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Improving school financing: The use and usefulness of school grants

Lessons from East Asia and the Pacific

Candy Lugaz and
Anton De Grauwe



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List of abbreviations

AusAid	Australian Agency for International Development
BOS	school operational assistance (<i>biaya operasional sekolah</i>)
BPK	Audit Board of Indonesia
BSM	Scholarships for Poor Students (<i>bantuan siswa miskin</i>)
CEPD	Centre for Education Policy Development
DAK	Special Allocation Fund (<i>dana alokasi khusus</i>)
DEC	Catholic Network of Schools (La Direction de l'Enseignement Catholique)
DEO	district education office
DSF	District State Fund
EAPRO	East Asia and Pacific Regional Office (UNICEF)
EMIS	Education Management Information System
ESARO	Eastern and Southern Africa Regional Office (UNICEF)
FELP	Francophone Protestant Network of Schools (Fédération de l'Enseignement Libre Protestant)
FPE	free primary education
GA	government assisted
GAEA	government assisted education authorities
GAT	technical support office (<i>gabinete apoio técnico</i>)
GDP	gross domestic product
GER	gross enrolment ratio
IBE	International Bureau of Education
IDR	Indonesia Rupiah
MECS	Ministry of Education, Culture, and Science
MNT	Mongolia Tugrik
MoE	Ministry of Education
MoEC	Ministry of Education and Culture
MoET	Ministry of Education and Training
MoF	Ministry of Finance
MoIA	Ministry of Internal Affairs

List of abbreviations

MoRA	Ministry of Religious Affairs
NBV	National Bank of Vanuatu
NER	net enrolment ratio
NGO	non-governmental organization
NZAid	New Zealand Aid Program
PEB	provincial education board
PED	provincial education department
PEO	provincial education office
PFO	provincial finance officer
PTA	parent–teacher association
PTR	pupil–teacher ratio
RKAS	school work and budget plan (<i>rencana kerja dan anggaran sekolah</i>)
SFM	school financial management
SFO	school finance officer
SMC	school management committee
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children’s Fund
UNDP	United Nations Development Programme
UPTD	regional technical implementation unit (<i>unit pelaksana teknis daerah</i>)
VEMIS	Vanuatu Education Management Information System
VUV	Vanuatu vatu
ZCA	zone curriculum advisor

Executive summary

In the context of decentralization and school-based management, as well as fee-free education, a growing number of countries are choosing to introduce school grants. Schools that once had little or no say in financial management are able to access grant funds directly from central government. While specific school grant policies differ between countries, most aim to contribute positively to access, equity, and quality of education.

However, the impact of school grant policies is strongly influenced by their design and implementation. This raises two key questions: How have school grant policies been designed and implemented to achieve these objectives? And do school grant policies contribute to achieving these objectives in practice? To answer these questions, the UNESCO International Institute for Educational Planning (IIEP) and the United Nations Children's Fund (UNICEF) coordinated intensive research programmes on the use and usefulness of school grants in Eastern and Southern Africa from 2010 to 2012, and in four countries in East Asia and the Pacific (Indonesia, Mongolia, Timor-Leste, and Vanuatu) from 2012 to 2014. This book presents the main findings from research programmes in the second region.

The research focused on the following themes: grant objectives, policy formulation and dissemination, criteria and mechanisms of distribution, school-level financial resources, actors involved in decision-making processes, grant use, and monitoring and control. In total, 56 schools were studied across the four countries. Researchers visited schools and interviewed a wide range of actors, including principals, teachers, parents, students, members of school committees, and district and provincial-level officials. For certain issues, such as the total amount of resources available at school level, grant amounts received over time, and broad categories of spending, quantitative analysis was carried out on a wider range of schools within the districts covered by the research.

School grants in the four countries studied have several similarities. All grant policies were introduced alongside fee-free education with the exception of Mongolia, where recent grant policies were developed during the democratization process in the 1990s. In addition, the grant policies all cover primary and secondary education, and share

common objectives such as increasing access and improving education quality. In some cases, grants also aim to provide specific assistance to disadvantaged groups, as in the case of Mongolia for disabled students, and in Indonesia for poor students. Finally, in line with global trends towards decentralization and greater school autonomy, grants often aim to increase administrative efficiency.

The research first looked at the contexts in which grants were developed, paying particular attention to the actors involved in policy formulation and dissemination processes. In all four countries, grant policies were developed in a top-down manner by national authorities, with the exception of Mongolia, where recent reforms on school financing favoured a more consultative approach. In Timor-Leste and Vanuatu, international advisors also played an important role in formulating grant policies. Most countries employed similar strategies for disseminating information on the grants. Large-scale media campaigns on fee-free education and school grants were launched everywhere except Mongolia. Furthermore, each country developed various policy documents, such as guidelines or handbooks, to guide grant management and use. Training sessions for school-level actors on grant management and use were also arranged in all cases, although the regularity of sessions varied between countries.

School grants in all four countries are allocated on a per-pupil basis, with the exception of Mongolia, where grants take into account specific school characteristics such as location and number of disabled students. At the same time, schools in all countries must meet certain conditions before grant funds are released. These generally include availability of enrolment data, a school bank account, a school plan, and financial reports. In Indonesia and Vanuatu, funds are transferred directly to school bank accounts, while in Mongolia grant funds are transferred to the district level. In Timor-Leste, education at local level is organized through clusters, consisting of one larger central school and several surrounding filial (or ‘satellite’) schools. Grants for the filial schools are kept and managed by central schools.

Although school grants are the most significant source of funding at the school level, in most cases they do not constitute the sole source of school budgets. In Indonesia and Timor-Leste, schools can request additional funds from national, provincial, or district authorities for specific purposes or students. Parental contributions also persist in all

four countries despite the introduction of fee-free education, with such contributions being least common in Timor-Leste. In some cases, budgets are completed by funds from donations, income-generating activities, and fundraising.

It is also important to determine which actors participate in decision-making on grant use at the school level, as this can contribute to the relevance of decisions and, in some cases, the effectiveness of monitoring and control processes. According to official guidelines, participatory decision-making processes involving a range of school-level actors take place in all countries except Mongolia, where head teachers and school accountants are responsible for decisions. In the three other countries, head teachers and school accountants also play a central role in all cases, alongside several other actors. Teachers were found to participate mainly through consultation, at times exceeding the role prescribed by the guidelines. School committees, however, tend to play a weaker role than envisaged, while parents and students were excluded from the processes in most cases.

As the grant policies in all four countries are designed to improve teaching and learning environments, grant funds can be used to cover school equipment, teaching and learning materials, maintenance and repairs, and utility bills. However, schools are not free to use grants as they choose. Each country clearly identifies authorized and prohibited areas of expenditure. In some cases, grants can be used to pay teacher salaries, although this extends only to civil servant teachers in Mongolia and Timor-Leste, and temporary teachers in Indonesia. Similarly, some policies allow funds to be used for grant management costs, while others permit their use for extracurricular activities or school feeding programmes.

School-level and external actors are responsible for monitoring and control activities. Schools in all four countries are required to submit financial reports, a process carried out almost exclusively by head teachers and accountants, despite the obligation to involve teachers and school committees in most cases. Mongolia proved an exception, however, with increased teacher participation in report preparation following the introduction of internal monitoring units in schools. Schools are also instructed to post grant information on notice boards in all countries, with the exception of Vanuatu where school meetings are supposed to inform parents and teachers about grant use. However,

research found that neither practice was carried out on a regular basis. External monitoring in all four countries is quite burdensome, taking the form of school visits and analysis of financial reports. A diverse group of actors participate in these processes, including technical units, auditors, and education professionals.

The research shows that school grants have reduced the costs of schooling to parents, particularly for poor families, making it more affordable to send children to school, in spite of the existence of parental contributions. Grants have also improved the teaching and learning environment and boosted teacher motivation. However, the research highlighted a number of challenges preventing grants from achieving their main objectives.

The contribution of grants to reducing disparities between and within schools has been mixed: the distribution of grants was not based on the needs of specific groups of pupils, nor on the characteristics of schools (location and size), although some attention was paid to these factors in Indonesia and Mongolia.

In spite of their contribution to greater availability of teaching and learning materials of good quality at school level, grants have not always focused on areas that can have a more sustainable impact on quality, such as extra tuition for weaker students or capacity development of teachers.

The research also found that in most cases grants did not lead to more participatory decision-making in schools. In spite of the procedures outlined in the grant guidelines, parents and teachers played only a limited role in such processes due to lack of awareness and capacity, trust in the head teacher and reluctance to challenge their authority. Decision-making therefore remained in the hands of head teachers and school accountants.

Findings were also mixed concerning the contribution of grants to administrative efficiency. Delayed grant disbursements were raised as a concern in all countries. The level of autonomy given to schools to manage grant funds also varied between countries. Overall, schools in Indonesia, Vanuatu, and central schools in Timor-Leste enjoy considerable autonomy. This is not the case, however, for schools in Mongolia and filial schools in Timor-Leste, which have very limited autonomy in the use of grants.

While school grants have the potential to help promote education quality, increase access, and reduce disparities between and within schools, their design and implementation requires careful planning and reflection to ensure they achieve these objectives. While there is no single model for school grant policies, a number of elements must be considered to ensure a clear relationship between the policy objectives and the design and implementation processes.

The research further shows that incomplete achievement of policy objectives can be traced to policy design and implementation. Accordingly, the publication offers a series of suggestions to improve the design and implementation of school grant policies, with a particular focus on: (i) clarity of policy objectives; (ii) alignment of choice of funding formula with these objectives; (iii) the need to conduct preliminary technical studies and analyses on the principal disparities between and within schools, per-pupil costs, and existing parental contributions, so as to identify the appropriate grant amount; (iv) consultation with school-level actors in the formulation of the policy; (v) the development of a clear communication, dissemination, and training strategy for the main stakeholders; and, (vi) strengthening of participatory decision-making and monitoring processes at school level to ensure transparent management of the grant.

With this in mind, specific recommendations have been identified in each country, based on the research findings, with a view to improving the design and implementation of the school grant policy and ensuring the successful achievement of its objectives. These recommendations have been discussed at national level with the main actors involved in the design and implementation of the policy, and the main beneficiaries, and thereafter used to guide policy reform.

Introduction

Why study school grants?

In a growing number of countries, a significant reform in educational management is under way. Schools which in earlier years had very little or no say in their own financial management now receive grants directly from central authorities. While this trend is not new in OECD countries, it has an almost revolutionary character in many developing countries because it breaks with a tradition of centralized decision-making and control over financial resources.

These school grant policies were generally introduced to accompany fee-free education: grants were expected to make up for the loss of income due to the abolition of school fees. In addition, it was assumed that such grants would offer at least four advantages:

- lower levels of bureaucracy compared with the delays experienced by schools waiting for materials or funds from higher administrative levels;
- more informed spending, with relevant decisions taken by school actors rather than central bodies less in touch with the school's needs or priorities;
- direct transfers to schools, with funds arriving at the school level without 'loss' to different administrative levels (region, district);
- positive impacts on equity if higher amounts are given to disadvantaged schools, for instance, those located in poor and remote areas, and those characterized by high numbers of orphans and gender disparities.

In other words, school grants are expected to make a positive contribution to access, quality, and equity. However, the distance between policy conception and implementation can be substantial, and the simple existence of school grants in no way guarantees the achievement of these objectives. To date, there has been little research into the actual use of school grants within and by schools.

In order to ascertain the extent to which design and implementation of school grant policies enables them to achieve their objectives, the UNESCO International Institute for Educational Planning (IIEP) launched an intensive research programme in 2010.

The investigation focused on one specific source of funding, namely, grants transferred from central government to schools. Four criteria were used to determine whether a grant should form part of this study:

- Funds should be transferred by the central government as part of a system-wide approach.
- The school should be the recipient of these funds.
- The grants should arrive in the form of actual funds (money or an authorization to spend it) and not material resources.
- The school should have some autonomy regarding the use of these funds.

Two desk reviews examined the experiences of countries in developing a school grant policy, based on the existing literature. The first focused on the cases of Ghana, Indonesia, Lesotho, Nicaragua, and Sri Lanka (Deffous, De Grauwe, and Lugaz, 2011), and the second looked at Ethiopia, Lesotho, Malawi, Uganda, and South Africa (Prew, Msimango, and Chaka, 2011). The purpose was to identify key issues related to the design and implementation of school grant policies in these countries, and to guide the preparation of an analytical framework for field research. Both reviews highlighted the lack of existing literature on school grant policies in many countries. Examining the development context of such policies in these countries, they stressed the link between school grants and fee-free education, and identified a number of challenges faced by countries in the implementation of such policies. These included delays in the allocation of funds to schools, and lack of capacity at school level to manage and monitor funds properly, and involve all stakeholders in this process (Prew, Msimango, and Chaka, 2011: 28–29). The reviews further identified a set of recommendations to improve the design and implementation of school grant policies. These emphasized the need to: (i) preserve local community support and involvement in the formulation and implementation processes; (ii) pay specific attention to the size and areas of use of school grants in the design of the policy; (iii) conduct a preliminary analysis on the cost of schooling and the level of parental and community contributions to the school budget; (iv) develop clear and well communicated policy guidelines (Deffous, De Grauwe, and Lugaz, 2011: 24–25). The reviews concluded by highlighting the need for further research to examine closely how grants are implemented in practice at school level (Prew, Msimango, and Chaka, 2011: 29).

