

## SUB-NATIONAL INNOVATION POLICY: A UNIVERSAL ENTITLEMENT TO EDUCATION GRANT IN SABANG, INDONESIA

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### Abstract

This article studies a universal entitlement to education grant policy in Sabang that shows the exercise of discretionary power by a local government in Indonesia. The policy has been initiated by Sabang municipality of Aceh province to help students at primary and secondary schools who would otherwise struggle with the cost of education. Desk study and semi-structured interviews were conducted with the major and high-ranking officials from related government departments in Sabang. The results show the transfer of authority and responsibility under the decentralization is instrumental in supporting policy initiation and policy formulation at local level. Sub-national governments at a special region and a frontier region were given an authority to design an educational policy that ensure all students have better access to education. While mandatory financial functions of local authorities have not always been well defined, responsibility for establishing an education grant has not been easy to be understood, especially by lower tier of governments. However, Sabang Education Grant (SEG) has been evidence of how a municipality government exercise its discretionary power in decision-making. To implement such innovation policy, Sabang municipality government established the institution, regulate the operational procedures, provide the technical guideline, and developed the tools for internal controls.

**Keywords:** *decentralization, local autonomy, central-local relation, education grant.*

### A. Introduction

Why public subsidies of education are needed? Public investment in education is essential for society, and governments need to subsidize education from public finance and to avoid underinvestment. If education were managed under the market principle, only those who could afford to pay tuition fees would participate in (Inoue & Oketch, 2008). The education grant is one of the most popular sources of financial assistance to make education more accessible to all students. Scholarship and student grant programs are common at national and sub-national level, state-funded scholarship and grants typically address financial needs of all students at basic education level and of low-income students.

The evidence of positive results have been reported from some countries: Finland ensure everyone has educational opportunities, student financial aid is designed to benefit a large proportion of students. Free basic education, textbooks and a daily meal coupled with early intervention, support and guidance made this country to be one of OECD's top PISA performers since 2000 (OECD, 2013). In Finland's pre-primary and basic education, student financial aid is funded by the state and municipalities. While municipalities fund 75 per cent of the costs, the amount of the state funding is based on the number of 6 -15-year olds living in the municipality. The financial autonomy of schools varies from municipality to municipality. Quite often municipalities allocate a budget for each school and schools decide independently how to use it (European Commission, 2021). In Denmark, the reform to reduce inequities in access to higher education by raising the level of grants by more than 25% for all students above 19 years of age have resulted positive impacts; the reform significantly lowered the dropout rate of students from relatively disadvantaged backgrounds (Arendt, 2013).

According to UNICEF, "cash transfers are a proven, practical intervention to address poverty and improve children's well-being across a range of outcomes, including health, nutrition and education". Some countries have attempted to improve poverty rate and increase the access to education through the universal grants intervention. i.e. Nepal's universal child grant reaches substantially more poor children and is better at reaching the poorest of the poor than dalit- and poverty-targeted approaches (UNICEF, 2016). In four sub-Saharan countries (namely: Uganda, Lesotho, Ethiopia, and Malawi), the attempt to provide full access to free primary education - including the provision of the block grant - has led to massive increases in children accessing schools (Prew et al, 2011).

In Indonesia, a minimum 20 percent of public expenditure is devoted to education with funding coming from central, state, and local government. One of the most prominent grant program in the country is school grants (BOS) which allocates operational funding to schools. In 2014, the BOS program provided funds to the average primary (junior secondary) school of approximately US\$10,000. It has been in operation for a decade, the study by World Bank (2014) shows that it has reduced households' spending for education cost, increased school participation, enhanced school management. For example: the survey data reveals that annual education spending for households with children in primary and junior

secondary fell by about 6 percent in the first year after BOS was introduced (Al-Samarrai, 2015).

