

**EDUCATION SECTOR ANALYTICAL AND CAPACITY DEVELOPMENT PARTNERSHIP
(ACDP - 006)**

**FREE BASIC EDUCATION
STRATEGY DEVELOPMENT**

**ANALYSIS OF SCHOOL
OPERATIONAL FUNDS (BOS)**

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EDUCATION SECTOR ANALYTICAL AND CAPACITY DEVELOPMENT PARTNERSHIP (ACDP):

The Government of Indonesia (represented by the Ministry of Education and Culture, the Ministry of Religious Affairs and the Ministry of National Development Planning/*BAPPENAS*), the Australian Agency for International Development (AusAID), the European Union (EU) and the Asian Development Bank (ADB) have established the Analytical and Capacity Development Partnership (ACDP) as a facility to promote policy dialogue and institutional and organizational reform of the education sector to underpin policy implementation and help reduce disparities in provincial and district education performance. The facility is an integral part of the Education Sector Support Program (ESSP) which consists of EU sector budget support with agreed arrangements for results-led grant disbursement, and earmarked policy and program-led AusAID sector development grant support consisting of a school infrastructure program, a nationwide district and school management development program and a program to accelerate the GOI's accreditation of private Islamic schools. This report has been prepared with grant support provided by AusAID and the EU through ACDP.

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LIST OF ABBREVIATIONS

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ACDP	Analytical and Capacity Development Partnership
ADB	Asian Development Bank
AusAID	Australian Agency for International Development
Bappeda	Badan Perencanaan Pembangunan Daerah (Regional Agency for Development Planning)
Bappenas	Badan Perencanaan Pembangunan Nasional (National Agency for Development Planning)
BOS	Bantuan Operasional Sekolah (School Operations Funds)
BSM	Bantuan Siswa Miskin (Scholarships for Poor Students)
EMIS	Education Management Information System
FBE	Free Basic Education
FGD	Focus Group Discussion
Gol	Government of Indonesia
HLTWG	High Level Technical Working Group
MI	Madrasah Ibtidaiyah (Primary Madrasah)
MoEC	Ministry of Education and Culture
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MoRA	Ministry of Religious Affairs
MSS	Minimum Service Standards
MTs	Madrasah Tsanawiyah (Junior Secondary Madrasah)
NES	National Education Standard
SD	Sekolah Dasar (Primary School)
SMP	Sekolah Menengah Pertama (Junior Secondary School)
SNP	Standar Nasional Pendidikan (National Education Standards)
SUSENAS	Survei Sosial Ekonomi Nasional (National Socio-Economic Survey)
TNP2K	National Team for Accelerating Measures for Countering Poverty
ToR	Terms of Reference

MAIN TEXT

1. Background and History of BOS Funds

Bantuan Operasional Sekolah (BOS), or School Operational Fund was introduced in 2005 as a program through which the Government of Indonesia, having legislated compulsory basic education, offered support to schools and madrasahs offering basic education programs. The program's specific focus has been on funds for schools'/madrasahs' operational non-personnel budgets. The program's introduction in 2005 was a result of the government's decision not to increase the country's fuel subsidy, but to direct the money saved in this way to programs which were more likely to help poorer sections of the community.

BOS fits into the broad structure of education funding in Indonesia, which consists of the following elements:

- personnel funding to pay for salaries of teachers and school/madrasah support staff;
- minor investment funds for items such as school books, teaching aids and some equipment such as computers or generators;
- funds for major repairs of facilities and equipment;
- major capital investment; and
- operational non-personnel funds for goods and services needed by schools/madrasahs to deliver the educational program, including maintenance of facilities and equipment.

For 2005 and 2006, there was a joint system for administration of the BOS program for both schools and madrasahs, but since 2007 this has been divided, with schools and madrasahs having separate administration systems.

In all the years during which BOS funding has been provided, the payments have been made on the basis of student enrolment numbers. The amounts have varied over the years, as per below.

Table 1. BOS funding by years

Year	School/Madrasah Level	Amount (Rp)
2005-6	Primary	235,000
	Junior Secondary	324,000
2007-8	Primary	254,000
	Junior Secondary	354,000
2009-2011	Urban Primary	400,000
	Rural Primary	397,000
	Urban Junior Sec	575,000
	Rural Junior Sec	570,000
2012	Primary	580,000
	Junior Secondary	710,000

In the 2006/2007 school year, a supplementary program, BOS Buku (BOS for books) was implemented to improve the rather poor ratio of books per student then prevailing in basic education. The allocation was a little under Rp 30,000 per student.

2. Objectives of the BOS program

BOS is broadly designed to support the program of Nine Years Compulsory Education and the achievement of the quality of basic education which is required.

From its introduction, a key objective of the BOS program was the broadening of access to basic education. From 2009 onwards, the program's objectives expanded to include raising the quality of basic education. This is seen in both the Technical Guidelines for Use of BOS funds (Juknis Penggunaan) and the Technical Guidelines for Implementation of BOS funds (Juknis Pelaksanaan¹). For example, the Juknis BOS 2012 for both government and private madrasahs states indicated that since 2009, the direction of the program has been focused on "making a big contribution to raising the quality of basic education".

The introduction of BOS also relates closely to Free Basic Education (FBE) policy and Pro-Poor programs. The 2007 Juknis BOS for both schools and madrasahs instructs that with the exception of International Standard schools, all students in government primary and junior secondary schools and madrasahs should not be charged fees. In relation to International Standard schools, the Juknis states that the schools should bear in mind that education is a non-profit activity and that their fees should not be onerous for parents. The Juknis also advises that the provision of BOS funds is intended to reduce the contributions which parents are required to make to the operational cost of private schools. A special focus is placed on the difficulties faced by the poorest part of Indonesia's population, with schools and madrasahs being requested not to raise fees from poor students. Point 2 of the Juknis explicitly states:

Free all poor students from any type of fees, both in government and private schools.

Although the rules of the BOS program restrict schools' ability to levy fees, particularly from poorer parents, this does not contradict the principles of School Based Management (SBM). BOS regulations still allow parental contributions on a voluntary basis for the purpose of raising the quality of education. The Juknis specifies that such contributions can be made by families which have the capacity to make them, but they must be genuinely voluntary, non-binding on the parents, and must not be specified by the schools in terms of either sums to be provided or the time of payment. Anyone choosing not to make a contribution must not suffer any discrimination.