In this context, IIEP and UNICEF then developed and coordinated intensive research programmes in Eastern and Southern Africa from 2010 to 2012, and in four countries in East Asia and the Pacific (Indonesia, Mongolia, Timor-Leste, and Vanuatu) from 2012 to 2014. This book presents the findings of the research conducted in this second region.

The purpose of the research on which this publication is based is to understand how different schools implement a school grant policy and to establish its real contribution to the policy objectives it is intended to serve. These findings were expected to help define strategies that could feed into the design of such policies and accompany their implementation, allowing them to make a stronger contribution to these objectives.

The fundamental hypotheses that inspire the research and its design are as follows:

- The final contribution of school grants depends on a range of factors, several of which are related to the in-school decision-making process.
- The way in which decisions are made by each school differs significantly between schools.

These hypotheses raise two questions. First, what are the different factors that influence the contribution of school grants? Second, what research design is most appropriate for the purpose of the research?

The analytical framework

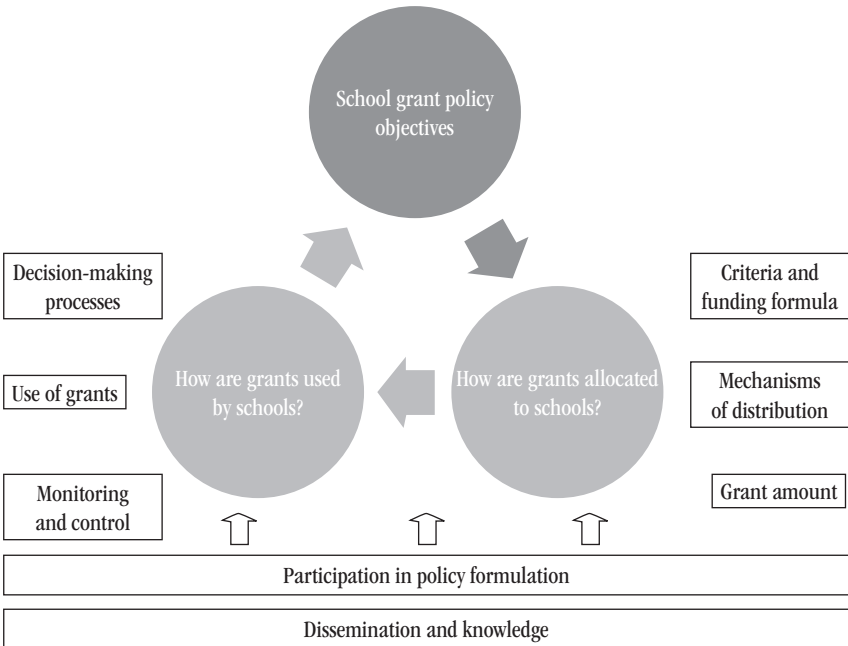
Figure I.1 illustrates the analytical framework used during the research and summarizes the response to the first question. The figure shows the various elements that comprise the policy framework developed in each country to achieve the main policy objectives, and in particular, how funds must be allocated and used by schools. The research aimed to analyse the interdependence and coherence between these different components of the policy framework, and to study the eventual gap between policy and practice, so as to answer two key questions: How are grants designed to achieve their objectives? Does their implementation allow them to fulfil these objectives?

The contribution of schools grants depends on the explicit *policy objectives*. The objective may simply be to improve bureaucratic efficiency, or it may be much wider, for instance, overcoming disparities and strengthening school autonomy.

A key question is then: How are funds allocated to schools to achieve these objectives? Three key technical aspects must be considered in this regard:

- The **criteria** taken into account in the **funding formula**. Are the funds allocated on a per capita basis or do they take into account schools' needs or certain characteristics of a school and its environment (e.g. the number of pupils from disadvantaged groups or the number of out-of-school girls and boys)?
- **Mechanisms of grant distribution**. Are the funds allocated directly to schools into their bank account or do they pass through intermediate bodies?
- The objectives also have an impact on the **total grant amount**. In many schools, the grants only form part of the total financial resources available within the school, as schools continue to collect some funds from parents or may receive contributions from non-government sources. It is vital to ascertain the overall school budget and the relative contribution of the school grant.

Figure I.1 Relationships between the objectives, design, and implementation of school grant policies: an analytical framework



In each country, the official regulations have also identified how schools should make use of school grants, paying specific attention to:

- The actors involved in the **decision-making process** on the use of the grants: what is the role of the principal, teachers, parents, and students? Does the availability of these grants lead to a participatory decision-making process involving teachers, parents, the local community, and/or to improving the overall relationships within the school community?
- The **use of grants** by schools: should funds be spent on specific items or are schools free to decide on their use according to their needs? How far are schools guided and constrained in this regard? Does this contribute to the achievement of the policy objectives? Are these funds used for inputs or activities known to have an impact on quality? Are they used more for the immediate benefit of teachers or students or both groups? Are the specific needs of disadvantaged groups such as orphans or poor pupils within the school or society taken into account?
- **Monitoring and control mechanisms** regarding the use of grants: who are the actors involved in this process, inside and outside the schools? What tools are used: simple financial reports or more detailed audits including an impact assessment? Concerning feedback: what information is sent back to the school on the use of the grant, subsequent to monitoring and control? What action is taken in case of ineffective, incomplete, or incorrect use of the grant?

Overall, two key elements will have an impact on the effectiveness and successful implementation of the policy: the participatory dimension of the policy formulation process, and the dissemination of the policy. The participation of the main policy beneficiaries may improve its relevance to their needs and contexts, as well as ultimately, their ownership of the policy. Dissemination through communication and training ensures that stakeholders have adequate knowledge to successfully implement their roles in this regard. This is a key component of the accountability framework.

This intricate combination of factors leads us to the final and fundamental question: What has been the *contribution of school grants* to the major policy objectives? This includes both the explicit objectives

and broader outcomes that could result from such a policy, according to the literature.

Research design

The contribution and effectiveness of school grant policies is also dependent on in-school processes. These processes can differ widely from school to school, and accordingly, the use and usefulness of grants will also differ between schools. This has fundamental implications for related research.

First, it is important to enter the school in order to ascertain how decisions are made, the role different actors play, the knowledge and understanding they have of the policy, and who is in control. Such matters are complex and delicate, and thus require in-depth and qualitative research into the functioning of the schools, rather than a study of policy documents or a quick survey undertaken at a distance.

Second, the research must not be limited to collecting the opinions of a few actors within the school. Ascertaining the diversity of opinions between actors and the possibly unequal levels of knowledge and understanding is highly relevant to the matter at hand. It is important therefore to interview various groups, from principals to teachers, and parents to pupils.

Third, the decision to examine each school in-depth through detailed and lengthy interviews, and some observation, unavoidably limits the number of schools. Accordingly, the research project focused on 12 to 16 schools in each country. The schools were chosen from among two to three districts, in order to learn about the role played by district offices. The next section provides details on the group of schools studied.

The programme was implemented in four countries in East Asia and the Pacific: Indonesia, Mongolia, Timor-Leste, and Vanuatu. The choice was determined to a large extent by self-selection: each country responded to an invitation issued by the organizers, IIEP and UNICEF, and expressed an interest in participating in the research. All four countries have designed and implemented a school grant policy through the adoption of different policy options. Because of significant differences in context, it was important to develop a well-designed and carefully tested analytical framework. Using this framework, it was possible to highlight instructive similarities and differences between the four countries and to arrive at conclusions useful beyond these specific contexts.

The main data collection instruments used during the research were as follows:

- **Interview** with a wide range of actors, namely: head teachers, groups of teachers, parents and pupils, members of school management committees (SMCs) and parent-teacher associations (PTAs), and district officials (district education officers, inspectors, auditors, and accountants). In total, 56 schools were examined and a total of 1,162 actors interviewed.
- **Documentation** including reports on basic education indicators and school financial management (such as accounts books and financial reports, school plans, and minutes of SMC/PTA meetings, where available). The staff in each school completed a school profile gathering together key education and financial data.
- **Observation** regarding the use of school grants, the quality of school infrastructure, the information signposted in schools, and (where possible) relations between school actors.

For certain questions, information was collected from a wider range of schools. These dealt mostly with quantitative issues such as the total resources used in each school, the grant amounts received over the years, and the broad categories of spending. Such data could be found in school financial reports available at the district level. The investigation therefore undertook quantitative analysis of all schools of each district covered by the research.

The group of schools studied

As noted above, the researchers selected 12 to 16 schools from a few districts in each country with a view to ensuring a diverse group of schools. The group included schools with varying characteristics, taking into account location (urban/rural), socio-economic environment, and in some cases school size, the allocated school grant in each case taking into consideration the number of students. The following paragraphs describe the process used to study the sample group in each country. To ensure anonymity, the names of schools and districts have been replaced with fictitious names.

In Indonesia, the research was conducted in four districts (*kabupaten*) in four provinces representing western, central, and eastern Indonesia. In each district, three to four public elementary schools were selected based on the number of students and their distance from the district education office (DEO) (*kabupaten education agency*). These criteria were used for two reasons: the school grant in Indonesia (BOS funds) is allocated to

schools on a per capita basis, and the distance from the DEO can affect the amounts schools have to spend on certain items, as discussed later. Overall, five schools were located in urban areas with easy accessibility, four were located in rural areas with moderate accessibility, and five were based in remote areas with difficult accessibility. An additional criterion was used to select the schools: participation in the UNICEF school-based management programme. *Table I.1* presents the main characteristics of these schools.

Table I.1 Main characteristics of the schools studied in Indonesia, by location and size, 2012–2013

District (<i>kabupaten</i>)	School	Accessibility/location	Size
A	SD1	Easy/urban	224
	SD2	Easy/urban	391
	SD3	Moderate/rural	263
B	SD4	Easy/urban	399
	SD5	Difficult/remote	146
	SD6	Moderate/rural	139
	SD7	Difficult/remote	225
C	SD8	Easy/urban	121
	SD9	Difficult/remote	37
	SD10	Moderate/rural	465
D	SD11	Moderate/rural	117
	SD12	Easy/urban	452
	SD13	Difficult/remote	230
	SD14	Difficult/remote	153

In Mongolia, a total of 12 schools were studied during the research, covering two districts in the capital city Ulaanbaatar, and one province (*aimag*) with five districts (*sums*). The selection of schools was based on location and size. The choice of province was determined by proximity to Ulaanbaatar, taking into considering transportation costs for the field research. Schools were selected according to their size and location in the district, and included complex secondary schools, which offer primary and secondary levels of education. *Table I.2* presents details of the group of schools studied.

Table I.2 Main characteristics of the schools studied in Mongolia, by location and size, 2012–2013

Province/city	Province/district	School	Location	Size
Ulaanbaatar	District A	UA1	Downtown	1,332
		UA2	Suburb	3,319
	District B	UB1	Downtown	2,134
		UB2	Suburb	1,332
	Aimag Centre	TC1	Centre	2,223
		TC2	Centre	413
TC3		Centre	271	
Province T (<i>aimag</i>)	District D	TD		263
	District E	TE		43
	District F	TF	Remote	1,076
	District G	TG		655
	District H	TH		138

In Timor-Leste two districts were selected for the research based on their geographic and demographic characteristics. District A, with low population density, is located in the eastern area of the country, while District B, with higher population density, is located in the western area. Three central schools and five filial schools¹ in each district were selected to reflect the educational structure in the country. A total of six central schools and ten filial schools were thus studied during the research. *Table I.3* provides more details on these schools.

In Vanuatu, the selection of schools was designed to be as representative as possible. Four out of the six provinces of Vanuatu were included in the research. Within these provinces, the sample covered government and government-assisted (GA) schools; urban, rural, and remote schools; and Anglophone, Francophone, and bilingual schools. A total of 14 schools were studied overall. *Table I.4* provides more details on the location and type of these schools, as well as information on enrolment data during the period in question.

1. In Timor-Leste, education service delivery at local level is organized through a cluster-based system, consisting of one larger central school and surrounding filial schools. See *Chapter 1* for further details.

Table I.3 Main characteristics of the schools studied in Timor-Leste, by category and size, 2012–2013

District A			District B		
School	Category	Size	School	Category	Size
AC1	Central	301	BC1	Central	240
AC2	Central	564	BC2	Central	516
AC3	Central	387	BC3	Central	1,523
AF1	Filial	455	BF1	Filial	71
AF2	Filial	122	BF2	Filial	108
AF3	Filial	250	BF3	Filial	170
AF4	Filial	220	BF4	Filial	185
AF5	Filial	318	BF5	Filial	617

Table I.4 Main characteristics of the schools studied in Vanuatu, by location and type, 2012–2013

Province	Name of school	Government (Gov) or Government-assisted (GA)	Location	Language of instruction	Size
Shefa	Strawberry	GA (DEC)	Urban	French	644
	Enchanter	Gov	Rural	English	316
Sanma	Ivy	GA (FELP)	Rural	French	110
	Teasel	GA (FELP)	Rural	French	145
	Marigold	Gov	Remote	English	144
	Succory	Gov	Urban	English	815
Penama	Tiare	GA (DEC)	Remote	French	277
	Sunflower	Gov	Remote	English	149
	Lily	GA (DEC)	Rural	French	151
	Quinoa	Gov	Rural	English	152
Tafea	Larch	GA (DEC)	Rural	French	163
	Lavender	Gov	Rural	Bilingual	204
	Kadsura	Gov	Remote	English	123
	Tulip	Gov	Rural	English	187

Notes: DEC refers to the Catholic Network of Schools (La Direction de l'Enseignement Catholique). FELP refers to the Francophone Protestant Network of Schools (Fédération de l'Enseignement Libre Protestant). The MoE defines remote schools as schools that are difficult to access by transport and have minimal communication links.

