



Completion Report

Project Number: 47013-001
Technical Assistance Number: 8358
August 2018

Indonesia: Minimum Service Standards Capacity Development Program

This document is being disclosed to the public in accordance with ADB's Public Communications Policy 2011.

Asian Development Bank

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

TA Number, Country, and Name:			Amount Approved: \$47,030,000	
TA 8358-INO: Minimum Service Standards Capacity Development Program			Revised Amount: Not Applicable	
Executing Agency: Directorate General of Basic and Secondary Education, Ministry of Education and Culture ¹		Source of Funding: European Union	Amount Undisbursed: \$15,701,166.88	Amount Utilized: \$31,328,833.12
TA Approval Date: 24 Apr 2013	TA Signing Date: 2 Jul 2013	Fielding of First Consultant: 2 Dec 2013	TA Completion Date Original: 31 Mar 2016	Actual: 4 Dec 2017
			Account Closing Date Original: 31 Mar 2016	Actual: 9 Aug 2018
<p>Description. Indonesia has achieved remarkable progress in implementing universal basic education with a net enrollment rate of 93.7% for children aged 7–12 years and 76.3% for aged 13–15 years. However, quality variations remain among regions due to uneven capacity and resources at the local government level. Basic education management has been decentralized to district government since 2001. The government introduced Minimum Service Standards Capacity Development Program (MSS) through the Minister of Education’s Decree No. 15 Year 2010 to reduce the gaps in quality and access of basic education. The MSS describes the minimum quality and quantity of education services that should be delivered by the district government to ensure that in every school at least the minimum conditions are provided for quality teaching and learning. The TA aimed to support the Government of Indonesia in MSS implementation. The TA was fully financed by the European Union (EU) for a total of €37.3 million, equivalent to \$47.03 million at the time of approval. The TA was part of the EU’s budget support program called the Education Sector Support Program II. The TA allocated \$27.739 million as grant to district governments for implementing capacity development programs, and \$19.291 million for supporting the programs through consulting services, studies, surveys, operational and administration costs, and contingencies. The TA targeted 110 districts to receive grants for the fiscal years 2015–2016. District selection was based on the fiscal capacity index and enrolment rate, in addition to the geographical distribution to represent the western and eastern Indonesia. Of the 110 selected, 108 districts committed to participate and signed the on-granting agreements. Two nominated districts declined due to internal management issues. The 108 districts represent 20% of the total districts in Indonesia.</p> <p>Expected Impact, Outcome, and Outputs. The expected impact was a strengthened education system that contributes to the implementation of Indonesia’s medium-term development policies for poverty reduction, leading to improved regional and global economic competitiveness. The expected outcome was reduced regional disparities in the provision of basic education services. The outputs were: (i) improved district education administration and school management capacity to achieve the MSS; (ii) enhanced awareness of the public and education services decision-makers on the education MSS; and (iii) effective MSS integration into related education sector functions and policies.</p> <p>Delivery of Inputs and Conduct of Activities. The TA deployed four international consultants with a total of 72 person-months and 85 national consultants with a total of 2,565 person-months. The consultants were engaged through six firms and four individual contracts. A project implementation unit (PIU) staffed with officials from Ministry of Education and Culture (MOEC) managed the TA. The PIU was supported by the operation management team firm consisting of two international and six national consultants. The PIU coordinated consultants from an advocacy firm and from four district advisory teams (DATs), each recruited as a firm. The operation management team assisted the PIU in reviewing proposals and financial reports from the districts, and in reporting to the technical oversight group. This group consisted of senior officers from MOEC, Ministry of Planning, Ministry of Home Affairs, Ministry of Religious Affairs, and Accreditation Board. The advocacy firm implemented public awareness campaign through television shows and commercials, radio talks, editorial opinion in printed media, miniseries of video published on social media, and exhibitions. The DATs assisted districts in implementing the grant-funded activities to include training, workshops, surveys, focus group discussions, and developing MSS roadmaps. The four DATs consisted of 72 advisors serving 108 districts within four regions: (i) 22 consultants served 37 districts in Region I (Sumatra and Kalimantan island); (ii) 20 consultants served 37 districts in Region II (Java, West Nusa Tenggara and East Nusa Tenggara); (iii) 15 consultants served 19 districts in Region III (Sulawesi and Maluku); and (iv) 15 consultants served 15 districts in Region IV (Papua and Papua Barat). In the TA design, a pair of education expert and finance expert would serve a cluster of 3–4 adjacent districts. This arrangement was changed during the</p>				

¹ Originally the executing agency was the Directorate General of Basic Education. It was changed to Directorate General of Basic and Secondary Education in 2015.

implementation due to transportation constraints in many districts in Maluku and Papua. Therefore, in some regions one consultant served one district for the whole program duration.