Although raising the quality of education was already specified as an objective of the BOS program in 2009, it was not until 2011 that advice was provided as to what is meant by quality. This advice came in the form of BOS training modules delivered that year. The training focused on requiring schools/madrasahs to base both their four-year plans (RKS for schools and RKM for madrasahs) and their annual plans (RKAS for schools and RKAM for madrasahs) on the results of the process of School/Madrasah Self Evaluation. This self-evaluation process requires schools/madrasahs to compare their existing situation with the criteria of either Minimum Service Standards (MSS) or the National Education Standard (NES). Where a gap is found to exist - and a gap does invariably exist - the program and costings to bridge the gap should be included in the planning process. The planning format which schools and madrasahs are required to use does not, however, accommodate the results of the gap analysis.

¹ Juknis Penggunaan Dana BOS 2012, Attachment to Ministerial Regulation No 51/2011, Chapter 1, Introduction: "...commencing in 2009, the government changes the objective, approach and orientation of the BOS program, from broadening access to raising of quality".

The implication of the name BOS (School Operational Funds) is that the funds are provided for the costs incurred in operating schools. BOS funds are explicitly allowed to be used for 13 categories of payments, and forbidden for others².

Table 2. 13 permitted cost components of BOS funds

1. Purchase and photocopying of text books
2. Activities related to enrolment of new students
3. Learning and extracurricular activities
4. Tests and examinations
5. Purchase of consumables
6. Utilities and other essential goods and services
7. Minor repairs
8. Honorarium payments to non-permanent teachers and school support staff
9. Teacher professional development
10. Support for students affected by poverty
11. Costs of administering BOS funds
12. Purchase of computers
13. Media equipment, only if items 1-12 are already adequately serviced.

The full list of items allowed and forbidden to be paid for by BOS funds, with explanations, is provided as Appendix 1.

In some accounting systems, operational costs can include the categories of both personnel and non-personnel items. But BOS regulations clearly state that the funds are provided only for categories of expenditure classed as non-personnel³:

*Non-personnel funds are funds for consumables, power, water, telecommunications, minor repairs, overtime, transport, consumption, tax, insurance, etc.*⁴

Despite this, several kinds of payment belonging to the category of investment and personnel are allowed under BOS rules⁵. There is no formal explanation as to why payments for items in these categories are chosen to be allowed.

3. Planning and reporting - formats and issues

An examination of the 13 components permitted to be funded shows that they are not always defined in a way which reflects BOS's objective of raising the quality of education. They merely describe some areas of activities and types of expenditure for which the funds can be used. Where the concern for quality is seen more clearly is in forms BOS-K1, and BOS-K7 used by schools/madrasahs to report planning and implementation based on their own annual programs. These documents demonstrate how the results of self-evaluation are translated into plans and actions designed to bridge the gap between the current position of the educational institutions and the quality standard as defined by either MSS or NES. This documentation format also allows the recording of judgement as to how effectively the

² Juknis BOS pp 17 - 22

³ Petunjuk Teknis Penggunaan Dana BOS 2012/Juknis BOS (lampiran Permendikbud No. 51 Tahun 2011: "BOS is a government program primarily aimed at the provision of operational non-personnel funds to basic education institutions as implementers of the compulsory education program"

⁴ PP No. 48/ 2008 and Permendiknas No 69 /2009

⁵ Juknis BOS 2012 op.cit

program to bridge the gap is being implemented. The gap analysis itself and school and madrasah targets to bridge the gap are not required by BOS Juknis⁶.

Using this format of planning and reporting means that schools/madrasahs still have the additional, previously-existing requirement of reporting their expenditure by the 13 cost components of BOS - such as honorariums, consumables and services - but this reporting can be done in a simple format. Since its primary purpose is informing key local stakeholders, it can be done in a format suitable for display on a notice-board. Schools/madrasahs may also choose to display a report on expenditure in this simplified format, though they are not required to do so.

It should be noted that the cost components of BOS funding, as listed, are not of a uniform kind. Some are types of activities, while other are payments for types of goods or services. The activities which are specified do not cover all the activities which could need to be undertaken to achieve either MSS or NES. They also do not cover all possible activities which are to be found in school/madrasah planning and budgeting documents. This adds considerable complexity to the required book-keeping, accounting and reporting at school/madrasah level, effectively establishing two accountability systems which are at least partially disconnected.

The reporting on school/madrasah programs required in BOS K-1 (column 7) and BOS K-7 (column 3) raise some additional issues. The programs to be listed in these columns are no longer required⁷ to be in the form of the eight National Education Standards (NES), but Standard 8, the funding standard, is not yet regulated by the Minister of Education. Only operational non-personnel funding is so regulated, listing items which fit into this category and identifying total funding for providers of basic education based on assumptions about the number of classes in each school/madrasah and the number of students per class⁸. Amounts of funding per activity or per funding category are not specified. No activities are identified as obligatory to fulfilling the requirements of MSS and there is considerable overlap in the activities specified under the various Standards, causing additional difficulties for schools/madrasahs in their planning and budgeting processes since formats of those documents require listing per activity. The decision of to not use the standards for formulating BOS-K1 and BOS – K7 has many advantages.

It is evident that this complexity and lack of consistency in the planning and reporting formats required of schools/madrasahs make it very difficult for principals to manage those tasks well. This difficulty is especially noted at the primary level, where many principals do not have a deputy principal or an office administrator. In some schools/madrasahs, principals try to overcome this difficulty by delegating some of the budgeting and reporting functions to their most able teachers, with undesirable consequences for the teaching/learning program. The delegated functions are time-consuming and often result in the teacher reducing their teaching load, with the class tasks then being picked up by another staff member who is often not as capable as the person they replace.

4. Alternatives for overcoming planning/reporting difficulties

Several alternatives are available for overcoming the difficulties associated with planning and reporting processes and formats.