Implementation of the research

This investigation forms part of an overall research programme, coordinated by IIEP since 2010, on the use and usefulness of school grants. Following a desk review, undertaken to examine the existing literature on school grants in different countries and regions, and draw preliminary conclusions, the programme implemented a pilot research project in Lesotho, in 2010, in collaboration with the Ministry of Education and Training (MoET), the National University of Lesotho, the Johannesburg-based Centre for Education Policy Development (CEPD), and UNICEF. This enabled the programme to develop and test a set of research tools, and obtain preliminary conclusions.

Subsequently, IIEP and the UNICEF Eastern and Southern Africa Regional Office (ESARO) coordinated a research project from 2011 to 2012 in four Eastern and Southern African countries, namely, Ethiopia, Kenya, Malawi, and Uganda, in collaboration with ministries of education, national research institutions, and UNICEF country offices.

Based on the success of this research, IIEP and UNICEF decided to extend the scope of the research to the East Asia and Pacific region. IIEP and the UNICEF East Asia and Pacific Regional Office (EAPRO) launched a new research project in Indonesia, Mongolia, Timor-Leste, and Vanuatu, from 2012 to 2014. A technical workshop held in October 2012 in Jakarta gathered together the four national teams to discuss testing of the research tools in a group of schools in Indonesia. The national teams conducted the field research and analysis in 2013–2014 under the overall coordination of IIEP and UNICEF. A regional policy seminar was organized in May 2014 in Bangkok to discuss the research findings with ministries of education from 12 countries of the region, development partners, and researchers.

In each country, the research was undertaken by a national team led by a senior researcher from a national research and training institute or university, and composed of one or two additional researchers from the same institute. The national team also included one to two senior experts from the Ministry of Education (MoE) and one representative of the UNICEF country office.

The research team conducted the field research. Ministry and UNICEF representatives participated in the preparation of the research implementation plan, identifying the selection criteria for the group of

schools, and commenting on the field research reports. The composition of teams was guided by the desire to benefit from the expertise of the partner agencies during research implementation, and to build a bridge between research and policy-making.

In Vanuatu, only the MoE undertakes educational research. Accordingly, the team was composed of members of the Ministry. An international consultant joined the team to participate in the field research and the drafting of research reports.

Within this framework, the research produced a rich set of outputs, including 56 school monographs, four quantitative analysis reports, and four national syntheses.

This book: structure and objectives

This book presents the main findings of the research conducted from 2012 to 2014 in Indonesia, Mongolia, Timor-Leste, and Vanuatu. It synthesizes and identifies the key characteristics of the school grant policies developed in the four countries, focusing on their design and their implementation at school level, as well as their contribution to the policy objectives.

Frequent reference is made throughout the report to quotations from school-level actors interviewed during the research, so as to reflect their opinion of the policy that they themselves implement.

After a brief presentation of the four countries studied (*Chapter 1*), subsequent chapters discuss key issues related to the design and implementation of school grant policies in these countries, namely:

- objectives of school grant policies (*Chapter 2*);
- formulation and dissemination process of school grant policies (*Chapter 3*);
- criteria and mechanisms of grant distribution (*Chapter 4*);
- availability of resources within the schools, with specific attention to the share of grants in the school budget (*Chapter 5*);
- school-level actors involved in the decision-making process on the use of the school grant (*Chapter 6*);
- use of school grants (*Chapter 7*);
- monitoring and control mechanisms on the use of school grants (*Chapter 8*);
- overall assessments and conclusions (*Chapter 9*).

For readers looking for a **brief overview of the research findings and conclusions** covered in this book, chapter summaries can be found on the first page of each chapter (for **Chapters 2–9**). Summary tables on the main characteristics of the school grant policies developed in the four countries can also be found in a few selected chapters. The final chapter of this book provides a synthesis of all essential assessments and conclusions drawn from the research.

Chapter 1

General overview of Indonesia, Mongolia, Timor-Leste, and Vanuatu

1.1 Four countries with different backgrounds and similar educational challenges

The research focused on one geographical region, Eastern Asia and the Pacific, and school grant policies in four countries: Indonesia, Mongolia, Timor-Leste, and Vanuatu. These four nations present various contextual features. Geography varies between the countries, posing a variety of challenges. Indonesia is an archipelago consisting of 17,508 islands, of which some 6,000 are inhabited, while Vanuatu comprises 82 islands, 65 of which are inhabited. Timor-Leste encompasses mainland territory, as well as an enclave and islands, whereas Mongolia covers a wide territory with a desert landscape.

Political and economic contexts also differ widely. Mongolia and Indonesia gained independence in 1920 and 1949 respectively, while Vanuatu became independent in 1980 and Timor-Leste in 2002. In 2013, Indonesia was ranked 16th in the world in terms of gross domestic product (GDP), while GDP per capita in Timor-Leste amounts to only one-third of that in the other three countries.

Table 1.1 provides a closer look at the differences between these countries. The four countries cover a wide spectrum of economic growth. In 2013, the GDP growth rate was highest in Mongolia at 11.7 per cent, but only 2.8 per cent in Vanuatu. However, it is interesting to note that GDP growth decreased between 2011 and 2013 in all countries except Vanuatu. The largest drop in this regard occurred in Mongolia. In terms of GDP per capita, however, all four countries enjoyed increases over the same period of time.

Table 1.1 also reflects substantial differences in the populations of the four countries. Indonesia is the fourth most populous country in the world, with 249.8 million inhabitants, making it 1,000 times more populous than Vanuatu. Mongolia is two and a half times more populated than Timor-Leste, and has the lowest demographic density rate on the

planet: 1.7 inhabitant(s)/km². In Vanuatu, three-quarters of the population live in rural areas; in Timor-Leste the figure is slightly less; in Indonesia, just under half; and, in Mongolia, less than a third.

There are also small disparities in life expectancy at birth. The average in Indonesia and Vanuatu is about 70 years, while life expectancy in Mongolia and Timor-Leste is 67 years. Finally, a significant gap exists regarding literacy. More than four-fifths of the adult population are literate in Indonesia, Mongolia, and Vanuatu, while just over half the adult population was literate in Timor-Leste in 2011.

Overall, the four countries appear to face similar challenges in regard to development of education, as illustrated by the key educational data presented in *Table 1.2*. Concerning access to education at primary level, gross enrolment ratios (GER) were consistently over 100 per cent in both 2010 and 2012. At secondary level, GER and net enrolment ratios (NER) were lower, in some cases considerably. However, secondary education is an area where increases have been seen over time, as illustrated by increases in GER and NER in Indonesia and Mongolia from 2010 to 2012, and in Timor-Leste from 2010 to 2011.

Table 1.2 reflects near gender parity in terms of enrolment ratios at primary and secondary levels. Nonetheless, some minor differences are evident. In Indonesia and Mongolia, enrolment is slightly higher for girls, although this evened out from 2010 to 2012, dropping to 101.2 per cent and 100.3 per cent, respectively. In Timor-Leste and Vanuatu, however, enrolment ratios for boys were slightly higher. In addition, data show pupil–teacher ratios (PTR) tend to be higher for primary education. The lowest ratio for primary classes was in Indonesia, at 16:1 in 2010, and 19:1 in 2012, followed by Vanuatu, at 22:1 in 2010. Despite minor fluctuations over time, PTRs in Mongolia and Timor-Leste were closer to 30, with an increase in Timor-Leste in 2012 (to 36:1).

Finally, public education spending was highest in Vanuatu in 2009, at 18.7 per cent of total government expenditure. The only country where an increase is visible in this regard is Indonesia, from 16.4 per cent in 2010 to 18 per cent in 2012. Conversely, public spending on education appears to have dropped slightly in Mongolia and Timor-Leste from 2010 to 2011, decreasing from 14.7 per cent to 12.1 per cent, and from 8.6 per cent to 7.7 per cent, respectively.

Table 1.1 General statistics on Indonesia, Mongolia, Timor-Leste, and Vanuatu, 2011–2013

	Indonesia		Mongolia		Timor-Leste		Vanuatu	
	2011	2013	2011	2013	2011	2013	2011	2013
Population	243,801,639	249,865,631	2,754,209	2,839,073	1,120,392	1,178,252	241,778	252,763
% of population in rural areas	49.3	47.8	31.5	29.8	71.6	70.9	75.1	74.5
Adult literacy rate (% ages 15 and older)	93	NA	98	NA	58	NA	NA	83
Life expectancy at birth (years)	70	71	67	67	66	67	71	71
GDP per capita (current US\$)	3,469.6	3,475.3	3,181.1	4,056.4	1,007.1	1,370.7	3,249.9	3,302.5
GDP growth (%)	6.5	5.8	17.5	11.7	12.1	8.1	1.2	2.8
Agriculture as % of GDP	14.7	14.4	14.5	16.5	16.7	NA	25.2	NA

Source: World Bank, 2014. Note: NA: not available.

Table 1.2. Key educational data for Indonesia, Mongolia, Timor-Leste, and Vanuatu, 2010–2012

	Indonesia		Mongolia		Timor-Leste		Vanuatu	
	2010	2012	2010	2012	2010	2012	2010	2012
GER in primary education, %	109.9	108.5	125.6	116.9	128.6	131.5	122.5	NA
NER in primary education, %	94.9	92.2	98.6	97.3	92.9	94.1	NA	NA
GER in secondary education, %	78.4	82.5	91.5	103.4	57.1	63	59.65	NA
NER in secondary education, %	68.4	76.1	79.1*	83.1	19.5	24.8	51.6	NA
Ratio of girls to boys in primary and secondary education, %	102.6	101.2	102.4	100.3	93.2	94.1	98.4	NA
Pupil–teacher ratio in primary education	16	19	30	29	27.7	36	22	NA
Pupil–teacher ratio in secondary education	12	17	14	NA	19.9	28	NA	NA
Public spending on education (% of total government expenditure)	16.4	18	14.7	12.1*	8.6	7.7*	18.7**	NA

Source: World Bank, 2014.

Notes: Date for Timor-Leste are based on the national Education Management Information System (EMIS) of 2013–2014, except for the item ‘Public spending on education (% of government total expenditure)’, which is based on data from the World Bank (2014). NA: not available. *: 2011. **: 2009.

1.2 Four different models of decentralization

Since the early 1990s, the Eastern Asia and Pacific region, and these four countries in particular, have witnessed the spread of decentralization reforms. However, the form taken by the decentralization of education differs greatly between countries.

Indonesia

In 1999, Indonesia initiated significant reforms that would enhance regional autonomy in the country, giving local communities the ability to provide key services and implement national laws and policies (Holtzappel, 2009).

The reforms began with the introduction of Law 22/1999 on Regional Governance and Law 25/1999 on Fiscal Decentralization. According to Law 22/1999 (since revised in 2004 and 2008), responsibilities in areas including health, public works, land, and education would be transferred to regional governments (provinces or districts/municipalities), while the central government would retain responsibility for domains including defence and security, monetary and fiscal policy, religious affairs, justice, foreign policy, and economic planning (Bandur, 2012).

At the sub-national level, Indonesia is divided into 34 provinces, which are further divided into rural districts (*kabupaten*) or city municipalities. Each province is led by a governor, and both provinces and districts have their own elected councils, to which certain responsibilities and basic services have been decentralized from the central level. In line with wider trends in school-based management, schools also receive grant funds and carry out certain management and decision-making activities at the school level.

More specifically, responsibilities are divided between actors as follows:

- At the central level, the Ministry of Education and Culture (MoEC) is responsible for planning and implementing education, and providing general direction, guidance, regulation, and monitoring and evaluation of the national education system. It is also responsible for determining national standards to ensure the quality of education. The Ministry of Religious Affairs (MoRA) oversees public and private religious schools (UNESCO Bangkok, 2010).

- At the provincial level, governments, through their education boards, facilitate education implementation for basic and secondary education, and are responsible for the development of education personnel (Government of Indonesia, 2003).
- Provincial education offices (PEOs) exist in each province, and a district (*kabupaten*) education agency exists in each district/municipality. Provincial and district offices are primarily responsible for operationalizing, managing, adapting, and implementing ministerial policies, while taking into account local and environmental needs (UNESCO-IBE, 2011).
- At the district/municipality level, independent school boards (also elected) represent the district community and organize education delivery within the district. Their authority is administrative as well as managerial.
- At the school level, principals play a broad role that includes promoting collaborative decision-making, engaging and facilitating the work of committees and teachers, and managing operational and instructional processes (World Bank, 2012). Every school is required to have a school committee consisting of parents, teachers, and community representatives. Indonesia's Education Act of 2003 defines a school committee as an independent body meant to provide advice, direction, and support for personnel, facilities, and equipment, and which also plays a role in school monitoring (Government of Indonesia, 2003). Committees are generally made up of 5–12 members, and may also contribute to developing school infrastructure and facilitating communication between parents and schools (National synthesis, Indonesia).