The universal policies designed to ensure free basic education by subnational governments have not always been easy in the formulation as well as implementation. The literature gives little guidance as to the best strategies for decentralized lower tier of governments in policy formulation. The complexity of policy made at different levels of government make public policy far more complex today than in the past (Evans, 2020). This study describes overall picture of Sabang Education Grant (SEG) in term of policy design, mechanism and discussions of its direction and enforcement. This policy is devoted to increase people wellbeing in line with principle of a universal entitlement to education. The initiative begun in 2013, under this scheme, the government have been allocating on average about IDR 16 billion each year, the grant allocation is directed to fulfil the rights of each child to education; students reserve the rights to public subsidies because their attendance at school is compulsory. Therefore, this policy is necessary to reinforce 12 (twelve) years of compulsory schooling which starts at the age of seven to eighteen years.

## **B. Methodology**

The methodology used for this study is desk review and interview. Desk review is undertaken to analyse key documents including regulations (legal framework of the programme), planning and budget document, guidelines, and education statistics. A semi structured interview with open-ended question is employed in this study. The researcher host meetings with provincial and district level decision-makers and stakeholders from key relevant agencies especially education dinas and Bappeda. This includes exclusive interviews with Mayor of Sabang and relevant individuals from member of local parliament.

## **C. Results and Discussions**

### **1. Regulatory Framework for Subnational Policies**

The decentralization in Indonesia offers a legal framework for the delivery of quality education at subnational level, the central government extend of authorities to local governments to formulate and implement policies that contribute to the improvement of

access and quality of education. Over the last decade, decentralization of education management has strengthened this basic service sector, education management has changed fundamentally in terms governance and financing. After the enactment of Law No. 22/1999 concerning regional governments and No. 25/1999 concerning intergovernmental fiscal relationship and in particular Act No. 20/2003 on national education system that stipulates the transfer of authorities to the local government in education management. This law provides the basis for local governments to formulate policies for education development.

Being a municipality within Aceh province - a special autonomy province in Indonesia - Sabang reserves an authority administering its own educational sector. Sabang is qualified both as 'a frontier' and 'a special region'. Under the Act No. 34/2012 on criteria for special region and provision of special allowances for teachers, Sabang municipality is categorized as 'a frontier region' given that it is geographically located in the most northern administrative region which has direct borders with three countries, namely Malaysia, Thailand, and India. Then, the Government Regulation No. 17/2010 on education management article 32 (2) states that head of district/municipality in special region has authority to initiate education policies that ensuring the students have access to education. In that manner, the Mayor of Sabang has the authority to formulate policies that foster a better access to education. Moreover, Law No. 11/2006 on "self-government in Aceh" granted this province as a special autonomy with authorities to prioritize education development and is entitled to special autonomy fund.

As a follow-up to the policy making of Sabang education grant, the Mayor of Sabang has issued Mayor's degree No. 32/2015 and updated to Mayor degree No.8/2016 on technical guidelines on management of educational grant of special/frontier region for students of 12 (twelve) years compulsory education program in Sabang. This regulation provides a framework for the design, implementation, monitoring and reporting of the education grant in Sabang. It is also serves as practical guidelines prepared with the advisory from the expert team and the result of discussions with executive offices including Aceh provincial executives from Bappeda, Financial Department, and Education Department.

Fiscal decentralisation is clearly empowered the municipality government to manage their funding for better public delivery services. Law No. 33/2004 on fiscal balance arrangements reaffirms that Indonesia is a unitary state within which broad regional autonomy is provided for a fundamental aim is to provide for reasonable equalization between regions, with narrowing of fiscal gaps which are broadly defined as regional fiscal needs. The Municipality of Sabang has been receiving substantial fiscal transfer from central government mainly from general allocation fund (DAU) component. This revenue is important source to Sabang's fiscal capacity because the revenue obtained from the local sources such as taxes, retribution, profits from municipality owned company are less than 10% of the total revenue . Other sources of revenue are limited. i.e. from 2008 to 2014, the general allocation fund (DAU), accounts on average for 65 percent, while the revenue obtained from local sources averaged 6,6 percent of total revenues.