⁶ This is mentioned in BOS Training Module 2, but dropped after RKS and RKAS/BOS-K1 format is produced

⁷ The use of NES standards was required by Juknis 2011 and by the BOS Module 2

⁸ Lampiran Permendiknas No 69/2009 p 1

1. Planning for and reporting on each standard to include itemisation of activities. It should be noted that this is already the requirement, but indications are that the instructions are often not complied with by most schools/madrasahs.
2. Planning for and reporting on each standard but without itemisation of activities. Although this approach has not previously been used in school/madrasah long-term and annual planning documents, it should not cause difficulties for principals, being a relatively simple exercise. It is less complex than alternative 1, above.
3. By the 13 components of BOS:
 - a. Separately from plans to achieve required quality standard, either MSS or NES. No budgeting per activity. Previously done without difficulties, but the cost components should be revised to exclude all “activities” from the cost components⁹
 - b. Planning for each standard to include itemisation of activities and cost components, budgeting of and reporting on cost components (type of expenditures)
 - c. Separate from planning for achievement of standard. Includes activities but not budgets. The budget can be presented separately, arranged by type of expenditure or by BOS cost component. Previously done without difficulties.
 - d. The BOS components are included as part of the plan for achievement of standard. This has not been done previously in this integrated way, and would present some difficulties.

It would appear that the best option may be one similar to option 3.c, if a free simple software (for example ACDP 006 Template) is provided to schools and madrasahs¹⁰. Otherwise option 2 would be the best¹¹. It would involve the production of two separate planning and reporting instruments, but it would help to provide a comprehensive planning process for the schools/madrasahs, as well as providing the system with information which it does not currently have.

5. BOS allocation at national level

Until 2012, the size of the national BOS budget was not based on school/madrasah needs, but primarily on the government's financial capacity. A report of DBE1/USAID¹² documents the process which was used, as follows. An initial empirical study was undertaken by BALITBANG between 2002 and 2004. Subsequently discussions took place between the Ministry of National Education (MoNE), the Ministry of Finance (MoF) and the national parliament. Initial costings done by MoNE were forwarded to DoF and parliament, with parliament being the final decider of the size of the total BOS budget for 2005. MoNE then divided the total budget on the basis of their estimation of total student numbers in basic education. MoNE reported that the components of the per-student allocation followed were based on a funding proposal provided to MoNE in 2001. This proposal had funding divided into two categories: recurrent operational funding and investment/capital/development funding. Only the first category applied to BOS. Operational funds are divided into two categories: personnel and non-personnel, and BOS was directed to paying only the non-personnel items.

As a rule, operational non-personnel funds do not include items related to payment of personnel or to the provision of minor investment. It appears that because of the limitation of its budgetary capacity, the Indonesian government decided to include some personnel and investment expenditure in the BOS program. Some of the items classified as minor investment in the Indonesian education system are

⁹ The cost components became pure cost components or type of expenditures

¹⁰ For schools and madrasahs which have access to electricity and computers

¹¹ For schools and madrasahs which do not have access to electricity and/or computers

¹² Appendix 2, 2 BOS and Funds Related to Compensation for Fuel Subsidy, pp 97

classified as recurrent operational funds in other education system. This includes books and teaching aids. But other items, like generators which are allowed to be bought with BOS funds, would tend to be classified as capital investment by most other systems.

The cost structure of educational expenditure varies considerably in Indonesia. For example, many items which need to be purchased are much more expensive in Papua than they are in Jawa. To date, Indonesian government has not chosen to apply an Education Funding Index based on regional cost to the calculations of BOS allocations, but the National Education Standard Board (BSNP) is working on a draft on this instrument.

6. BOS allocations to schools/madrasahs

BOS funds are allocated on a per-student-enrolment basis, with the total school/madrasah budget based on the number of their enrolments. There are a number of reasons for this choice. The policy is very simple and easy to understand not only within the education system, but in the community as a whole, where "every student gets the same" has immediate appeal as a symbol of fairness. Moreover, a large part of operational non-personnel costs bear a direct relationship to student numbers, including items such as consumables and teaching aids. But there are ways in which the per-student allocation falls short of fairness. For example, the 2012 allocation is based on BSNP calculation of the operational non-personnel cost using a presumption that primary schools/madrasahs have six classes with an average of 28 students per class. Junior secondary facilities are assumed to have 6 classes with an average of 32 students per class. The basis of this presumption is an instruction from Badan Standar Nasional Pendidikan (BSNP or National Education Standard Board) which sets those numbers as the basis for determining per-student cost. The result is that schools/madrasahs which have more classes and students tend to be advantaged by the formula, and those with fewer tend to be disadvantaged to the point where they may find difficulties in meeting their basic costs. A detailed examination of this issue is provided below.

7. Distribution of BOS funds

BOS funds are distributed to both government and private primary and junior primary schools in the form of a block grant¹³. For 2012, the mechanism involves a transfer from national to provincial treasury, from where the funds are transferred directly to school accounts in the form of a block grant¹⁴. This mechanism is directed by regulation of the Minister of Home Affairs¹⁵ which states that BOS funds form a part of the budget provided to the province by central government, that they are provided as a block grant and that they are intended for basic education institutions.

BOS funds for private primary and junior secondary madrasahs are also provided in the form of a block grant. Unlike in schools, where the use of the funds is regulated by the Ministry of Finance (MoF), the Ministry of Education and Culture (MOEC) and the Ministry of Home Affairs (MoHA), madrasahs' use of the funds is regulated only by the MoF and the Director General of Islamic Education. The funds are transferred from central government to provincial offices of MoRA using a DIPA process, which requires the precise formulation of budget by specific item of expenditure. From the local MoRA office the funds are then transferred to private madrasahs in the form of a block grant. The transfer arrangement for schools, however, resulted in a reduction of some provinces' budget allocation to education. The decentralised BOS funds are automatically included in the province budget (APBD), and consequently

¹³ PMK 07 I/2011 Article 4 sub-article 1:

¹⁴ Except for government madrasah

¹⁵ (No.62/2011 Article 5 sub-article 1)

some provincial governments include them in their 20% allocation to education. If BOS funds cannot be provided as deconcentrated funds so they cannot be counted in provincial APBD, another strategy should be devised to make sure that they cannot be counted in this way. Government primary and junior primary madrasahs do not receive BOS funds in the form of a block grant, but via the DIPA process regulated by the Director General of Treasury. This process is both more complex and more rigid, but the potential difficulties of the system are overcome to some degree by the fact that it has been used without change since 2005, and that the departments involved and the government madrasahs are very familiar with its operations.

8. Disbursement/Receipt of BOS funds

Schools receive BOS funds every three months, except for remote schools, which get their grant on a semester basis. This is not seen as problematic, because for many remote schools the travel required to pick up the funds requires days, disrupting the operations of the schools.