Mongolia

Mongolia's transition to democracy and a market-oriented system began in early 1990, following nearly 70 years of socialism (Steiner-Khamsi and Stolpe, 2004). Since adopting its democratic constitution in 1992, the country has experienced several peaceful political transitions through national elections (Weidman and Yoder, 2010).

Mongolia is divided into three levels of government. The 21 rural provinces (*aimags*) are divided into rural districts (*sums*) and their respective sub-districts (*bags*). The country's capital city, Ulaanbaatar, is governed as an independent administrative municipality, but is similarly divided into *districts*, which are further divided into sub-districts

(*khoroos*) (National synthesis, Mongolia). Territorial units in Mongolia are led by an appointed executive (governor) and represented by locally elected councils (Citizens' Representative *Khurals*) (UNDP, 2013). These bodies are elected every four years.

Despite some efforts in the early 1990s to provide provincial and district levels with a level of fiscal autonomy, the adoption of certain laws, notably the 2002 Public Sector and Management and Finance Law, significantly curtailed the power of local governments (UNICEF, 2014). Most recently, implementation of the Law on Budget in 2013² put into motion changes to enhance the role and autonomy of local bodies, which also affected the way in which schools receive grant funds.

In the education sector, responsibilities are divided between actors and bodies in the following manner:

- At the central level, the Ministry of Education, Culture, and Science (MECS) is the main central administrative body in charge of formulating and implementing national educational policy, as well as setting national educational standards for each level of formal education. It also administers teacher training, curriculum development, and state examination procedures.
- At the provincial (*aimag*) level, governors and their assemblies have played an important role in education financing since 2013. With the introduction of the Law on Budget of 2012, budget responsibilities were transferred from provincial education departments (PEDs) and DEOs to locally elected bodies and provincial or district State Funds, as described later in this book. PEDs are administered vertically as a unit of provincial governments and function as the main body for implementing education policy at local level, with responsibilities including formal and primary education, finance and budgets, statistical analysis, and monitoring (National synthesis, Mongolia). DEOs administer these responsibilities at district level.
- Primary, middle, and upper secondary schools can be amalgamated together to form a 'complex' school, which may be located in separate buildings, but share common administration, management, and financing systems (National synthesis, Mongolia). Head teachers are responsible for organizing activities to implement the policy and law of education, and also control, evaluate, and report on

2. The Law on Budget was adopted in October 2012 and implemented in 2013. It is referred to in this document as the Law on Budget of 2012.

these activities. This includes planning budget and finance activities for the school, taking steps to improve the learning environment, and spending resources effectively. School committees are involved in internal monitoring and are composed of teachers and parents.

Timor-Leste

Timor-Leste gained independence in November 1975 after nearly 500 years as a Portuguese colony, only to be occupied shortly thereafter by neighbouring Indonesia (MoE, 2014). In May 2002, the country regained independence after a two-year transition period under United Nations administration. Efforts began to develop a framework for decentralization and local government – principles enshrined in the country’s constitution – and continue to this day.

Timor-Leste is divided into 13 administrative districts, which are further divided into 67 sub-districts. The country’s smallest administrative subdivision is the *suku* (village), which can include one or more *aldeias* (hamlets).

At present, certain responsibilities in Timor-Leste have been redistributed from central to sub-national units of the central government, although further development is underway. Most recently, the government continued its pursuit of decentralization policies through enactment of Decree Law No. 4/2014: Organic Statute of the Structure of Pre-Deconcentration. Under the new law, the country introduced plans for more effective administrative decentralization through the establishment of municipalities (Marx and Gosh, 2014). Once implemented, the new municipalities will replace existing districts.

Timor-Leste has also made a number of changes to education service delivery over the course of the last decade. A particularly important change occurred in 2010 with the adoption of the ‘Escola Basica’ model, a cluster-based system that consists of one larger central school and several surrounding filial (or satellite) schools. The model was introduced with the aim of promoting coordination between the central and district services of the MoE and the country’s basic education establishments. More specifically, this system led to the following division of responsibilities between various actors and bodies:

- At the central level, the MoE is responsible for policy development, implementation planning, financial oversight, and monitoring and

evaluation of programme outcomes. The MoE has several national directorates, including the National Directorate of Basic Education.

- DEOs represent the MoE at the district level. They ensure that national policy is implemented, inspect schools, monitor teacher performance, and manage school grants.
- School clusters are organized geographically, and include a central basic school, which covers all three cycles of primary education, and small or medium filial schools, which cover only one to two cycles of primary education. Central schools function as the administrative and managerial hubs for the operation of their cluster.
- Each central school of a basic education cluster appoints a school director, while each filial school has a school coordinator who provides site-based management (National synthesis, Timor-Leste). The school director of a basic school is the general manager of the cluster of schools (MoE, 2011). School directors are accountable to the director of the DEO, while school coordinators are accountable to central school directors (National synthesis, Timor-Leste).
- Technical support offices (*Gabinete Apoio Técnico*) are also accountable to the school director of the central school, and play a key role in the management and administration of filial schools. Located at the cluster level, they carry out a range of activities, such as preparing strategic and financial plans, ensuring planned spending is in line with regulations, and posting endorsed education plans on school notice boards (National synthesis, Timor-Leste).
- School councils act as the democratic decision-making body for each cluster. They consist of school representatives (directors, principals, head teachers), parents, local authorities, and non-governmental organizations (NGOs) (MoE, 2011). At the school level, PTAs exist in both central and filial schools.

Vanuatu

Vanuatu, formerly known as the New Hebrides, attained independence on 30 July 1980 after 74 years of joint administration by France and the United Kingdom (Government of Vanuatu, 2010). The country's new constitution came into force on that day, and contained specific provisions recognizing the importance of citizen participation in local regional government and enabling the enactment of legislation to support decentralization (Government of Vanuatu, 1980).

In 1994, Vanuatu's Decentralization and Local Government Regions Act established provincial government regions and, thereafter, began decentralizing responsibilities. Today, the country is divided into six provinces represented by locally elected provincial government councils. In addition to these provinces, the country has three municipalities located in urban centres, namely, Port Vila, Luganville, and most recently, Lenakel Municipality (MoIA, 2008). Each municipality is represented by a municipal government council.

Decentralization in Vanuatu has occurred in a variety of ways including through the transfer of powers from the central level to sub-national government councils. In the education sector, PEOs represent the MoE at the provincial level, led by a provincial education officer who acts as the senior representative of the MoE in the province (Government of Vanuatu, 2001). Changes in Vanuatu are in line with wider trends in school-based management, with certain responsibilities transferred directly to schools, such as management of school grants. Overall, responsibilities in education are divided between actors in the following manner:

- At the central level, the MoE is responsible for devising national standards for schools and developing a national curriculum. It also recruits, deploys, trains, and supervises teachers, as well as overseeing construction, equipping and furnishing schools, buying and distributing teaching materials, and financing the education system to a large extent.
- PEOs function as education authorities and are responsible for overseeing government schools. Each province has a PEO. Government-assisted education authorities (GAEAs) function as the religiously affiliated counterpart of PEOs, and are responsible for government-assisted schools. Provincial education boards (PEB) govern the PEO (National synthesis, Vanuatu). Their membership includes a representative from the locally elected provincial government council, the provincial education officer, and four other representatives from groups including parents, teachers, or other actors interested in education in the province. PEBs are responsible for operating and managing government schools in the province, planning and developing primary and secondary educational activities, assisting the MoE in planning sufficient schools to meet provincial needs, and preparing reports and providing advice on schools and kindergartens (MoE, 2014). Each PEO also employs a

provincial finance officer (PFO) who takes part in training principals on financial management and monitoring financial records at schools. The PEO also reports to the MoE on the PEO's budget. Zone curriculum advisors (ZCA) provide pedagogical support to teachers within zones covering 5–12 schools, and serve as a means for PEOs and schools to liaise with one another, particularly for remote schools (National synthesis, Vanuatu).

- At the school level, school heads are responsible for day-to-day administration and management of schools, the well-being of staff and students, professional development of school staff, and reporting to provincial education authorities (Government of Vanuatu, 2001). They are also lead decision-making on grant use, procure materials with grant funds, and carry out monthly financial reporting (National synthesis, Vanuatu). School committees participate in developing school budgets and making decisions related to school development and expenditure. In addition, they organize school fundraising and community events, and serve as a channel for communication between schools and communities (National synthesis, Vanuatu).

Chapter 2

The objectives of school grants

School grants were introduced alongside **fee-free education** in all countries studied except Mongolia, where recent grant policies were developed during the **democratization** process of the 1990s. All four grants cover primary and secondary education and share two objectives: to **increase access** to education and **improve education quality**. Some grants also aim to contribute to **equity** through specific assistance for disadvantaged groups, such as poor students (Indonesia) or disabled students (Mongolia). Grants were introduced in line with wider global trends towards decentralization and greater school **autonomy**, thus contributing to increased **administrative efficiency**. However, schools in Mongolia and filial schools in Timor-Leste play only a weak role in managing grant funds, in accordance with grant guidelines.

The study focused on the analysis of four school grant policies developed in four countries in the East Asia and Pacific region, namely, the BOS programme in Indonesia, the State Fund in Mongolia, and the school grant policies implemented in Timor-Leste and Vanuatu. This chapter presents a brief overview of these policies with specific attention given to their main objectives. Subsequent chapters will analyse their main characteristics in more detail with a view to examining how these policies have been designed and implemented to achieve their objectives.

2.1 The four school grant policies

This section examines the school grant policies developed in the four countries, with specific attention to their year and context of implementation, coverage, and main objectives. It focuses first on Indonesia, Timor-Leste, and Vanuatu, which share similarities in their context of implementation. It then examines Mongolia, which has a longer history in this regard and presents a distinct scenario compared to the other countries. *Table 2.1* summarizes the information contained in the chapter.

The School Operational Assistance (BOS) programme was implemented in Indonesia in 2005. Its roots lie in a previous assistance scheme (Operational Assistance Fund/DBO) developed in 1998, which targeted specific schools and was aimed at mitigating the effects of the Asian financial crisis, as well as supporting schools from poor districts. The BOS programme was implemented in 2005 as part of the

government's strategy to compensate for the reduction in the fuel subsidy, and to reduce the burden imposed on communities and, in particular, poor populations resulting from the rise in fuel prices. As part of this strategy, budgets were allocated to four areas: education, health, rural infrastructures, and direct unconditional cash transfers.

BOS covers both public and private schools. It is targeted 'at elementary schools and special needs elementary schools, junior high schools, special needs junior high schools and distance education junior high schools – both state and privately owned. This also includes co-located elementary and junior high schools (*SD-SMP Satap*) and independent community learning centres (*TKB Mandiri*)' (National synthesis, Indonesia: 12). It does not apply to international-standard pilot schools and international standard schools, which are allowed to charge fees in accordance with national regulations.

The school grant policy in Timor-Leste was launched in 2004/2005. It is directly related to the abolition of school fees. Its coverage is similarly broad, applying to primary, secondary, and technical/professional education. Until 2006 it focused on public schools, and then subsequently expanded to incorporate Catholic and private schools at primary and secondary levels, on condition that the schools are certified by the MoE and are listed under the EMIS (Education Management Information System) (National synthesis, Timor-Leste).

The school grant policy developed in Vanuatu is the youngest of the four policies studied. It was developed in 2010, and replaces the previous system through which local education authorities received operating grants from the government that they could distribute to schools in cash or in kind. It applies to all government and GA schools. Private schools are not eligible for the grant. As with Indonesia and Timor-Leste, the policy is directly linked to the abolition of school fees, which forms an integral part of the policy.

Mongolia presents a quite different case, as schools have received state funds since 1940 (National synthesis, Mongolia). State financing to schools has been the object of several regulations and laws, most recently the Law on Budget of 2012. In the 1990s, funds were allocated directly to schools as part of a democratization process through which more autonomy was granted to local actors, including schools. The distribution mechanisms were later reformed, with funds transferred to the district level after 2002. The origins and context of this policy are therefore

significantly different from the other three countries studied. The State Fund received by schools in Mongolia covers all complex public schools, including primary and secondary schools. Private schools were formerly eligible, but annual reductions reduced their grant amounts to zero.

The scenarios in which school grant policies were developed in the four countries therefore differ:

- **Duration.** The grant policy in Mongolia is quite old, while the policy in Vanuatu is more recent. In both Indonesia and Timor-Leste, policies were launched around ten years ago.
- **Context.** In Indonesia, Timor-Leste, and Vanuatu, school grants were directly allocated to schools in line with school fee abolition. In Mongolia, grants were allocated as part of the democratization process in the 1990s.
- **Coverage.** The grant policies cover primary and secondary education in all four countries, including vocational schools in Timor-Leste. In Indonesia and Timor-Leste, grants are also allocated to public and private institutions, while this is not the case in Mongolia and Vanuatu.