The government allocated to each district IDR2.5 billion (equivalent to \$190,000) for the fiscal year 2015–2016, with the total allocation of IDR270.0 billion (equivalent to \$21.4 million) for 108 districts. The grants were disbursed through a special account that the government established and managed specifically for this TA. Grant disbursement followed the Ministry of Finance Regulation No. 188/2012 where the districts requested payments (reimbursements) based on the actual expenditures. The districts submitted payment requests to the PIU at MOEC. The PIU verified the payment requests and endorsed them for Ministry of Finance's approval. The funds were transferred directly from the special account to the district account. At the government request the TA was extended from 31 March 2016 to 4 December 2017. The reasons for TA extension were (i) delay in TA activities, which commenced 6 months after it was declared effective as signing of the contribution agreement between ADB and EU was delayed until October 2013; and (ii) the slow progress in grant disbursement during the first year due to the lack of capacity and experiences as a new method was used. Low disbursement of the grant managed by the government was the result of (i) Euro appreciated (about 22%) against IDR during 2015–2017; (ii) the government awarded the district grant in IDR but set a cap at about 83% of the total allocation to manage possible exchange rate fluctuation; and (iii) frequent delays in the annual district budget approval hindered the optimum implementation of the capacity building activities. Utilization of the non-grant component was low, since some consulting firms were cautious in implementing workshops and studies as these activities were considered as too complicated and risky. Besides, as the funds were kept in Euro and the contracts issued in US dollars ADB kept as per its policy 15% of the funds as a buffer to manage possible exchange rate fluctuation.

Performance of four individual consultants was rated *satisfactory*. Performance of four firms was satisfactory. Performance of two firms was *generally satisfactory* due to high personnel turn-over and lack of responsiveness to the clients. Performance of the district governments was mixed, with 67 districts *highly satisfactory*, 36 districts *satisfactory*, and 5 districts *less than satisfactory*. These five districts were excluded from the program in 2017. The executing agency, Directorate General of Basic and Secondary Education, was responsive to the districts and other stakeholders including the donors. ADB was responsive to the needs of the government, donor and consultants. No formal review missions were conducted, but ADB reported the TA progress to the key government officers every six months. The Supreme Auditor audited the annual project financial report at the central and selected sample districts. The financial reports were rated unqualified with some minor findings. ADB reviewed the audit report and advised the Directorate General of Basic and Secondary Education to rectify the weaknesses. Overall performance of the executing agency and ADB was *satisfactory*.

Evaluation of Outputs and Achievement of Outcome. At TA completion, most of the targeted outputs were achieved. Under output 1, the TA (i) completed MSS census in over 45,000 primary and junior secondary schools in 108 districts, (ii) completed the roadmaps in 100 districts, and (iii) conducted capacity building for over 204,000 education personnel (34.6% female) consisting of school principals, supervisors, district officers and school committees. Over 80% of the schools in the 108 districts were trained in preparing school planning and budgeting to meet the MSS gap. A total of 259 regional resource persons were trained in the MSS modules to become cadre in the districts to advocate the MSS during and after the program. The roadmap guided the districts in developing annual plans and budgets to meet the MSS gaps. Out of 100 districts that had completed the MSS roadmaps, 66 districts have integrated the roadmaps into the district annual work plans and district mid-term development plans, and earmarked budget in the coming 3-4 fiscal years plan. The remaining districts needed more time to integrate the roadmaps due to various factors such as local election and internal discussion among stakeholders.

Under output 2, the TA (i) established a website that links MOEC's online and MSS district reporting, (ii) published 3,000 MSS handbooks and 26,000 brochures for stakeholders at the national and district level, (iii) published a quarterly electronic newsletter, *RINGKAS*, that reached a mailing-list of around 470 stakeholders, (iv) conducted 13 radio and television talk shows, published television commercials, produced 17 episodes of mini movies named, *MURID5*, that was broadcasted through YouTube, (v) conducted campaign through Facebook and Twitter, and (vi) convened media brownbag to discuss MSS. Overall, the MSS Facebook page had received 26,452 likes, the *MURID5* miniseries received over 205,000 views, the Twitter followers reached 384. The program generated more than 700 articles in both online and printed media at national and local levels. Public awareness on MSS improved from 9% during the baseline to its peak at 27% during the midterm, but declined to 15% after program completion, since no more advertisement was posted toward the program completion.