Private madrasahs follow the same quarterly system of funding, but government madrasahs receive BOS funds on a less regular basis, based on their needs and the provisions of the DIPA process. This system is not seen as being problematic, giving the madrasahs flexibility to get the funds according to needs.

9. Documentation used in the BOS program

BOS K-1, BOS K-2 which direct the form of the School Budget Work Plan (RKAS) all detail the planned use of school funds, listing them under each of the school's programs. Their content is essentially the same, resulting from an analysis which shows the gap between the school's present situation and the achievement of MSS or NES. The program is the school's program for achievement of MSS or NES. The forms cover only schools, not madrasahs.

BOS 03, on the other hand, require a detailed report on the planned use of funds, arranged in accordance with the 13 components of BOS. At this time, guidelines for how to translate RKAS and its madrasah equivalent, the RKAM, into the BOS 03 format have not been provided. This is causing some confusion, since there are some activities which are necessary for the achievement of MSS or NES, which are included under the planned programs of schools/madrasahs and which are not forbidden under BOS rules, but which do not relate to the 13 BOS components.

10. Accountability

Accountability for the use of BOS funds covers a range of reports and other documents. These are specified in the Juknis Sekolah, Juklak Madrasah Negeri and Juklak Madrasah Swasta. The documents, book-keeping books and book-keeping regulations are the same for all institutions delivering basic education whether they be schools or madrasahs, government or private. The key forms to be used are BOS K-3, BOS K-4, BOS K-5 and BOS K-6. The book-keeping required is also uniform, as specified in the BOS Training Module. There is a minor difference in the nature of accountancy codes which are used by schools, government and private madrasahs. Overall, the book-keeping processes are well understood by schools and madrasahs.

11. Monitoring and supervision in the school system

At the national level, the Central BOS Team oversees the work of the Provincial BOS Management Teams and of the Local Financial Management Teams. Areas of activity covered include disbursement

of the funds, both at the time and following the delivery of funds. Checks are made to compare the school's request for funds, based on student numbers, and the subsequent reporting of expenditure (form BOS K-11). The effectiveness of the Provincial BOS Management Team is assessed.

At the provincial level, the BOS Management Teams oversee the work of the BOS Management Teams located in districts/cities, as well as having general responsibilities for overseeing the use of funds by schools. There is some responsibility towards parents and students who are the ultimate beneficiaries of BOS funding, and for overseeing the institutions involved in the distribution of BOS funds. Form BOS K-9 is used for recording the distribution of BOS funds, and BOS K-10 for use of funds by schools according to school program.

At the district/city level, BOS Management Team oversee the distribution of BOS funds to schools, the receipt of the funds (BOS K-7) and the use of the funds by schools, according to school program (BOS K-8).

At the school level, the focus of supervision is functional auditing by either the Inspectorate General or Local Government Inspectorate. There is also a focus on external auditing. The local government authorities can request detailed accounting from schools, but this usually consists only of a listing of receipts by date of transaction, and attached original receipts.

It is important to note that there is no monitoring or supervision in relation to achievement of standard, as no accountability reports have to be produced by schools/madrasahs to report the results of their effort to achieve the standard (MSS/SNP).

12. Evaluation of monitoring and supervision in school system

This monitoring is focused on the actual distribution of BOS funds to school/madrasahs, especially on the proportion of funds received by a given date and the timing of funds actually received by them, and not on the results of the actual activities related to achievement of standards. Monitoring of the distribution of BOS funds is now quite effective, with the distribution for the first quarter being managed efficiently, and known to have been delivered at the latest by 15 January 2012. But monitoring of the use of BOS funds is not yet well done. Neither the achievement of MSS, nor expenditure per component of BOS funds is yet effectively monitored at district, provincial or national level.

Auditing is not yet well coordinated between functional and external supervision undertaken by BPKP and BPK (*Badan Pemeriksa Keuangan/Supreme Audit Office*) respectively. There is considerable duplication of function. The supervision which should be undertaken by the district BOS Team or the District Audit Office before audits are conducted by BPKP/BPK/District Auditors is not undertaken in practice. The list of receipts and the actual receipts sent to district offices are far in excess of what the small district teams can deal with, and the result is that the documents are just left in growing piles which sometimes require the provision of new rooms to accommodate them. School communities gain no benefit from the monitoring process, which does not ensure better accountability for the expenditure of funds provided to the schools, and only encumbers schools with demands which consume both time and money. Many district BOS teams say they go through the motions of monitoring only because this is required by Ministerial regulation and because policy requires them to have done their work before an external audit can take place.

It is also important to note that on the whole, the staffing of district BOS teams is inadequate to the task they are required to perform.

13. Monitoring for madrasahs

Government and private madrasahs also have detailed instructions for reporting their use of funds, including reports for all sources of funding and provision of evidence for each purchase. They are also required to archive their documentation for possible subsequent audits.

At the national level, the monitoring concentrates on program implementation and on investigating cases involving complaints or fraud. The focus is on the performance of provincial BOS Management Teams and the Local Financial Management Teams. Distribution and receipt of the funds is monitored, with matching between numbers of madrasahs and students (BOS-03A) and the funds distributed (BOS K-05A). Monitoring of the use of funds takes into consideration only allocation, total use, and remaining funds per province (BOS-05A), with the capacity to deal with government and private madrasahs separately. But there is no monitoring of the use of funds by programs, components of BOS or by achievement of MSS.

At the provincial level, the BOS Teams focus on the work of the district BOS Management Teams, on the madrasahs and students/parents supported by BOS funds, and on the work of the Local Financial Management Team. The distribution of funds is checked against the number of madrasahs and students (BOS-03B). As is the case at the national level, there is no monitoring of the use of funds by programs, components of BOS or by achievement of MSS.

The monitoring role of the district BOS Management Team is very similar, but focusing only on the madrasah level. The team can also call on madrasah Supervisors to be involved in the monitoring. As per above, there is no monitoring of the use of funds by programs, components of BOS or by achievement of MSS.

14. Madrasah supervision

The close supervision of the use of BOS funds by madrasahs is the task of the local offices of MoRA, but there are no specific guidelines as to the focus of this work. Functional supervision of government madrasahs is conducted through auditing undertaken by MoRA's Inspectorate General and BPKP. BPKP provides external supervision through an auditing process for both government and private madrasahs.