2.2 Objectives of school grants

What is the main purpose of the school grant policies developed in these four countries? Do they aim to achieve access, equity, quality, administrative efficiency, and school autonomy, as highlighted in the introductory chapter, or do they focus more specifically on certain of these objectives? Are the objectives clearly stated in the policy guidelines, and what are the opinions of their main beneficiaries at school level in this regard?

These are key questions that constitute the foundation of any policy, determining its design and implementation process, and influencing its effectiveness. This section answers these questions by undertaking an analysis of the policy objectives developed in each country, and examining the opinions of school-level actors in this regard.

An overview of objectives

The policy landscape in which school grant policies are designed and implemented varies from one country to another; however, in all four countries, these policies have been implemented to respond to the

following policy objectives, more or less explicitly, as noted in the respective guidelines:

- contribute to equal access to school for all children, including the poorest, by reducing the cost barriers of schooling to parents;
- improve education quality in the beneficiary schools;
- improve school management and functioning through greater school autonomy;
- increase administrative efficiency.

The purpose of achieving equality in access to quality education, through a policy of equity (giving more to those who are disadvantaged), is stated clearly in the guidelines of Indonesia and Mongolia.

The focus placed on these objectives varies among countries, as explained below.

Increasing access. In all four countries, school grants have been developed to contribute to greater access to education. In Indonesia, Timor-Leste, and Vanuatu, grants have been allocated to schools to compensate for the abolition of school fees. In Mongolia, the State Fund also aims to contribute to improving access of all children to primary and secondary education. In this regard, it supports implementation of the following key regulations enacted in the 1990s: the Constitution of 1992, which declares that the state shall provide free general public education; the Education Law of 1991, which introduces key components of the funds transferred to schools (variable costs, see later in the book); and the State Policy on Education (1995), which identifies the minimum level of expenditure per student in primary and secondary schools.

Equality and equity. In Indonesia, schools may use the BOS grant to provide assistance to poor students, including, for example, the provision of shoes, bags, or uniforms. In Mongolia, allocated funds take into account the existence of disabled students in schools and their special needs. In both countries, allocated funds take into consideration whether schools are located in urban or rural/remote areas, school size, and existing disparities between schools and students. In Timor-Leste and Vanuatu, grants have been developed to improve access to schooling for all children. However, funds are allocated to schools on the basis that all pupils are the same, and no distinction is made with respect to schools and pupils in this regard, except in relation to school size.

Improving education quality. In Vanuatu, the research showed that while ‘improving access to education was the initial aim of the scheme from 2010 to 2013, the mid-term objective is to improve the quality of the education’ (National synthesis, Vanuatu: 43). The guidelines and manuals on grant use in the four countries all refer to areas of education quality. Grants in these countries contribute to this in different ways, as discussed later.

Improving school management and functioning through greater autonomy and increasing administrative efficiency. School grant policies have been developed in the four countries in the context of a global trend towards decentralization, school-based management, and increased autonomy for schools. However, the process in Mongolia is characterized by a scenario in which funds have been transferred to the district instead of schools since 2002, which allows for very little autonomy in their management, as discussed later. In Timor-Leste, from 2004/05 to 2012, grants were transferred through DEOs before reaching schools. The organization of the education system at local level was reformed in 2010 with the creation of central and filial schools, as described in *Chapter 1*. Grants are transferred to central schools within each cluster and, in most cases, do not reach filial schools. The distribution mechanism therefore strengthens the responsibilities and level of autonomy of central schools, but weakens filial schools in this regard.

Opinion of actors

Overall, interviewees in all four countries highlighted access and education quality as the main objectives of school grant policies, and considered these broad objectives to be in line with the main needs at school level. In Indonesia, Timor-Leste, and Vanuatu, school-level actors appeared to be well aware of the relationship between the abolition of school fees and school grants, and largely appreciated a strategy aimed at giving ‘all children a chance to go to school’ (Head teacher, Sunflower school, Vanuatu). In Indonesia, ‘they were satisfied because the provision of BOS funds meant it was no longer necessary to collect school fees from students’ parents, which they considered very hard to do’ (National synthesis, Indonesia: 27). School grant policies in these countries therefore directly addressed the constraints faced by the poorest parents in sending their children to school.

In Indonesia, the equity objective of the BOS was highlighted in a few cases during interviews, with school-level actors appreciating the extra assistance received through the funding mechanism for poor students: ‘[the BOS grant] is good too, because there is assistance to ease the burden on parents, particularly for [parents of] poor students’ (School principal, Indonesia). In Mongolia, overall, few actors were aware of the equity dimension of state funding through the allocation of specific funds for disabled students. However, when informed of this aspect of the policy, they supported it: ‘for schools with less pupils and with pupils that require extra support – for example disabled children – this makes sense’ (Head of District State Fund, Ulaanbaatar, Mongolia).

In the four countries, the interviewees also largely appreciated the contribution of school grants to improvement in education quality at the school level, in particular improvements targeted at the school environment, and the availability of teaching and learning materials. In Mongolia, several head teachers, teachers, and accountants stated that, in this regard, the State Fund is ‘the basic condition for schools’ existence’ (National synthesis, Mongolia).

Two factors determine the perceptions of school-level actors on the objectives of school grant policies in their countries:

- The number of years the policy has been in place in each country, as this period is still quite recent in Vanuatu in comparison with Indonesia and Timor-Leste, and even more so in comparison with Mongolia. Where grants have existed for a longer period of time, in particular in Mongolia, they have become a fundamental part of the educational landscape, and as such there is little reflection on their specific objectives.
- The quality and effectiveness of the communication and dissemination process of the policy, as discussed in *Chapter 3*.

Table 2.1 Main characteristics of school grant policies in Indonesia, Mongolia, Timor-Leste, and Vanuatu

	Indonesia	Mongolia	Timor-Leste	Vanuatu
Grant	BOS	State Fund	School grant	School grant
Introduction of free primary education (FPE)	2005	NA	2004/05	2010
Introduction grant	2005	1992: Variable costs 2002: Fixed costs	2004/05	2010
Coverage	Elementary and junior high schools	Complex schools (primary, lower and upper secondary schools)	<ul style="list-style-type: none"> • Public and private schools recognized by the Ministry of Education • Basic education (primary), secondary, technical/professional schools 	Government and GA schools
Objectives	<ul style="list-style-type: none"> • To provide students with fee-free education for school operational costs; • To provide fee-free education for all poor students at public and private schools; • To ease the burden of school operating costs on private school students. 	To support free and 12-year education for all children.	<ul style="list-style-type: none"> • To abolish school fees; • To support learning activities for schools; • To support routine/recurring maintenance of schools; • To improve quality of education; • To improve management and administration in schools. 	<ul style="list-style-type: none"> • To abolish school fees; • To improve access to education; • To improve education quality.

Note: NA = not applicable.

Chapter 3

School grants: policy formulation and dissemination process

School grants were introduced on a **nationwide** basis in Indonesia, Mongolia, and Timor-Leste, and progressively extended to all schools in Vanuatu. All four countries developed policies in a **top-down** manner, although a more consultative approach was adopted during 2012 reforms on school financing in Mongolia. In Timor-Leste and Vanuatu, **international advisors** also played an important role in the formulation process. Several actors at the school level complained about the **lack of consultation** during the formulation of this policy in which they were the direct beneficiaries.

Information on fee-free education and school grants was disseminated through large-scale **media campaigns** in Indonesia, Timor-Leste, and Vanuatu. In addition, all four countries created policy documents (**guidelines, handbooks, and manuals**) covering topics such as grant objectives, management, and grant use. However, these documents differed with regard to format, overall clarity, and frequency of updates. **Training sessions** were arranged on a regular basis in Indonesia and Vanuatu, while sessions took place in a more irregular fashion in Mongolia and Timor-Leste. Training usually targeted **head teachers and school accountants**. Overall, school-level actors emphasized the importance of conducting **regular training sessions**, in particular regarding the **day-to-day management of the grant and monitoring**.

The extent to which the main beneficiaries of school grant policies are involved in their formulation, and informed and trained on their main components, determines not only their ownership of the policy, but also its effective implementation and monitoring at school level. This chapter examines the participation of beneficiaries in this process, drawing on lessons learned from the research in each country. It focuses first on the policy formulation process and then discusses the characteristics of the dissemination process.

3.1 Policy formulation

School grant policies were implemented in the four countries on a nationwide basis, with the exception of Vanuatu, where the grant scheme reached 95 per cent of all schools in 2010, its first year of operation. As of 2012, coverage had grown to 425 schools, representing 97.4 per cent of all government and GA schools. The remaining schools were mainly located in rural areas and faced difficulties setting up bank accounts.

The research suggests that school grant policies in Indonesia, Timor-Leste, and Vanuatu have mainly been formulated in a top-down manner by national authorities, and in some cases in collaboration with international advisors, without systematic consultation of school-level actors, and with limited participation by DEOs or PEOs. In Indonesia, one principal stated: ‘we were not involved, we only heard about it. Those involved were people higher up’ (National synthesis, Indonesia: 28). Only one DEO officer interviewed in this country during the research indicated that he was involved in the preparation of the BOS guidelines.

In Timor-Leste and Vanuatu, international advisors played an important role in the formulation process. In Timor-Leste, a team composed of an international and a national advisor developed the *School Grant Manual* documents. Although the process was officially participatory, including consultations with regional and district education departments and school principals, the district and school-level actors interviewed stated that they had not been involved in the process.

In Vanuatu, a small team of officers within the MoE led the policy formulation process in 2009, with the assistance of technical advisors funded by the Australian Agency for International Development (AusAid) and the New Zealand Aid Program (NZAid). The policy was developed quickly over a four-month period and ‘in isolation of field actors’ (National synthesis, Vanuatu: 45). None of the school-level or provincial-level education actors interviewed were directly involved in the policy formulation process. Several provincial education officers emphasized the hurried nature of the policy formulation process and its lack of preparation. It must be noted, however, that a small study on school expenditure was conducted prior to the launch of the policy to determine the amount of funding required to sustain annual school operations.

Several actors at school and district levels in Indonesia, Timor-Leste, and Vanuatu complained about their lack of involvement in the formulation of the policy, arguing that their input was necessary to better consider the various school needs. The following quotes from Indonesia are illustrative:

People from the regions should have been involved. After all, they are the ones who implement it (Principal, SD 4, Indonesia).

[Local stakeholders] should have been involved because the needs of each school are not the same (BOS treasurer of SD 11, Indonesia).

However, some actors in Indonesia disputed this point of view, instead trusting their elected representatives at the national level to determine the appropriate policies.

The school grant policy was first introduced in Mongolia several decades ago, and few interviewees had any recollection of the precise events. A recent reform in school financing (Law on Budget of 2012) went through a somewhat more consultative process. A joint working group composed of representatives from the MoE and Ministry of Finance (MoF) discussed the reform with professional organizations. Some interviewees (head teachers, school accountants, teachers and district officials) confirmed their involvement in these discussions, which they appreciated.

3.2 Policy dissemination

The knowledge school-level actors in these countries possess regarding school grant policies depends on three main factors: (i) the quality and coverage of the communication campaigns; (ii) the clarity and availability of guidelines at the school level; (iii) the organization of regular and useful training programmes in this regard. These issues are analysed in this section.

Communication

School grant policies in Indonesia, Timor-Leste, and Vanuatu were implemented in close connection with fee-free education, and were accompanied by large media campaigns (radio, television, newspapers, official letters from the MoE) aimed at staff at district, provincial, and school level, as well as communities. In addition, head teachers in a number of schools used school committee meetings to present the policy, and asked committee members to transmit information on the grant policy to parents, or used annual school meetings to inform parents themselves. In Vanuatu, one head of school also noted that he had made announcements in church.

In Vanuatu, communication was particularly intensive, with several campaigns organized to raise awareness of the school grant policy. For example, in 2010 a team from the Ministry of Finance and Economic

Management, including a local advisor, visited communities to present the policy and explain that school fees for Grades 1–6 would be replaced with school grants. Heads of school were provided with leaflets on school grants to distribute within their communities. As a result, all parents and teachers interviewed were aware of the policy and its implications. Although very few pupils could share many details of the policy, approximately half of the groups of pupils met with were at least aware of the existence of the school grant.

While the research highlighted a general awareness among parents and students that going to school was now free of charge, knowledge about the existence of grants varied between actors. The situation was fairly similar in Indonesia and Timor-Leste. While school staff were well aware of the objectives of the grants, this was not always the case for parents and pupils. In Indonesia, for example, some parents and the majority of pupils had heard the term ‘BOS’, but had only limited information about the programme. In Timor-Leste, one parent said ‘we never know information from the government, but we do know that we haven’t paid any more to the school since 2005/06’.

