of reflection input of implementation programs to support the MA in the annual updating of their MDIPs. This assignment includes providing guidance to MA in the process of annually updating their plans to ensure that the targets are realistic and not unduly taxing on each MA.

iii. Liaise with the respective Directorates to manage the MA development contracts in order to maximize the development and application of school-based management practices consistent with Education Law 20/2003 and MORA strategic plan priorities.

iv. Design and implement a monitoring and evaluation system to monitor interventions, activities, expected results and milestones including arranging for presentations on the results of monitoring and evaluation to provincial or district initiated meetings or the project annual coordination meeting.

v. Assist MA in preparation a monthly report on MDIP activity and financial targets and achievements, including statements on compliance with staff development targets and schedules and report any issues or problems.

vi. Assist MA in preparation the annual project report as well as assisting the MA to prepare the Project Annual Work Plan submitted to MORA’s Center, District, and Provincial offices, and the ADB for approval prior to receipt of Ministry of Finance approval for the annual budget. Include in this report the compliance with agreements and covenants.

vii. Assist and supervise in establishing and applying procedures to ensure that MA submit their monthly activity and financial compliance data.

viii. Assist in preparation the socialization of the teacher research center and be responsible for assisting MA to establish such a center including as a vehicle for teachers to share materials that will enable them to form into a professional learning community (priority to be given to English, Mathematics and Physics teachers).

ix. Participate in the pilot application of the MA Management Information and Reporting System and liaise with each MA to ensure their understanding and application of the system.

x. Supervise the procurement contract for the design and development of MA’s facilities, all the required hardware, software and internet services support for teaching and learning process.

xi. Participate in the pilot application of the MA Accounting and Finance Information System and liaise with each MA to ensure their understanding and application of the system.

xii. Assist MA in assessing Madrasah Development Plans and Investment Proposals to ensure that each MA includes support for the development of its ICT Strategy.

5. Retrieval Program (no consultants required)

6. Expand Participation Capacity in Selected Schools (no consultants required)

7. Consulting Contract to Improve Governance, Management and Accountability Systems and Procedures

Results-Based Management and Performance-Based Planning and Budgeting (International, 12 p/m; National, 12 p/m): (see Appendix 13)
8. Establish Advocacy Programs

Advocacy Program Design and Implementation (National, 24 p/m) The Advocacy Program Design consultant shall be experienced in developing multi-media materials and programs. The primary responsibility of the domestic Specific tasks will include:

i. Designing advocacy programs and preparation of the media materials that will be used;
ii. Designing systems to evaluate the effectiveness of the advocacy programs and materials on the target populations;
iii. Establishing contacts in the media and generating interest in madrasah education among journalists and newspaper publishers;
iv. Supporting the establishment of a Madrasah Commissions in each province and assisting them on advocacy and media related matters as requested by the Commission;
v. Developing and delivering a 1 week training program; and
vi. Assist the CPMU and Provincial Project Coordinators in implementation of advocacy and media development activities for the MEDP.

9. Consulting Contract for Independent Evaluative Studies

(see Appendix 20, Attachment 1)

10. Project Management

Central Project Management Unit (CPMU) Advisor (International, 12 p/m, 6/3/3 ) The CPMU Advisor should have broad international project management experience. S/he should be thoroughly familiar with ADB procedures and regulation. S/he will:

i. Advise and assist the Project Manager and staff in making the CPMU operational;
ii. Establish with the CPMU detailed project activities and arrangements to ensure the supervision, guidance and effectiveness of project staff and consultants;
iii. Train the CPMU staff on ADB procedures regarding procurement of goods and services, preparation of tender documents and the bidding process, monitoring, evaluation and reporting;
iv. Help prepare initial MEDP work plans and schedules;
v. Work closely with the Project Manager and Monitoring and Evaluation Specialist to design a monitoring and evaluation system for MEDP;
vii. Advise and assist other CPMU staff members as they request;
vii. Review progress and advise and assist as needed; and
viii. Participate in ADB review missions and meetings.
## Procurement Schedule

<table>
<thead>
<tr>
<th>Activities</th>
<th>Year and Quarter of Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Year 1</td>
</tr>
<tr>
<td></td>
<td>1  2  3</td>
</tr>
</tbody>
</table>

1. Establishment of Procurement Committee at CPMU

2. Preparation of Technical Specification of the textbooks, teaching/learning materials, equipment, vehicles and furniture for Block Grant Program and detailed design (drawings) of the learning facilities for ASFI Program.

3. Socialization of Blockgrant/ASFI Programs to madrasah

4. Prepare Blockgrant/ASFI proposals by the madrasah.

5. Review the Proposals by provincial office and submit to CPMU for approval

6. **Procurement of Equipment & Furniture**
   - Prepare bidding documents for procurement of goods by CPMU
   - Process of bidding
   - Bidding evaluation & contract awards
   - Delivery of the goods to the madrasah
   - Training in operation and maintenance

   **Block Grants**
   - Construction activities
## FURNITURE LIST

### A. LIST OF MI FURNITURE

#### 1. LIBRARY FURNITURE (MI)

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Furniture</th>
<th>Specifications</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Multi purpose table</td>
<td></td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>2</td>
<td>Table &amp; chair for librarian</td>
<td></td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>3</td>
<td>Chair</td>
<td></td>
<td>20</td>
<td>Set</td>
</tr>
<tr>
<td>4</td>
<td>Notice Board</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>5</td>
<td>Book Cabinet/AVA</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Book Shelves</td>
<td></td>
<td>8</td>
<td>Unit</td>
</tr>
<tr>
<td>7</td>
<td>Magazine Shelves</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>8</td>
<td>Seat</td>
<td></td>
<td>20</td>
<td>Unit</td>
</tr>
<tr>
<td>9</td>
<td>Notice Board</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>10</td>
<td>Magazine Shelves</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>11</td>
<td>Docter table &amp; chair</td>
<td></td>
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<td>Unit</td>
</tr>
<tr>
<td>12</td>
<td>Long chair</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>13</td>
<td>Chair</td>
<td></td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>14</td>
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<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>15</td>
<td>Medicin Shelves</td>
<td></td>
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<td>White board</td>
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<td>Unit</td>
</tr>
<tr>
<td>17</td>
<td>Table and Chair</td>
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<td>Set</td>
</tr>
<tr>
<td>18</td>
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</tr>
<tr>
<td>19</td>
<td>Chair for teacher</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>20</td>
<td>Notice Board</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>21</td>
<td>Magazine Shelves</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>22</td>
<td>Docter table &amp; chair</td>
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<td>1</td>
<td>Unit</td>
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<td>23</td>
<td>Long chair</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>24</td>
<td>Chair</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>25</td>
<td>Filing Cabinet</td>
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<td>White board</td>
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<td>Unit</td>
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<tr>
<td>28</td>
<td>Table and Chair</td>
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<td>Unit</td>
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<td>Long chair</td>
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</tr>
<tr>
<td>31</td>
<td>Chair</td>
<td></td>
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<td>Unit</td>
</tr>
<tr>
<td>32</td>
<td>Filing Cabinet</td>
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<td>Unit</td>
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<td>Medicin Shelves</td>
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<td>Unit</td>
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<tr>
<td>34</td>
<td>White board</td>
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<td>Unit</td>
</tr>
<tr>
<td>35</td>
<td>Table and Chair</td>
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<td>Set</td>
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<td>Long chair</td>
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<td>Unit</td>
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<tr>
<td>38</td>
<td>Chair</td>
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<td>Unit</td>
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<tr>
<td>39</td>
<td>Filing Cabinet</td>
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<td>Unit</td>
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<tr>
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<td>Medicin Shelves</td>
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<tr>
<td>41</td>
<td>White board</td>
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</tr>
</tbody>
</table>

### B. MT FURNITURE

#### 1. CLASSROOM FURNITURE (MT)

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Furniture</th>
<th>Specifications</th>
<th>Quantity</th>
<th>Unit</th>
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</thead>
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<td>Multi purpose table</td>
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<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>2</td>
<td>Teacher table &amp; chair</td>
<td></td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>3</td>
<td>Book Shelves</td>
<td></td>
<td>9</td>
<td>Unit</td>
</tr>
<tr>
<td>4</td>
<td>Student table &amp; chair</td>
<td></td>
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<td>Flag</td>
<td></td>
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<td>Unit</td>
</tr>
<tr>
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<td>Unit</td>
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<tr>
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<td>Laboran chair</td>
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<tr>
<td>9</td>
<td>White board</td>
<td></td>
<td>1</td>
<td>Unit</td>
</tr>
</tbody>
</table>

#### 2. SCIENCE LAB. FURNITURE (MT)

<table>
<thead>
<tr>
<th>No.</th>
<th>Specifications</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Table for student</td>
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<td>unit</td>
</tr>
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</tr>
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<tr>
<td>5</td>
<td>Table for teacher</td>
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</tr>
<tr>
<td>6</td>
<td>Chair</td>
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<td>unit</td>
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<td>7</td>
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</tr>
<tr>
<td>8</td>
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### C. MA FURNITURE

#### 1. SCIENCE LAB. FURNITURE (MA)

<table>
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<tr>
<th>No.</th>
<th>Specifications</th>
<th>Quantity</th>
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<tbody>
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<td>1</td>
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</tr>
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<td>3</td>
<td>Multipurpose table</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>4</td>
<td>Demonstration table</td>
<td>1</td>
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<td>5</td>
<td>Table for teacher</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>6</td>
<td>Chair</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>7</td>
<td>Laboran table</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>8</td>
<td>Laboran chair</td>
<td>2</td>
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</tr>
<tr>
<td>9</td>
<td>White board</td>
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### 2. CLASSROOM FURNITURE (MI)

<table>
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<th>No.</th>
<th>Specifications</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
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<td>1</td>
<td>White board</td>
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<td>Teacher table &amp; chair</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>3</td>
<td>Book Shelves</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>4</td>
<td>Student table &amp; chair</td>
<td>40</td>
<td>unit</td>
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<td>5</td>
<td>Flag</td>
<td>1</td>
<td>unit</td>
</tr>
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<td>Chair</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>7</td>
<td>Laboran table</td>
<td>1</td>
<td>unit</td>
</tr>
<tr>
<td>8</td>
<td>Laboran chair</td>
<td>2</td>
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<tr>
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### 3. SCHOOL CLINIC FURNITURE (MI)

<table>
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<tbody>
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<td>3</td>
<td>Long chair</td>
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<td>Unit</td>
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<td>4</td>
<td>Chair</td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>5</td>
<td>Filing Cabinet</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Medicin Shelves</td>
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<td>Unit</td>
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<td>Bed</td>
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</table>

### 3. LIBRARY FURNITURE (MT)

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Furniture</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Multi purpose table</td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>2</td>
<td>Table &amp; chair for librarian</td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>3</td>
<td>Chair</td>
<td>20</td>
<td>Unit</td>
</tr>
<tr>
<td>4</td>
<td>Notice Board</td>
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<td>Unit</td>
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<tr>
<td>5</td>
<td>Book Cabinet/AVA</td>
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<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Book Shelves</td>
<td>8</td>
<td>Unit</td>
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<tr>
<td>7</td>
<td>Magazine Shelves</td>
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<td>8</td>
<td>Seat</td>
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<tr>
<td>10</td>
<td>Magazine Shelves</td>
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<td>Unit</td>
</tr>
<tr>
<td>11</td>
<td>Docter table &amp; chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>12</td>
<td>Long chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>13</td>
<td>Chair</td>
<td>2</td>
<td>Unit</td>
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<td>14</td>
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### 4. COMPUTER LAB. FURNITURE (MT)

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<th>No.</th>
<th>Specifications</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Multi purpose table</td>
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<td>Unit</td>
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<tr>
<td>2</td>
<td>Chair for teacher</td>
<td>20</td>
<td>Unit</td>
</tr>
<tr>
<td>3</td>
<td>Computer desk</td>
<td>20</td>
<td>Unit</td>
</tr>
<tr>
<td>4</td>
<td>Cursi chair</td>
<td>20</td>
<td>Unit</td>
</tr>
<tr>
<td>5</td>
<td>Printer desk</td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Shelves for equipment</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>7</td>
<td>Table and Chair</td>
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<td>Set</td>
</tr>
<tr>
<td>8</td>
<td>Docter table &amp; chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>9</td>
<td>Long chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>10</td>
<td>Computer desk</td>
<td>20</td>
<td>Unit</td>
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<tr>
<td>11</td>
<td>Filing Cabinet</td>
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### 4. SCHOOL CLINIC FURNITURE (MA)

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Furniture</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Multi purpose table</td>
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<td>Unit</td>
</tr>
<tr>
<td>2</td>
<td>Chair for student (stool)</td>
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<td>Unit</td>
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<td>3</td>
<td>Multipurpose table</td>
<td>1</td>
<td>Unit</td>
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<tr>
<td>4</td>
<td>Demonstration table</td>
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<td>5</td>
<td>Table for student</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>7</td>
<td>Laboran table</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>8</td>
<td>Laboran chair</td>
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</tr>
<tr>
<td>9</td>
<td>White board</td>
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</table>

### 5. SCHOOL CLINIC FURNITURE (MTs)

<table>
<thead>
<tr>
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<th>Specifications</th>
<th>Quantity</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Table and Chair</td>
<td>1</td>
<td>Set</td>
</tr>
<tr>
<td>2</td>
<td>Docter table &amp; chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>3</td>
<td>Long chair</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>4</td>
<td>Chair</td>
<td>2</td>
<td>Unit</td>
</tr>
<tr>
<td>5</td>
<td>Filing Cabinet</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>6</td>
<td>Medicin Shelves</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>7</td>
<td>White board</td>
<td>1</td>
<td>Unit</td>
</tr>
<tr>
<td>8</td>
<td>Bed</td>
<td>1</td>
<td>Unit</td>
</tr>
</tbody>
</table>
Appendix 14. Accounting, Auditing, and Reporting

I. Establishment of Project Account under MEDP

1. To facilitate the disbursement of loan funds, the Government will establish an imprest account at Bank Indonesia (BI) as a means for channeling the loan proceeds for funding programs and activities under MEDP. The imprest account will be established, managed, replenished, and liquidated in accordance with the Asian Development Bank’s Loan Disbursement Handbook and arrangements agreed upon by the Government and the ADB. The deposit for the imprest account will not exceed $10.0 million. The account will be used to direct the loan proceeds through two systems of funds channeling: one for the block grant scheme and another for the other types of project expenditures at the central, provincial, and madrasah levels.

2. The CPMU and each Provincial Project Coordinator will open a project account at a bank.

   a. Reporting Requirements for Imprest Account

3. CPMU will prepare a quarterly financial statement to provide details of the status of the imprest account, records of transfer of funds to the various project accounts and payments for contracted activities by types or categories of expenditures, reasons, justification for any variations in the account and the records, and reconciliation of any discrepancies to ensure that the financial records are accurate and up to date at the end of each quarter. The quarterly financial statement will be submitted to ADB and BI for verification and reconciliation of the status of the imprest account within 30 days after the end of each quarter.

   b. Audit Procedures and Auditors’ Report

4. CPMU will prepare annual financial statements covering all the details of expenditures in accordance with project components and activities. The imprest account and financial statements will be audited by certified external auditors either from the Office of the Auditor General in accordance with the requirements of the 2003 – 2004 laws on the national financial system. MORA will submit the audited financial statements and the auditor’s report to ADB within 9 months after the end of the fiscal year. A copy of the auditor’s report will also be submitted to BI for information.

II. Disbursement Procedures for Block Grant

5. Project cluster madrasah will prepare and submit Madrasah Development Plans (MDP) to the CPMU. Each MDP will be for 3 years with an annual rolling plan budget (revised each year). No block grants will be disbursed without and approved madrasah development plan.

6. The MDP will include all planned development activities which are required to enable the cluster madrasah to achieve its targets (improved exit examination scores and higher accreditation status). Some of these activities will be funded through the MEDP and the remainder will be funded through other funding channels: MONE central budget funds, MORA budget funds, parental contributions, yayasan contributions, community contributions, private business contributions, etc. The annual block grant

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1 Including ASFI, retrieval/scholarships, textbooks, etc. Block grants to MGMP will be included in the block grant for the core madrasah sponsoring the MGMP and MGMP activities must be included in the MDP for that madrasah.
from the project to the madrasah will be calculated to cover all project-funded interventions in the madrasah during that year. It should be noted that the madrasah’s academic year (August – July) is not the same as the government budget financial year (January – December). The MDP and block grants will be based on the academic year. Reconciliation with the government financial year will be the responsibility of the CPMU. CPMU will also be responsible for reconciliation between the (single) block grant to each cluster madrasah and the components/activities in the PAM/project budget.

7. All cluster madrasah will open special project bank accounts with three signatories (principal, chair of madrasah committee, and one other) to receive transfers of the project block grants. After the CPMU approves the madrasah MDP, the CPMU will issue a decree signed by the Project Manager. The decree will contain the list of madrasah whose MDP have been approved, their bank account information, and amount of funds to be transferred from the imprest account at BI to each cluster madrasah for the first year. Copies of the decree will be sent to the recipient madrasah through the Kandep and Kanwil for information and record. Copies will also be provided to the M&E unit within the CPMU and financial management compliance specialist of the Independent TA for M&E.

8. After the decree is issued, CPMU will send a payment request (SPP - Surat Permintaan Pembayaran) to the Ministry of Finance (MOF) to request for transfer of funds for the block grant. MOF will issue a payment order (SPM - Surat Perintah Membayar) to BI to transfer the MDP funds to the designated bank account. Madrasah can then proceed to withdraw money to implement the approved programs and activities under MDP.

9. MDP for subsequent years may be revised based on results of M&E of the first year’s activities and accomplishments. In this case, the revised MDP will also require approval by the CPMU. In each subsequent year the CPMU will issue a decree and send a payment request to MOF. The remaining procedures for payment will be the same as in the first year.

a. Reporting Requirements for Block Grants

10. Each madrasah will submit a monthly report of activities and expenditures to the Provincial Project Coordinator within the first week of the following month. This report may be in the form of hard copy or soft copy. A copy of the report will be posted in a public place on the madrasah campus and will be provided to madrasah committee members and head of yayasan (for private madrasah).

11. The Provincial Project Coordinator will enter all the monthly reports into a computerized data base and produce a provincial report. The provincial report will be submitted to the CPMU by the 15th of the following month. Electronic copies will also be sent to the M&E unit within the CPMU and financial management compliance specialist of the Independent TA for M&E.

12. The financial management compliance specialist will also analyze the monthly reports to assure that the implementation of MDP is proceeding on schedule. In the case that a madrasah is not meeting its targets, Provincial Project Coordinator will be notified by the third week of the following month. The Provincial Project Coordinator will then provide additional assistance to the madrasah, through the Provincial advisors and central consultants as necessary. Any madrasah which does not meet its targets for 2 consecutive months will be placed on a “yellow flag” watch list for special attention from the Provincial Project Coordinator and/or corrective action. Any madrasah which remains
on the “yellow flag” watch list for one semester will be moved to the “red flag” watch list by the CPMU. Red flag madrasah will be given intensive assistance to enable them to fulfill their MDP and/or revise the MDP for the subsequent year. Madrasah which fail to make appropriate adjustments and/or progress will be referred to Steering Committee for removal from project clusters.

b. Audit Procedures and Auditors’ Report

13. M&E unit within the CPMU and financial management compliance specialist of the Independent TA for M&E will perform random audits of cluster madrasah financial reports. Non-compliance caused by lack of understanding of the required financial systems will be dealt with by additional training. The Provincial Project Coordinator will be responsible for providing the additional training, through the Management Advisor and/or Facilitators who will certify that the offending madrasah is now in compliance. In the case of non-compliance due to misuse of funds, the case will be referred to the CPMU for immediate removal from the project cluster. If the misuse involves criminal activities, the case will be referred to law enforcement authority.

III. Disbursement Procedures for Teacher Upgrading (S1/Certification)

14. Each madrasah will identify teacher upgrading programs which are required to enable the madrasah to achieve its targets. The CPMU will compile all the required S1 programs and negotiate with tertiary institutions to provide the programs. The CPMU will contract the tertiary institutions and monitor implementation of the program.

15. The CPMU will coordinate with the DG for Teacher Quality in MONE to arrange for the teacher certification programs.

a. Reporting Requirements for Teacher Upgrading

16. The recipient tertiary institutions for the S1 program will provide progress reports on project upgrading participation to the CPMU at the end of each semester. Any student who fails to make appropriate progress (number of credits, grade point average) will be removed from the program.