15. Evaluation of monitoring and supervision in madrasah system

Monitoring of the distribution of BOS funds is generally done well enough, with the agencies and officers involved very familiar with the system which has operated for a number of years. But monitoring of BOS funds leaves much to be improved, with three key elements not being effectively monitored. The elements are the school/madrasah programs, progress towards achievement of MSS or NES and the use of BOS funds per BOS component. None of the three are effectively monitored at central, provincial or district level. This means that nowhere in the system can a consolidated report on these elements be produced.

There is a need to improve monitoring the performance of BOS teams at both district and provincial level. The provision of additional guidelines for carrying out their work would be helpful, including advice on how to improve performance where it is not yet at a required standard. But even with improved support in terms of policy and guidelines, it is difficult to see how district BOS Management Teams can

perform their roles satisfactorily unless they are better resourced. Additional staff or re-distribution of staff is likely to be needed in district MoRA offices.

It is also not clear whether the agencies responsible for external auditing of school/madrasah expenditure have the necessary resources to undertake the task effectively. Data on percentage of schools/madrasahs audited in a given year is not available, so a comparison with international good practice cannot be made at this stage. What is clear is that co-ordination of the auditing functions between the functional and external agencies, and between the external agencies, needs to improve to ensure that duplication is avoided.

Additional guidelines are needed for safeguarding funds management at the provincial level including forms and tables to be used.

16. Role of BOS in Free Basic Education (FBE)

Basic education covers the first nine years of schooling. It is delivered by both government and private schools and madrasahs. Because this level of education is compulsory for all Indonesian citizens, the government is obliged to provide it without the users, and especially those who come from poor families, having to pay for it. The objective is for all children to finish the first six years of primary education, and then to finish successfully the three years of junior secondary education. The standard of education which the government aims to deliver is the National Education Standard (NES) which is set at a very high level. Consequently, a lower level of education quality, the Minimum Service Standard (MSS) has been established as an initial stepping stone on the way to achievement of NES.

The ability of the Indonesian government to free parents from the obligation to pay for their children's basic education is closely tied to the level provision of government funds for schools and madrasahs. This applies to each of the budget elements listed above.

At this stage, the precise basis on which the BOS allocation for primary and junior secondary education is calculated is not available for analysis. It is clear, however, that the sums provided can only be a rough measure of the costs incurred by schools and madrasahs. No allowance is made for educational institutions of different sizes, with different student populations, and in different locations. In more richly resourced education systems, such as in Australia, school operational funds are provided on a formula which includes both a base grant related to the type of school, a basic per-student allocation which an allocation for basic staffing and most operational costs, and additional amounts which can vary depending of factors such as students' socio-economic status and disability, and a range of other allowances such as funding for particular programs or for furniture replacement. A sample budget of a South Australian school showing the categories of funding is provided as Appendix 2.

17. Operational non-personnel costing of Indonesian basic education in a range of schools

In 2011, DBE1 undertook an exercise in which groups of primary and junior secondary school principals together with officials from the local Education Office itemised in great detail all the activities their schools engage in during a school year, based on the 8 Standards. They then costed each of the activities. The results of this exercise are provided as Appendix 3 (for primary schools) and Appendix 4 (for junior secondary schools). The ACDP consultancy team undertook follow up work with these documents, undertaking item- per-item examination of the items with schools and madrasahs in each category, government and private, with both higher and lower level economic communities, and in both urban and rural setting. This examination confirmed the high standard of the DBE1 work. Although a number of the schools/madrasahs examined by the ACDP consultancy team did not have all the goods

and equipment specified in the DBE1 documentation, all had the same activities and programs. As a rule, the poorer schools/madrasahs lacked a number of the items of equipment listed, including not only items of general stationery and equipment, but also items clearly essential to teaching of particular subjects.

The price of items provided in the DBE1 documents is based on prices in Bogor in 2011. ACDP Team updated the prices to become Jakarta prices for the year 2012 in the examples provided below.

The ACDP Team has improved DBE1 template which can now be used not only for schools but also for madrasahs. This new template still uses DBE1 template's list of activities and their list of types of expenditures/cost components. The calculations are based on the following assumptions:

- Curriculum: compulsory curriculum to NES standard delivered with minimal cost
- Maximum number of students per class: 40
- Number of teachers: number required by MSS
- List of activities and types of expenditures/cost components which are not required by MSS will have their value assessed as zero.

SD/MI

Table 3, Alternative A, shows the operational non-personnel costs for SDs/MIs with different number of classes and students. Cost calculation of Alternative A excludes costs for honorarium, consumption, and minor investment, and costs related to specialist subject teachers¹⁶.

Table 3. Minimal operational non-personnel budget of SDs/MIs of different sizes, with no allowance for honorarium, consumption, minor investment, and cost related to specialist subject teachers (Year 2013)

	NUMBER OF CLASSES	12	6	6	6	6
	NUMBER OF STUDENTS	400	192	95	90	60
1	MINIMUM STUDENT COMPETENCY		SPM	BREAK EVEN		
2	CURRICULUM AND SYLLABUS	402,050	402,050	402,050	402,050	402,050
3	TEACHING AND LEARNING ACTIVITIES	2,158,365	1,869,485	1,732,245	1,732,245	1,732,245
4	TEACHER AND EDUCATION STAFF DEVELOPMENT	10,665,066	6,933,866	5,448,469	5,377,316	4,986,566
5	PROVISION OF TEACHING & LEARNING FACILITIES	8,085,000	6,105,000	4,125,000	4,125,000	4,125,000
6	SCHOOL ADMINISTRATION	13,125,000	13,125,000	13,125,000	13,125,000	13,125,000
7	STUDENT PERFORMANCE EVALUATION	24,675,151	23,768,151	23,581,110	23,570,526	23,512,401
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	27,177,050	10,798,550	4,317,984	4,083,425	2,795,300
	COSTS PER STUDENT	86,287,682	63,002,102	52,731,858	52,415,562	50,678,562
	ESTIMATED 2013 INFLATION RATE	215,719	328,136		582,395	
	TOTAL COSTS AFTER INFLATION	5%	5%	5%	5%	5%
	COSTS PER STUDENT	90,602,066	66,152,207	55,368,451	55,036,340	53,212,490
	BIAYA PER SISWA (RP/SISWA)	226,505	344,543	580,000	611,515	886,875
	HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	0%	0%	0%	0%	0%
	TOTAL COSTS	90,602,066	66,152,207	55,368,451	55,036,340	53,212,490
	COSTS PER STUDENT	226,505	344,543	580,000	611,515	886,875

¹⁶ This alternative is based on SPM requirements delivered at the lowest cost

The 2013 BOS tariff of Rp 580,000 has a break-even point at an SD/MI 6 classes and 95 students.