In Mongolia, the situation was quite different. In the absence of a specific communication campaign on the State Fund, only the actors involved in its management (primarily school principals and accountants) were aware of its existence. Teachers understood the grant mainly in relation to their salaries, which are covered by these funds. Parents were, overall, aware that schools received funds from the state, but only those working as accountants in the public administration knew about grant funding. This situation can be explained partly by the fact that schools began receiving state funds some time ago. The grant has become such an integral part of the administrative landscape that it is not considered a separate reform. In addition, parents are not involved in fund management.

Guidelines

Existing documents

Policy documents such as guidelines, handbooks, and manuals are made available to schools in each country to guide them in the use of school grants. Their content is broadly similar across countries: they clarify the objectives of the policy, present and explain implementation

mechanisms, and identify the authorized areas of expenditure and reporting requirements for the grants.

These documents, however, differ between countries regarding their nature. In Indonesia, the BOS technical guidelines book is updated every year to reflect changes in the policy, in particular concerning authorized areas of expenditure.

The *School Grant Manual* developed in Timor-Leste was prepared at the onset of the policy, revised in 2010–2011, and is currently used as a reference by schools for managing the school grant. A *School Director's Guide* and a *School Inspector's Guide* have also been produced to ensure the proper implementation of grants.

The situation in Vanuatu is somewhat different, with a number of documents prepared to guide schools through the grant process. The *School Financial Management (SFM) Manual* regulates the spending of the entire school budget and provides information on how to fill out financial forms and registers. Due to its perceived complexity, however, simplified material was provided to schools in the form of the following documents:

- The *School Grant Scheme* provides a brief description of the key features of the policy, including its objectives, the conditions for eligibility, payment process, and authorized uses of the grant.
- *Quick guides* are a simplified version of the *SFM Manual*.
- *A Minimum Standards of Quality for Primary Schools* was prepared by the MoE with UNICEF to give direction to schools on the use of grants. However, respondents made no reference to this document during interviews, probably because training on the document was ongoing at the time of the research (National synthesis, Vanuatu: 46–47).

In Mongolia, confusion prevailed regarding the existing documents available to schools to guide them in the use of the State Fund. While some head teachers and accountants referred to a book published in 2012 by the MoF and the MoE, others referred to laws and regulations on financing. This reflects the lack of specific guidelines on the funding formula and use of the State Fund and its daily management. Head teachers and accountants both complained about the absence of such a document.

Availability

A copy of the main guidelines has been made available to all schools in each country. In Indonesia, a copy of the yearly revised BOS guidelines is shared with schools through the PEOs and DEOs, sometimes with delays. Since 2013, the guidelines have been available online to download, making access easier for schools with good Internet connections. In Timor-Leste, the *School Grant Manual* was published in the national language, Tetum, and disseminated to all schools.

In all four countries, research teams noted the availability of these policy documents in the schools visited. In Mongolia, however, availability varied between provinces and districts. In Timor-Leste, each school possessed a copy of the *School Grant Manual*, even filial schools. Only one copy of these documents is usually distributed to each school. Those directly involved in grant management (normally the head teacher and school accountant/treasurer) safeguard the copies and refer to them regularly. Teachers seldom have access to them and do not make use of them, while parents and the community remain unaware of their existence. This situation can be considered logical, as the guidelines are known and used by those involved in managing the funds. However, lack of knowledge about their existence and content among other school-level actors, in particular teachers and parents, seriously limits their capacity to monitor the use of grants.

Clarity

In Indonesia, the BOS technical guidelines book is considered overall to be easily understood by users. It is updated annually, leading one interviewee to note that it is ‘becoming more comprehensive and easier to understand each year’ (National synthesis, Indonesia: 36). Some respondents, however, drew attention to more difficult sections related to accountability reporting, taxation, and approved uses of BOS funding.

In Vanuatu, the complexity of the *SFM Manual* led the authorities to publish shorter and simpler guides, as discussed above. In Timor-Leste, stakeholders did not comment on the clarity of the *School Grant Manual*, most likely reflecting its relatively straightforward use. In Mongolia, the complexity of the various documents used by schools led interviewees to request a more focused and simpler tool.

One school principal in Indonesia noted that while such documents are useful, they are not necessarily sufficient to fully guide and

accompany schools in the management of their grants, highlighting the need for regular training:

With briefings, we get a better understanding of BOS funding. However, [these understandings] are only temporary because we may forget them, right? We cannot remember; that's why we also need to read the technical guidelines book. So both of them are necessary (National synthesis, Indonesia: 37).

Training

Each of the four countries has developed programmes to train school-level actors on management and use of grants. These sessions are organized at the central level or by PEOs or DEOs. Their regularity, coverage, and effectiveness differ among and within countries.

In Indonesia, training on the BOS and the guidelines are organized regularly for the main actors in charge of grant implementation. Briefing sessions take place at least once a year, in particular to discuss annual changes in the guidelines. The training is organized according to a cascade model, with each administrative layer training the level immediately below. The central government trains BOS management teams at the provincial level, and these units then train district management teams, which in turn train actors at the school level. Only principals, BOS treasurers, BOS computer clerks, some superintendents, and school committee members attend annual BOS briefing sessions at the school level. The lack of involvement of teachers was a source of complaints during the research. Sessions may be organized at the regional level to reach a wider number of schools – up to about 200 schools in some cases. They provide advice on how to prepare a school and budget plan (known as an RKAS), authorized and prohibited areas of expenditure, and changes to the previous guidelines.

Overall, the school-level actors interviewed appreciated the existence of such briefings and their regularity. However, they complained that the organizational conditions involve too many people in some cases. They also stressed the learning benefits of informal personal consultations with the BOS manager at the district level, whose role it is to guide schools in using and managing the school grant. It was also reported that some principals benefited from extra training on taxation or reporting.

Similarly, in Vanuatu specific attention was given to the organization of several waves of training for the main beneficiaries before, during, and after the launch of the school grant policy:

- Two workshops were organized for PFOs in 2009 before the introduction of the policy.
- In 2010, the year of implementation, these actors organized two training sessions for heads of schools (one at the beginning of the year, the other at the end of the year), followed by other sessions with heads of schools and school committees in 2011.
- Since then, other training sessions have been organized at the central and provincial levels.

These training sessions focus on the content of the guidelines, financial reporting, and bookkeeping. In some cases, they include leadership and management skills. The heads of schools interviewed highly appreciated these training sessions and their regularity. ‘It was often heard that knowledge on spending had become clearer after the third training session. [Heads of school] said that this had been the number of training sessions necessary for them to build their new skills, whereas one PE officer explained that she thought that this was the time it took for the PFO to become comfortable teaching about financial reporting’ (National synthesis, Vanuatu: 48). Respondents also expressed remaining training needs, in particular, practical training on the use of the grant and financial management for heads of schools. PFOs highlighted the need for additional training on financial reporting to better support schools in this process. The research also highlighted the need to organize specific training for teachers, school committees, and parents, to strengthen their knowledge of the grants, as well as their monitoring capacity.

In Mongolia, the research revealed considerable irregularities over time concerning the training sessions organized for schools. Several head teachers interviewed admitted not having received training on the State Fund since taking up their position. They learned to manage the grant themselves and on an ad-hoc basis through informal communication with previous head teachers. However, the MoF and the District State Fund (DSF) organized additional training sessions for head teachers and school accountants subsequent to the promulgation of the Law on Budget of 2012. These sessions aim to provide these actors with information on financing and the new regulations. Differences between the districts studied emerged with regard to the regularity of training sessions, varying from once a year to several times a year. Overall, head teachers and school

accountants complained about the lack of practicality of these sessions, which do not provide adequate guidance on the daily management of the State Fund: ‘There is no finance training for school managers. We were given four hours’ information three times (2002, 2006, and 2008). It was about how to put the law into effect’ (Head teacher). Teachers also complained about poorly focused training sessions: ‘Teachers complain a lot because they have poor understanding of finance’ (School accountant); ‘at least we should know how to calculate the amount for vacation salary’ (Teacher).

The irregularity of training sessions on school grants was also highlighted in Timor-Leste, where the only training organized in 2010 concerned school inspectors and not head teachers or other school staff. The aim of the training was to ensure that schools were using the school grant funds correctly according to the manual.

Overall, local stakeholders in the four countries emphasized the importance of conducting regular training sessions on school grants, taking into consideration the complexity of managing these funds and their lack of initial training in this regard. The main training needs highlighted by head teachers, treasurers, and accountants interviewed relate to day-to-day management and monitoring of the grant, as the training and dissemination sessions that take place often focus mainly on prohibited and permitted areas of expenditure, rather than daily financial management. One head teacher in Vanuatu suggested that financial management should become a standard subject during teacher training. In several cases, teachers, school committees, and even parents also felt the need to be better informed and even trained on grants, so that they could participate in grant management and play a monitoring role in this regard.

Chapter 4

Criteria and mechanisms of grants distribution

All four countries allocate grants based on student enrolment. **Per-pupil allocations** are used in Indonesia, Timor-Leste, and Vanuatu, while in Mongolia, grant amounts are also **contextualized** to take into account specific school characteristics such as location or number of disabled students. Overall, head teachers, school financial staff, and teachers were **well aware** of funding formulas, while parents and students tended to have less information. Schools in all countries must fulfil certain conditions in order for funds to be released, generally requiring **enrolment data**, a **school bank account**, a **school plan**, and **financial reports**. Funds are **transferred directly** to schools in Indonesia and Vanuatu, as grant policies form part of a wider trend of school-based management. In Timor-Leste, central schools receive the funds and are expected to distribute them among all schools in the cluster. However many filial schools receive only certain materials in lieu of the funds. Conversely, funds are transferred to **intermediate levels** in Mongolia (the district), where schools have limited autonomy in fund management. Concerns were raised in all four countries about **delays** in grant disbursement.

Two key questions constitute the foundation of any school grant policy: What criteria should be used to allocate funds to schools? How should these funds reach schools? The answers to these questions are linked to the main policy objectives and will have a profound impact on their achievement.

This chapter discusses the criteria used in each country to allocate grants to schools, as well the mechanisms through which grants reach schools.

4.1 Criteria for grants distribution

Grants are allocated to schools based on enrolments in the four countries, with additional criteria in Mongolia. While such a simple funding formula is well known by most school-level actors in Indonesia, Timor-Leste, and Vanuatu, this does not necessarily imply that they consider it to be the most appropriate formula to reflect the diversity of school and student needs.

Funding formula

The simplest funding formula for school grants is a per-pupil allocation, whereby the total amount sent to schools is based on the number of students enrolled in each school. In three countries (Indonesia, Timor-Leste, and Vanuatu) the funding formula is based, in effect, on student enrolment, with funds calculated annually or by trimester (*Table 4.1*). In each country, the same amount per pupil is therefore allocated to schools with no distinction based on their specific profiles or needs.

Table 4.1 School grant criteria and per-pupil amounts in Indonesia, Timor-Leste, and Vanuatu, 2013

	Indonesia	Timor-Leste	Vanuatu
Grant	BOS	School grant	School grant
Criteria	Enrolment (per pupil allocation)	Enrolment (per pupil allocation)	Enrolment (per pupil allocation)
Per pupil amount	<ul style="list-style-type: none"> • Primary schools: 580,000 Indonesia Rupiah (IDR) (equivalent to \$44.5) per student per year • Junior high schools: IDR 710,000 (equivalent to \$54) per student 	<ul style="list-style-type: none"> • \$1 per student per month for basic education level • \$0.50 per student per month for secondary level • \$1 per student per month for technical/professional level 	<ul style="list-style-type: none"> • 8,900 Vanuatu Vatu (VUV) (equivalent to about \$85) per pupil, per year from Grade 1 to 6

Mongolia is the only country where the funding formula is contextualized in light of a school's profiles and characteristics. A school's fund covers 'variable' and 'normative' (or fixed) costs:

- **Variable costs** are calculated on the basis of an index, which covers teacher salary items (base salaries, salary supplements, bonuses, insurance taxes, pension plans) and other expenses such as stationery, books, periodicals, postage, and communication costs. They take into account school location (central/remote area) and are proportional to the number of students. A separate and additional index was developed in 2007 to take into account special needs for disabled students. Variable costs also take into account local prices. The government determines annually the amount of the variable cost per student.
- **Fixed costs** cover items such as heating, water, electricity, and sewage, and are calculated based on schools' past expenditures.

Awareness and appreciation of school-level actors

Awareness

In all four countries, head teachers and school treasurers or accountants were well aware of the funding formula and how it is calculated. In most cases, teachers were also well aware of the formula, due to their involvement in the decision-making process on the use of grants (Indonesia), the effectiveness of communication campaigns organized in this regard (Timor-Leste and Vanuatu), or to the fact that the grant is mostly used to cover their salaries (Mongolia). Committee chairpersons demonstrated varying levels of awareness, according to their level of involvement in grant management. In general, parents and pupils were the least aware of the mechanism, its rationale, and the amount allocated per pupil.

Appreciation

In the four countries, opinions of district and school-level actors on the fairness of the funding formula tended to vary between urban and rural schools, as well as between large and small schools. The following paragraphs present these perspectives, illustrated by a few quotes from the interviews which demonstrate the complexity of this debate, as groups of schools with opposite characteristics (e.g. urban and rural, large and small) both feel that the present formula disadvantages them.