IV. Disbursement Procedures for Provincial Advisors and Facilitators

a. Reporting Requirements for Provincial Advisors and Facilitators

17. Provincial Project Coordinators will recruit advisors and facilitators, using local competitive bidding procedures. Selection of provincial advisors and facilitators will be approved by CPMU. Provincial advisors and facilitators will be paid through the provincial project bank account.

18. Provincial advisors and facilitators will draw up semi-annual work plans based on the overall project work plan. The work plans will be approved by the Provincial Project Coordinator and submitted to CPMU with copies to the M&E unit within the CPMU and financial management compliance specialist of the Independent TA for M&E. The work plans will allow flexibility to provide additional specialist assistance to madrasah who are unable to achieve the monthly targets of their MDP.

19. Provincial advisors and facilitators will submit monthly reports to the Provincial Project Coordinator with copies to the CPMU. The Provincial Project Coordinator will be responsible for assuring that advisors and facilitators are fulfilling their tasks.
IV. Disbursement Procedures for MDC Activities

20. MDC will make annual plans based on the project work plan and PAM. The plans and budgets will be submitted to CPMU with copies to Provincial Project Coordinator. MDC will open dedicated project bank accounts. Funds will be disbursed in the form of semi-annual block grants direct to the MDC project bank accounts.

   a. Reporting Requirements for MDC

21. MDC will submit monthly reports to the Provincial Project Coordinator with copies to the CPMU. The Provincial Project Coordinator will be responsible for assuring that advisors and facilitators are fulfilling their tasks.

   b. Audit Procedures and Auditors’ Report

22. The M&E unit within the CPMU and financial management compliance specialist of the Independent TA for M&E will perform random audits of MDC financial reports. Non-compliance will result in removal of the MDC from the project activities.
APPENDIX 15. MEDP MONITORING AND EVALUATION SYSTEM

I. Objectives

1. An integral part of the MEDP management system, the monitoring and evaluation (M&E) component is designed to provide management and other stakeholders a systematic way of tracking progress (or lack of it) of project implementation against set targets and compliance with guidelines and procedures, work plans, specifications, and budgets to ensure quality, accountability and transparency. It is also designed to evaluate the outcomes and impacts of project interventions to determine whether or not the intended benefits are being realized, understand and learn lessons behind the results including unintended benefits, and to make adjustments in the strategy, processes, and allocation of resources, if necessary, to maximize the achievement of desired results.

II. M & E Framework

2. Total MEDP performance will be monitored from two perspectives: internal (by those involved in project implementation) and external (by contracted independent firm not involved in project implementation). This is meant to increase confidence on the credibility of reports and on the findings and conclusions drawn from them. Both groups will employ a combination of quantitative and qualitative approaches to provide greater depth in understanding the dynamics behind certain outcomes.

3. The MEDP M&E system (Figure 1) comprises four sub-components:

   - **Implementation Monitoring** — monitors input, activity and milestone, and output performance indicators and compares actual achievements vs. targets (detailed targets in Annex 2 of the M & E Technical Report);
   - **Compliance Monitoring** — monitors compliance by implementers and service providers with guidelines and procedures for project implementation and/or with stipulations in the service contract agreements. This will be contracted to an independent firm. (See Appendix 21: TA for Independent Monitoring and Evaluation of MEDP);
   - **Periodic Evaluation/Review** — regular evaluation and review of project achievements against targets, strategies, processes and procedures, and resource allocation by oversight bodies and by project management;
   - **External Evaluation Studies** — assessment of project outcomes and impacts of the various project interventions to gain deeper understanding and insights on why certain expected benefits were realized and some were not and provide guidance on the next course of action. The studies will also be contracted to an external research firm. (See Attachment 1 : Independent Evaluation Studies)

4. The annual financial audit done by an external auditor approved by both the GOI and ADB, although strictly not a sub-component of the MEDP M&E, provides an evaluation of the financial status of the project covering not only amounts received and disbursed as at a specific point in time but also transparency of financial transactions, consistency with accepted accounting principles and procedures, and recommendations to management for improvement related to financial matters.
Figure 1. MEDP M & E FRAMEWORK

**INTERNAL M & E**
- **IMPLEMENTATION MONITORING**
  - Progress Reports
  - Onsite Visits
  - Community Monitoring
  - Complaints and Action Task Force

- **PERIODIC EVALUATION/REVIEW**
  - GOI/ADB Supervision Mission
  - Annual Performance Review
  - Mid-Term Review
  - Project Completion Report

**EXTERNAL M & E**
- **COMPLIANCE MONITORING**
  (Contracted to Independent Firm)

- **EVALUATION STUDIES**
  (Contracted to Independent Firm)
  - Baseline Study
  - Mid-Point Evaluation Study
  - End-Point Evaluation Study
A. Components of the Monitoring System

5. Project Progress Reports. Field level data and reports concerning the implementation of the various interventions will be collected from provinces, districts, madrasah, MDC and service providers will be collected, aggregated, analyzed and reported on a monthly, quarterly and annual basis. The level of details of the reports will vary depending on the need of the recipient. Significant variances from targets and issues/concerns will be highlighted so that timely corrective action may be taken.

6. On-site Monitoring Visits. Management and functional specialists of the CPMU and the Provincial Coordinator and advisors will schedule regular visits to selected activity sites to observe activities first hand and get direct feedback from participants, providers, and other interested stakeholders. The visiting staff will fill out an On-site Monitoring Visit Report with standard content and format and submit to the Provincial Coordinator in the case of the advisors or to the Project Manager in the case of the specialists and will be included in the M & E data base.

7. Community Monitoring. Led by the School Committee, members of the local community including parents, school principals, teachers, yayasan, and village leaders will be involved in project monitoring on a voluntary basis. A general meeting in each of the districts/clusters will be facilitated by the M&E Advisor giving them orientation on what the project is all about, highlighting the need to ensure that it proceeds as planned and, importantly, not tainted with corruption. Those interested to participate in the monitoring exercise will be given further orientation where the roles and expectations will be clarified. A volunteer Monitoring Task Force will then be formed for each madrasah. A standard monitoring form will be provided but flexible enough to accommodate certain local conditions.

8. Each Madrasah Monitoring Task Force will collect quantitative and qualitative information on a quarterly basis, analyze them and reach consensus on suggestions or recommendations on how to address a problem, if any, or how to improve performance. The reports will then be discussed during the quarterly meeting called by the District Facilitator to share experiences and discuss common issues/concerns on project performance at least once every quarter. Highlights of the minutes of such meetings will be recorded. The District Facilitator will summarize the findings and recommendations and forward it to the Provincial Coordinator with copy provided to the M&E/QA Advisor. The M&E/QA Advisor will consolidate the findings from all the districts/clusters within the province as inputs to the quarterly progress report.

9. Complaints and Action Task Force. In order to encourage more stakeholder participation and vigilance as well as ensure greater transparency and accountability, a Complaints and Action Task Force (CATF) will be set up at the CPMU under the office of the Project Director/Deputy Project Director to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities. A direct communication channel to the Task Force will be provided to ensure that feedbacks are not filtered at lower level management. Depending on the nature of the feedback, action may be taken by the Task Force or referred to appropriate government authorities.

10. Independent Monitoring. An independent firm will be contracted to provide an independent assessment of performance in project implementation. Focus will be on compliance with the general principles and procedures of the project; quantity and quality of goods and services according to specifications, schedules, and budget; accuracy in procurement, accounting, and other financial records; transparency in selection and
awarding of contracts and related transactions; and among others. The findings will complement and/or cross-check those of internal monitoring.

B. Components of the Evaluation System

11. Annual Performance Review. A series of performance review and planning workshops will be held at the end of each year at the district, provincial, and national levels to facilitate the review and planning process for the next budget year. Proceedings will be recorded, consolidated at different levels, analyzed and fed into the Annual Progress Report. The annual reviews will focus on the key results of project interventions, issues/problems and actions to be taken, and targets for the succeeding years. The madrasah will also be required to submit annual accountability reports highlighting the achievements as well as explanations for the shortfalls. The CPMU will review the accountability reports and workshop proceedings and use them as inputs in the preparation of the Annual Progress Report which will be submitted to the GOI and ADB.

12. Mid-Term Review. The mid-term review will be conducted jointly by the GOI, ADB, and the Project Management shortly after the CPMU’s submission of the third year annual report. It will focus on the review of overall project strategy, a comprehensive assessment of outputs and early indications of outcomes of key project interventions, the problems encountered and actions to be taken. The mid-term review provides the opportunity to review specific project components and activities, adjust targets, and reallocate resources, if necessary.

13. Project Completion Reports. A separate GOI and ADB project completion report will be prepared jointly by the GOI, ADB, and CPMU. This end-of-period assessment will focus on the overall project achievements in terms of key outputs, early indications of outcomes and impacts, and lessons learned. The project will be given preliminary rating based on ADB’s rating scale and criteria (Figure 2; see details of roles and responsibilities in Annex __ of the M & E Technical Report).

14. Evaluation Studies (External). Contracted to an external research firm, three studies will be conducted at three points during the project implementation period: start, mid-point, end-point (see Annex 8 of the M&E Technical Report for details of design and Terms of the Reference of the study). Performance indicator values at these points in time will be compared to measure progress with respect to outputs, outcomes and impacts over time. Combining quantitative (survey) and qualitative (FGD) approaches, the studies will be conducted at the kanwil, kandep, and madrasah levels. At the kanwil and kandep levels, the studies will focus on improvement in planning, management and monitoring and evaluation capacity and practices, application of principles of performance-based budgeting, status of the information system and use of data in decision making, school supervision, among others.

15. At the madrasah level, on the other hand, the primary focus of evaluation will be on improvement in the teaching-learning process in the classroom including teacher-student interaction, use of teaching aids and learning materials, and the whole gamut of classroom management that impact on student learning achievement. The studies will also look into the status of the school committees, leadership and management practices of school principals including relationship with community and with teachers, principals and teachers development forums such as KKM and MGMP, management of buildings and grounds and equipment, internal efficiency indicators (e.g., repetition rate, dropout rate, transition rate, etc.), external efficiency indicators (e.g., pass rate of MA graduates in universities, “destination” of MI and MA graduates who do not pursue further education, etc.), and

1 Highly Successful ---3 Successful --- 2 Partly Successful --- 1 Unsuccessful ---- 0
perceptions on quality and relevance of madrasah education by parents and community leaders.

III. Roles and Responsibilities

16. Monitoring and evaluation of the MEDP is a responsibility of all parties who have an interest in its successful implementation. However, there are specific tasks that need to be performed by specific parties in the course of implementation. Activities of the different project interventions may be divided into four major categories: training, procurement, construction, and special services (e.g., scholarships, retrieval, Paket A and B, etc.) These activities will be conducted either at the madrasahs, kandeps, or kanwils. Thus monitoring will have to be done at these three levels and the tasks at each level include data collection, aggregation, analysis and reporting. At each level, specific parties are responsible for carrying out these tasks (Figure 2; see details of roles and responsibilities in Annex 3 of the M&E Technical Report).

17. The initial data source documents will be the forms that service providers will fill out for each activity as part of their TOR which covers both quantitative and qualitative information. These forms will either be submitted to or collected by the respective monitors at each level. To the extent possible, the monitors will verify the accuracy of the data and other information. However, since there will be a number of activities going on at the same time in their respective areas, there will not be enough time for the internal monitors to make a thorough verification. This is where the independent monitors come in.

18. Following a sampling design, the independent monitors will randomly check, inspect, verify project activities as to compliance with guidelines and procedures, the quantity and quality of goods and services delivered whether they meet the specifications, the costs incurred in relation to budget, and related matters. Non-compliance will be dealt with in accordance with the procedures for due process in resolving such issues. Reports of findings will be forwarded to top CPMU management which may cascade the information, where appropriate, down the project management hierarchy. Additional feedback may be obtained directly from other stakeholders who may bring up matters directly to the CATF. Taking into consideration feedback from the independent monitors and the CATF, if any, the internal monitors will aggregate and analyse the data and information and prepare reports according to the specified format for each level and as often as the agreed upon frequency.

19. Review and evaluation of project implementation performance will be done at regular intervals by the oversight bodies (i.e., GOI, ADB, Steering Committee) and the CPMU which may result in certain adjustments in systems and procedures and resource allocation. The assessment of project outcomes and impacts, however, will be done by external evaluators who will conduct the studies at mid-term and toward the end of the implementation period in accordance with the TOR for Evaluation Studies (Annex 8 of the M&E Technical Report).
Figure 2. **Roles and Responsibilities and Information Flow of the MEDP Internal M&E System**
IV. Project Management Information System (PMIS)

21. Handling all those input data and generating the required reports would be a daunting task without a computerized information system. Thus the project will invest in a PMIS at the central, provincial, and school levels under a decentralized structure. The PMIS will serve as the backbone of the MEDP M&E system (Figure 3).

22. The decentralized structure is meant to minimize the workload of the central PMIS in cleaning up and entering the input data from various sources and in following up missing or delayed reports considering that it is far from the fields where the actions take place. This will give the central PMIS more time for consolidation and analysis of reports to give an overall picture of the status of project implementation. On the other hand, this will give the provincial management direct responsibility in the management of data while at the same time provide them access and use of data for managing their operations.

23. Most of the sources of input data will be the consultants (Specialists, Advisors, and Facilitators) who will submit monthly reports on the status of activities in their respective areas of responsibilities and the plan of activities for the succeeding month. Since activities will take place mainly at the provincial, district, and school levels, most of data entry will be at the provincial PMIS. The workload will, however, be distributed since the geographic coverage will be limited to activities within each province.

24. Once the data are properly entered in the data bases at the provinces and the central office, reports may be outputted at any desired frequency. Based on the requirements of GOI and ADB, however, the expected reports include Quarterly Progress Report, Annual Report, Mid-Term Review Report, Project Completion Report, and special reports that may be needed from time to time, supported by corresponding reports at the provincial level.

V. Implementing the M&E System

25. Implementing the monitoring system will require a number of preparatory activities. These include the recruitment of highly qualified M&E Specialist, Provincial M&E/PMIS Advisors, District Facilitators and computer operators; familiarization of the staff with the whole project concept and design; design and development of the PMIS including operations and maintenance manuals; testing and debugging of the PMIS; procurement and installation of computer hardware; orientation of school officials and technical training of computer operators on the PMIS; and, development of M & E Operations Manual covering central, provincial, district, and madrasah levels. The start up process is estimated to take about six months (Table 1).

26. The evaluation studies will likewise require preparatory activities including the review of the methodology, pre-testing of the instruments, and the review of Terms of Reference (Attachment 4) and local tender for the independent research firm. The schedule of the conduct of the three studies and the periodic reviews and evaluation of project performance by oversight bodies and the CPMU specifically the supervision missions, annual performance review, mid-term review, project completion report, and the annual external audit will have to be agreed upon by all parties concerned.
SOURCE OF INPUT DATA

- Specialist Reports (Monthly) & MIS Data Forms
- Service Providers Reports (per completed activity at national level)
- Evaluation Studies Database
- Complaints and Action Task Force Report (Monthly)

OUTPUT: REPORTS

- Project Progress Reports (Quarterly)
- Annual Reports
- Mid-Term Review Report
- Project Completion Report
- Special Reports (as needed)

Figure 3. STRUCTURE OF THE MEDP PMIS

CENTRAL PMIS DATABASE

PROVINCIAL PMIS DATABASE

- Provincial Advisors Reports (Monthly) & MIS Data Forms
- District Facilitators Reports (Monthly) & MIS Data Forms
- Service Providers Reports (Per completed activity at provincial/district level)
- Madrasah Principals Reports (Quarterly) & MIS Data Forms
- Community Monitoring Task Force (Quarterly) & MIS Data Forms

- Provincial Progress Reports (Quarterly)
- Provincial Annual Reports
- Provincial Mid-Term Review Report
- Provincial Project Completion Report
- Special Reports (as needed)
### Table 1. IMPLEMENTATION SCHEDULE OF MEDP M&E

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<th>No</th>
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<td><strong>A. Recruitment of M&amp;E Personnel</strong></td>
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<td>Recruitment of Programmers (3 programmers for 2 months each)</td>
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<td><strong>B. Design, Development and Training for PMIS</strong></td>
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<td>Review inputs, activities, outputs, and outcomes of the project</td>
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<td>Design the PMIS (input, output, procedure, analysis)</td>
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<td>Determine system requirement</td>
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<td>Write computer program for PMIS</td>
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<td>Develop and produce Operational Manual</td>
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<td>13</td>
<td>Procure, distribute, and install computer hardwares &amp; softwares</td>
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<td>Prepare training module for management and operators</td>
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<td>Implement orientation training at central, provincial, and madrasah levels</td>
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<td>Conduct training for computer operators at central, provincial, and madrasah levels</td>
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<td>C. Development of, and Orientation for M&amp;E</td>
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<td>Produce periodic M&amp;E outputs &amp; reports</td>
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<td>Maintain and update database system</td>
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Terms of Reference for
Independent Evaluation Studies

I. Introduction

1. As an integral part of the overall MEDP M&E system, three evaluation studies will be conducted at three points during the project implementation period: (i) Baseline Study within six months after the commencement of the project; (ii) Mid-Term Evaluation Study around the mid-point of the implementation period; and, (iii) End-of-Project Evaluation Study at project completion. The CPMU will contract, through local competitive bidding, an independent research firm (hereinafter the “Contractor”) to undertake these studies.

II. Objectives of the Studies

2. The general objectives of the evaluation studies are: (i) to provide an in-depth assessment of outcomes and impacts of the various project interventions; (ii) to gain deeper understanding and insights on why certain expected benefits were realized and others were not; (iii) to provide guidance for changes in strategy, processes, or systems, if necessary; and, (iv) to draw out lessons learned that could be useful for implementing similar projects in the future.

3. Each of the three studies has more specific objectives, as follows:

- **Baseline Study** --- will establish the initial status of the outcome and impact indicators against which the progress in subsequent years will be compared. It will describe “where we are now”.

- **Mid-Term Evaluation Study** --- will determine what has been accomplished so far towards achieving the intended results midway through the project implementation period. Formative in nature, this study will delve into the reasons behind achievement or non-achievement of outcomes or impacts that could be reasonably expected at that point in time. An input to the Mid-Term Review, the findings will provide some guidance in reviewing changes in strategies, procedures, or reallocation of resources, if necessary, to improve performance for the remaining period.

- **End-of-Project Evaluation Study** --- will determine whether or not the target outcomes and impacts have been achieved by the end of the implementation period. Summative in nature, the study will look into the reasons for achievement or non-achievement of the desired results and draw out lessons learned from the implementation of the project. It will also look into unintended results and search for explanations why it happened and how in the future such results can be reinforced when positive or mitigated when negative. The findings will serve as input for the Project Completion Report.
III. Scope and Methodology

4. The studies will use both quantitative (survey) and qualitative (focus group discussion or FGD) approaches. The unit of analysis will be institutions assisted under MEDP including kanwil, kandep, and madrasah. At the kanwil and kandep levels, the studies will focus on improvement in planning, management and monitoring and evaluation capacity and practices, application of principles of performance-based budgeting, status of the information system and use of data in decision making, school supervision, among others.

5. At the madrasah level, on the other hand, the primary focus of evaluation will be on improvement in the teaching-learning process in the classroom including teacher-student interaction, use of teaching aids and learning materials, and the whole gamut of classroom management that impact on student learning achievement. The studies will also look into the status of the school committees, leadership and management practices of school principals, principals and teachers development forums such as KKM and MGMP, management of buildings and grounds and equipment, internal efficiency indicators (e.g., repetition rate, dropout rate, transition rate, etc.), external efficiency indicators (e.g., pass rate of MA graduates in universities, “destination” of MI and MA graduates who do not pursue further education, etc.), and perceptions on quality and relevance of madrasah education by parents and community leaders.

1. Survey

6. Respondents. The survey target population comprises all institutions assisted under the MEDP, as follows: 8 kanwil, 43 kandep, and 608 madrasah (see Appendix 7 of the Draft Project Report for complete list). There is therefore no need for sampling since all the project institutions will be covered. However, in order to get all the necessary information, a number of individuals in each institution may need to be interviewed.

7. Questionnaires. The respondent institutions will be grouped into two with separate questionnaire for each group: (i) kanwil and kandep; and, (ii) madrasah (see Annex 8, Attachment 1 in the M&E Technical Report for draft questionnaires). The draft questionnaires still need to be translated, pre-tested and finalized. Essentially the same questionnaires will be used for the three studies so that indicator values can be compared over time. However, additional questions may be added to cover more fully the particular emphasis of each study.