## **2. Sabang Universal Education Grant as Innovation Policy**

Sabang education grant is money from the Sabang municipality government of the amount IDR 2 million is available through grants every year for all students enrolled at primary and secondary level to support 12-year compulsory education. The grant is purposed to reduce the burden of the parents paying for the school-needs of their children. By ensuring every child has access to affordable school-needs, it is expected to improve learning achievement, character building, and becoming human resources investment for the future development of Sabang.

The grant is principally universal; it is given to all students who resides and admitted at schools in Sabang, including (1) students who are enrolled in public, private or integrated boarding schools; (2) Students studying at elementary level, junior and senior high schools. The allowable expenses under this scheme is specified in the Mayor's degree No.8/2016 on technical guidelines on management of educational grant of special/frontier region for students of 12 (twelve) years compulsory education program in Sabang, the grant money should be spent on items of students' school needs: school uniform, stationary, extra-curricular activities and learning supports. Under the term and reference, the grantees are

prohibited to spend grant money for other purposes. The sanction will be imposed for any violation of grant utilisation.

The SEG aims to: (i) ensure free and compulsory 12 (twelve) year education programs for all students; (ii) improve self-confidence and learning motivation among student in the learning and interaction process; and (iii) improve student achievement through various educational activities that foster the spirit of learning and competition.

With regard to SEG expenditure, in total, from 2013 to 2016, the government has spent IDR 59,2 billion to fund the students for their school-needs. This funding is sourced from municipality budget (APBD) in particular from General Allocation Fund (DAU). The average annual expenditure for SEG is estimated to be IDR 14,8 billion which cover more than 7,000 students from primary to secondary education. Each year (other than 2015), the expenses tend to increase adapting to increasing number of student; the average increase in number of grantees is 3 percent per year. The spending for elementary schools has the largest share compared to middle and senior high schools. More than IDR 8 billions of grant monies every year were spent to students studying at elementary schools - students enrolled at this education level accounted for 60 percent of total students in Sabang. In 2013, IDR 8,5 billion of total IDR grants monies allocated to elementary schools and it increases to IDR 9,2 billion in 2016.

Sabang has been making continuous efforts toward a quality of education for all children which had relatively better gains on accessibility, quality and competitiveness. The Sabang's human development index has been improving, the HDI report in 2015 ranked Sabang at fourth relative to other districts in Aceh, it has grown 1,42 percent (above the average of 0,93 percent for districts in Aceh) compared to a year before. According to BPS (2015) the factors that led to this progress has been the increase in education outcomes (i.e. school participation which in turn contributes to improved literacy rate). Overall Sabang's education indicators are well above average of other districts/municipalities in Aceh.

The Sabang's education spending has increased more than threefold in the past 5 years. In FY 2014, the proportion of total public expenditure on education was about 28 percent of total expenditure. In nominal terms, the spending on education in FY 2014 estimated to be IDR 157 billion and grow up to IDR 169 billion in FY 2015 . Sabang per capita

expenditure on education is relatively highest compared to other district in Aceh. The education spending as a percentage of total government spending had increased from 23 percent in FY 2010 to 28 percent in FY 2015. The increase in public spending on education sector as a percentage of total expenditure in Sabang gives an indication of how this City prioritises education in relation to its overall allocation of fiscal resources. Public expenditure on education includes spending on accessibility, quality and competitiveness. Most of spending allocated to teachers' salary, schools infrastructure.

### **3. Policy initiation, formulation, and mechanism**

The SEG initiated by Zulkifli Adam and his vice Nazaruddin who were running for mayoral candidate in 2012. During their political campaign, they have promised the public to offer an annual grant for all student attended schools in Sabang. A reality had appeared in many schools where some students show up at schools in worn-out uniform, lack of books and stationary. They offer such universal grant policy to the public in Sabang expecting them to afford to buy basic school-needs and thinking of the students to be more-motivated and confident in learning and therefore boost their achievement.