Under output 3, the TA successfully integrated MSS funding with the regular budget support for schools provided by the government named BOS to enable schools to use the BOS funds to finance six MSS sub-indicators. However, integration of MSS into the school accreditation was not achieved as it requires amendment of laws and regulations that cannot be completed during the TA implementation period.

The TA outcome on reducing regional disparities shows significant progress as shown by an increase in percentage of schools achieving MSS indicators, where 72% out of 10,323 sample schools improved its achievements in at least one MSS indicator, and 34 of 57 MSS sub-indicators (68%) improved as compared to the 2014 baseline. However, the target of 75% of MSS indicators increased in at least 50% of the project districts was not achieved. The target was too ambitious and was set before the baseline was established in 2014, which measured that only 11% of the districts met 75% MSS indicators. The target could not be changed as it was aligned with the EU's overall budget support program. In addition, the MSS indicators were measured using "pass or fail" approach, where a school would fail the indicator entirely if it missed one item and every indicator needed to be achieved by all schools in the district. Therefore, this indicator did not properly reflect the improvements at the school level. A different indicator should have been chosen or added. The second outcome indicator on sufficient budget and resources are provided to achieve MSS gaps in the district budget was achieved in at least 66 districts. It is important to note that the program has triggered 29 districts outside the project areas to adopt the MSS approach using their own resources.

Overall Assessment and Rating. The TA is rated *less than relevant*. The independent final evaluation commissioned by the EU² the design was responsive to the target groups' needs—district officials and education workers and ultimately school children in basic education. However, the TA outcome indicators should have been designed differently to more adequately capture the MSS achievements. The TA was *effective* as the development of a roadmap enabled 100 districts to identify education quality issues which lead to improving districts' capacity in analyzing the current education status, identifying policy options, analyzing budget implications, and in formulating policies, priorities and programs for a specified period in line with their fiscal capacity. In addition, MSS achievement improved in 72% of the schools. The program was *efficient* as it implemented all activities and achieved most outputs within the budget. Introducing the innovative fund flow mechanism—districts getting reimbursed for project expenditures through the government system—took more time than expected. The TA extension gave additional time to the districts with less capacity to achieve more results. The TA is *likely sustainable* as MSS has been integrated into the district planning documents and supported with the issuance of the local regulations and supported by the government regulation No. 2/2018 enacted in January 2018. The TA gave experiences on how to manage grants using "on-budget-on-treasury" approach. Overall, the TA is rated *successful*.

Major Lessons. The TA was complex as it included grant component which was managed by the government and it served more than 100 districts with diverse capacity and commitment. Many of them located in the remote areas with limited access to transportation and communication. The amount of grant per district could have been more diversified to take local circumstances, such as different needs for transportation costs, into account. In selecting the participating districts, a competitive selection mechanism could have been considered to allow the districts with stronger commitments to get funds under the program. To gain a real picture of MSS achievement in each school, measuring MSS indicators using a weighted score could be adopted vis a vis the currently "pass or fail" approach. In addition, targets should have been reconsidered once the baseline was established. A final lesson is that large TA programs should be administered in the same currency as the contracts to minimize exchange rate risks and maximize the fund utilization.

Recommendations and Follow-Up Actions. The education MSS needs to be aligned with the recent law No. 23/2014 on Regional Government and Regulation No. 2/2018 on MSS. MOEC has established a task force to reformulate MSS indicators to align with the new regulations. It is important that the government continues the dialogue which was initiated by the TA to come to a consensus on the MSS indicators that are simpler but more meaningful to trigger improvements of basic education quality and equity. ADB should consider documenting the rich experiences from the program in form of knowledge products.

TA = technical assistance.

Prepared by: Sutarum Wiryono/Rudi Van Dael

Designation and Division: Senior Project Officer (Education),
IRM/Senior Social Sector Specialist, SEHS

² European Union. 2018. *Final Evaluation of Education Sector Support Program (ESSP), Analytical Capacity and Development Partnerships (ACDP) Program and Minimum Service Standards Capacity Development Program (MSS-CDP)*. Consultant's report. Brussels.