8. Data Collection. Data collection will be done by experienced interviewers, preferably with background in education, who will be recruited in sufficient number such that the fieldwork will be completed within the agreed upon timeframe. The interviewers will be given two-day training including actual field practice. Field interviewers will conduct face-to-face interviews with different individuals within each institution as may be deemed appropriate for a particular section of the questionnaires. A supervisor will be assigned in each province during the fieldwork.

9. Data Entry, Processing and Analysis. Filled up survey questionnaires will be reviewed for completeness, clarity and reasonableness of range of values and will be entered and processed using SPSS software for ease of cross-tabulations and statistical analysis.
2. **Focus Group Discussion (FGD)**

10. FGDs will be conducted to provide qualitative inputs and supplement and/or cross-check findings from the survey. There will be two groups of FGD participants: (i) school teachers; and, (ii) parents and community leaders. A total of 40 FGDs will be conducted, 2 (1 for teachers and 1 for parents and community leaders) in each of the purposively selected 20 kandeps based on geographic and population considerations. Each FGD will have 8-12 participants and will last for about 2 hours (see Annex 8, Attachment 2 in M & E Technical Report for guidelines in conducting FGDs).

IV. **Duties and Responsibilities of the Contractor**

1. **Inception**

11. At the start of its engagement, the Contractor will carry out the following duties and responsibilities:

   (i) Review the MEDP documents in order to have a good grasp of what the project is all about, its objectives, scope, and components;

   (ii) Review the approach, scope, methodology, survey questionnaires, and schedule of the evaluation studies. Any clarifications or suggestions for improvement will be referred to the M&E Specialist/CPMU;

   (iii) Translate the survey questionnaires into Bahasa, pre-test, and revise in consultation with the M&E Specialist/CPMU;

   (iv) Prepare data analysis plan based on the revised questionnaires and see if further revision is necessary after doing the analysis plan;

   (v) If there is no need for further revision, print sufficient number of questionnaires based on number of respondent institutions;

   (vi) Recruit highly qualified field supervisors and interviewers in sufficient number so as to meet the timetable agreed upon with the M&E Specialist/CPMU;

   (vii) Conduct training for field supervisors and interviewers including actual field practice;

   (viii) Train the field supervisors on how to facilitate FGDs and the support staff who will take notes of FGD proceedings and handle logistics;

   (ix) Coordinate with the M&E Specialist/CPMU on schedules and contacts at the provinces and districts to start the field work.

2. **Implementation**

   a. **Baseline Study**

12. Implementation starts with the Baseline Study to be conducted within the first 6 months from project commencement. The specific date will have to be agreed upon with the CPMU. For this purpose, the Contractor shall carry out the following duties and responsibilities:
(i) Conduct field interviews for the survey with the supervisors doing random
checks to ensure that field interviewers are doing their jobs properly;

(ii) Check filled up survey forms for completeness and validity of data at the field
level so that something can still be done about the deficiencies, if any;

(iii) Enter data of survey forms checked by the supervisor into the data base
following the encoding instruction;

(iv) Generate tables following the analysis plan and do advance statistical
analysis where appropriate;

(v) Conduct FGDs within the same time frame as the survey fieldwork carefully
observing the FGD guidelines;

(vi) Prepare report on findings of each FGD conducted and collate them in a
separate volume together with other detailed data as Technical Appendix;

(vii) Integrating the findings from the survey and the FGDs, prepare draft of
Baseline Study Report clearly presenting a picture of the initial status of the
outcome and impact indicators;

(viii) Submit draft of report to CPMU giving them enough time to read it prior to
presentation of findings;

(ix) Revise and finalize the Baseline Study Report incorporating, where
appropriate, comments/suggestions made by CPMU during the presentation.

b. Mid-Term Evaluation Study

13. This study will be conducted midway through the implementation period but before
the Mid-Term Review. The specific date will have to be agreed upon with the CPMU. For this
task, the Contractor shall discharge the following duties and responsibilities:

(i) Review the Baseline Study Report including the approach, methodology, and
findings and implement improvements, if any, subject to the approval of the M &
E Specialist/CPMU;

(ii) Review the survey questionnaires and see if some questions need to be
revised and/or new ones added, subject to the approval of M&E
Specialist/CPMU, but at the same time ensuring consistency and
comparability with baseline indicator values;

(iii) Conduct field survey following steps (i) to (iv) of the baseline study;

(iv) Conduct FGDs following steps (v) and (vi) of the baseline study;

(v) Integrating findings from the survey and FGDs, prepare draft Mid-Term
Evaluation Study Report highlighting changes in outcome indicator values
versus the baseline, the reasons behind achievement or non-achievement of
intended results, and recommendations to improve performance for the
remaining implementation period;

(vi) Submit draft of report to CPMU giving them enough time to read it prior to oral
presentation of findings;
(vii) Revise and finalize the Mid-Term Evaluation Study Report incorporating, where appropriate, comments/suggestions made by CPMU. It is of vital importance for the Contractor to maintain the credibility and integrity of the study by making sure that it will consider only comments/suggestions from CPMU that are consistent with or do not in any way alter the objective findings.

c. **End-of-Project Evaluation Study**

14. This study will be conducted toward the end of project implementation period but before the preparation of the Project Completion Report. The specific date will have to be agreed upon with the CPMU. For this task, the Contractor shall discharge the following duties and responsibilities:

(i) Review the approach, methodology, and findings of the Baseline Study and the Mid-Term Evaluation Study and implement improvements, if any, subject to the approval of the M & E Specialist/CPMU;

(ii) Review the survey questionnaires and see if some questions need to be revised and/or new ones added, subject to the approval of M & E Specialist/CPMU, but at the same time ensuring consistency and comparability with indicator values at baseline and mid-term;

(iii) Conduct field survey following steps (i) to (iv) of the baseline study;

(iv) Conduct FGDs following steps (v) and (vi) of the baseline study;

(v) Integrating findings from the survey and FGDs, prepare draft End-of-Project Evaluation Study Report highlighting changes in outcome indicator values versus the baseline and mid-term values, the reasons behind achievement or non-achievement of intended results, the unintended results, the lessons learned, and recommendations for designing and implementing similar projects in the future.

(vi) Submit draft of report to CPMU giving them enough time to read it prior to oral presentation of findings;

(vii) Revise and finalize the End-of Project Evaluation Study Report incorporating, where appropriate, comments/suggestions made by CPMU. It is of vital importance for the Contractor to maintain the credibility and integrity of the study by making sure that it will consider only comments/suggestions from CPMU that are consistent with or do not in any way alter the objective findings.

V. **Deliverables**

15. For each of the three studies, the Contractor shall deliver to the CPMU the following:

(i) Hard copy of the main report (10 copies for CPMU, MORA, ADB, etc.)

(ii) Hard copy of the Technical Appendix (2 copies, available upon request by others from CPMU);
(iii) Soft copy (CD-ROM) of the main report, the Technical Appendix, and the data base.

VI. Implementation Arrangements

16. The CPMU will create a Bidding Committee to handle the awarding of contracts including that for the evaluation studies. The CPMU will subsequently announce through national newspapers invitation to bid for the three studies as one package following standard government procedures.

17. From among those who expressed interest, the Bidding Committee will shortlist 5 - 6 firms. The short listed firms will be given the detailed Terms of Reference on the basis of which they will submit a detailed bid. Based on the guidelines and criteria that the CPMU will formulate on the awarding of contracts, the Bidding Committee will choose the firm that can best do the job.

18. The Contractor will coordinate the implementation of the studies with the CPMU specifically with the M&E Specialist.
Appendix 16. Technical Assistance for Independent Monitoring and Evaluation of MEDP

A. Impact and Output

An objective of the Madrasah Education Development Project (MEDP) is to raise the stature of madrasah education to ensure graduates of madrasah compete on equal footing with graduates of general education for places in higher education and good jobs. As such, the MEDP is a prototype for future development of madrasah education in Indonesia, and must be carefully assessed. A technical assistance (TA) grant from the Asian Development Bank (ADB) is planned to provide independent monitoring and evaluation of programs, activities, outputs, outcomes, benefits, and impact of the MEDP. The independent monitoring and evaluation will cover five key areas: (i) program compliance monitoring, (ii) financial compliance monitoring, (iii) progress and performance monitoring, (iv) quality compliance monitoring, and (v) benefits and impact evaluation. The final output of the TA will be a comprehensive report of findings and recommendations to the Ministry of Religious Affairs (MORA) and the ADB. Interim annual and quarterly reports will be prepared throughout the five year period of the TA.

B. Cost and Financing

The total cost of the TA is estimated to be US$ 1,000,000 of which US$ 325,260 is foreign exchange cost and US$ 674,740 is local currency cost. The Government of Indonesia (GOI) has asked the ADB to finance US$ 325,260 (71%) equivalent, covering all foreign exchange costs and US$ 384,300. equivalent of the local currency costs. The GOI will finance the balance of the local currency costs, equivalent to US$290,440.

C. Methodology and Key Activities

For independent monitoring and evaluation of programs, activities, outputs, outcomes, benefits, and impact of the project, MORA will engage a qualified domestic consulting firm or educational institution (i.e., the contractor) to provide its services. Independent monitoring and evaluation will focus on the following aspects: (i) the efficiency and effectiveness of project implementation based on the results of project activities against agreed implementation schedules, targets and outputs, (ii) the quality of project outputs, goods, and services provided under the project (especially infrastructure and equipment) based on professional criteria or agreed standard, (iii) the transparency of the process and actions taken by concerned institutions/agencies and individuals based on the Government’s regulations and ADB Guidelines on governance and antifraud and corruption policy, (iv) the responsibilities and accountability of the institutions/agencies/units/individuals for implementing project activities, (v) the initial benefits and impact of the project against the expected outputs and outcomes of the project. The selected contractor will serve as an independent third party to carry out the terms of reference (TOR) and is responsible to ADB and MORA for its findings, recommendations, and actions taken in connection with the assignment.
Under the TOR the contractor engaged under this contract will monitor and evaluate the following programs, activities, outputs, goods, services, benefits, and impact of the MEDP components and activities:

1. The transparency and accountability of the CPMU, PCU and the project madrasah in the execution of their duties and responsibilities with respect to procurement of equipment, civil works, teaching and learning materials, books, furniture, and other goods and services including consulting services. The focus will be on preventing fraud, corruption, and misuse of project funds in the procurement of project assets as well as the timely implementation of the tendering process to prevent delays in project implementation (financial compliance).

2. The quality, usability, and usefulness of products, goods, and services provided by suppliers, contractors, and other service providers. These include equipment, teaching learning materials, furniture, books, infrastructure such as buildings, classrooms, laboratories, offices, and other educational facilities constructed or obtained under the Project (quality compliance).

3. The transparency, accountability, efficiency, costs and benefits of various financial assistance schemes introduced under the Project. These include, among others, block grants for madrasah development plan, scholarship program, and teacher development program. The monitoring and evaluation tasks will cover, among other things, (i) process, (ii) outputs, and (iii) benefits of each scheme against established criteria and indicators in the Project Framework and in the performance contract (financial compliance and benefits and impact evaluation).

4. The efficiency, quantity and quality of outputs, transparency of the process, accountability and responsibilities (i.e., contributions, participation) of the parties involved. The ASFI scheme aims to promote community participation in providing matching funds or in kind support for minor infrastructure development at the project madrasah (financial and quality compliance monitoring).

5. The accountability, responsibilities, efficiency, effectiveness, quality, beneficiaries, and initial benefits of the teacher professional development programs including MGMP and other related activities conducted by the contracted educational institutions, MDC, CLRC and other service providers (program and quality compliance and benefits monitoring and benefits).

6. The transparency, accountability, efficiency, and beneficiaries of the scholarship program. The consultant should look into the process of and mechanisms for determining the number of students for scholarships by the madrasah, districts, and provinces, selection of students, disbursement of scholarship funds to the students, roles of the schools and parents, utilization of scholarship monies by parents and the students, number of scholarships in relation to enrollments in the madrasah or the district, and the issues and problems faced by madrasah in managing the scholarship program (financial and program compliance).

7. The transparency, efficiency, accountability, effectiveness, and the decision making process, actions, and outputs produced by the school development committee, the principal, and the teachers in implementing the madrasah based management (MBM) system at the project madrasah. Under the project, the MBM should be fully adopted and become operational within the first three years of the project life. The role of the contractor is to assess the transparency and efficiency of the process and the achievements made, and provide recommendations to the concerned madrasah and districts to strengthen their capacity and improve the operations in order to enable the madrasah to fully integrate the MBM philosophy, principles, operational procedures, and practices as part of its day to day operations (program compliance).
**D. Implementation Arrangements**

The contractor will be independent of MORA and the CPMU, but periodically submit to them the required reports. The contractor will engage a TA Team Leader, specialists and support staff to assist the Team Leader, and train a cadre of field monitors. (Number, type and qualifications of staff proposed will be criteria for selection of the contractor.)

Activities will be implemented in two phases, an inception phase, and implementation phase. During an 8 week inception phase, the contractor will perform the following tasks:
1. Conceptualize and design the monitoring system;
2. Develop indicators for monitoring and assessing the quality, and standard of outputs of the programs and activities in the five key dimensions: (i) program compliance monitoring, (ii) financial compliance monitoring, (iii) progress and performance monitoring, (iv) quality compliance monitoring, and (v) utilization and initial benefits of the programs and activities;
3. Develop and pretest the instruments in pilot provinces, districts, and madrasah;  
4. Finalize and arrange for production of instruments for use during the implementation phase; 
5. Create database structure, data entry forms, data analysis tools, database query and reporting templates; 
6. Prepare schedules for field work, map out strategy and priorities for deploying the independent M&E team members to cover the whole project provinces and districts; 
7. Train staff of CPMU and PCU how to effectively use the M&E instruments; 
8. Train staff of PCU and madrasah on financial management, auditing, and reporting. 
9. Select madrasah as pilot cases for the testing and implementation of the M&E system representing the beneficiary schools; and 
10. Prepare schedules for filed visits to the PCU and the project madrasah on a yearly basis.

During the implementation phase, the monitors will adopt the following procedures to carry out their tasks for the various schemes, programs, and activities:
1. Draw stratified random sample of madrasah for all the project provinces; 
2. Implement a monitoring and evaluation system in the CPMU and PCU; 
3. Visit PCU to coordinate monitoring and evaluation activities in the provinces and districts; 
4. Conduct field visits to the project madrasah to continuously monitor and assess the progress and outputs of the programs and activities under the various schemes; 
5. Organize meetings or seminars for madrasah, PCU, Kanwil, Kandep and other stakeholders at regular intervals to provide feedback and suggestions for improving the efficiency, transparency, accountability, and quality of the program and activities; 
6. Prepare quarterly and annual reports giving the details of the findings including problems and issues that need to be resolved, recommendations and suggested actions to correct or improve the situations, and responsible persons or units to carry out the actions; 
7. Follow up on the recommended actions, monitor the activities, and assess the quality of the outputs along the five dimensions discussed in the previous section; 
8. Prepare a report on the results and outcomes of the follow up actions for submission to ADB and MORA; and 
9. Conduct seminars or workshops for the people involved and stakeholders on the findings of the follow up actions and suggest any necessary actions to ensure full compliance with the criteria, standard, performance contract, etc.
10. Annually conduct an audit of a sample of madrasah receiving support from the project and prepare a report for the CPMU.

Because the number of project madrasah is relative large, it may not be possible nor practicable for field monitors to visit all madrasah for monitoring and evaluation purpose. Rather, the contractor will apply a stratified random sampling technique by selecting a statistically valid, stratified random sample of madrasah from among those included under the project. Based on this strategy, the monitors will visit the sample madrasah to collect the information and data required and to observe and evaluate the progress, quality, and benefits of the approved activities and programs carried out under the MDP. In particular, the monitors will use a combination of tools and techniques available such as structured observation, interview, and review of records and documents to collect data on compliance with the rules, regulations, procedures, and criteria set for each type of scheme, programs, and activities. The sources of information and data will include the Madrasah Development Committee, principals, yayasan heads/Kiai, parents, community leaders, teachers, and scholarship recipients. The monitors will observe the madrasah operations and management process under the MBM system. Information and data will be recorded on the standard forms and instruments developed during the inception phase.

E. Design and Monitoring Framework

<table>
<thead>
<tr>
<th>Design Summary</th>
<th>Performance Targets/Indicators</th>
<th>Data Sources/Reporting Mechanisms</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact</td>
<td>Placement of madrasah graduates in higher education</td>
<td>Susesnas data Sample survey of universities Labor market surveys</td>
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<tr>
<td></td>
<td>Placement of madrasah graduates in jobs by type of job</td>
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<tr>
<td></td>
<td>Efficiency and effectiveness of project implementation</td>
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<td></td>
<td>Quality of MEDP outputs</td>
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<td></td>
<td>Transparency of processes</td>
<td></td>
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<td></td>
<td>Responsibility and accountability of those implementing project activities</td>
<td></td>
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<tr>
<td>Outcome</td>
<td>Efficiency and effectiveness of project implementation</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Field surveys and project reports</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Assumptions All project documentation and reports will be made available</td>
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### Outputs

<table>
<thead>
<tr>
<th>Item</th>
<th>Quarterly, annual and final report of MEDP programs, activities, outputs, outcomes, benefits, and impact</th>
<th>18 quarterly reports</th>
<th>4 annual reports</th>
<th>1 final report</th>
<th>Field surveys and project reports</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
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<td>All project documentation and reports will be made available</td>
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### Activities/Milestones

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<tr>
<th>Activity</th>
<th>Inputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Design of project monitoring system including indicators and instruments</td>
<td>Consultants and staff</td>
</tr>
<tr>
<td>Instruments tried out, revised and staff trained</td>
<td>Consultants and staff Field surveys/studies</td>
</tr>
<tr>
<td>Monitoring and evaluation system implemented</td>
<td>Consultants and staff Field surveys/studies</td>
</tr>
<tr>
<td>Reports prepared and submitted</td>
<td>Consultants and staff Report preparation</td>
</tr>
<tr>
<td>Workshops and seminars held</td>
<td>Workshops, seminars and meetings</td>
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### Cost Estimates and Financing Plan (US$’000)

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<thead>
<tr>
<th></th>
<th>Foreign Exchange</th>
<th>Local Currency</th>
<th>Total Cost</th>
</tr>
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<tbody>
<tr>
<td><strong>A. Asian Development Bank Financing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Consultants and Staff Salaries</td>
<td>192,000</td>
<td>243,000</td>
<td>435,000</td>
</tr>
<tr>
<td>2. Local Travel and Per Diem</td>
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<td>3. Report Preparation</td>
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<td>4. Surveys and Field Studies</td>
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<td>5. Contingencies</td>
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<td><strong>Subtotal (A)</strong></td>
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<td>384,300</td>
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<td><strong>B. Government Financing</strong></td>
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</tr>
<tr>
<td>1. Office Accommodation and Transport</td>
<td>189,000</td>
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<td>2. Office Operations</td>
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<tr>
<td>3. Communications</td>
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<td>4. Workshops, Seminars, Meetings</td>
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<td>5. Other</td>
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<td><strong>Subtotal (B)</strong></td>
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<td><strong>Total</strong></td>
<td>325,260</td>
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## A. Asian Development Bank Financing

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<th>Foreign Exchange</th>
<th>Local Currency</th>
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<tr>
<td>1. Consultants and Staff Salaries</td>
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<tr>
<td>International Consultant (12 mos. x 16000)</td>
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<tr>
<td>National – Specialists (54 mos. x 3 x 1000)</td>
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<td>2. Local Travel and Per Diem</td>
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<td>International Air Fare (5 x 3000)</td>
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<td>Domestic Per Diem (500 x 30)</td>
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<td>3. Report Preparation</td>
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<td>Other Reports (100 x 20)</td>
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<td>4. Surveys and Field Studies</td>
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<tr>
<td>Lump Sum</td>
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<td>5. Contingencies (20%)</td>
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<tr>
<td><strong>Subtotal (A)</strong></td>
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## B. Government Financing

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<th>Foreign Exchange</th>
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<tr>
<td>1. Office Accommodation and Transport</td>
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<td>Car and Driver (54 x 500)</td>
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<td>Office (54 x 3000)</td>
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<td>2. Office Operations</td>
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<td>National – Support Staff (54 mos. x 2x 300)</td>
<td>32,400</td>
<td>32,400</td>
<td></td>
</tr>
<tr>
<td>Office Operations (54 x 100)</td>
<td>5,400</td>
<td>5,400</td>
<td></td>
</tr>
<tr>
<td>3. Communications</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Monthly Communications (54 x 150)</td>
<td>8,100</td>
<td>8,100</td>
<td></td>
</tr>
<tr>
<td>4. Workshops, Seminars, Meetings</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lump Sum</td>
<td>50,000</td>
<td>50,000</td>
<td></td>
</tr>
<tr>
<td>5. Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5,540</td>
<td>5,540</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal (B)</strong></td>
<td></td>
<td></td>
<td>290,440</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,000,000</td>
</tr>
</tbody>
</table>
APPENDIX 17. SUMMARY POVERTY REDUCTION AND SOCIAL STRATEGY (SPRSS)

A. Linkages to the Country Poverty Analysis

| Is the sector identified as a national priority in country poverty analysis? | Yes | Is the sector identified as a national priority in country poverty partnership agreement? | Yes |

Contribution of the sector or sub-sector to reduce poverty in Indonesia: Private madrasah compose 91.6% of the Madrasah education sector. Many of the private madrasah are located in rural communities and, because they are locally owned and operated, appeal to the lower income Islamic families in the local area. They also have a major appeal for the parents of female students especially at upper levels of education. Madrasah are seen as providing a safer environment for their daughters and a values oriented education. Although studies of the economic levels of families of madrasah students are not available, studies of the education levels of parents indicate that more than 55% of the parents of Madrasah Ibtidaiyah (MI) students have primary education level training or below. Lower education levels correlate with higher levels of poverty. In addition, the available statistics indicate that 66% of parents of Madrasah Ibtidaiyah students are farmers, fishermen or laborers. Madrasah, especially private madrasah are a favored means of education to a large number of poorer families in Indonesia.