Table 4, Alternative B, shows the calculation of costs with 20% allowance for honorarium, consumption, and minor investment, but with no operational non-personnel cost related to specialist subject teachers¹⁷. The break-even size is consequently increased to 6 classes and 117 students.

Table 4. Operational non-personnel budget of SDs/MIs of different sizes including 20% allowance for honorarium, consumption and minor investment, but excluding any cost related to specialist subject teachers (Year 2013).

	NUMBER OF CLASSES	12	6	6	6	6
	NUMBER OF STUDENTS	400	192	117	90	60
1	MINIMUM STUDENT COMPETENCY		SPM	BREAK EVEN		
2	CURRICULUM AND SYLLABUS	402,050	402,050	402,050	402,050	402050
3	TEACHING AND LEARNING ACTIVITIES	2,158,365	1,732,245	1,732,245	1,732,245	1732245
4	TEACHER AND EDUCATION STAFF DEVELOPMENT	10,665,066	6,705,866	5,732,931	5,377,316	4986566
5	PROVISION OF TEACHING & LEARNING FACILITIES	8,085,000	4,125,000	4,125,000	4,125,000	4125000
6	SCHOOL ADMINISTRATION	13,125,000	13,125,000	13,125,000	13,125,000	13125000
7	STUDENT PERFORMANCE EVALUATION	24,675,151	23,768,151	23,623,425	23,570,526	23512401
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	27,177,050	8,463,050	5,255,726	4,083,425	2795300
	COSTS PER STUDENT	86,287,682	58,321,362	53,996,377	52,415,562	50678562
	ESTIMATED 2013 INFLATION RATE	215,719	303,757	460,317	582,395	844642.7
	TOTAL COSTS AFTER INFLATION	5%	5%	5%	5%	0.05
	COSTS PER STUDENT	90,602,066	61,237,430	56,696,196	55,036,340	53212490
	BIAYA PER SISWA (RP/SISWA)	226,505	318,945	483,333	611,515	886874.8
	HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	20%	20%	20%	20%	0.2
	TOTAL COSTS	108,722,479	73,484,916	68,035,435	66,043,608	63854988
	COSTS PER STUDENT	271,806	382,734	580,000	733,818	1064250

Tables 4 and 5, Alternative C, describe the calculation of costs with 20% allowance for honorarium, consumption, and minor investment, plus any operational non-personnel costs related to subject teachers for SD and for MI. The break-even sizes are consequently increased to 6 classes and 127 students for SD, and 6 classes and 129 students for MI. After calculating cost related to subject teachers, the operational non-personnel costs and the break even size of MI are higher than SD costs/break-even, because the number of subject teachers in MI is bigger than in SD.

¹⁷ In accordance with SPM

Table 5. Operational non-personnel budget of SDs of different school sizes including 20% allowance for honorarium, consumption and minor investment, with operational non-personnel costs related to subject teachers (Year 2013)

	NUMBER OF CLASSES	12	6	6	6	6	6
	NUMBER OF STUDENTS	400	192	127	120	90	60
NO	SCHOOL/MADRASAH PROGRAM		SPM	BREAK EVEN			
1	MINIMUM STUDENT COMPETENCY	402,050	402,050	402,050	402,050	402,050	402,050
2	CURRICULUM & SYLLABUS	2,295,605	1,869,485	1,869,485	1,869,485	1,869,485	1,869,485
3	TEACHING & LEARNING ACTIVITIES	10,893,066	6,933,866	6,087,185	5,996,066	5,605,316	5,214,566
4	TEACHER AND EDUCATION PERSONNEL DEVELOPMENT	10,065,000	6,105,000	6,105,000	6,105,000	6,105,000	6,105,000
5	PROVISION OF TEACHING & LEARNING FACILITIES AND MATERIALS	13,125,000	13,125,000	13,125,000	13,125,000	13,125,000	13,125,000
6	SCHOOL ADMINISTRATION	24,675,151	23,768,151	23,642,205	23,628,651	23,570,526	23,512,401
7	STUDENT PERFORMANCE EVALUATION	32,008,550	10,798,550	7,227,376	6,843,050	5,194,925	3,546,800
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	93,464,422	63,002,102	58,458,301	57,969,302	55,872,302	53,775,302
	COST PER STUDENT	233,661	328,136	460,317	483,078	620,803	896,255
	ESTIMATED 2013 INFLATION RATE	5%	5%	5%	5%	5%	5%
	COSTS AFTER INFLATION	98,137,643	66,152,207	61,381,217	60,867,767	58,665,917	56,464,067
	BIAYA PER SISWA (RP/SISWA)	245,344	344,543	483,333	507,231	651,844	941,068
	HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	20%	20%	20%	20%	20%	20%
	TOTAL COSTS	117,765,172	79,382,649	73,657,460	73,041,321	70,399,101	67,756,881
	COST PER STUDENT	294,413	413,451	580,000	608,678	782,212	1,129,281

Table 6. Operational non-personnel budget of MIs of different sizes including 20% allowance for honorarium, consumption and minor investment, with operational non-personnel costs related to subject teachers (Year 2013)