Once elected as the Major of Sabang, efforts to design and formulate the SEG has taken seriously by the Mayor. They initially experienced 'a deadlock' for that policy proposal, it happened due to conflicting opinions - especially between Sabang executive officials and some legislative members. The debate was mainly on legal and formal aspects of the policy. Such innovation policy had appeared like a controversial due to the different interpretation of the legal standing, many have advocated the standing doctrine for a municipality to design, formulate, and implement such policy. Furthermore, the initial consultation with provincial executive and the Ministry of Home Affairs (MOHA) has not reaching expected deals.

On the other hand, the Provincial Government provided no stance on the policy proposal. The MOHA has disagreed for this policy to be covered under their regulations<sup>1</sup>. Nonetheless, after serious subsequent efforts, the MOHA and Sabang government have

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<sup>1</sup> The Major and his executive team have proposed the MOHA regulations No. 13/2006 on guidelines for sub-national financial management and No. 25/2009 on guidelines for budget development revenue and expenditure.

found a common ground as basis to put this policy into design and formulation. Both parties has ultimately reached a general consensus that universal grant policy can be formulated primarily under Government Regulation No. 17/2010 on education management. The success of this initiative represents 'a breakthrough' toward a quality education at subnational level.

To turn his innovation policy into actions, Major Zulkifli has issued a number of regulations and decree that specifies the design, implementation, monitoring and reporting. Figure 3 shows SEG policy mechanism, policy direction with sequential phase from planning budgeting, implementation, to monitoring, supervision and reporting. Planning and budgeting process is the initial phase, followed by implementation phase after the budget's deliberation. Once grant money is disbursed to grantees, monitoring evaluation phase is undertaken to ensure the grant is progressing well. The last phase is supervision and inspection which incorporates functional and close supervision. The sanctions will be imposed for any abuse and violating the SEG's term and reference.

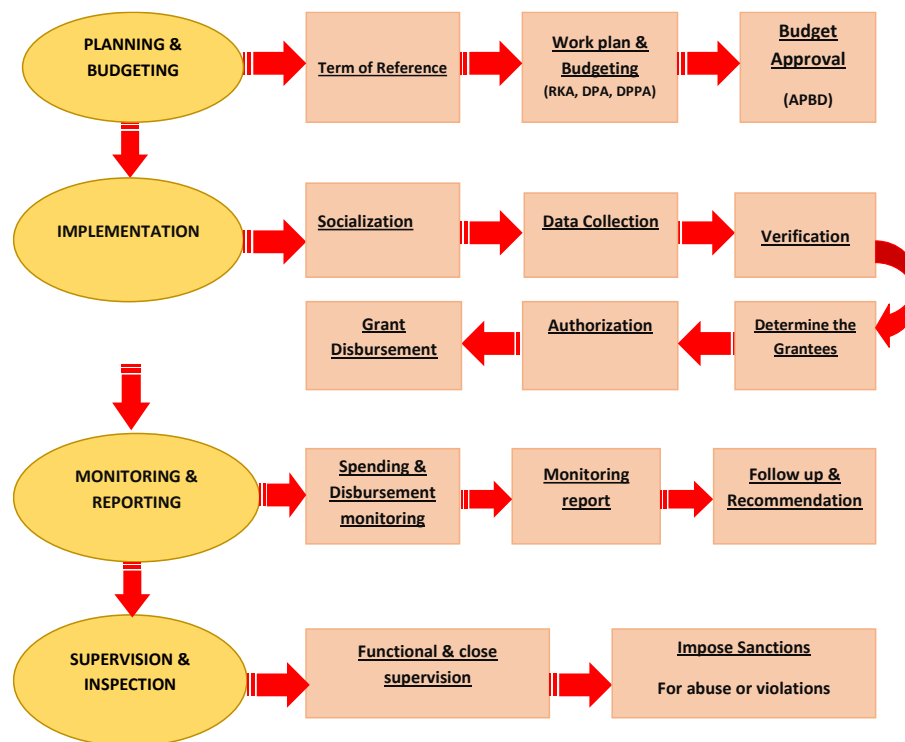
The planning and development board (*Bappeda*) of Sabang has included the SEG in their medium-term development plan (RPJM), it became one of strategic programs for Zulkifli's administration, the SEG follows annual regular planning and budgeting cycle. Within this cycle, the municipality government work plan (RKPD) which reflects choices, priorities and strategies provides a basis for preparation of annual budget for the SEG. Based on its term of reference, the Sabang Education Department prepares budget proposal (RKA) in which SEG is listed as one of the items in the municipality budget and then it is submitted to parliament in the month of May of the preceding year for deliberation. After that, the education commission conducts preliminary discussion in June. As a follow up to this preliminary discussion, the Education Department prepares budget for the following year and is submitted to the parliament by August of its preceding year for deliberation.