B. Poverty Analysis

<table>
<thead>
<tr>
<th>Poverty Classification</th>
</tr>
</thead>
</table>

What type of poverty analysis is needed? Overall, the data indicate that madrasah serve poorer populations. An effort has been made to select districts for inclusion in the project in which had a high poverty head count and large poverty gap. Other considerations in district selection were the density of madrasah (high numbers of madrasah) and the female participation rates in education. Additional analysis of the poverty profile of the districts selected for inclusion in the project and the individual madrasah selected for inclusion in the madrasah clusters served by the project might be useful as an indicator in future impact evaluation of the project, but such impact would likely be undetectable during the project period.

A second component of the project targets poor and indigenous children and female students who have dropped out of primary or junior secondary education or have not transitioned from one level to the next. These students will be provided scholarships to re-enroll in the madrasah and complete 9-years of basic education (Madrasah Tsanawiyah) or the equivalent. The project will closely monitor the progress of retrieval students, especially those students who successfully complete Madrasah Tsanawiyah (MTs) level to determine whether they are able to continue their education.

C. Participation Process

| Is there a stakeholder analysis? | A field survey was conducted during the first phase of PPTA activities. Interviews and discussions were held with madrasah managers in eight districts in four provinces. Interviews also were held with principals, teachers and local leaders from 80 madrasah. During the second phase of the PPTA, a feasibility assessment was conducted in which stakeholders from 60 madrasah were contacted for their views on aspects of project implementation. Views were collected through interviews with principals, and group discussions with teachers and madrasah managers. The PPTA team had a very close and productive working relationship with a technical team of counterparts assigned by MORA. Discussions have been held with other donors in the madrasah education sector. |

Is there a participation strategy? Participation is a key implementation objective of the project. Project support focus upon a madrasah development plans prepared through a participatory process that involves madrasah managers and teachers, madrasah communities represented by the madrasah committees, and heads of the local yayasan (foundations) in deciding madrasah development priorities.

D. Gender Development

**Strategy to maximize impacts on women:** No discrimination against female students is evident from national enrollment data on madrasah. Female students outnumber male students in MTs and MA. Female teachers are in a slight minority in madrasah with 48% female teachers in MI, 41% in MTs and 40% in MA. However, there are few female principals in madrasah. Drop-out is low but transition from MI to MTs is a problem for both boys and girls. Many girls marry young and are unable to continue their education.

Female teachers in the madrasah will be encouraged to take advantage of S1 degree and professional certification programs. At least 25% of the teachers enrolling in S1 programs will be female. Advocacy will be conducted to encourage hiring of more female principals. Female students are targeted for retrieval programs to encourage girls to re-enroll if they have dropped out or did not transition from primary to secondary levels of madrasah education. Another special program has been designed for overage and married girls living near madrasah which allows them to enroll in Paket A and B non-formal education equivalency programs.

Has an output been prepared? Yes

---

E. Social Safeguards and other Social Risks

<table>
<thead>
<tr>
<th>Item</th>
<th>Significant/ Not Significant/ None</th>
<th>Strategy to Address Issues</th>
<th>Plan Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resettlement</td>
<td>Not significant</td>
<td>Scholarships are provided for poor and female children to re-enroll in madrasah, or finish equivalency programs.</td>
<td>None</td>
</tr>
<tr>
<td>Affordability</td>
<td>Significant</td>
<td>The project is designed to bring madrasah education to a level equivalent to that of general education. Graduates from madrasah education are to be viewed as equal in quality to general education graduates and better able to compete for jobs, especially in the formal sector.</td>
<td>No</td>
</tr>
<tr>
<td>Labor</td>
<td>Significant</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Indigenous Peoples</td>
<td>Not Significant</td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>Other Risks and/or Vulnerabilities</td>
<td>Not significant</td>
<td></td>
<td>No</td>
</tr>
</tbody>
</table>
Appendix 18. Block Grant for Madrasah Development Plan Funds Flow and Disbursement Procedures

Rationale

1. One key feature of MEDP is to encourage madrasah to become more innovative and proactive in planning and managing their own educational programs based on their unique situation and needs. Following this approach, a madrasah based management (MBM) system will be introduced at all Project madrasah. As part of the MBM system, each madrasah will prepare a five year madrasah development plan (MDP) covering all aspects of its operations with the ultimate objective of improving the quality of education it provides to the students. The MDP will consist of activities and a budget which specifies sources of funding for each activity. The project block grant will constitute one source of funding, to be used for activities which are eligible for funding under the project rules. Other activities will be funded from alternative sources such as MORA budget and community participation. Each project madrasah will open a dedicated bank account. Monies for the block grant will be disbursed directly to the madrasah’s project bank account from the CPMU in accordance with the agreed criteria and procedures.

Objective

2. The main objective of the block grant is to provide funds to the madrasah in block so that it has the flexibility and autonomy to implement the approved programs and activities in accordance with the approved MDP. As the madrasah itself prepares the MDP, its teachers, staff, and supporters should feel motivated and responsible to implement the activities to achieve the goals of the MDP.

Approval Process for MDP

3. To be eligible for a “block grant”, a madrasah has to develop a five year MDP for its own school. In the first year of the project training and technical support will be provided to the principal, teachers, staff, yayasan, and members of the madrasah committee in the process and techniques of preparing an MDP. After the MDP is completed the madrasah will submit it to the Provincial Coordinating Unit (PCU) for review and endorsement. The PCU will consolidate the endorsed MDPs for submission to MORA/CPMU for review and approval. After the MDP is approved, a block grant will be earmarked for the concerned madrasah to implement the programs and activities on a yearly basis. The funds will be disbursed directly to the madrasah project bank account. The account requires three signatories to open and withdraw money. The three signatories will normally include the principal, the yayasan, and a member of the madrasah committee or the parent teachers association as appropriate.

Imprest Account and Fund Flow

4. To facilitate the disbursement of loan funds, the Government will establish an imprest account at Bank Indonesia (BI) as a means for channeling the loan proceeds for funding programs and activities under MEDP. The imprest account will be established, managed, replenished, and liquidated in accordance with the Asian Development Bank’s Loan Disbursement Handbook and arrangements agreed upon by the Government and the ADB. The deposit for the imprest account will not exceed US$10.0 million. The account will be used to direct the loan proceeds through two systems of funds
channeling: one for the block grant scheme in support of the Madrasah Development Plan and another for the other types of project expenditures at the central, provincial, and madrasah levels.

Disbursement Procedures for Block Grant

5. Eligible madrasahs will prepare and submit madrasah development plans (MDP) to the PCU. Each MDP will be for five years, with an annual rolling plan budget. Upon approval of the MDP by the CPMU, the madrasah will open a separate bank account with three signatories in a district/subdistrict branch of the designated bank to transfer the block grant. Once the CPMU approves the madrasah MDPs, the PMU will issue a decree signed by the Project Director. The decree will contain the list of madrasahs, their bank account information, and amount of funds to be transferred from the BI to each madrasah for the first year. The first year budget represents tranche one, i.e., the approved planned expenses for the first year of the MDP activities. The decree will be sent to the recipient madrasah through the PCU for information and record.

6. After the decree is issued, MORA will send a payment request (SPP: Surat Permintaan Pembayaran) to Ministry of Finance (MOF) to request for transfer of funds for the block grant. MOF will issue a payment order (SPM: Surat Perintah Membayar) to BI to transfer the MDP funds to the accounts of the designated bank in the communities where the madrasah is located. The BI will then advise MOF through an “information note” with a copy to MORA/PMU. The designated branch will subsequently inform the concerned madrasah that the funds have been credited to its account. Madrasah can then proceed to withdraw money to implement the approved programs and activities under MDP.

Reporting Requirements

7. The madrasahs will submit to the PCU monthly financial and annual program reports. The PCU will consolidate the madrasah monthly reports into quarterly, semester and annual. PCU will monitor progress toward targets and activities. Based on these reports, the second year plan of activities and budget may be revised. Upon satisfactory review of financial and program reports by PCU and MORA/CPMU, the second tranche for the second year budget will be released from the imprest account at BI to the madrasah bank accounts in the same manner as in the first year. The same review and approval of reports will be necessary for the release of the third and last tranche of the block grant.

8. Within three months of each funds transfer from BI to the madrasah bank account, PCU will prepare the statement of expenditures (SOEs) summarizing the status and utilization of the block grant provided to the madrasah by district for the entire province. The SOEs will be prepared by categories of expenditures based on the approved MDP programs and activities. The PCU will obtain bank statements from the bank district branch, attach these to the SOEs, and submit them to CPMU. Similarly, MOF will send a copy of the payment order, BI statement, and bank statement of the commercial bank central branch to MORA/CPMU. To replenish the imprest account, PMU will prepare withdrawal applications based on district SOEs, attach the relevant BI statement, payment order and commercial bank’s statements, and submit them to MOF for endorsement and submission to ADB for replenishment and liquidation of the imprest account held at BI. The records of transfer of funds from the district branch of the
commercial bank to madrasahs’ bank accounts according to the approved block grant budget tranche will serve as the basis for SOEs.

9. The Government will submit to ADB with appropriate documents and evidence that the Government is also disbursing counterpart funds for the MDP activities during the fiscal year. The appropriate evidence will be based on the payment orders of Government expenditures for project activities financed by the Government.

Accounting and Auditing

10. Each recipient madrasah will be required to keep accounts, records, and evidence of payments and utilization of the block grant for reference and audit by PCU, MORA, and the Government Audit Agency. Every quarter PCU will audit the accounts and records of a sample of madrasah to ensure that the block grant is properly utilized in accordance with the approved plan and budget. If there are cases of irregularities, corruption, and fraudulent practices involved in the utilization of the block grant funds, PCU will report such cases to MORA/PMU for investigation and necessary administrative and legal actions against the madrasah and individuals involved. In such cases, MORA/PMU will issue an order suspending the activities at the particular madrasah until the cases are satisfactorily resolved. In cases of irregularities, corruption, and fraudulent practices involved in the utilization of the block grant funds, funds recovery will be determined by the MORA/PMU investigative panel.

11. MORA/PMU will also organize a semi-annual audit of the accounts and records of the utilization of the block grant funds at a sample of the recipient madrasah in each district of the Project provinces. For this purpose the independent M&E team engaged under the Project may be requested to conduct the audit and submit reports of its findings to MORA/PMU as parts of its responsibilities and Terms of Reference. If there are cases of irregularities, corruption, and fraudulent practices the same procedures as described in para 10 will be adopted.

12. MORA/PMU will request the Government Audit Agency to audit the accounts and records of the recipient madrasah on the utilization of the block grant funds in accordance with the Government’s standard practices. The Government Audit Agency will submit its reports of the findings to MORA/PMU and the concerned Government agencies to ensure that the block grant funds are properly utilized as approved and that cases of irregularities, corruption, and fraudulent practices will be properly handled to deter such practices from happening in the future.

13. MORA/CPMU will also request the Government Audit Agency to audit the project accounts and SOE and provide management letter covering internal controls and procedures associated with the maintenance of project accounts and preparation of audited project accounts. Such audited project accounts should be submitted to ADB no later than 9 months after the close of the fiscal year to which they relate.
APPENDIX 19. FINANCIAL MANAGEMENT CAPACITY ASSESSMENT MINISTRY OF RELIGIOUS AFFAIRS (MORA)

1. Summary Project Description and Introduction to Financial Management Assessment
The Madrasah Education Development Project is a developmental activity designed to demonstrate a new approach for improvement of madrasah education and produce high quality graduates that can contribute equally with graduates of general education to national development. The objectives of the project are: 1) to develop and test strategies to improve the quality of madrasah education as measured by national examinations of graduates and accreditation levels of madrasah; 2) to enhance the quality and coverage of 9 years compulsory basic education through madrasah within the framework of the national education system; and 3) improve quality and equity in education services while improving efficiency in governance and management of madrasah.

The objective of the financial management assessment is to determine whether the agencies implementing the project have acceptable procedures for making payments, accounting treatment of financial transactions, financial reporting, auditing of financial statements, and adequate internal control measures to minimize misuse or misappropriation of funds/assets. The arrangements are acceptable if they are considered capable of making timely payments as they become due, recording correctly all transactions and balances, supporting the preparation of regular and reliable financial statements, safeguarding the entities’ assets, and are subject to appropriate auditing.

2. Country and Provincial Issues
Finance for education in Indonesia is very complicated. Two Ministries (Ministry of National Education/MONE and Ministry of Religious Affairs/MORA) each have two types of schools (public and private). The MONE system has been decentralized to the district level while the MORA system is still centralized. The situation is also complicated by the fact that there are multiple sources of funding flowing into schools and madrasah and each of these funding channels has its own reporting and accountability system. Three types of Government budgets provide funds for education services: (i) central budget, which flows through central offices of ministries as ministerial budgets; these funds may be spent in schools or direct to students; madrasah are funded from the central budget via the provincial and district MORA offices; (ii) provincial budgets, which are partially funded by the central budget and are permitted to fund educational activities “at the provincial level”; and (iii) district budgets, which are also partially funded by the central budget and have the main responsibility for funding provision of education services in the district’s public schools. In 2006, the central office of MORA received 23% of the budgeted funding, while the Provincial offices (Kanwil) receive the 77%. The Directorate General for Islamic Education receives 69% of the central budget. Personnel expenses account for only 4% of the total central MORA budget and only 1% of the DG budget, but account for 68% of the Kanwil budget, as the civil service teachers are funded through the Kanwil. MORA

The Ministry of Religious Affairs (MORA) of the Government of Indonesia will be the Executing Agency (EA) of the Madrasah Education Development Project (MEDP). Previously, MORA has implemented two ADB-financed projects; namely, Basic Education Project (BEDP) (2002-2004) and Development of Madrasah Aliya Project (DMAP) 1997-2005). Its key staff members have project management and implementation experience and are familiar with ADB’s Guidelines and procedures for
disbursement and management of loan funds. Its financial personnel are also familiar with Government’s accounting and financial management requirements. In addition to ADB-financed projects, MORA has also implemented other foreign-funded projects including AusAid and UNICEF. Overall, MORA personnel possess the required knowledge and experience in financial management including disbursement procedures, accounting, financial reporting, and auditing of ADB- and other foreign-funded education projects. Under MEDP the same ADB’s disbursement procedures, financial reporting, auditing requirements, and accounting system including the opening of imprest account at Bank Indonesia (the Central Bank) will be followed. Hence, MORA personnel are well qualified to handle financial management responsibilities under MEDP.

3. Risk Analysis
The Financial Management risks of the project, arising from the identified weaknesses, together with their mitigating measures are highlighted in the following table:

<table>
<thead>
<tr>
<th>Risk</th>
<th>Risk Rating</th>
<th>Risk Mitigation Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under new budget and reporting systems adopted by the Indonesian Government funds are allocated through provincial and district budgets by line item category. Reporting mechanisms no longer require accounting by source of funding. If MEDP funding were allocated through provincial and district budgets, its utilization could not be tracked.</td>
<td>Medium</td>
<td>- MEDP funds will be allocated through block grants directly to users (the madrasah) and service providers rather than through provincial and district budgets.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Provincial and district offices will be funded under the MEDP as service providers.</td>
</tr>
<tr>
<td>Block grant funding will be provided directly to madrasah. Most madrasah staff will be unfamiliar with modern financial management and accounting systems.</td>
<td>High</td>
<td>- Financial management capacity building to be provided under the project.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- MEDP facilitators will be assigned to each cluster of madrasah and can assist with financial management difficulties.</td>
</tr>
</tbody>
</table>

Overall Risk Rating | Medium |

4. Implementing Agency
The Directorate General of Islamic Education (DGIE) under MORA will be the implementing agency. Staff of the DGIE including accounting and finance officers were directly involved in implementing BEDP and DMAP. The Project Director who is concurrently Director General of Department of Islamic Institutions at one time worked as a consultant for BEDP. In addition, he is directly involved in the conceptualization and design of the Project during the TA phase for Project preparations. With his professional background and commitments to the Project, he will be in a good position to effectively supervise project implementation activities at both the central and provincial levels. Staff of the Central Project Implementation Unit (CPMU) will be appointed from among experienced personnel of the Directorate especially those who were involved in implementing BEDP and DMAP. The organizational structure of CPMU includes a finance specialist and an accountant. Moreover, a treasurer will be assigned to assist the Project Manager in financial management matters. As such, the CPMU has the staff strengths to handle financial matters at the central level. At each of the eight Provincial Coordinating Units (PCU), a finance/accounting officer will be responsible for accounting
and financial management covering all madrasah in the province. He/she will coordinate closely with the finance specialist and the accountant at CPMU in terms of accounting procedures, financial management, auditing, and reporting. With qualified staff who are assigned specific responsibilities in accounting and financial management areas at both the central and provincial levels, DGIE should be able to manage Project funds effectively in accordance with ADB’s Guidelines and disbursement procedures and GOI’s regulations and standard practices.


An imprest account will be established at Bank Indonesia (the Central Bank) which has extensive experience in coordinating loan funds from ADB, World Bank, and other donors. Initial advance from the loan proceeds will be kept in the imprest account at BI and will be channelled to other accounts and beneficiaries through special arrangements with a designated bank which has extensive network in the eight Project provinces. MORA staff have experiences in disbursing funds in accordance with ADB’s procedures. Beneficiary madrasah will open an account for the madrasah development plan at the nearest branch of the designated bank in their communities. Three signatories will be required to open an account and to withdraw money to ensure transparency and accountability in the use of the loan funds. The beneficiary madrasah will be required to maintain accounting and financial records for auditing by the PCU, CPMU, and external auditors. They are also required to submit financial reports and supporting documents and evidence to account for the utilization of the loan funds. CPMU and PCU will also closely monitor the progress of project activities against the disbursement of loan proceeds. In order to strengthen the capacity of the beneficiary madrasah in accounting and financial matters in connection with the madrasah development plan, training on accounting, financial management, and internal auditing will be conducted for concerned staff of the beneficiary madrasah.

6. Financial Control Mechanisms and Safeguarding Against Corruption and Fraud

Within the CPMU and PCU a clear line of responsibilities to segregate functions between procurement contracts and payment will be established. While the procurement and contract officer will handle procurement and contract matters, finance and accounting staff will be responsible for payment and maintaining financial and accounting records. The madrasah as the recipient of the equipment and materials will verify and certify the contents, quality, and number of the equipment items delivered by the contractors and suppliers. PCU, on the other hand, will inspect and monitor the contents and quality of the equipment provided to the madrasah. These arrangements help ensure check and balance as well as accountability of the concerned parties. At the madrasah level where procurement of student textbooks, supplementary teaching and learning materials, small equipment items and related software will be carried out, committees comprising the principal, yayasan, representatives of teachers, madrasah committee, and the communities will be established to ensure transparency and accountability in the use of the Project funds. The arrangements and mechanisms should be an effective instrument to guard against corruption, fraud, and misuse of project funds by the concerned parties.
7. **Budgeting System for MEDP**
MORA has incorporated budgetary requirements for the start up activities in FY 2007. The budgetary requirements will be submitted to the National Planning Agency (BAPPENAS) and Ministry of Finance (MOF) for their approval and inclusion in the MORA budget to support project activities in 2007. In subsequent years MORA /CPMU will prepare budget proposal for GOI’s contributions to the project based on the approved percentage and amounts for different components and activities. The Division of Finance of DGIE has had experience in preparing annual budgets for foreign-funded projects and its staff will work closely with staff in CPMU in preparing annual budgets and requests for funds to finance activities under MEDP. Standard procedures for preparation and approval of annual budgets and transferring of funds to the Government ministries and agencies including MORA are already in place. Government's share of the Project expenses should be available to finance project activities and included in MORA's annual budgets accordingly.