	NUMBER OF CLASSES	12	6	6	6	6	6
	NUMBER OF STUDENTS	400	192	129	120	90	60
NO	PROGRAM SEKOLAH/MADRASAH		SPM	BREAK EVEN			
1	STANDAR KOMPETENSI LULUSAN	402,050	402,050	402,050	402,050	402,050	402,050
2	STANDAR ISI	2,413,805	1,908,885	1,908,885	1,908,885	1,908,885	1,908,885
3	STANDAR PROSES PEMBELAJARAN	10,893,066	6,933,866	6,110,517	5,996,066	5,605,316	5,214,566
4	STANDAR PENINGKATAN PENDIDIK DAN TENSIK	12,045,000	6,765,000	6,765,000	6,765,000	6,765,000	6,765,000
5	STANDAR PENYEDIAAN SARPRAS	13,125,000	13,125,000	13,125,000	13,125,000	13,125,000	13,125,000
6	STANDAR PENGELOLAAN PEMBELAJARAN	24,675,151	23,768,151	23,645,676	23,628,651	23,570,526	23,512,401
7	STANDAR PENILAIAN HASIL PEMBELAJARAN	32,008,550	10,798,550	7,325,786	6,843,050	5,194,925	3,546,800
	BIAYA SEBELUM INFLASI, HONORARIUM, KONSUMSI, DAN INVESTASI SKALA KECIL	95,562,622	63,701,502	59,282,913	58,668,702	56,571,702	54,474,702
	BIAYA PER SISWA (RP/SISWA)	238,907	331,779	460,318	488,906	628,574	907,912
	PERKIRAAN TINGKAT INFLASI TAHUN 2013	5%	5%	5%	5%	5%	5%
	BIAYA SESUDAH INFLASI	100,340,753	66,886,577	62,247,059	61,602,137	59,400,287	57,198,437
	BIAYA PER SISWA (RP/SISWA)	250,852	348,368	483,333	513,351	660,003	953,307
	HONORARIUM, KONSUMSI, DAN INVESTASI SKALA KECIL	20%	20%	20%	20%	20%	20%
	TOTAL BIAYA	120,408,904	80,263,893	74,696,471	73,922,565	71,280,345	68,638,125
	BIAYA PER SISWA (RP/SISWA)	301,022	418,041	580,000	616,021	792,004	1,143,969

Some conclusions can be drawn from tables presented above, as follows:

1. The smaller the school/madrasah size the higher the per student operational non-personnel costs, and the smaller the school/madrasah size the lower the per student operational non-personnel costs.
2. The Rp. 580,000/student BOS allocation will not be sufficient for SD/MI with student numbers below break-even size.

3. It is an option for the government to provide compensation to schools/madrasah with sizes below break-even points. Different compensation could be applied to different school/madrasah sizes, or to different groups of school/madrasah sizes. The number of groups depends on the break-even point, and the break-even point depends on the choice of Alternatives (A, B, or C).

If Alternative A is selected, the groups could be as follows:

- group 1: 80 – 90 students,
- group 2: 70 – 80 students,
- group 3: 60 – 70 students, and
- group 4: < 60 students.

If Alternative B is selected, the groups could be as follows:

- group 1: 90 – 110 students,
- group 2: 80 – 90 students,
- group 3: 70 – 80 students,
- group 4: 60 – 70 students, and
- group 5: < 60 students.

If Alternative C is selected, the group could be as follows:

- group 1: 90 – 120 students,
- group 2: 80 – 90 students,
- group 3: 70 – 80 students,
- group 4: 60 – 70 students, and
- group 5: < 60 students.

4. It would be inefficient to pay expensive compensation to any small schools/madrasahs which could be merged without removing student access to education.
5. The BOS tariff could be adjusted to reflect the different price indexes which apply to different districts/locations.
6. The province/district government could also contribute to the payment of school size compensation and price index compensation. They are obliged to allocate at least 20% of their local budget (APBD) to education, but in many local government areas, the operational non-personnel costs, honorarium and minor investment, and operational non-personnel cost related to specialist subject teachers for primary schools/madrasahs have been almost totally covered by central government BOS funds.

SMP/MTs

The calculation of operational non-personnel costs for SMP/MTs is different from that for SD/MI. At junior secondary level, SPM requires the provision of a teacher for each subject, not for each classroom. Consequently only two funding alternatives can be proposed for SMP/MTs.

Alternative A: Tabel 6 and 7 show the operational non-personnel costs for SMP and MTs with no allowance for honorarium, consumption, and minor investment.

Table 7. Operational non-personnel costs for SMP with no allowance for honorarium, consumption, and minor investment (Year 2013)

			BREAK EVEN	SPM		
	NUMBER OF STUDENTS	400	154	216	90	60
	NUMBER OF CLASSES	10	4	6	3	3
1	MINIMUM STUDENT COMPETENCY	390,550	390,550	390,550	390,550	390,550
2	CURRICULUM AND SYLLABUS	3,484,000	2,791,000	3,022,000	2,675,500	2,675,500
3	TEACHING AND LEARNING ACTIVITIES	15,948,923	14,902,323	15,109,523	14,798,723	14,798,723
4	TEACHER AND EDUCATION STAFF DEVELOPMENT	9,300,000	6,675,000	6,675,000	6,675,000	6,675,000
5	PROVISION OF TEACHING & LEARNING FACILITIES AND MATERI	23,187,500	10,062,500	14,437,500	7,875,000	7,875,000
6	SCHOOL ADMINISTRATION	79,983,658	49,455,859	59,591,125	44,313,825	44,244,825
7	STUDENT PERFORMANCE EVALUATION	35,594,050	19,950,471	23,958,250	16,345,573	14,875,090
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	167,888,681	104,227,704	123,183,948	93,074,171	91,534,688
	COSTS PER STUDENT	419,722	676,191	570,296	1,034,157	1,525,578
	ESTIMATED 2013 INFLATION RATE	5%	5%	5%	5%	5%
	TOTAL COSTS AFTER INFLATION	176,283,115	109,439,089	129,343,145	97,727,880	96,111,422
	COSTS PER STUDENT	440,708	710,000	598,811	1,085,865	1,601,857

Table 8. Operational non-personnel costs for MTs with no allowance for honorarium, consumption, and minor investment (Year 2013)

			BREAK EVEN	SPM		
	NUMBER OF STUDENTS	60	174	216	90	60
	NUMBER OF CLASSES	3	5	6	3	3
1	MINIMUM STUDENT COMPETENCY	449,950	449,950	449,950	449,950	449,950
2	CURRICULUM AND SYLLABUS	2,968,000	3,262,000	3,409,000	2,968,000	2,968,000
3	TEACHING AND LEARNING ACTIVITIES	14,883,723	15,175,923	15,279,523	14,883,723	14,883,723
4	TEACHER AND EDUCATION STAFF DEVELOPMENT	7,200,000	7,725,000	7,725,000	7,200,000	7,200,000
5	PROVISION OF TEACHING & LEARNING FACILITIES AND MATERI	7,875,000	12,250,000	14,437,500	7,875,000	7,875,000
6	SCHOOL ADMINISTRATION	44,244,825	54,500,071	59,591,125	44,313,825	44,244,825
7	STUDENT PERFORMANCE EVALUATION	17,198,590	24,361,413	27,117,250	18,811,573	17,198,590
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	94,820,088	117,724,357	128,009,348	96,502,071	94,820,088
	COSTS PER STUDENT	1,580,335	676,190	592,636	1,072,245	1,580,335
	ESTIMATED 2013 INFLATION RATE	5%	5%	5%	5%	5%
	TOTAL COSTS AFTER INFLATION	99,561,092	123,610,575	134,409,815	101,327,175	99,561,092
	COSTS PER STUDENT	1,659,352	710,000	622,268	1,125,857	1,659,352

The break-even sizes are calculated at 154 students for SMP and 174 students for MTs.