As a follow up to the enactment of the budget, implementation phase immediately taken under the supervision of Education Department. A team consists of the experts and a management team is established to carry out program activities to include: socialization, data collection, verification, and disbursement. A clear directions and enforcement is given with regard to SEG implementation. At the initial stage, the management team 'socialize' and advocates education grant to all school principals and then, the homeroom teachers and



so homeroom teachers, students and their parents and guardians. Data collection and verification follows simultaneously at two level: the school and education dinas. Grant disbursement follows principles of municipality's financial management, the Major decree serves as basis for disbursement of grant to students through their bank account. The step-by-step process of grant disbursement can be understood further by referring to Figure 2.

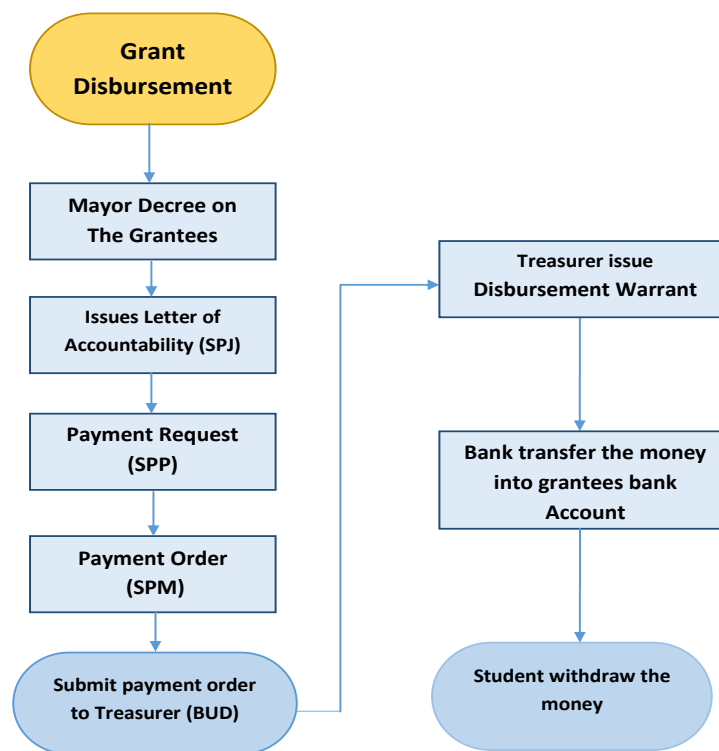
Figure 1. SEG Policy Mechanism



In term of timing, the SEG follows both academic and fiscal year calendar. Whilst fiscal year period in January to December, the academic year is based on a two-semester system which starts in July in a particular year and end in June of the following year. Figure 8 shows that grant's planning and budgeting process occurs from April to Dec of the preceding year. As per new academic calendar starts in July, school based data collection to be undertaken, as a follow up, the grantees verification and final grantees approval made before the end of August. The Funds are scheduled to disburse in September given that all

requirements have been met by the schools and the students. Furthermore, monitoring and reporting follows in the month of January to February.