In urban areas, school-level actors argued that the uniform per-pupil funding formula is fair, as it implies that all schools and students are treated in the same manner. However, they argued that schools with more pupils require more staff and that their budgetary needs are greater due to utility bills.

Some schools in town need more money due to water and electricity costs (PFO, Vanuatu).

In rural areas, a number of school-level actors argued that rural schools are automatically disadvantaged by their distant and often difficult-to-access locations, the opportunity costs related to additional transport and administrative costs, and the economic situation of their immediate environments.

To buy stationery, in the city IDR 5,000 (\$0.38) for transportation is adequate, while from our rural school we have to spend a transport cost of IDR 200,000 (\$15)/person (Head teacher, Indonesia).

Perhaps the amount of the grant could be increased by 25 per cent especially for the remote schools (DEO, Timor-Leste).

The needs of small schools were also highlighted, as they receive a lesser amount of funds than schools with larger student numbers, but argue that their facility needs are the same, and in some cases, even higher due to the poor state of school infrastructure in some remote regions.

There are shortcomings in taking into account only pupil numbers. In a small school, a small amount of funding is given due to the number of pupils. It then results in poor quality learning. It must be a reason for concern. It seems that there is a need for a more flexible policy, for example, that focuses on the local characteristics (School accountant, Mongolia).

In Indonesia and Vanuatu, the price index differential between different locations was also emphasized. Many items needed by schools are more expensive in remote provinces, a factor not taken into account by the grant.

If the grant amount is the same here in Papua province as in Jakarta, it's not fair; in Papua, it's expensive; and even more so in the remote places; it's harder for them (Teacher, Indonesia).

The cost of a particular good in the islands will be about two or three times more than the cost in the towns. This has a direct impact on the amount of school grant that each student receives in the rural areas (Parents, Vanuatu).

In addition, some actors recognized the dangers of per-pupil calculation, citing cases where head teachers were suspected of inflating student numbers to obtain a higher grant amount. One DEO in Timor-Leste highlighted the risk of schools with few students inflating such numbers. The researchers investigated this by comparing the student enrolments reported by schools in certain clusters with the figures in the national EMIS. On the whole, for 16 clusters in one district, enrolments had been overestimated by 2.4 per cent when enrolment data were collected for the grants. However, this was not a systematic phenomenon: five of the 16 clusters had a lower enrolment for the grants than in the EMIS. In only four clusters did overestimation reach more than 5 per cent, with a maximum of 9 per cent. It is difficult, therefore, to make a case for systematic overestimation. Nonetheless, the fear of this happening exists, and was also confirmed in Vanuatu where one head teacher admitted that he would inflate his enrolment figures as the school often

experienced additional enrolments in the middle of the school year: ‘To cater for latecomers, I normally add extra names to the VEMIS [Vanuatu Education Management Information System] form.’

Several district, provincial, and school-level actors interviewed in the four countries concluded that the formula should not be based solely on a per-pupil allocation, and should take into account schools’ needs and characteristics. In Vanuatu, additional criteria were suggested: school needs, location, and performance in financial reporting. On the latter issue, one school committee member noted: ‘If one school performs well in terms of its management and use of funds, then they should be rewarded with an increase in their grant. This will motivate schools to improve.’ In Indonesia, the additional criteria suggested by the interviewees were schools’ location, state of schools’ facilities, and general economic condition of parents.

4.2 Mechanisms

This section analyses the characteristics of the school grant distribution mechanisms in the four countries, examining first the conditions attached to the allocation of school grants, which can be quite constraining, and second, the different scenarios through which grants are allocated to schools. *Table 4.2* at the end of this chapter summarizes the main characteristics of this process in the four countries.

Conditions

In each of the four countries taking part in the research, certain conditions must be fulfilled for grant funds to be released. These are summarized in *Table 4.2*. At first sight, it appears that the process is quite demanding for schools in Indonesia, Mongolia, and Timor-Leste, which have to fulfil a number of requirements including the preparation of a school plan and the submission of financial reports, while Vanuatu is the least demanding in this regard. However, while in theory the school cannot receive the grant if it does not meet one of these conditions, the research showed that, in practice, a measure of flexibility was introduced in some countries with regard to certain conditions.

Table 4.2 Conditions for the release of funds in the four countries

	Creation of a school bank account	Availability of a safety box at the school	Providing data on enrolment	Preparation of a school/ budget plan	Submission of accountability reports on previous spending
Indonesia	✓		✓	✓	✓
Mongolia			✓	✓	✓
Timor-Leste	✓	✓ (only for the central school)	✓	✓	✓
Vanuatu	✓		✓		

In these countries, as in most countries developing a school grant policy, determining which conditions schools should fulfil to receive the grant is guided by three main issues. The first one concerns practical issues that have to be resolved before the grants can reach the school (mainly the existence of a bank account). The second issue relates to the information needed to transfer the funds, which depends on the funding formula. Several countries add to these two points a third dimension related to monitoring and accountability: how do schools manage the funds?

Regarding the first issue, the existence of a school bank account is a prerequisite for the transfer of funds to schools in Indonesia, Timor-Leste, and Vanuatu, as schools are expected to receive the funds in their accounts. In Vanuatu, the opening of bank accounts for schools was facilitated by PFOs, officers from which travelled to all schools and filled out the National Bank of Vanuatu (NBV) forms with the head teacher and committee members. However, the availability of banking services remains an issue in this country, in particular for schools on remote islands with no immediate access to banking services. The high transportation costs incurred by head teachers and school finance officers (SFOs) in visiting the bank and withdrawing funds were cited in several cases. The SFO at one school stated that: ‘One major challenge for the school is that the nearest National Bank of Vanuatu branch is far away and transportation can be very costly.’ In Timor-Leste, only central schools require a bank account, as they receive the grant directly from the national government. They also need a safety box at school to keep the funds.

Quite evidently, schools need to provide data on enrolment, as this information is essential to the calculation of the grant. These data are

generally provided to the administration as part of the annual school census. In Vanuatu, for instance, VEMIS forms submitted by schools include enrolment data and information on parental contributions, as well as the annual cash flow report from the previous year and the planned budget for the current school year (National synthesis, Vanuatu: 51). Most school-level actors interviewed referred to the submission of these forms as the main condition to receive the grant, highlighting the key role it plays in the process of grant distribution.

Indonesia, Mongolia, and Timor-Leste also demand that schools present a school plan detailing the activities planned with grant funds. Such plans must be submitted once a year in Mongolia and Timor-Leste, and on a quarterly basis in Indonesia. In Mongolia, schools fulfil this task based on the budget used the previous year, taking into account the current number of teachers and students. In Timor-Leste and Indonesia, schools prepare their plan based on the school grant amount they expect to receive as per the funding formula. They also have to prepare multi-year plans indicating their strategies and priorities, consisting of middle-term plans for four years in Indonesia, and three-to five-year strategic plans in Timor-Leste.

In these three countries, an accountability dimension is also added to these conditions: the submission of a financial report, on a quarterly basis in the case of Indonesia and Timor-Leste, and on a monthly basis in Mongolia. In Vanuatu, schools have to submit financial reports each month to the PEO as part of the monitoring process, but this does not constitute a condition for receiving the grant. Reports are submitted to the closest upper administrative authority before being transferred to the MoE at the central level. In Timor-Leste, central schools prepare financial reports based on the information provided by filial schools. *Chapter 8* on monitoring and control mechanisms provides more details in this regard.

In one district of Indonesia the research revealed that, since 2012, the education office no longer asks schools to submit quarterly reports as a condition for BOS fund withdrawal. These can now be submitted later, even at the end of the year. This decision was made as a result of the delays faced in previous years in fund allocation because of the late submission of financial reports by schools. This change was subsequently reflected in the 2013 Guidelines, which stated that: 'Schools are not required to submit their accountability report every quarter. Schools only have to prepare accountability reports yearly' (National synthesis, Indonesia:

41). Submission of the accountability report on a quarterly basis is therefore no longer a condition for fund withdrawal. Reactions to this change differed: while highly appreciated by school staff, some district officers interviewed expressed concern about the lack of accountability of schools and the inability to sanction schools that make improper use of the funds.

In all four countries, schools must submit quite detailed financial reports, justifying expenditures for each authorized category, alongside the corresponding receipts.

This issue highlights the difficulties inherent in setting conditions related to grant allocation. If the conditions are very strict and difficult for schools to fulfil, there is a risk that the process could become ineffective by overloading school-level actors and delaying grant allocation. If they are too lenient, there is greater risk of misuse and less upward accountability. It is essential to find the right balance between the key elements needed to allocate grants to schools in line with the funding formula, grant objectives, and control mechanisms in place to assess the grants' effectiveness, and the need for the whole process to be smooth and fairly quick, allowing schools to receive the grant in time without the addition of overly burdensome administrative tasks.

Distribution mechanisms

Three contrasting scenarios

There are three contrasting scenarios concerning grant distribution mechanisms in the group of countries studied: direct transfers to all schools (in Vanuatu and to some extent Indonesia); transfers to central schools, each of which has to transfer funds to its filial schools (in Timor-Leste); and a third scenario in which funds are kept at district level (in Mongolia) and do not directly reach beneficiary schools.

Direct transfers to schools. In Vanuatu and Indonesia, school grant policies overall form part of the wider trend towards school-based management, thereby providing schools with more autonomy.

In Vanuatu, school grant funds have been transferred directly from the Ministry of Education to the NBV since 2010. The bank then credits each school bank account with the required allocation. This differs substantially from the former education funding system, whereby the Government allocated educational grants to PEOs and GAEAs, who distributed the funds to schools in cash or in kind. The heads of schools

interviewed greatly appreciated this change in policy. As discussed above, the only condition to be fulfilled by schools in order to receive the grant is possession of a bank account and submission of the related enrolment forms. Schools are not automatically informed by the bank that the grant has been transferred into their accounts, which constituted a source of complaint during interviews. Funds can be retrieved at the bank by the head of school, the chairperson of the school committee, and the deputy chairperson.

The procedure is quite similar in Indonesia. The BOS fund distribution process from the central level to the school level is performed in two stages. Funds are first distributed from the State General Treasury to the Regional General Treasury of the Province. The province then transfers them to the school savings accounts. Following reception of the school plan for the three coming months, the DEO issues a recommendation letter, which the school takes to the bank in order to withdraw the funds. This additional step is not without its difficulties for schools, especially in remote areas, which have to bear the related transport costs to collect the letter at the DEO, extending the amount of time before schools actually receive the grant. Some head teachers expressed their dissatisfaction. In one district however, the DEO did not provide schools with such letters, but rather communicated with banks to authorize the withdrawal of funds by schools (National synthesis, Indonesia: 41). Funds are withdrawn at the bank by the head teacher or the BOS treasurer.

Transfer of funds to central schools. In Timor-Leste, the distribution process has changed several times since its launch in 2004. Three different mechanisms have been applied to date. From 2004 to 2008, grants were transferred from the central MoE to DEOs, which then distributed them to schools. From 2008 to 2012, funds were transferred through the newly established regions to DEOs, before reaching schools.

Since 2012, and two years after the introduction of the school cluster system, school grants have been transferred directly by the MoF to central schools, each of which is responsible for transferring the grant to their filial schools upon submission of a purchase plan from the schools. The MoF informs DEOs that funds have been transferred to schools, which in turn send a letter to the directors of the central schools to provide them with the information. The central schools must provide three signatures to withdraw funds from the bank – those of the school director, the head of the technical support office (GAT), and the head of the DEO.

The *School Grant Manual* prescribes the authority and responsibility of central schools on the use of school grants. However, ‘in reality, each central school decides how to distribute the school grant to filial schools’ (National synthesis, Timor-Leste: 70), in other words, in cash or material resources. The situation varied between the two districts: in one district, the central schools spent money on behalf of filial schools based on the submitted purchase plan; in the other, a few filial schools actually received grant funds in cash. However, such a mechanism does not exist without challenges: ‘these differences (between central and filial schools) may cause negative feelings such as of unfairness or discrimination on the part of the filial schools that only receive materials, unless the central schools provide clear reasons and convince the filial schools’ (National Synthesis, Timor-Leste: 70). Such a process has been highly criticized in filial schools, in particular when the goods received did not match those requested in their school plan. Some filial schools also doubt the transparency of management of the grant by the central school. Others emphasized that they would be best placed to spend the grant, as they know better their own school needs. The process would also be quicker: ‘If we have the cash, we know how, why, and when to spend the money. We also know what to spend the money on’ (Head teacher, filial school).

Transfer of funds to intermediate levels. In Mongolia, the mechanisms used to transfer State Funds to schools have been the object of several reforms, as explained in *Box 4.1*. In the 1990s, funds were transferred directly to schools, but since 2002 they have been transferred to districts, which keep the funds. This change in the policy was introduced with a view to regulating the former process.

Within the current framework, schools prepare a budget plan each year, which they submit to the DSF. Schools follow a format prepared by the MoF, with specific categories of expenditure, and refer to the expenditure amounts for the previous year. The DSF collects all school plans in the district and transfers the information about required budgets to the national budget.

Box 4.1 Reforms to the mechanisms used to transfer State Funds to schools in Mongolia

Schools in Mongolia started to receive funds directly from central and local authorities in 1940, with funds progressively transferred into their bank accounts. Three reforms have taken place since then.