8. **Capacity and Procedures for Processing of Payments and Withdrawal Applications**
The CPMU and PCU financial and accounting staff are expected to have prior experience and capacity to review invoices and process payments for suppliers, contractors, and beneficiary madrasah. Standard procedures exist and will be adopted under the Project. MORA staff also have experience in preparing withdrawal applications for ADB. If necessary, the staff will be provided training on disbursement procedures and preparations of withdrawal applications for replenishment of the imprest and other accounts in the initial stage of project implementation.

9. **Policies and Procedures**
Government’s standard accounting procedures and financial management, auditing, and reporting are in place and will be adopted under MEDP. The financial and accounting policies and procedures are adequate. Written policies and procedures are available for all routine financial management and related administrative duties. **Conflict of interest** and in particular ADB’s policy on **anticorruption and fraudulent practices** are clearly defined and will be adopted. Legal and administrative documents will be made available for MORA, CPMU, and PCU staff for their reference.

10. **Cash and Banks**
Project accounts will be opened and maintained at Government-approved commercial banks which have extensive experiences in managing funds for similar projects. Signatories for transfer and withdrawal of cash from the imprest account will be in accordance with Government’s standard policies and procedures. At the madrasah level bank accounts for project funds will be maintained at a bank chosen by the madrasah. If the madrasah already has an account at a local bank, a separate account must be opened for exclusive use of MEDP funds. At least three signatories including the principal, the yayasan, and a representative of the madrasah committee or parent teacher association are required to open and withdraw cash from the designated bank. Controls exist for the bank accounts. Bank accounts and cash are reconciled monthly or quarterly depending on the types of the accounts and activities. Big contract packages are approved by authorized persons and payment is made directly by ADB to the suppliers and contractors. Records of transactions including official receipts and relevant documents and evidence will be required as proof of payments and for reimbursement purposes. The depository banks will be required to submit monthly and quarterly financial reports on the status of the various accounts and the project funds.
before MORA issues an authorization for the transfer of additional funds or reimbursements of the expenses to keep the level of funds in the accounts at the agreed level.

11. Safeguards Over Assets
Adequate mechanisms and safeguards against fraud, abuse, and misuse of assets have been incorporated in the Project design. Records of fixed assets provided to the beneficiary madrasah will be kept up to date and regularly reconciled. Internal and external audits by the Monitoring and Evaluation teams will conduct spot check on samples of madrasah to ensure that the assets are properly maintained and utilized by the teachers and the students. Periodic inventories will be taken by the madrasah. In addition, the beneficiary madrasah will be required to avail of the warranty and after sale services to be provided by the suppliers to ensure that the equipment and materials are always in good working condition especially after the expiry of such provisions.

12. Audit of Accounts and Financial Statements
Project accounts and financial statements will be audited by Government-approved auditors or accounting/auditing firms. The Government Audit Agency will be requested to audit the accounts and financial records of samples of madrasah and prepare a report on its findings for review and the necessary actions by MORA and the concerned Government agencies. In addition, it will audit MORA/CPMU’s accounts and financial records and prepare an auditor’s report for submission to ADB, BI, MOF, and other concerned Government agencies at the end of the fiscal year.

13. Monitoring and Reporting
An independent monitoring and evaluation firm will be engaged under an ADTA to monitor compliance with Government’s regulations, ADB’s procedures, and project requirements. The M&E team will regularly monitor project activities at the central, provincial, and madrash levels and submit reports to MORA/CPMU on a regular (i.e. quarterly) basis. Based on the findings of the M&E team, appropriate follow up actions including legal and administrative decisions and actions will be carried out to correct, improve, and strengthen the system in order to prevent wrongdoing or misuse of project funds and assets. This mechanism will help ensure that project activities are carried out in accordance with the Government’s rules and regulations as well as ADB’s procedures. In addition, the beneficiaries including the madrasah teachers and staff, the students, parents, and communities will be interviewed to ensure that they fully benefit from the resources and assets provided under the Project.

14. Conclusion
Based on the foregoing analysis, it can be safely assumed that MORA and the concerned Government agencies and institutions including the madrasah themselves have the financial capacity required to implement project activities smoothly as envisaged in the project design. In addition, the mechanisms and safeguards are incorporated in the project design to ensure transparency, accountability, and efficiency in financial management and control under MEDP.
APPENDIX 20. FINANCIAL SUSTAINABILITY ANALYSIS

This Appendix on financial analysis will cover three topics: i) the financial sustainability analysis; ii) the real and potential financial constraints to project sustainability; and iii) financial constraints to project implementation.

Financial Sustainability Analysis

The Government’s share in the project is estimated at $42.5 million over five years and will consist mainly of 30 percent of local staff development, incremental recurrent cost due to the project, about 24 percent of the Special Programs, and taxes and duties. Two scenarios were prepared to analyze its affordability (i) a “high case” scenario where the Central Government education budget was projected based on the trend of actual budgets from 1999 to 2003; and (ii) a “low case” scenario where the education budget remains the same from 2007 to 2013.

The annual share of the Government in the Project cost was compared to the annual education budget (“high case” scenario) for the years 2007 to 2011. The Government’s annual commitment as a percentage of the education budget ranges from 0.2% to 0.3%, averaging 0.2% over the five-year life of the Project. The Government’s share in the incremental recurrent cost of the Project was also compared to the education budget. The percentage is 0.1% per year from 2007 to 2011. After project completion in 2011, the CPIU will be closed down and the recurrent cost will be for the operations and maintenance of project activities. The percentage goes down to 0.03% per year starting in 2012.

In the “low case” scenario, the Government’s annual commitment as a percentage of the education budget ranges from 0.2% to 0.3%, and averaging 0.2% over the five-year life of the project. The percentage of incremental recurrent cost to the education budget is also 0.1% per year from 2007 to 2011. In 2012, when the project is estimated to be closed, the percentage goes down to 0.05%.

In both scenarios, the Government’s annual commitment for the MEDP and DBEP are deemed affordable. The computations are shown in the following tables.

<table>
<thead>
<tr>
<th>FINANCIAL SUSTAINABILITY ANALYSIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Case Scenario a/</td>
</tr>
<tr>
<td>(US$ '000)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
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<th>2011</th>
<th>2012</th>
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<tr>
<td>1. Gov't. Share in MEDP</td>
<td>2,729</td>
<td>7,535</td>
<td>9,900</td>
<td>11,177</td>
<td>11,113</td>
<td>0</td>
</tr>
<tr>
<td>2. Total Gov't. Commitments</td>
<td>5,854</td>
<td>10,660</td>
<td>9,900</td>
<td>11,177</td>
<td>11,113</td>
<td>0</td>
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<tr>
<td>4. % Gov't. Share/Educ. Budget</td>
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<td>0.2</td>
<td>0.2</td>
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<tr>
<td>5. Gov't. Share in Recurrent Cost c/</td>
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<td>2,929</td>
<td>2,929</td>
<td>2,929</td>
<td>2,929</td>
<td>1,751</td>
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a/ High case scenario assumes the education budget will increase based on historical trend.
b/ Source: ADB Key Indicators of Developing Asian & Pacific Countries 2005, and projected to Year 2013.
c/ After project completion in 2011, recurrent cost is reduced since CPIU will no longer be operational.
Appendix 20  Page 2

**FINANCIAL SUSTAINABILITY ANALYSIS**

Low Case Scenario \(d/\)

(US$ '000)

<table>
<thead>
<tr>
<th>Year</th>
<th>2007</th>
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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>1. Gov't. Share in MEDP</td>
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<td>9,900</td>
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<td>11,113</td>
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<tr>
<td>2. Total Gov't. Commitments</td>
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<td>10,660</td>
<td>9,900</td>
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<td>11,113</td>
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<td>3,525,088</td>
<td>3,525,088</td>
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<tr>
<td>4. % Gov't. Share/Educ. Budget</td>
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<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
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<td>1,751</td>
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<tr>
<td>7. % Gov't. Share/Education Budget</td>
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<td>0.1</td>
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\(d/\) Low case scenario assumes no increase in the education budget from 2007 to 2013.

\(e/\) Source: ADB Key Indicators of Developing Asian & Pacific Countries 2005, and projected to Year 2013.

\(f/\) After project completion in 2011, recurrent cost is reduced since CPIU will no longer be operational.

**Financial Constraints to Project Sustainability**

Based on previous ADB projects, here in Indonesia and in other countries, the following are **real** financial constraints to project sustainability after the close of the project.

1. The project is proposing upgrading of essential teaching and learning resources and facilities, based on a school development plan to be prepared by each school. This component will consist of the rehabilitation and construction of facilities, and supplying them with furniture and equipment. These facilities will include classrooms, computer labs, libraries, language labs and science labs. There will be operational and maintenance costs for these facilities, which will be included in the incremental recurrent cost of the project. After the close of the project, the school may not have adequate funds for these activities, as their budgets are mostly for staff salaries.

2. Teacher support and monitoring is proposed to be done through MGMP, KKM, CLRCs and MDCs. During the project implementation, there are block grants and incremental recurrent costs allocated for these activities. At the end of the project, there might not be adequate funds to continue the activities.

3. The large majority (85.5%) of the madrasah assisted by the MEDP will be private madrasah. Many are small and serve poorer populations. The financial situation of these madrasah makes the above two points even more important.

The project design has taken these financial constraints into consideration. The third component is to “Enhance Sustainability of Madrasah Education”. Sub-component 2 is to “Establish Advocacy Programs to Sustain School Operations and Develop Partnerships”. The activities under this component include dissemination of information on available fund sources and how to access them. Central, provincial and district Mapenda staff will participate in workshops on revenue generation. Madrasah principals and madrasah committee members will be trained in accessing fund sources, such as BOS. Advocacy programs will be carried out to encourage officials and parliaments to allocate more APBD and DAC (as well as deconcentration funds) for madrasah. There will be media coverage on madrasah funding issues, using national TV, local radio and printed mass media.
Private-public madrasah networks will be established to implement advocacy programs. This activity will be supported by the project in the 8 project provinces and 40 districts. Through the meetings and fora of the members of these networks, information will be exchanged and problems and possible solutions will be discussed. Madrasah linkages will also be further strengthened through a website, which will be established at CPIU and maintained, not only during the project implementation period but also after project completion. After project completion, the website can be part of MORA’s website.

There are also potential financial constraints to the sustainability of the project. These are:

1. Incremental recurrent cost may not be supported by GOI at the end of the project because the expense has not been incorporated into their routine budget (or its equivalent under the new budget format beginning 2005). This potential financial constraint can be covered by a Loan covenant for incorporation in the draft Loan agreement between ADB and GOI. The wording can be as follows: “The Borrower shall provide the necessary budget allocation promptly as needed to meet the incremental recurrent costs of the Project, both during and after Project implementation.”

2. The GOI incentive program for certified teachers through a salary increment, is an important factor for teachers in their decision to apply for the teacher upgrading program in the project. The amount is allocated by GOI in their budget and as the number of eligible teachers increase, there might come a time when the budget becomes inadequate. Therefore some teachers may not receive the incentive despite their eligibility.

This potential constraint may not be within the project’s control, but we should look at possible safeguards, such a possible loan covenant regarding this matter, subject to discussions and agreement with the proposed executing agency (MORA).
1. INTRODUCTION

1.1 Project description

1. The ultimate goal of the Madrasah Education Development Project (MEDP) is for the madrasah education system to produce high quality graduates that can contribute equally with graduates of general education to national development. The objectives of the project are: 1) to develop and test strategies to improve the quality of madrasah education as measured by national examinations of graduates and accreditation levels of madrasah; 2) to enhance the quality and coverage of 9 years compulsory basic education through madrasah within the framework of the national education system; and 3) improve quality and equity in education services while improving efficiency in governance and management of madrasah.

2. A total of 340 madrasah located in 8 provinces will be involved in the MEDP. The project madrasah consist of 121 madrasah ibtidaiyah (MI) which offer primary level education; 154 madrasah tsanawiyah (MT) which offer junior secondary level education; and 65 madrasah alyiah (MA) which offer senior secondary level education. 90 % of these madrasah are private.

3. The Madrasah Education Development Project (MEDP) is designed to produce three outputs: 1) improve the quality of madrasah education as measured by student examination scores and increases in levels of accreditation of madrasah; 2) expand opportunities for madrasah education especially for poor, indigenous and female students; and 3) enhance the sustainability of madrasah education through improved governance, management and financing. If the approaches used to attain these three outputs are successful they will act as models for further MORA investment in madrasah education improvement. In addition to the three components addressing these outputs, a technical assistance grant will be provided for external monitoring and evaluation of the MEDP.

4. The MORA Directorate General of Islamic Education (DGIE), the counterpart agency for the TA, has identified priorities for the MEDP that are consistent with the objectives outlined in the TA agreement. "The overall goal of the proposed project is to enhance the quality and coverage of 9 years compulsory basic education through madrasah within the framework of the national education system. The main objective of the project is to improve quality and equity in education services and maintaining efficiency in governance and management of madrasah. Specifically, through the project MORA should be able to develop strategies to improve the quality of madrasah graduates at least at national standard as measured by final national examinations, and to improve the level of educational accreditation status of madrasah from C (poor) to B (average), from B to A (good), and from selected madrasah from A to A+ (at international standard)."

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1 The financial analysis is presented separately, in appendix 25 of the Final Project Report.
1.2. ADBs Operational Procedures: basis for how the analysis is being performed

5. The primary beneficiaries are the graduates of the project madrasah. Secondary beneficiaries are the stakeholders in the madrasah: teachers, administrators and staff; madrasah committee and parents; private foundations which own and operate the madrasah; and government agencies responsible for the provision of education by madrasah (District and Provincial offices of Ministry of Religious Affairs/MORA and central MORA staff). An important group of secondary beneficiaries are the staff of the Madrasah Development Centers (MDC) and Common Learning Resources Centers (CLRC), developed under a previous ADB project and which will be used to provide support to the madrasah under MEDP.

6. It is important to note that all the beneficiaries of the project are already in the educational system – this project will not increase enrolment. The project is focused on improving the quality of education and it is this improved quality which will provide the benefits of the project.

7. The economic analysis of the project will use a reverse cost-benefit procedure to calculate the level of benefits required in order to justify the project at an IRR of 12%. Benefits will be calculated as incremental additions to the wages/salaries which higher quality graduates can command in the labor market.

2. MACROECONOMIC AND SECTORAL CONTEXT

2.1. Macroeconomic context

8. Recent macroeconomic performance The Indonesian economy has recovered from the Asian crisis, but the post-crisis growth path is very different from the past. Growth is back up to about 5% annually, but it is fueled by consumption, not investment and exports. The services sector is growing almost twice as fast as industry (6.2% vs. 3.6%). This pattern has implications not only for job creation, but more importantly for the types of jobs which are being created. This pattern cannot create the large number of formal sector jobs with high enough productivity to afford both good wages and sufficient profits to finance subsequent investment. Poverty has declined to 16.6%, which is still above the pre-crisis minimum of 11.6%, however the slow pace of job creation in the formal sector suggests that a large number of near-poor remain vulnerable.

9. Macroeconomic stability has been achieved. Inflation was held in the single digit range for 2004 (6%) but spiked during 2005 as the increase in fuel prices necessary to reduce the burden on the budget worked its way through the economy. Bank Indonesia has been able to reduce interest rates in the face of inflation and exchange rate stability, but this has not succeeded in attracting substantial new investment because security and the business climate are relatively unattractive compared to other countries.

10. The most crucial macroeconomic issue facing the government is revitalizing investment and the government is actively addressing this issue. Continued stability and improving physical security will create their own momentum. The government is also demonstrating its sincerity and commitment to tackling the weak legal system and other factors contributing to corruption. However it must be noted that perceptions and expectations play an important role in creating an attractive business climate. Changing the current negative perceptions of Islamic education can contribute to improving expectations and thus supporting a more positive investment climate. The project’s goal
of improving quality of madrasah education will not exacerbate the supply-demand disequilibrium in the labor market, but it will allow madrasah graduates to compete on a more equal footing with graduates of general schools and, by succeeding, improve the image of Islamic education in Indonesia.

11. Recent national development objectives. The government prepared a 20-year long-term development strategy (2005 – 2025) which sets the general priorities that Indonesia will “reorganized its institutions and catch up with other nations.” The government recognizes that the long term goal of a “prosperous and self-reliant” Indonesia requires economic growth. The long term strategy recognizes the importance of investment and discusses the constraints, including negative perceptions of security. An entire section of the plan is devoted to the importance of improving the quality of human resources to support development as well as for poverty alleviation. Education is one of the sectors contributing to human resources and the strategy emphasizes the importance of providing better quality education to students in all types of schools, including madrasah.

12. Under the new national planning system, each incoming government must prepare a 5-year medium term development plan, based on the long-term development strategy but specifically incorporating the campaign platform upon which the president and vice-president were elected. The current plan contains a chapter dealing with education. The plan stresses the link between education and poverty and notes that adults in poverty families have less education than their more prosperous counterparts and that children from poverty families tend to receive a lower quality of education than children from more prosperous families. The plan recognizes that the junior secondary level of education is now the largest constraint in fulfilling the national objective of universal compulsory 9-year basic education. The plan notes that educational management, particularly at the level of the school, is weak and that this weakness contributes to low quality.

13. The situation analysis and feasibility analysis conducted by the TA team confirmed that madrasah offer access to education for children from families who might not otherwise provide their children with education, either for financial or for cultural reasons. Improving the quality of madrasah will contribute to equity in access to educational quality and, therefore, address one of the basic rights of poverty families. The project also addresses the junior secondary constraint by including a large number of madrasah tsanawiyah (MT), the junior secondary level for madrasah, in the project clusters as well as funding a program to retrieve non-transitioning primary graduates to continue their studies through the junior secondary.

14. The project GOAL as stated in the project framework: “The madrasah education system produces more high quality graduates contributing equally with graduates of general education to national development” contributes to two of the government’s objectives for education: increased quality; and equity in access to quality education.

15. Basis for ADBs “Country Operational Strategy”. The Asian Development Bank’s (ADB) long-term strategic framework (LTSF) for 2001 - 2015 set out a strategic framework for ADB’s actions to pursue its vision of an Asia and Pacific region free of poverty. ADBs Medium Term Strategy II (2005) proposes to achieve selectivity by identifying core operational areas in which ADB will focus its operations and for which it

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2 Schools under the auspices of the Ministry of National Education are referred to as “general schools” (sekolah umum in Indonesian) to differentiate them from madrasah.
will build up a critical mass of expertise. One of the key development challenges identified in the medium term strategy is to make development more inclusive. MEDP is specifically focused on making educational development more inclusive by providing access to equivalent quality general education for the approximately 13% of students who study in madrasah schools. The Medium Term strategy identifies sectors where a large number of DMCs seek ADB assistance. These should be recognized as ADB’s core operational areas, and a critical mass of expertise should be developed. Education is one of these core operational areas.

16. The ADB Indonesia Country Strategy and Program Update for 2004 – 2006 (2003) noted that Indonesia's progress toward the Millennium Development Goals (MDGs) was mixed with good performance in some sectors such as education but slow progress in others. It was anticipated that the ADB program aiming at creating the appropriate environment for pro-poor growth and eradication of poverty would provide direct support for MDG attainment, particularly at the regional level. The Country Strategy and Program Update for 2005 specifically mentions ADBs support for the madrasah education system. The report notes that MEDP will contribute to achieving universal education and gender equality.

17. Project contribution to Country Development Objectives. It was noted above that MEDP will contribute to Indonesia development objectives specifically for the education sector and more generally for equity in access to education and providing the basic right to education for poverty families. The project will also contribute to gender equity.