Figure 2. SEG Disbursement Process



The SEG disbursement process through which the grant transferred to the students is managed at two levels; initially at the education dinas and then later at the General Treasurer. The disbursement officially made to student in September, three months after the start of the school year of the ongoing fiscal year, nonetheless, actual disbursement period may delay due to budgeting process. The disbursement process is managed by education

dinas by following the guidelines on financial management. Disbursement of grant is not only engaging the treasurer and budget officer but also involving management team. As shown in Figure 2, immediately after final grantees decision is made, the Activity Management Team (AMT) submit payment request to the Activities Technical Implementation Team (ATIT), after that the ATIT prepares Letter of Liability (SPJ) along with supporting documents consist of: (i) The decision of the Mayor of the Beneficiary Cost of Education and (ii) Attachment of Mayoral Decree on SEG's grantees. Using the letter of liability, the Treasurer issues payment request and invoice the General Treasurer. Finally, The General Treasurer issue order for disbursement of fund, the appointed banks shall pay out the money for each student deposited in a savings account in the name of the grantees.

The grantee will be notified of money withdrawal schedule and the money can be withdrawn in two terms - once per each semester. When withdrawing the money from the appointed bank, students should be accompanied by the parents/guardian and are required to show the letter of recommendation from a homeroom teacher. This recommendation is subject to the declaration of grant utilization by the grantee in which they declare that the grant will be spent as per term and conditions. This letter should be sign-off by the parents/guardian prior to request a recommendation from homeroom teacher. Such restrictions were made in order to encourage the students to spend the money accordingly.

The monitoring and reporting are undertaken to track the SEG progress toward reaching its targets. It is to ensure that the grant being spent on the items or activities as specified in the agreement. The management team is obligated to prepares the evaluation report. The monitoring and reporting is undertaken at two level: first, at the school and then, at education dinas. The school-based monitoring and reporting plays important roles, it has been in the forefront, school principal/headmasters and teachers are usually aware of what is happening in the field, they are obligated to (i) monitor grant disbursement and expenses, they should monitor the students' spending the money for allowable items, (ii) teachers to observe the students on the spot (i.e. checking whether they wear a decent uniform, shoes, etc. If the students are found show up at the school in shabby clothes or without full uniform, the teacher will follow up with their parent). The the spot observation is the mechanism in place to ensure that the students comply with the grant's term and reference. (iii) The headmasters is responsible for administration, such as storing students' files, document, and

copies of saving account which all required for monitoring and internal audit by the Inspectorate and State Supreme Auditing Agency (BPK RI). In addition, headmasters also responsible to issue notifications to each parties where any violations of the SEG's terms of reference. Headmasters to submit monitoring report to the Management Team at Education Dinas at least 2 (two) months after the fiscal year ends.

At the dinas level, the management team officially compiling the monitoring report and managing the complaint mechanism. To this end, they are receiving feedbacks and complaint and the provide the recommendations concerning SEG's evaluation. The team prepares monitoring report to the Head of Education Dinas then the report will be forwarded to the Mayor before the end of the fiscal year. In addition, the provision of internal and external supervision, inspection and sanction are in place as essential elements to ensure a proper practice of grant management.

#### **D. Conclusion**

Political decentralisation in Indonesia has devoted the functions of public service to be delivered by local governments. Although mandatory financial functions of local authorities have not always been well defined, responsibility for establishing an education grant has not been easy to be understood, especially by lower tier of governments. The innovation policy at subnational level that is - Sabang Education Universal Grant - has been an evidence of how a municipality government exercise discretionary power in initiating a new policy of public service in education. Under a unitary type of decentralization, policies making at subnational level have not always been easy, especially in the design and formulation, while literature gives little guidance as to the best strategies for lower tier of government to exercise its discretionary power in policies design and formulation. The finding of this study describes the SEG policy design, formulation, and mechanism. SEG has been implemented to fulfilling the rights of each child to education. To put SEG policy into actions, the Sabang executive has gone through series of discussions with provincial and central government. Mayor of Sabang regulations on operational procedures or the technical guideline were issued to guide its implementation. Moreover, the expert and management team have been established and assigned to provides tools that support the implementation. The team also

manages front-liners that execute the program, manages the financial, monitoring and reporting, provides recommendations as well as receives feedback.

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