Alternative B: Tabel 8 and Table 9 show the operational non-personnel costs for SMP and MTs including a 20% allowance for honorarium, consumption, and minor investment. Since the number of subject teachers in MTs is bigger than in SMP the operational non-personnel costs and the break even size of MTs will be higher than for SMP.

Table 9. Operational non-personnel costs for SMP with 20% allowance for honorarium, consumption, and minor investment (Year 2013)

		BREAK EVEN	SPM	SPM	SPM	
	JUMLAH SISWA =	400	219	216	90	60
	JUMLAH ROMBEL =	10	6	6	3	3
SCHOOL PROGRAM						
	STANDAR KOMPETENSI LULUSAN	390,550	390,550	390,550	390,550	390,550
	STANDAR ISI	3,484,000	3,022,000	3,022,000	2,675,500	2,675,500
	STANDAR PROSES	15,948,923	15,109,523	15,109,523	14,798,723	14,798,723
	STANDAR PENDIDIK DAN TENDIK	9,300,000	6,675,000	6,675,000	6,675,000	6,675,000
	STANDAR SARPRAS	23,187,500	14,437,500	14,437,500	7,875,000	7,875,000
	STANDAR PENGELOLAAN	79,983,658	59,597,031	59,591,125	44,313,825	44,244,825
	STANDAR PENILAIAN	35,594,050	24,096,689	23,958,250	16,345,573	14,875,090
	BIAYA SEBELUM INFLASI, HONORARIUM, KONSUMSI DAN INVESTASI SKALA KECIL	167,888,681	123,328,293	123,183,948	93,074,171	91,534,688
	BIAYA PER SISWA (RP/SISWA)	419,722	563,492	570,296	1,034,157	1,525,578
	PERKIRAAN INFLASI TAHUN 2013	5%	5%	5%	5%	5%
	TOTAL BIAYA PER SEKOLAH SESUDAH INFLASI	176,283,115	129,494,708	129,343,145	97,727,880	96,111,422
	BIAYA PER SISWA (RP/SISWA)					
	HONORARIUM, KONSUMSI DAN INVESTASI SKALA KECIL	20%	20%	20%	20%	20%
	TOTAL BIAYA	211,539,738	155,393,649	155,211,774	117,273,456	115,333,707
	BIAYA PER SISWA	528,849	710,000	718,573	1,303,038	1,922,228

Table 10. Operational non-personnel costs for MTs with 20% allowance for honorarium, consumption, and minor investment

		BREAK EVEN	SPM	SPM	SPM	
	NUMBER OF STUDENTS	60	228	216	90	60
	NUMBER OF CLASSES	3	6	6	3	3
1	MINIMUM STUDENT COMPETENCY	449,950	449,950	449,950	449,950	449,950
2	CURRICULUM AND SYLLABUS	2,968,000	3,409,000	3,409,000	2,968,000	2,968,000
3	TEACHING AND LEARNING ACTIVITIES	14,883,723	15,279,523	15,279,523	14,883,723	14,883,723
4	TEACHER AND EDUCATION STAFF DEVELOPMENT	7,200,000	7,725,000	7,725,000	7,200,000	7,200,000
5	PROVISION OF TEACHING & LEARNING FACILITIES AND MATERIALS	7,875,000	14,437,500	14,437,500	7,875,000	7,875,000
6	SCHOOL ADMINISTRATION	44,244,825	59,616,562	59,591,125	44,313,825	44,244,825
7	STUDENT PERFORMANCE EVALUATION	17,198,590	27,773,807	27,117,250	18,811,573	17,198,590
	COSTS BEFORE INFLATION AND ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	94,820,088	128,691,342	128,009,348	96,502,071	94,820,088
	COSTS PER STUDENT	1,580,335	563,492	592,636	1,072,245	1,580,335
	ESTIMATED 2013 INFLATION RATE	5%	5%	5%	5%	5%
	TOTAL COSTS AFTER INFLATION	99,561,092	135,125,909	134,409,815	101,327,175	99,561,092
	COSTS PER STUDENT					
	ALLOWANCE FOR HONORARIUM, CONSUMPTION, AND MINOR CAPITAL INVESTMENT	20%	20%	20%	20%	20%
	TOTAL COSTS	119,473,311	162,151,091	161,291,778	121,592,610	119,473,311
	COSTS PER STUDENT	1,991,222	710,000	746,721	1,351,029	1,991,222

The break-even sizes are calculated at 219 students for SMP and 229 students for MTs.

The operational non-personnel cost pattern is similar to that of SD/MI, and consequently the same policy options can be suggested.

1. It is an option for the government to provide compensation to schools/madrasah with sizes below break-even points. Different compensation could be applied to different school/madrasah sizes, or to different groups of school/madrasah sizes. The number of groups depends on the break-even point, and the break-even point depends on the choice of Alternatives (A or B).
2. If Alternative B is selected, the groups could be as follows:

- group 1: 130 - 150 students,
- group 2: 110 – 130 students,
- group 3: 90 – 110,
- group 4: 70 – 90 students,
- group 5: 60 – 70 students, and
- group 6: < 60 students.

If Alternative B is selected, the groups could be as follows:

- group 1: 170 - 190 students,
 - group 2: 150 – 170,
 - group 3: 130 – 150,
 - group 4: 110 – 130
 - students, group 5: 90 – 110,
 - group 6: 70 – 90 students,
 - group 7: 60 – 70 students,
 - and group 8: < 60 students
3. It would be inefficient to pay expensive compensation to any small schools/madrasahs which could be merged without removing student access to education.
 4. The BOS tariff could be adjusted to reflect the different price indexes which apply to different districts/locations.
 5. The province/district government could also contribute to the payment of school size compensation and price index compensation. They are obliged to allocate at least 20% of their local budget (APBD) to education, but in many local government areas, the operational non-personnel costs, honorarium and minor investment have been almost totally covered by central government BOS funds.