2.2 Sectoral context

18. The core problem the project will address is the discrepancy between the quality of education offered by the madrasah system and the quality of education provided by the general (MONE) system. This quality discrepancy is caused by a complex interplay of many factors: quality of intake, quality of teaching-learning in the madrasah, facilities available in the madrasah, school management, etc. It should be noted here that many of these problems are not unique to madrasah. Private general (MONE) schools also suffer from similar problems. The main difference lies in the fact that 90% of madrasah are private while less than 10% of general schools are private. Under the new Education Law of 2003, madrasah are now part of the unified national education system but responsibility for madrasah was not decentralized to the district level as madrasah fall under the Ministry of Religious Affairs, which was not decentralized. As part of the national education system, madrasah are governed by the rules and regulations set by the independent agencies for educational standards and accreditation. However, similar to the case of private general schools, mechanisms for enforcement of these rules and regulations are limited: licensing procedures, accreditation and, ultimately, issuance of government certificates of graduation.

19. Recent sector performance and ADB involvement in the sector. The ADBs Education Sector Strategy Study noted that Indonesia has shown a number of significant education sector achievements. Overall enrolment at all levels of education have increased. The gap between male and female enrolments has fallen substantially. Internal efficiency rates are encouraging with repetition and drop-out rates below 3%. The 1997 crisis barely affected this record due to rapid introduction of student scholarships and school grants programs to retain children in school. Another achievement has been to diversify partnerships in education, through the private sector and madrasah schools. The private sector constitutes roughly one tenth and one quarter of primary and junior secondary enrolment respectively. At senior secondary (both
technical and general) and higher education levels the private sector constitutes more than a half and two thirds of overall enrolment respectively. Both public and private madrasah schools have been increasingly mainstreamed. This strong and growing public/private partnership, including a proven willingness of parents to contribute, represents a strong foundation for future reforms.

20. The education system has responded significantly to broader decentralisation reforms. MONE has also been piloting a number of decentralisation reforms related to results oriented school development grants, school development mapping systems and school based governance and quality improvement systems. These innovations have strong potential informing future system-wide reforms.

21. Government recognises the urgency of addressing some key access and quality constraints. Achieving Millennium Development Goals requires getting the last 10% and 25% of primary and junior secondary aged children into school. There are substantial regional differences in enrolment. Children from the poorest families drop out of school much earlier, especially at the secondary level. Key factors include substantial cost barriers (e.g. fees and other direct costs), uneven coverage of facilities and the limited outreach of non-formal programs. A related factor is the limited response of the private sector in poorer rural areas.

22. Government is acutely aware of the need to raise nationwide education standards and reduce urban/rural disparities in student performance at both primary and secondary levels. Recent evidence suggests that raising standards is more about strengthening governance and accountability rather than simply providing more resources. School governing bodies are not yet fully engaged. Uneven distribution of better qualified teachers is another constraint, alongside poor teacher attendance and irregular school maintenance. Greater community and employer participation in school governance is a critical component of improved program relevance, effectiveness, quality assurance and graduate employment rates. Increasing the number of well educated school and higher education graduates in rural areas will require breaking this vicious circle of variable access and uncertain or poor quality education.

23. ADB has been a lead donor in education. In terms of resources. ADBs strategic priorities have included enabling more equitable access to high quality basic education and enabling public/private partnership in secondary education, especially focussed on technological and workforce skill development. In response to decentralisation policy a cross-cutting priority has been to enable more decentralised education management, especially at district and school levels. Lessons learned from these ADB and other donor initiatives, especially related to public private partnership and decentralised management, have helped inform Ministry of National Education (MONE) forward decentralisation strategies, less so for education services under the Ministry of Religious Affairs (MORA).

24. ADB has been the lead player in supporting development of the private and religious secondary education school sectors, especially measures for harmonising curriculum and teacher development and financing strategy within national systems. A number of projects have supported improved responsiveness of senior secondary and higher education institutions to labour market requirements. A comprehensive program of education sector work and advisory technical assistance has contributed significantly to policy and strategy development, including the current Education Strategic Plan (ESP) 2005-2009 and therefore this project continues ADBs support for the sector.
25. **Government Budgets.** Finance for basic education in Indonesia is very complicated. To some degree this is caused by the complexity of the education delivery system, with two Ministries (Ministry of National Education/MONE and Ministry of Religious Affairs/MORA) each having two types of schools (public and private) and the additional complication that the MONE system has been decentralized to the district level while the MORA system is still centralized. There are three types of Government budgets which provide funds for education services: (i) central budget, which flows through central offices of ministries as ministerial budgets; these funds may be spent in schools or direct to students; madrasah are funded from the central budget via the provincial and district MORA offices (Kanwil and Kandep); (ii) provincial budgets, which are partially funded by the central budget and are permitted to fund educational activities “at the provincial level”; and (iii) district budgets, which are also partially funded by the central budget and have the main responsibility for funding provision of education services in the district’s public schools.

26. Central government expenditures are divided into two categories: (i) expenditures to finance central government activities flowing through ministry budgets; and (ii) expenditures to support regional financial balance. See Table 1. Expenditures for regional financial balance are about one-third of total central government expenditures. However recent budget increases tend to be distributed more to regions than to the center.

| Table 1 |
| Division of National Budget Between Central and Regional Allocations |
| (billion rp.) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Central | 234,079.55 | 246,040.05 | 253,714.07 | 253,900.00 | 264,877.30 | 375,051.69 |
| Regions | 81,676.51 | 97,968.80 | 116,877.70 | 114,900.00 | 129,901.20 | 184,200.00 |
| Total | 315,756.06 | 344,008.85 | 370,591.77 | 368,800.00 | 394,778.50 | 559,251.69 |
| % to regions | 25.87 | 28.48 | 31.54 | 31.16 | 32.90 | 32.94 |

Source: Government budget documents

27. Beginning with implementation of the new finance system in 2005, the expenditures to finance central government activities flowing through ministry budgets are arranged in three separate presentations, based on international best practice for government budgets: (i) expenditure by type of spending, divided into 8 line items: personnel, consumable goods and services, capital goods, debt repayment, subsidies, grants, social assistance and other; (ii) expenditure by organization, divided into ministries and non-departmental agencies; and (iii) expenditure by function, divided into 11 functions: general services, defense, security, economy, environment, housing and public facilities, health, tourism and culture, religion, education, social protection.

28. Table 2 shows the percent of the central budget allocated to education in the department and function formats.\(^3\) The top section of the table shows the percent of total departmental funding allocated to MONE and MORA, a total of about 23% in 2005 rising to 25% in 2006. This covers the cost of all personnel and activities carried out by these departments including non-educational activities.\(^4\) The bottom section of the table shows the percent of the total central budget allocated to the education function, about 10%.

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\(^3\) The government presents the budget proposal to parliament during the latter part of the previous year. After reviewing the actual developments during the first semester of the year, the government presents a budget revision to parliament.

\(^4\) This would include activities for youth, sports and library programs in MONE and purely religious activities in MORA.
This covers education personnel and activities in all departments, not just MONE and MOR.

### Table 2
Allocation of Central Budget by Department and Function

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<td>MOR</td>
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<table>
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<td>9.66</td>
<td>8.45</td>
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</table>

Source: Budget laws, 2005 and 2006

29. Since the implementation of fiscal decentralization in 2001, central government expenditures to support regional financial balance consist of three components: (i) revenue sharing; (ii) general subsidy (DAU); and (iii) special subsidies (DAK). DAU is the largest portion of the regional financial balance funds but the contribution is falling as the contribution from revenue sharing increases. The general subsidy (DAU) allocation to regions is set at a minimum of 26% of total net central revenues. There are 2 parts to the DAU: (i) basic allocation; and (ii) fiscal gap allocation. The basic allocation is calculated on the number of civil servants who are employed in the region and is intended to reimburse the regional government budget for these personnel expenses. Civil servant teachers (MONE and MOR) in both public and private schools, including MONE civil service teachers working in madrasah, are included in the district basic allocation. The fiscal gap is defined as the difference between the region’s fiscal needs and the region’s fiscal capacity. The fiscal needs are defined as “funding needed to implement functions of basic public services” and are calculated on a formula.

30. The special subsidy (DAK) is intended to assist regions to finance their decentralized obligations in specific sectors. There are currently 6 types of DAK funding: The DAK allocation for education is the largest. The education DAK is intended to support universal compulsory 9-year basic education through rehabilitation of MONE primary schools and madrasah ibtidaiyah (MOR primary schools). Regions which receive DAK must contribute counterpart funding to the amount of 10% of the DAK allocation. Regions which fulfill certain criteria for lack of fiscal capacity may be exempted from the counterpart funding requirement.

31. The basic structure of district budgets is similar to that of the central budget. District expenditures are now required to follow the new budget format. The types and number of agencies funded through the district budget depend on the structure of the district government in each district. However all districts are required to have a district education office (dinas) as education is one of the obligatory functions which must be implemented by district government. The organization of the offices, including the number of subordinate offices, is determined by the district government, subject to approval by Ministry of Home Affairs (MOHA). The World Bank Education Sector Review (2004) estimated that total per-student education spending at district levels ranges between Rp. 1,193 and Rp. 540,479 Rupiah. Most districts do not provide funding for madrasah through the district budget because religion was not decentralized. Hence there is a need to facilitate cooperation between the District Education Offices and the District-level offices of the Ministry of Religious Affairs.
32. **Summary of sectoral plans and policies.** GOI education policy is governed by Law 20/2003 concerning Education which mandates a single, integrated educational system consisting of public and private, MONE and MORA schools. MONE has developed its strategic plan for national education under the auspices of MONE, while MORA is still in the process of developing its ministry strategic plan. MORA has recently reorganized its administration of madrasah education. The former Director General for Islamic Institutions (including madrasah, together with other types of Islamic schools offering only Islamic studies) has now been re-named the Director General for Islamic Education. MORA is committed to bringing its madrasah into the national education system, although not under the administration of MONE. There are also no current plans for decentralization of madrasah to the district level. MORA intends to bring madrasah into compliance with the national education standards required under the education law. MEDP will assist them to do so.

33. The draft 2007 Government Work Plan (which is the basis for budget proposals) for education covers both general schools and madrasah. The program for compulsory 9-year basic education includes the following activities: (i) provision of quality infrastructure and facilities, together with teachers and adequate operational funding, with special attention to distribution to underserved areas; (ii) provision of various alternative modalities for basic education, especially for poverty families and remote areas; (iii) retrieval of drop-outs and non-transitioning children; (iv) curriculum development; (v) teaching-learning materials and equipment; (vi) special attention to gifted children; (vii) school-based management; (viii) providing information to the community so parents can make informed choices; (ix) improving community participation in education; (x) improving educational policy and management.

34. In its draft development program for 2006 to 2021, the Directorate of Madrasah Education acknowledges the need to transfer madrasah management to lower levels of authority. This requires strengthening of institutional capacity. The draft development program states that several issues of the madrasah development program for the next twenty five years must be highlighted. They are: (i) decentralization of planning responsibility to madrasah, (ii) strengthening of madrasah management, (iii) diversification of madrasah institutions (with international, national and local standards, and vocational and professional orientation), (iv) private madrasah quality improvement, (v) madrasah organizational development and empowerment, (vi) financial management improvement (transparent and accountable), and (vii) strengthening the madrasah network. MEDP has been explicitly designed to respond to these issues.

35. **The project in the sector.** Because they provide a full national curriculum combined with religious studies, madrasah are becoming increasingly popular. Growth of madrasah enrollments has been approximately 3% per year over the last five years. Despite this madrasah are still seen by many as providing a level of secular education inferior to that of general schools. Countering this negative perception of quality on the part of parents, potential employers and the District Education Office will be one focus of project activities. Graduates of MA are less successful than SMA graduates in enrolling in prestigious universities, and in finding desirable positions in the labor market. In addition, madrasah need to counteract potential negative reactions due to the global concerns about terrorism. Several strategies have been identified by the MORA DGIE to address these concerns. The first is the emphasis mentioned above on improving education quality and raising madrasah student examination scores. The second is raising selected MA to international standard, i.e. to become A+ schools. This is in
response to the GOI (mandatory) objective of having at least one senior secondary school of international standard in each district. The third proposed strategy involves organizing madrasah communities for advocacy. This would include publicizing positive aspects and accomplishments of madrasah and their students.

36. The Directorate General of Islamic Education has been the executing agency for two ADB projects, which have received satisfactory ratings. The project completion report for the Madrasah Aliyah project, 1519-INO concluded that, despite MORAs enthusiasm to implement the MA project after having concluded the basic education project (1224-INO), inexperience in dealing with external funding sources slowed progress of implementation. However support from external institutions such as Bappenas and MONE contributed substantially to the overall success. The PCR concluded that after having sufficient experience during the MA project, MORA is now more confident in managing and executing future projects. The personnel who staffed the MA project were part of the technical team which guided the consultants in designing the MEDP. Also on the technical team was a former director from MONE, who had managed the ADBs private junior secondary education project. These skilled and experienced personnel will be available for implementation of MEDP.

37. Due to lessons learned from the previous projects, implementation of MEDP at the local level will be coordinated by full-time professional provincial coordinators, working together with the Madrasah Development Centers (established by the MA project), rather than implementing directly through the vertical apparatus of MORAs provincial and district offices (Kanwil and Kandep). The vertical apparatus will be involved in monitoring and evaluation activities for the project.

38. The government in the project. Quality of education has many characteristics of a public good, in particular, large externalities, i.e. social benefits which are much larger than private benefits. Private benefits from improving quality are competitive in nature, that is, individual or groups enjoy private benefits only when other individuals and groups do not acquire the benefits because the individual or group with higher quality is more productive and can achieve higher income than the individual or group with lower quality education. However if the quality of education of an entire cohort can be raised, then employers can invest in higher levels of technology, improving productivity, profits and wages for all. These externalities cannot be captured by individual students or schools and thus, there is little incentive to invest in higher quality at an individual level. This is the basic case for government investment in the sector.

39. The project has been designed based on lessons learned from previous projects. Most projects in the past have established provincial and district project implementation units (PIU) reflecting the structure of the central project implementation unit (CPIU). Decisions are made by the CPIU and implemented by the PIU. Initiative and ownership at lower levels are not sufficiently encouraged. New MOF regulations would result in loss of accountability of project funds being transferred to Kanwil and Kandep offices. The new MOF guidelines also call for funds be transferred directly to recipients, in this case madrasah and/or contractors. Doing so will encourage local initiative and ownership.

40. The flow of project funds has also been designed to be efficient and transparent. Project cluster madrasah will prepare and submit Madrasah Development Plans (MDP) to the CPIU. Each MDP will be for 3 years with an annual rolling plan budget (revised each year). The annual block grant from the project to the madrasah will be calculated to cover all project-funded interventions in the madrasah during that year. All cluster
madrasah will open special project bank accounts with three signatories (principal, chair of madrasah committee, and one other) to receive transfers of the project block grants. Each madrasah will submit a monthly report of activities and expenditures to the Provincial Project Coordinator within the first week of the following month. The Provincial Project Coordinator will enter all the monthly reports into a computerized data base and produce a provincial report. The provincial report will be submitted to the CPIU by the 15th of the following month. Electronic copies will also be sent to the M&E unit within the CPIU and financial management compliance specialist of the Independent TA for M&E.

3. PROJECT RATIONALE AND ADB OPERATIONS

3.1 Relationship to ADBs overarching objective of poverty reduction

41. ADBs long term vision of an Asia and Pacific region free of poverty is being pursued through pro-poor sustainable economic growth and social development. MEDP qualifies on all counts. Raising madrasah graduates to the performance level of general school graduates is a pro-poor intervention, as many madrasah students come from poor families and live in rural areas with limited opportunities. The project is designed to be sustainable through its use of education service providers, who will remain in the regions and be available for replication as well as sustainability through post-project supporting services, after the project is finished. Improving the capabilities and productivity of madrasah graduates will contribute to high quality economic growth, as investment will be attracted to rural areas by the availability of a productive labor force. Finally, improving the image of madrasah will contribute to an important dimension of social development, that is, reversing the negative image of Islamic education.

3.2 Economic rationale

42. While education is not strictly a public good does have very large positive externalities, especially at the basic level. However a much more important reason for government provision of educational opportunities is that household decision-making may be inherently biased. Households decide to enroll their children in school or not based on comparison (perhaps unconsciously) between the current benefits of income from not paying school expenses (and perhaps income contributed by the children, if they work) and the future benefits of having the children acquire an education, leading to higher wages. Both streams of costs/benefits are discounted to the present and whichever alternative produces the larger net present value is chosen. The bias occurs because the discount rate used by the household is a subjective discount rate, not the objective (market) discount rate. Parents who have low expectations of their childrens’ future earning capabilities, because they view the educational options available as low quality, will have a larger discount rate than the market and thus will choose a lower level of education. This is not a market failure; it is a non-market failure based on incomplete information and tastes-and-preferences formed on the basis of unrealistic expectations.

5 The strict definition of a public good requires two characteristics: non-competitiveness in consumption (the amount consumed by one person does not reduce the amount available for consumption by others) and externalities. Formal education in schools is not non-competitive because the number of seats is limited. The fact that a government chooses to institute a policy of universal primary education does not guarantee that there will be adequate seats for all students. Even a policy of free universal primary education, in which the government commits itself to provide seats, does not change the fact that education itself in not non-competitive. It simply means that the government intervenes in the sector to address the capacity issue.
43. MEDP will act in two ways to correct this non-market failure. The project will improve the actual quality of education, raising the graduate-future-worker's productivity and, therefore, his/her income. The project will also improve the image of madrasah education, in the eyes of both the parents and the future employers. Thus the subjective household discount rate for education will move closer to the actual market discount rate and the rational expectation of future wages will also rise because madrasah graduates will have equal access with general school graduates to the formal sector jobs available.

44. The issue of quality and image of madrasah is a classic case of a vicious circle which requires an external intervention – in this case, the government. Given the unrealistically high discount rates parents use to value madrasah education (because of its objective low quality but also because of its less favorable image), parents will under-invest in both access and quality. That is, there will be less parental pressure on providers of madrasah education to improve quality and, therefore, less incentive for the providers to invest in quality. The most effective and cost-efficient way to break the vicious circle is for government to require quality improvement and, at the same time, to provide assistance for implementation of quality improvement. The government is doing the former through Law 20/2003 which mandates a unified education system and imposes the same quality requirements on madrasah as those imposed on general schools. For the latter, the government requires external technical, as well as, financial assistance. The MEDP will provide this.

45. One key characteristic of madrasah education is that it is almost entirely provided by the private sector, see Table 3. Motivating the private sector actors to improve quality and then providing them with the knowledge, attitude and practice (skills) to do so is the conceptual basis of the project.

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>% of enrolment in private</th>
<th>% of schools private</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary/MI</td>
<td>89.6</td>
<td>93.4</td>
</tr>
<tr>
<td>Junior secondary/MT</td>
<td>75.5</td>
<td>89.5</td>
</tr>
<tr>
<td>Senior secondary/MA</td>
<td>60.8</td>
<td>86.5</td>
</tr>
</tbody>
</table>

46. It was noted above that ADB has a comparative advantage in the Islamic education sector relative to other multi-lateral donors, as ADB has satisfactorily completed two loans to the sector and included madrasah in two other loans (Second Junior Secondary Project, ADB Loan 1573/74 and the current Decentralized Basic Education Project, ADB Loan 1863).

4. PROJECT FRAMEWORK ANALYSIS

4.1 Summary of intervention logic

47. **Goal.** The goal of the MEDP is that the madrasah education system produces more high quality graduates contributing equally with graduates of general education to national development.

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6 Many parents send their children to madrasah for the religious/moral training that they can receive. General academic training may be less important to them, but there is no reason why the children cannot be provided with both.
48. **Purpose.** The purposes of the MEDP and treefold: 1) quality of madrasah education at MI, MTs, and MA levels will improve and accreditation levels will be raised for madrasah; 2) opportunities for Madrasah Education will be expanded to reach more poor and female students; and 3) sustainability of madrasah education will be increased through improved governance, management, and financing.

49. **Outputs.** The corresponding outputs of the MEDP are: 1) improve the quality of madrasah graduates as measured by final examinations and raise accreditation levels of madrasah; 2) enhance the equity and coverage of 9-year compulsory basic education through madrasah within the framework of the national education system; and 3) improve quality and equity in education services while maintaining efficiency in governance and management of madrasah.

50. **Risks and assumptions.** Three major risks can be anticipated in fulfilling the outputs mentioned above. First, the national examination system could lose validity and thus credibility as a measure of student performance. Secondly, a new school and madrasah accreditation system is being put in place. In order to measure progress all madrasah involved in the MEDP must be reviewed and accredited at one of three levels under the new accreditation standards. Capacity of the accreditation system must be expanded in order to do so. Lastly, there may be abuse of the scholarship system as has happened in the past. In order to minimize such abuse, scholarship funds will be allocated through the madrasah, rather than being given to students of their parents.

The first assumption is that madrasah will have equal access to accreditation review services. The second is that madrasah staff (principals, teachers, school committee members) will assist in conducting outreach programs to bring dropouts back into system, i.e., reenroll in madrasah and transition from MI to MTs level. The third assumption relating to governance, management and quality assurance is that the Madrasah Development Centers (MDC) can become IPO and quality assurance (QA) accredited.

### 4.2 Summary of evaluation logic

Internal project monitoring and evaluation systems will focus on measurement of project outputs. For measurement of output 1 in participating districts/cities the following indicators will be used: 1) % improvement in average pass rates of students compared to district averages; 2) % improvement in average scores of students compared to district averages; and 3) No. of madrasah accredited from level C to B and B to A accreditation status. For measurement of output 2 in participating districts/cities the following indicators will be used: 1) 3000 poor students who have dropped out of MI and MT return to school; 2) 3000 poor students who have not transitioned for MI/SD to MTs are retrieved; and 3) 645 female students who have not completed MI or MT are enrolled in Paket A and B programs. For measurement of output 3 in participating provinces measures will include: 1) increase in number of madrasah receiving block grants, deconcentrated funding the BOS, DAK funding increases; and 2) the number of districts that include funding for madrasah in district budget increases.

External monitoring and evaluation will be conducted under a separate technical assistance grant and will focus upon examination of outcomes and the impact of the project on graduates entering the workplace and going on to higher levels of education. This will be done through the use of tracer studies, labor market survey data, susenas data, and sample surveys of university enrollments.

### 5. DEMAND ANALYSIS
51. **Demand analysis.** MEDP is not intended to increase access, except for a small number of drop outs and non-transitioning students who will be retrieved. With that exception, all of the students who will be beneficiaries of the project are already in the project madrasah. Likewise, the madrasah personnel who will be upgraded (principals, teachers, administrative support staff, etc.) who will be upgraded by the project are, for the most part, already employed in the madrasah.

52. Demand for educational quality ultimately is related to higher productivity. Parents value quality to the degree that they perceive a positive relationship between improved quality and improved incomes later in the labor force. Surveys have shown that parents want better quality education, but are not able to cover the increased cost of improving quality. Under the Education Law of 2003, government (central + regional) is responsible for enabling schools and madrasah to meet the national quality standards which will be set by the National Education Standards Board. Madrasah will be subject to the quality standards and to accreditation.

53. Employers also value quality in education, to the degree that it actually improves productivity. Studies by the World Bank and other academic research have shown that graduates with different types of education sort themselves into different types of jobs at different levels of productivity. According to 2004 Susenas data, wages of madrasah graduates are substantially lower than those of general school graduates. The average wage for SMA graduates 15 to 19 years old was Rp.525,067 and for MA graduates in the same age group it was Rp.294,313. Among 20 to 24 year old SMA graduates the average wage was Rp.634,935. For MA graduates it was Rp.467,392. Job advertisements in newspapers often specify SMA graduate as a basic qualification for the job. With improved quality, the image of madrasah will be enhanced. Labor market opportunities and outcomes will improve.

### 6. PROJECT ALTERNATIVES

6.1 **Summary of the project design process, including participation**

54. A highly participatory process was used during implementation of the TA (Table 4. Participation Matrix, following page). Counterparts in MORA have been assigned to an eight person Technical Team since the initiation of the project. Frequency of meetings has increased through the seven month project period from once every two weeks, to once every week to several times per week as discussions moved into more detailed project design issues.

55. Four national level seminars have been held. The first for presentation of the Inception Report involved donor agencies as well as counterparts from MORA and other Ministries and agencies (MONE, Bappenas, and MOF). The second national level seminar was held at mid-point in project implementation. Representatives of the same agencies were invited as were representatives of national Islamic foundations. A third national level workshop, held over a two day period, invited representatives from all provinces and districts to be involved in project activities (approximately 60 persons) and MORA counterparts. A fourth national seminar was held for presentation of the Draft Final Report of the TA with MORA, MOF and donor representatives attending.

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7 This board has been established. A government regulation (PP19/2004) set out the list of items for which quality standards must be established, however, the quantitative standards/levels for these items have not been set. It is planned that the accreditation process will be based on these standards.
### Table 4

**Participation Matrix**

<table>
<thead>
<tr>
<th>Participant</th>
<th>Type/Level of Participation</th>
<th>Decision Taking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Informing</td>
<td>Consulting</td>
</tr>
<tr>
<td>MORA Technical Team</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Other MORA Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MONE Staff</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>MOF Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bappenas Staff</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Donor Agencies</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>National Islamic Foundations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MORA Provincial Office Staff</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>MDC Members</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>CLRC Members</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>MORA District Office Staff</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Local Islamic Foundations</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Madrasah Principals</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Madrasah Teachers</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Madrasah Students</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Madrasah Committee Members</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Parents</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Local Leaders</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

56. Two field surveys have been conducted to obtain information and to consult with stakeholders in the target provinces and districts. Eight districts in four provinces were visited during a situation analysis survey during the first phase of project activities. During the second phase of project activities a feasibility assessment survey was held to test assumptions about and implementation mechanisms for a proposed project design. Extensive interview and group discussions with various stakeholders were held during these two filed surveys. The stakeholders included Provincial and District Office of Religious Affairs staff; Madrasah Development Committee (MDC) and Community Learning Resource Center (CLRC) staff; principals, teachers, students and their parents from madrasah; madrasah committee members; Islamic foundation heads and other leaders at local level.

6.2 **Alternative approaches and options**

57. Alternative approaches were examined during the feasibility assessment (Table 5. Intervention Alternatives Matrix).
<table>
<thead>
<tr>
<th>Component/Subcomponent</th>
<th>Accepted Interventions</th>
<th>Alternatives Examined</th>
<th>Reason for Rejection</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Improve Quality of Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Improve Teacher Professionalism and Student Performance</td>
<td>- S1 and professional certification training for teachers</td>
<td>- Traditional short-term training programs focusing primarily on methodology</td>
<td>- Short term training programs have not proven effective in changing classroom teaching</td>
</tr>
<tr>
<td></td>
<td>- Subject content upgrades</td>
<td></td>
<td>- Madrasah teachers lack content training and often teach subjects with which they are not familiar</td>
</tr>
<tr>
<td></td>
<td>- Classroom innovation grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- MGMP facilitation grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Remedial programs for students</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Traditional short-term training programs focusing primarily on methodology</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Short term training programs have not proven effective in changing classroom teaching</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Madrasah teachers lack content training and often teach subjects with which they are not familiar</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Upgrade Essential Teaching/Learning Resources and Facilities</td>
<td>- Block grants to madrasah for learning materials and facilities upgrading based upon approved madrasah development plans</td>
<td>- Centralized procurement and contracting for services</td>
<td>- Madrasah development planning with community involvement in facilities upgrading proven successful in past projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Block grants empower madrasah and their communities</td>
</tr>
<tr>
<td>3. Introduce Madrasah Based Management (MBM) Systems and Procedures</td>
<td>- MBM training programs for madrasah, communities, Kandep and Kanwil</td>
<td>- No MBM training provided</td>
<td>- MBM unfamiliar especially to private madrasah</td>
</tr>
<tr>
<td>4. Upgrade Selected Madrasah Aliyah to International Standard</td>
<td>- One MA each province upgraded to international standard</td>
<td>- No MA upgraded to international standard</td>
<td>- MBM is strategic development policy for MORA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Request from MORA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Government policy objective to have one int. standard school in each district and fe madrasah have reached int. standard</td>
</tr>
<tr>
<td>Component/Subcomponent</td>
<td>Accepted Interventions</td>
<td>Alternatives Examined</td>
<td>Reason for Rejection</td>
</tr>
<tr>
<td>------------------------</td>
<td>------------------------</td>
<td>-----------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>B. Expand Opportunities for Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Provide Special Programs for Madrasah</td>
<td>- Scholarships for retrieval of poor and female students allocated through the schools</td>
<td>- Scholarship support for poor students currently enrolled - Scholarship funds provided to parents or students</td>
<td>- National objective to reach 9-year compulsory education - Drop-outs are most difficult target group to reach at MI level - Transition from MI to MT is where most students are lost - Past abuse of scholarships given to parents or students</td>
</tr>
<tr>
<td>2. Expand Participation Capacity in Selected Madrasah</td>
<td>- Add additional classrooms in high demand/low capacity schools</td>
<td>- No intervention</td>
<td>- Surveys revealed areas where classrooms overcrowded and potential enrollees were turned away</td>
</tr>
<tr>
<td>C. Enhance Sustainability of Madrasah Education</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Improve Governance, Management and Accountability Systems and Procedures</td>
<td>- Introduce results based management and performance based planning and budgeting - Pilot test of model for integrated development planning in one province</td>
<td>- No intervention</td>
<td>- MOF encourages implementation of results/performance based approaches - Current varying levels of MONE and MORA decentralization suggests very limited pilot testing</td>
</tr>
<tr>
<td>2. Establish Advocacy Programs to Sustain Madrasah Operations and Develop Partnerships</td>
<td>- Multi-media information campaign and encourage formation of madrasah councils for advocacy</td>
<td>- Rely on multi-media campaign only</td>
<td>- Direct appeal from constituents to bupati/parliament required and minimal madrasah membership on</td>
</tr>
<tr>
<td>Component/Subcomponent</td>
<td>Accepted Interventions</td>
<td>Alternatives Examined</td>
<td>Reason for Rejection</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------------------------------------------------------------------------------------</td>
<td>-----------------------</td>
<td>--------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>- Information and support provided to help madrasah access additional funding</td>
<td>- No intervention</td>
<td>existing district education committees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Surveys revealed lack of knowledge among madrasah of available funding sources</td>
</tr>
</tbody>
</table>

7. ECONOMIC ANALYSIS

58. The discussion of the economic analysis is divided into seven sections. The first section provides a brief description of benefit-cost (B-C) analysis and internal rates of return (IRR) as an introduction into the second section, which describes the theoretical basis of reverse cost-benefit (RC-B) and explains why it is necessary to use this methodology on MEDP. The third section introduces the variation on RC-B which is necessary for this particular project, i.e. “closing the gap” RC-B. The fourth section explains the adjustments necessary in order to incorporate vertical clusters of madrasah. The fifth section contains the economic model, including assumptions and parameters. Assumptions and parameters are woven into the discussion of the model, instead of being specified in separate lists, because the model is very complicated. Placing assumptions and parameters in the context of the model makes it easier to understand the role of each assumption and/or parameter in the model. The sixth section explains the technical issues of setting up the computational spreadsheets for “closing the gap” under conditions of vertical clusters. The final section presents the results of the computations, including a variety of sensitivity tests.

7.1 Benefit-cost analysis and internal rates of return

59. The basis for all economic evaluation is comparison of the expected benefits with expected costs. The problem is that both benefits and costs extend over time and the same amount of money has different value at different times. For example, if you receive a certain amount of money today, you can invest it (or put it in the bank) and receive both the original and the interest⁸ at a future date. However if you receive the original amount of money at the future date, you have only the original amount and not the interest. Thus, money received sooner is more valuable than the same amount received later and the difference in value is dependent upon the interest rate. The higher the interest rate, the larger is the difference in value between money now and money in the future because the interest income will be larger. The total value of money now (original amount + interest) over a specified period of time is called the “net present value/NPV” of the money.

60. The benefit-cost ratio (or benefit-cost difference) is a comparison of the total value of benefits, including the interest rate factor and the length of time over which the benefits are received (NPV of benefits), with the total value of costs, also including interest and time (NPV of costs). If the NPV of benefits is larger than the NPV of costs, the project is beneficial and vice versa. Cf. Figure 1.

⁸ Or your share of the profit-sharing, in an Islamic economic system. Hereinafter, when the term “interest” is used, it should be understood to include profit-sharing.
61. The problem with benefit-cost analysis is that the NPV of benefits can almost always be made larger than the NPV of costs by changing the interest rate used. Costs are usually incurred first, then benefits. So a low rate of interest reduces the NPV of costs (if that amount of money were invested at a low rate of interest, the total proceeds would be relatively small) while a low rate of interest does not penalize benefits received in the future (if that amount of money were available for immediate investment, it still would not earn very much interest). This is why analysts using benefit-cost analysis frequently specify a target rate of interest which must be used in the analysis. In the case of ADB, the target rate is 12%.

62. The internal rate of return (IRR) solves this problem. The internal rate of return is the interest rate which makes the NPV of benefits exactly equal to the NPV of costs.

\[
\text{Costs + IRR = NPV of costs = NPV of benefits = Benefits + IRR}
\]

The IRR has become very popular in development work because it can be used to compare almost any activity with any other activity, as long as both have identifiable costs and benefits. Another advantage of the IRR is that it allows us to change costs, benefits and/or time and calculate the effect of those changes on the economic feasibility of the activity. This is called sensitivity analysis.

63. IRR calculations involve three variables, two of which have known values and are used to calculate the third. Cf. Figure 2.
be generated. So it is more useful to use the term parameters and then “assume” different types of changes in the values of parameters in order to see the effects of these “assumptions” on the economic feasibility of the project via the sensitivity analysis.

64. The parameter values for annual costs are fairly straightforward because they are based on the project’s expenditure plan.

65. The parameter values for benefits are obtained by multiplying the number of beneficiaries times the benefit to be received by each beneficiary. In education projects, beneficiaries are graduates from the project schools and these can be estimated\(^9\) from existing pre-project enrolment and graduation data. The benefit each graduate receives is increased wage/salary s/he earns in the labor force after graduation because s/he has achieved a certain educational level. These benefits can also be estimated from empirical data on the labor force.

7.2 Reverse cost-benefit

66. Calculating benefits by using wage increases based on actual data about incomes and educational levels is appropriate only for projects which increase the average educational level of students, e.g. by improving access (bringing new students into the system or retaining existing students to higher grades). Quality improvement will bring wage increases, but there is no existing data about wage differentials for different quality of education. Socio-economic surveys of the labor force cannot collect data about the quality of education in order to match quality to income.\(^10\) Many economic analyses for education projects do not attempt to use empirical data to estimate quality benefits. Instead they assume some value, e.g. that improved quality will add 10% to existing market wage rates for that level of education. The IRR is then calculated using a value of 1.1 for benefits.

67. If the true level of benefits is unknown, it is not possible to calculate a benefit-cost ratio. However there is an alternative to making arbitrary assumptions. This is called the reverse cost-benefit. “Reverse” cost-benefit is actually a misnomer because the calculation process is not actually reversed. Instead the positions of IRR and benefits in the equation are switched: IRR moves from an (unknown) solution to a parameter; benefits move from a parameter to the solution to be found. Cf. Figure 3.

![Figure 3: Reverse Cost-Benefit](image)

Thus the question is no longer: what interest rate will make the NPV of benefits equal to the NPV of costs? Instead the question becomes: in order to achieve a given IRR with known costs, how many benefits are necessary?

68. In the context of a project to improve educational quality, the question becomes: if the ADB target IRR is 12% and the project costs are known, how much is the wage

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\(^9\) Not “assumed”.

\(^10\) Some studies have attempted to match quality to income using proxy variables, such as the difference between public and private schools, but the results are not robust.
increment which beneficiaries must earn in order to make the project feasible? In other words, reverse cost-benefit allows us to calculate the quality increment, not assume it.

69. This required wage increment can then be compared with actual wage rates from labor market data. If the wage increment is very large compared to existing wages, then it is unrealistic to expect that project beneficiaries will be able to command that much benefit and the project is economically not feasible.  

70. Reverse cost-benefit analysis can be subjected to the same sensitivity analysis as ordinary cost-benefit. Changes can be made in the values of the parameters (cost overrun, delay in onset of benefits, etc.) and the impacts on economic feasibility calculated. In fact, reverse cost-benefit allows calculation of two different types of impact can be calculated. The target IRR can be left at 12% and then the impact of changing the parameters shows how much benefits must increase in order to keep the project economically feasible. Or the benefits can be left at the level required to achieve and IRR of 12% and the impact of changes in parameters will then be a change in the IRR. Cf. Figure 4.

71. The steps in calculating the reverse cost-benefit analysis are similar to those required for ordinary cost-benefit but finding the required wage increment uses an interactive process:

- Determine the expenditure plan and calculate the NPV of costs at the target IRR (12%).
- Determine the number of beneficiaries and time pattern of acquisition of benefits (when quality improvements in schools begin to be acquired by graduates; when the

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11 This does not mean that the project is not justified: it simply means that the justification argument must be based on other considerations, such as social cost and benefit or developmental benefits.
graduates enter the labor force; how long they work; how many generations of graduates enjoy the benefits; etc.)

- Assign an arbitrary value of wage increment and take a trial NPV of benefits at the target IRR (12%).
- If the NPV benefits > NPV costs, reduce the trial wage increment. If the NPV benefits < NPV costs, increase the trial wage increment.
- Continue the iterations until NPV benefits = NPV costs. This is the required wage increment.

72. Reverse cost-benefit analysis will be used to calculate the required benefits for raising 8 MA to international standards. For purposes of the economic analysis, this will be regarded as a separate sub-project with its own costs and benefits.

7.3 Closing the gap

73. The Madrasah Education Development Project (MEDP) is interesting because there are two types of quality improvements. For the 8 MA which will be raised to international standard, the quality improvement will be an increment on the normal wage of senior secondary (and tertiary) graduates. For cluster madrasah, the quality improvements are intended to bring wages of madrasah graduates up to the level of wages earned by workers who graduate from general schools. The wage gap has two dimensions:

- Madrasah graduates self-select themselves into lower wage jobs, based on their perceptions of educational quality, productivity and opportunities available.
- The image of madrasah graduates as being less “modern” and “more traditional” than general school graduates, which implies a lower capacity of madrasah graduates to deal with modern industrial and managerial technologies, so formal sector employers are reluctant to hire madrasah graduates when general school graduates are available. Since formal sector jobs pay higher wages on average than informal sector jobs, the average wage rate of madrasah graduates is lower than the average wage rate of general school graduates. Note that this image is not necessarily based on experience, because most employers have not hired madrasah graduates. Instead, it is based on a perception of the “type” of people who send their children to madrasah and the “type” of people who manage and teach in the madrasah.

74. Thus the required benefits in the reverse benefit-cost analysis for MEDP are not wage increments on top of the existing market wage. The required benefits represent the existing gap between the average market wage and the (lower) average wage for madrasah graduates. Cf. Figure 5.

![Figure 5](image_url)
75. Thus the question is what is the minimum wage differential between Sr.school graduates of Madrassah schools and those from Regular schools (in terms of earnings/capita/month), that is needed to justify investment in this project?

7.4 Vertical clusters

76. Most education projects deal with one level of education (primary, junior secondary, senior secondary, tertiary). The beneficiaries are assumed to take their benefits with them when they graduate from that level of education in project schools. However MEDP deals with clusters of schools containing primary, junior secondary and senior secondary schools, which creates additional complications for economic analysis. Students who graduate from primary level (MI) project madrasah will have received the benefits of improvement in their schools. However these benefits will not be reflected immediately in wage increments, because these students will continue on to junior secondary (MTs) and then on to senior secondary (MA). Some of these students may even continue on to (non-project) tertiary before entering the labor force.

77. In economic terms, the benefit of education is experienced by beneficiaries as wage increments. The wage differential between any two educational levels can be viewed as the market's valuation of the increased productivity produced by the increase in education. The total differential between no education and tertiary education can be viewed as the cumulative differential of primary over no education, junior secondary over primary, senior secondary over junior secondary and tertiary over senior secondary. Table 6 shows monthly wage differentials, based on the Sakernas (national labor force survey).

<table>
<thead>
<tr>
<th>Level of education</th>
<th>Wage</th>
<th>Incremental contribution</th>
<th>% of incremental contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>256,204</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary</td>
<td>428,981</td>
<td>172,777</td>
<td>29.37</td>
</tr>
<tr>
<td>JSE</td>
<td>566,637</td>
<td>137,656</td>
<td>23.40</td>
</tr>
<tr>
<td>SSE</td>
<td>844,411</td>
<td>277,774</td>
<td>47.22</td>
</tr>
<tr>
<td>Total</td>
<td>588,207</td>
<td></td>
<td>100</td>
</tr>
</tbody>
</table>

78. These percentages will be used to weight the contribution of different levels (MI, MTs and MA) to benefits. Students who transition into project MTs. and/or MA. from non-project madrasah will receive the proportion of benefits from that level of schooling in project madrasah.

12 Note that market wages are set by supply and demand. Thus increased productivity (supply) is rewarded by increased wages only to the extent that employers are willing and able to pay increased wages (demand). The rewards to improved education depend upon the level of technology, management and productivity in the economy as well as to the ability of the economy to produce jobs and the type of jobs produced.
7.5 The model

79. A model is a simplified picture of the process being modeled. Economic models of education simplify the complex processes of education by translating educational outcomes into economic values. E.g., the complex process of educational quality is translated into the simple numbers of wage increments. The model should represent the important economic processes as realistically as possible but does not need to represent educational processes realistically. In modeling jargon, the educational processes are regarded as a “black box”. The model used in this analysis is based on the economic fact that workers who have graduated from project madrasah will improve their wages relative to workers who have graduated from non-project madrasah.

80. The important economic processes in the model are those which affect the NPV, i.e. absolute amounts of costs and benefits and time distribution of costs and benefits. The specific variables are:

- size of costs;
- time distribution of costs (project expenditure plan);
- number of beneficiaries (workers who have graduated from project madrasah);
- acquisition of benefits (time distribution of when project interventions begin to produce changes in graduates);
- duration of benefits (time distribution of when graduates of project madrasah begin to lose their competitive advantage against graduates of non-project madrasah);
- length of time graduates work (time distribution of exploitation of benefits).

81. **Costs.** Size of costs is the total value of the project, US$ 143 million.\(^{13}\) Time distribution of costs will be determined by the expenditure plan.

82. **Beneficiaries.** Beneficiaries are graduates of project madrasah who work and receive wages. It is assumed that intensive interventions provided to project madrasah, including parents and the community, will raise completion rates in project madrasah to 100% during the project period.\(^{14}\) It is also assumed that parents will recognize the benefits from project interventions, so all graduates from project MI who can be accommodated in project MTs will choose to enroll in project MTs; similarly all graduates from project MTs who can be accommodated in project MA will choose to enroll in project MA. This implies internal project transition rates of 100%.\(^{15}\)

83. Preliminary calculations\(^ {16}\) of graduates and entering class capacities show that the capacity of project MTs is much larger than the graduates of project MI (21,000 students intake for project MTs vs. 8,000 graduates of project MI). Thus it is assumed

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\(^{13}\) This total will be allocated between two economically separate sub-components: 8 MA to be raised to international standard and clusters of madrasah to be raised to general school standard.

\(^{14}\) National drop out rates for MI are 0.6%; for MTs, 1.57%; and for MA 1.3% (2003). The impact of this assumption on IRR will be tested as part of the sensitivity analysis.

\(^{15}\) The national transition rate (including both general schools and madrasah) from primary to JSE is 70% and from JSE to SSE is 83% however it should be remembered that national policy targets universal completion of JSE (basic education). Again, the impact of this assumption on IRR will be tested as part of the sensitivity analysis.

\(^{16}\) The list at the time of the tripartite meeting was used. The list covers 43 clusters. Parameters were calculated based on actual conditions of the 209 MI, 267 MTs and 112 MA included in the 43 clusters at the time of the tripartite meeting.
that the remaining places in project MTs will be filled by graduates from non-project MI or from general primary schools (sekolah dasar/SD). It is further assumed that all project MTs students who came from project MI will transition into project MA, cf. para 80 above. Preliminary calculations suggest that the entering class of project MA will be able to accept all these students (10,000 students intake for project MA vs. 8,000 graduates of project MTs who came from project MI).

84. The remaining project MTs graduates (who came from non-project MI or SD) are assumed to transition into project MA, up to the capacity of the project MA. Preliminary calculations suggest that not all project MTs graduates will be accommodated in project MA (10,000 students intake for project MA vs. 21,000 graduates of project MTs). It is assumed that the remaining project MTs graduates (11,000 students) will leave the project. Students in non-project madrasah and general schools will not be supported by project interventions for parents and community and therefore, these students will be subject to national transition rates (rather than the 100% internal project transition rates). Graduates from project MA are assumed to continue on to tertiary and move into the labor force in line with national rates (66% to tertiary, 34% labor force; 2003). Cf. Figure 6.

85. Benefits. Student who study in project madrasah from MI through MA are assumed to achieve the whole economic benefit of education (100%, Rp. 588 thousand/month, cf. Table 6). Students who come into project MTs from non-project MI receive project benefits at the JSE level, i.e. 23%. Students who transition out of project MTs into the labor force take their JSE level benefits with them (23%) but because these are all students from non-project MI (cf. para 82) they do not have benefits from project MI.

86. Students who transition out of the project after MTs are assumed to enter general (MONE) SSE because the project has made them competitive with general JSE graduates. These students are assumed to take full benefits of project MTs with them (23%) and to acquire benefits equivalent to project MA (47%). This assumption is based on the project’s premise of closing the gap between madrasah and general schools. If the project closes the gap so that madrasah graduates are equivalent to general school graduates, then project MTs graduates will be able to achieve the same benefits in general SSE as graduates of general JSE.

87. Graduates of project MA and general SSE who move into the labor force take their benefits with them (100% for graduates of project MI; 70% for graduates of non-project MI). Graduates of project MA and general SSE who continue on to tertiary will take their benefits with them to tertiary but will not receive any additional project benefits.
from tertiary because they have already closed the gap. However they will receive an increment from having attended tertiary equal to the ratio of average tertiary wages to average general SSE wages \(= 1.755\).\(^{17}\)

88. **Acquisition of benefits.** Madrasah and clusters will formulate their development plans during the first year of project implementation and begin carrying out the activities during the second year. Thus there will be no benefits to students until the 3rd year of project implementation. The schedule for acquisition of benefits is shown in Table 7.

<table>
<thead>
<tr>
<th>Table 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquisition of Benefits (proportion)</strong></td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
</tbody>
</table>

It should be noted that these benefits will be acquired by the students graduating in these years.

89. **Duration of benefits.** Benefits are calculated as a competitive advantage enjoyed by project madrasah graduates over graduates of non-project madrasah. The project is also conceived as a developmental activity, creating models which will be disseminated and replicated by MORA after the project finishes. For this reason, it is assumed that project benefits will gradually disappear, as other madrasah close the gap and move up to the general school standard. The reduction in benefits will occur evenly over a period of 5 years. See Table 8.

<table>
<thead>
<tr>
<th>Table 8</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquisition and Duration of Benefits (proportion)</strong></td>
</tr>
<tr>
<td>Year</td>
</tr>
<tr>
<td>Benefits</td>
</tr>
</tbody>
</table>

90. **Working lifetime.** The working lifetime is taken up to age 55. If MTs students graduate at age 15, they will have 40 years in the labor force. If MA students graduate at age 18, the will have 37 years in the labor force. Since tertiary graduates generally have formal sector jobs, they are assumed to work until age 60, for a total of 38 years in the labor force after graduation at age 22.

7.6 **Critical Assumptions**

91. The maximum total duration of all project-related benefits is 53 years (11 years of benefits + 4 years of tertiary + 38 years working lifetime for the last cohort of graduates).\(^{18}\)

92. Costs will be allocated based on the expenditure plan. NPV of costs at 12% for 53 years will be calculated.

93. Beneficiaries will be divided into streams depending upon the proportions of benefits they receive:

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\(^{17}\) Note that this is not double counting because this tertiary increment is received by general school graduates who continue on to general tertiary. Closing the gap at the MA level allows MA graduates to attend general tertiary and receive the same general tertiary increment.

\(^{18}\) MA graduates who move directly into the labor force produce only 48 total years of benefits (11 years of benefits + 37 years working lifetime for the last cohort of graduates) while MTs graduates who move directly into the labor force produce 51 total years of benefits (11 years of benefits + 40 years working lifetime for the last cohort of graduates).
• Stream 1: project MI students who continue through to project MA and then continue
to tertiary (100% of benefits + increment for tertiary)
• Stream 2: project MI students who continue through to project MA and then enter the
labor force (100% of benefits)
• Stream 3: non-project MI graduates who enter project MTs, transition to project MA
and then continue to tertiary (70% of benefits + increment for tertiary)
• Stream 4: non-project MI graduates who enter project MTs, transition to project MA
and then enter the labor force (70% of benefits)
• Stream 5: non-project MI graduates who enter project MTs, transition to non-project
SMA and then continue to tertiary (70% of benefits + increment for tertiary) cf. para
84
• Stream 6: non-project MI graduates who enter project MTs, transition to non-project
SMA and then enter the labor force (70% of benefits) cf. para 85
• Stream 7: non-project MI graduates who enter project MTs and then enter the labor
force (23% of benefits)
• Stream 8: students who are already in project MTs and MA when the project begins.
These will be divided into 7 streams as above, but will only take project benefits for
the levels of education in project madrasah (23% for MTs, 49% for MA, cf. Table 6).

94. For each stream, the total number of graduates (beneficiaries) each year will be
calculated based on the actual enrolment of madrasah in the project clusters.

95. The number of beneficiaries in each stream will be multiplied by the percent-of-
benefit weights then summed over all streams. This will produce the weighted total
number of beneficiaries, i.e. the full-benefit-equivalent number of beneficiaries.

96. The full-benefit-equivalent number of beneficiaries for each year will be weighted
by the percent acquisition of benefits for the year of their graduation.

97. Gender differences. Females in Streams 1 and 3 (project graduates who
continue on to tertiary) are assumed to work after graduation. Females in other streams
are assumed to have an average working rate of 50% of the male rate. This can be
interpreted as one-half of female graduates do not work and the remainder work full-time
or can be interpreted as fewer than one-half work full time and many of the remainder
work part time in the informal sector – for example, tending small shops in their homes –
for an overall average of 50% of full time.

98. This acquisition-weighted + gender-weighted number of graduates will be carried
forward throughout their working lifetime. The total number of weighted graduates from
all graduating classes in each year will be summed to determine the number of weighted
beneficiary-equivalents for that year.

99. A trial wage gap (US$/year) will be introduced. The trial wage gap will be
multiplied by the number of graduates and the NPV at 12% for 53 years calculated. The
iterative process described in para 69 will be carried out to determine the wage gap
which equates NPV of cost to NPV of benefits

19 The female labor force participation rate is approximately 1/2 of the male rate (46% vs. 85% in
2003). Female non-participation is almost entirely accounted for by housekeeping.
100. The wage gap will be compared to existing wage rates in the labor market to determine whether the gap to be closed by the project is reasonable.

7.7 Results and sensitivity analysis

101. The results of the reverse cost-benefit analysis are shown in Table 9. The required wage gap to make the project economically feasible at an IRR of 12% is Rp.105,525 for a weighted average of graduates of the cluster madrasah. The wage increment over general senior secondary graduates required to make the project feasible at an IRR of 12% is Rp. 232,125 for graduates of the international standard MA who continue on to tertiary and Rp. 157,650 for graduates of the international standard MA who move directly into the labor force. These required benefits are between 10% - 15% of the existing wage rates for that category of worker.

Table 9
Results of Reverse Cost-Benefit Analysis

<table>
<thead>
<tr>
<th>Clusters</th>
<th>International standard MA who continue to tertiary</th>
<th>International standard MA who work</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required wage gap/increment (Rp./capita/month)</td>
<td>105,000</td>
<td>232,125</td>
</tr>
<tr>
<td>Percent of mean wage</td>
<td>11.70</td>
<td>11.79</td>
</tr>
<tr>
<td>Percent of urban mean</td>
<td>9.64</td>
<td></td>
</tr>
<tr>
<td>Percent of rural mean</td>
<td>15.46</td>
<td></td>
</tr>
<tr>
<td>Percentile of wage distribution</td>
<td>55.58</td>
<td></td>
</tr>
</tbody>
</table>

102. Table 10 shows the results of sensitivity analysis for variables commonly used: cost overrun of 10% and delay in benefits of 1 year. Cost overruns were estimated by raising the project cost from US$ 143 million to US$ 157 million. Delay in benefits was estimated by the acquisition of benefits (para 88) by one year. Cost overruns are more important than delays.

Table 10
Sensitivity Analysis

<table>
<thead>
<tr>
<th>Change</th>
<th>Change in required benefits</th>
<th>IRR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost overrun 10%</td>
<td>115,500</td>
<td>1.09</td>
</tr>
<tr>
<td>Delay 1 year</td>
<td>108,750</td>
<td>1.03</td>
</tr>
<tr>
<td>Successful retrieval</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. NON VALUED BENEFITS

103. Better Educated Graduates: The ultimate objective of the project is to produce better educated graduates from the madrasah education system. All project interventions are aimed toward this end. Success of the project will be measured through improvement in national examination results and transition of graduates to higher levels of education.

104. Higher Quality Madrasah: The project supports infrastructure, material and human resource improvements identified by madrasah staff and communities as most necessary for raising the quality of the education provided in their madrasah. Through the madrasah development planning process madrasah managers, teachers, parents and community supporters prioritize madrasah quality improvement objectives and needs and monitor progress toward their attainment.
105. More Qualified Teachers: The project will provide upgrading for madrasah teachers that is designed to make them more effective in the classroom and provide the minimum certification they need to remain qualified teachers. Under-qualification and mismatch (teachers teaching subjects for which they have not been trained) are major problems in madrasah, especially private madrasah. The project’s focus upon content knowledge and certification will help overcome these problems.

106. Madrasah and Community Partnerships: Participation in the madrasah development process will bring madrasah staff, students and parents into a close working relationship to identify and prioritize madrasah improvement needs. They will become involved in madrasah based management that is more open and transparent. Madrasah communities tend to be more active than general school communities, but these new responsibilities are likely to strengthen the partnerships between madrasah and their communities.

107. International Standard Madrasah: GOI legislation calls for establishment of at least one school of superior quality (international standard) in every district to serve as a model for other schools. Typically these have been general senior secondary school and MONE is planning a new project to prepare additional senior secondary schools of superior quality. There are few madrasah of international standard and these tend to be well endowed private madrasah. The project will develop one MA in each of eight provinces to be a superior standard (international quality) madrasah.

108. Retrieval of Drop Outs: Over 90% of madrasah are private. Private madrasah tend to serve more rural and poor communities. Drop out rates within MI and MT are relatively low but many students do not transition from MI to MT. Many drop out and non-transition students do so due to financial constraints. The project will support retrieval programs to bring back into the madrasah education system students who have dropped out due to financial reasons. Scholarships will be provided with poor, female, and indigenous students the beneficiaries.

109. Expansion of Access: In certain areas, demand for madrasah education, especially at MT level, may exceed available capacity. Madrasah wishing to expand to meet this demand will be assisted by the project in an effort to support attainment of 9 year compulsory education and benefit students who want to attend madrasah but cannot find opening in their local area.

110. Management Reorientation: The project will provide programs for madrasah education managers that are designed to reorient them toward improved performance and attainment of tangible results. These performance-based planning and budgeting, and results-based management programs are designed to help madrasah managers become more service oriented and more focused on output rather than input.

9. PROJECT IMPACTS

9.1 Sub-Sector Impact

111. The MEDP has been designed to serve as a potential example for system-wide reform of madrasah education. It addresses many of the basic weakness in the madrasah system including under-qualified and mismatched teachers; lack of learning materials; dilapidated infrastructure; lack of libraries, laboratories and health rooms; and proper remediation for students. These problems are especially severe in private madrasah which make up the vast majority of the madrasah system, and the vast majority of the target madrasah included in the project.
112. The context in which these improvements will take place is madrasah based management which includes madrasah development and investment planning. This is a strategic reform called for in the MORA Master Plan for Madrasah Development. As these innovations are being introduced at the madrasah level, the MEDP will also provide programs to reorient madrasah managers at Kandep, Kanwil and central MORA levels to become service providers more interested in good performance and achieving results. Public-private partnerships will be strengthened through government support for private madrasah and training provided for foundation heads/Kiai. It is hoped that this model for intervention will produce synergies that lead to sustained improvement in madrasah education quality and advocacy for madrasah improvement.

9.2 Poverty Impact

113. The MEDP will be implemented in 45 districts among eight provinces representing different regions across Indonesia. Districts were selected for inclusion based upon a number of criteria including density of Islamic population and madrasah, enrollment rates, gender balance and poverty levels. An index was prepared and districts chosen based upon their index scores. The majority of districts are in the upper half of the index. Most of the districts are rural (40 of 45) Mean percentage below poverty level among the rural districts included in the project is 16% and mean percentage below near poverty (poverty level raised 25%) is 33% which is near the national means of 17.6% and 34.8% respectively.

114. The large majority (91.6%) of the madrasah included in the project are private. The private madrasah tend to be located in rural areas where the population is less educated and poor. The project is to provide an example of how to raise quality and accreditation levels of madrasah, and examination scores of their graduates. Poorer students and their families will be primary recipients of these benefits. In addition, poor, female, and indigenous children will be recipients of special program scholarships provided by the project to encourage them to return to madrasah if they have dropped out before completing 9 years of compulsory education.

9.3 Gender Impact

115. The special scholarship programs mentioned above will target female students for retrieval, but cultural constraints on older girls often prevent them from returning to school. The environment of madrasah, especially at MT and MA level, has a special attraction for female students as witnessed by the high female enrollment at these levels. However many girls, especially those who are married, are unable to attend. For these female students, a special scholarship Paket A and B program will be provided by the project. This will offer non-formal MI and MT level education in a more convenient time and setting.

116. The proportion of female to male teachers is low at all levels of madrasah education. The higher the level of education, the lower is the number of the female teachers. In 2004, there are 29.2% fewer female teachers in MT and 32% fewer in MA. There are a larger proportion of female teachers at the MI level. However, the number of the female teachers is still 5.8% lower than male teachers. The proportion of female madrasah principals (15.3% for MI, 8.7% for MT, and 7.8% for MA) and other managers is especially low. The project will give preference to female teachers in selection for S1 degree training and certification programs. This will help raise their income, status and

career potential. The project also will have a gender specialist assigned to the team that
will prepare a list of approved textbooks and learning support materials to help ensure
gender bias will be eliminated.

9.4 Institutional Impact

117. Introduction of madrasah based management will have a profound effect on
madrasah. As an institution they would become more open and participatory. Madrasah
communities tend to be supportive, but they would become much more involved in
decision making about what is best for the madrasah. Through the use of trust accounts
and block grant funding, madrasah and their communities would become more
responsible for accountability and openness in the use of funds.

118. Among madrasah education managers, introduction of performance-based
planning and budgeting and results based management will provide a test in the 43
districts and eight provinces of how effective these approaches can be in changing
perspectives of madrasah managers from an emphasis on governance and control to
support and service for the madrasah.

9.5 Environmental Impact

119. Environmental impact will be minimal. Most infrastructure work will be
rehabilitation rather than construction. Some new classrooms will be added, but they will
be on land already owned by the madrasah. Communities will be involved in decisions
about rehabilitation and construction and will monitor progress. This will help ensure
against ant negative environmental impact for infrastructure work.

10. SUSTAINABILITY

120. The MEDP aims to improve the quality of general education provided by the
madrasah through involvement of communities in madrasah based planning and
management, upgrading of teachers, improvement of facilities, and provision of learning
materials. Many madrasah, especially the poorer, private madrasah, may have difficulty
in sustaining these improvements. For example, they may have difficulty in finding
sufficient funding for increased salaries expected by upgraded teachers, and/or for
operations and maintenance costs for new facilities and equipment.

121. There are already a variety of funding sources available at local level that are not
currently accessed by many private madrasah. These include district level funding from
decentralized district allocations and the BOS. In some cases, madrasah especially the
smaller, poorer private madrasah run by local foundations or Kiai, may be unwilling to
access these resources or unfamiliar with how to do so. In other instances, some local
governments still believe that madrasah do not have access to decentralized funding
because they remain part of the centralized MORA system.

122. MEDP plans two interventions to counteract this threat to the sustainability of the
project. First an information and advocacy program will be implemented to inform
madrasah of the resources available to them from the local level. Assistance will be
provided to all madrasah requesting to help them apply for the available funds.
Secondly, local madrasah committees will be formed and a lobbying effort conducted to
encourage local officials to provide more support madrasah.
123. MORA has also made a commitment to provide additional block grant funding from its own budget resources beginning in 2007 to support project activities, especially teachers and operations and maintenance, targeting the private madrasah.

11. OVERALL ASSESSMENT OF PROJECT INVESTMENT

124. The project is designed to produce both private benefits for the graduates of the cluster madrasah and MA raised to international standards. It will also produce public benefits by bringing the quality of madrasah graduates up to the standard of general school graduates. The project is also an important step in implementing the unified educational system mandated under the National Education Law of 2003. The retrieval component will assist students from poverty families to complete their mandatory 9-year basic education program. It is recommended to approve the project as designed and continue processing.