In 2002, a new funding mechanism was introduced to regulate the funding of the education system. Funds were allocated based on variable and fixed costs, then transferred to the State Fund in the provinces (*aimags*) and the capital city Ulaanbaatar (and in the latter case onward to districts). Under this new scheme, schools no longer maintained their own bank accounts or managed cash at the school premises. Instead, funds were allocated to the State Funds, which distributed them to the school. The mechanism worked as follows. Schools submitted their draft budget to the PEO or DEO. These budgets were transferred to the MECS to be confirmed by the State Great *Khural* (Parliament). Once confirmed, the budget plan was implemented through a top-down process (MECS-city-district). The State Fund at provincial/district level then distributed funds to schools granting them the right to make expenditures. Schools no longer handled cash.

The avowed objective of this reform was to ensure equitable allocation of funds to all schools, as the previous system enabled some schools to obtain more funds based on their own local networks, while others lacked sufficient funding.

In 2008, the government established PEOs and DEOs with budget officers. These were accorded a role in the fund allocation process in collaboration with the State Fund. The DEOs received and approved school budget plans and allocated funds, as they had a greater awareness of individual school needs. The State Fund was responsible for granting rights to schools for expenditures and making payments.

This system changed at the onset of this research with the implementation of the Law on Budget of 2012, under which MECS transferred budget responsibility to local elected bodies. Governors of *aimags* and the capital city are now responsible for implementing the government's duties concerning general secondary education. Based on funds received from the state, or their own local income in the case of some wealthier provinces, they are required to submit a budget proposal, including a school fund allocation, to the local government (Citizens' Representatives *Khural*). Once approved, the budget fund is transferred to the State Funds of the province (*aimags*) and the capital city.

Under this new framework, governors manage their budget through city and provincial State Funds. The financial responsibilities of the city and PEOs have been limited, while the role of the State Fund has increased. However, as became apparent during this research, governors in some provinces have decided to involve education offices in budget use. This latest reform has not had a significant impact at the school level, as schools still do not receive cash.

Source: National synthesis, Mongolia.

A lump sum is then allocated to the DSF and is reallocated on a monthly basis to schools. Funds are kept at this level; schools do not hold cash. Each month, head teachers are required to prepare expenditure plans that they submit to the DSF: ‘At the beginning of each month, we have to take a table with our expenditures to the District State Fund, and this office needs to approve and sign’ (School accountant, Mongolia). Each month, schools receive financial rights for specific budget items (equivalent to authorization of expenditures) from provinces and DSFs. To make expenditures, schools have to request authorization from the district; once approved, they collect several invoices and then return to the district, which makes the payment to the provider. The requests for expenditure must fall within the approved budget lines.

Several head teachers and accountants complained about this mechanism, which is a long and constraining process, and overall, limits their autonomy in using their funds: ‘If we had funds at the school, there would be more chance for creative work’ (Head teacher, Mongolia). Some also noted that when checking the school plans and budgets, the DSF may not always be aware of specific needs at the school level, with one head teacher referring, for instance, to the number of disabled students in the school.

Regularity

The timing and number of disbursements vary among the four countries:

- In Indonesia, funds are transferred on a quarterly basis for non-remote areas and every semester for remote areas.
- In Mongolia, schools are informed of the available budget each year and receive spending authorizations on a monthly basis.
- In Timor-Leste, grants are paid each trimester.
- In Vanuatu, grants are paid in two instalments each year: 60 per cent of the grant is released at the beginning of the year and the remaining 40 per cent is released mid-year or towards the end of the year.

Informants highlighted three main problems regarding the timing of fund disbursements. First, several school-level actors preferred to have the grants transferred in a single instalment, as it made for easier budget management. One head teacher in Vanuatu expressed a preference for funds in one instalment, close to the beginning of the year, because most of the school’s expenditure takes place at that time. In Mongolia, head teachers and school accountants complained about the allocation of funds

on a monthly basis, preferring the previous allocation on a quarterly basis, as this allowed for more flexible planning of funds, as illustrated by the following quote:

Providing the funds on the monthly basis causes a difficulty. For example, in fall the task of preparing for winter is given by the *aimag* and the local authority. Then, we are ordered to buy and transport 30 per cent of the coal to be used for a whole year. However, since the funds are provided monthly, it is impossible to buy and transport 30 per cent of all the coal. Such problems are common (Head teacher, Mongolia).

A second problem should be easier to resolve. School staff complained of a lack of notification when grants are transferred or arrive in their accounts. In Vanuatu, in particular, head teachers stated that in the absence of a contact person at the bank, they had to make regular trips to verify whether the money had arrived.

The third problem is the most important: informants in the four countries commonly complained of delays in fund distribution. In Indonesia, nearly all sample schools taking part in the research reported that they had experienced delays during 2011, with BOS funds arriving late by a quarter or more. In a number of cases schools received their grant allocation late in the school year, and were then obliged to spend it quickly before the end of the academic year, at times on non-essential items. In Vanuatu, late approval of the government budget by Parliament in 2013 caused a considerable delay in the allocation of funds. One head of school complained about the absence of notification concerning delayed disbursement of the grant, and noted that when schools lacked savings they had to resort to collecting contributions from parents or buying supplies on credit (National synthesis, Vanuatu). In Timor-Leste, the school grant was distributed only twice in 2012 (first and third trimesters), a fact mentioned by a significant number of head teachers and technical support officers in both districts, although they could not supply the underlying reason.

Among the staff interviewed, there were disagreements about the causes of the delays. Schools place the responsibility on the administration. District and provincial staff claimed, however, that fault lay with the schools, due to the late fulfilment of conditions required for the transfer of funds. At times, the schools as well as the districts/provinces blame the upper administrative levels, who are responsible for the fund transfer: 'When the funding is delayed, DSF explains that it is

related to the ministry' (School accountant, Mongolia). The fact that very little official information is available regarding the causes of the delays or their expected duration is unhelpful to districts and schools, and feeds these mutual accusations.

Delayed arrival of the grant allocation is not just an administrative concern but results in a variety of consequences for the schools. It presents an important cash flow problem affecting the management and running of the school in different ways. Schools have to adjust their spending accordingly, and the delays can result in schools being unable to pay utility bills and teachers' salaries (Mongolia), school supplies (Indonesia), or carry out essential maintenance work on buildings and classrooms, toilets and outlying grounds (Mongolia, Indonesia, and Vanuatu). This demotivates teachers, who are unable to teach without essential support materials and supplies. Heads of school in at least two countries reported that the immediate alternative is for schools to dip into their school savings accounts (where these exist), or for head teachers to use their own money to buy school supplies. In Indonesia, one school reported that it had once borrowed approximately IDR 6 million (about \$459) for one quarter from the head teacher. The head teacher explained: 'to cover for the delay of the BOS fund, we have to use our own money first. Well, the teachers still have to be paid.'

In Mongolia, in addition to delays, budgets allocated to several schools studied were reduced in comparison with the planned and expected amounts, creating frustration, but also making it difficult for schools to meet their financial commitments with providers. The reasons for the cuts were not systematically shared with schools. School staff therefore tend to become suspicious and believe that these deductions result from the transfer of funds via the city: 'We receive the funds through the city. This process needs to be stopped. At every stage, the funds are reduced' (Head teacher, Mongolia). As a result, teacher salaries, which are covered by variable costs, suffer directly from these cuts. The budget available for fixed costs (in particular utility bills) often falls below the expected amount. However, and as stressed by one school accountant, 'the amounts to spend on categories such as stationery, textbooks, uniforms, do not change, probably because the amount foreseen for them is not big.'

In Vanuatu, schools received the first instalment in 2013 with delays, as discussed above, and only 40 per cent of the grant instead of 60 per cent as foreseen by the guidelines.

Table 4.3 Mechanisms for the distribution of school grants in Indonesia, Mongolia, Timor-Leste, and Vanuatu

	Indonesia	Mongolia	Timor-Leste	Vanuatu
Grant	BOS	State Fund	School grant	School grant
Process	From the State Treasury to the Regional General Treasury of the Province, and then directly to schools	From the central government to local governments and city and provincial state funds	From the central level to central schools	From the central level directly to schools
Conditions	<ul style="list-style-type: none"> • School bank account • Enrolment data • School and budget plans • Financial accountability reports (once a year) 	<ul style="list-style-type: none"> • Enrolment data • School and budget plans • Financial accountability reports (monthly) 	<ul style="list-style-type: none"> • School bank account and safety box (central school) • Enrolment data • School and budget plans • Financial accountability reports (quarterly) 	<ul style="list-style-type: none"> • School bank account • Enrolment data
Regularity of grant allocation	Quarterly for non-remote areas and every semester for remote areas	Monthly	Each trimester, over a nine-month period	Two instalments: 60 per cent at the beginning of the year, and 40 per cent around mid-year or towards the end of the year

Chapter 5

Available financial resources at the school level

School grants constitute the most significant part of **school budgets** in all four countries. However they are not the only source of funds at the school level. In Indonesia and Timor-Leste, national, provincial, or district authorities may allocate **additional funds** to specific schools or students. Furthermore, **parental contributions** remain a source of funding in all four countries, although to a lesser extent in Timor-Leste. This indicates that fee-free education – a motivating factor behind the introduction of school grants in three of the four countries – has not been fully realized. Finally, in some countries, school budgets are completed with funds from other sources including donations, funds from income-generating activities, and fundraising revenue.

School grants have been allocated in the countries studied, particularly in Indonesia, Timor-Leste, and Vanuatu, to compensate for the loss of school fees and to provide schools with a regular and predictable source of funds for use according to priorities at the school level.

In the group of schools studied the research examined whether the school grant constituted the main or even the only source of funding, and whether the amount was sufficient to allow them to meet their main needs. If this was not the case, what other sources of funding did they reply upon?

Accordingly, this chapter examines the composition of the school budget in the four countries, paying specific attention to the contribution of school grants, as well as other funding sources.

5.1 The school grant: amount and share in the budget

School grant amounts

Amounts

As noted previously, school grants are allocated on a per-pupil basis in Indonesia, Timor-Leste, and Vanuatu, with additional criteria in the case of Mongolia. The following paragraphs reiterate the per-pupil allocations at the time of the research in the three countries (see also *Table 4.1*), and

provide details on subsequent increases since development of the school grant policy in the three countries.

In Indonesia, BOS amounts have more than doubled in nominal terms since initial implementation in 2005, increasing from IDR 235,000 (\$18) in 2005–2006 to IDR 580,000 (\$45) at primary level in 2012–2013. The amount increased further in 2015 from IDR 580,000 (\$45) to IDR 800,000 (\$61) per student per year at primary level, and from IDR 710,000 (\$54) to IDR 1,000,000 (\$77) per student per year in junior secondary schools.

Until 2011, the amount allocated to urban schools was slightly higher than that allocated to rural schools; however starting in 2012, the per-pupil amount was increased and became uniform for all schools (IDR 580,000). In 2013, the Government of Indonesia introduced an exception to the rule, recognizing the specific situation of small schools, which face fixed normative costs (utility bills) regardless of the number of students enrolled, and were therefore somewhat penalized by the funding formula. As a result, since 2015, schools with fewer than 60 students would henceforth receive funds equal to those with 60 students.

In Timor-Leste, for basic schools, the per-pupil amount per month was only \$0.25 when the school grant programme started in 2004/05. This increased to \$0.50 in 2006 and to \$1 per month per student in 2010. For secondary schools and technical and vocational education and training (TVET) the amounts are \$0.50 and \$1 per pupil, respectively.

In Vanuatu, prior to the introduction of fee-free education in 2010 the school grant amount was approximately VUV 600 (\$5.7). In 2010, it was increased to VUV 6,800 (\$65) to cover minimum basic materials in the classroom, and then to VUV 8,900 (\$85) in 2011 to cater for stationery supplies.

In Mongolia, variable costs are proportional to the number of students, and take into account school location (central/remote area). *Table 5.1* provides the variable costs per student in 2012.

Table 5.1 Variable cost per pupil at primary and secondary level in Mongolia, 2012

Location	Types of schools	Total variable costs (thousand Mongolia Tugrik and equivalent US\$)		
		Primary grades	Lower secondary grades	Upper secondary grades
Sum level	Primary schools	598.6 (\$302)		
	Primary and lower secondary schools	319.2 (\$161)	485.2 (\$245)	
	Secondary schools	292.9 (\$148)	417.1 (\$210)	438.2 (\$221)
Provincial centre and suburbs	Primary, lower secondary, and upper secondary schools	275.1 (\$139)	392.0 (\$198)	399.4 (\$201)
Capital city	Primary, lower secondary, and upper secondary schools	251.2 (\$127)	355.9 (\$179)	373.7 (\$188)

Source: MECS, 2012.

Grant amounts differ widely between countries, ranging from relatively high levels in Mongolia to lower amounts in Timor-Leste. However, comparisons between countries in this regard are complicated by the different items grants must cover, such as teacher salaries in Mongolia, and the different costs of living in each country.

In each country, the school grant amount is therefore directly related to changes in enrolment, and should be relatively easy to calculate at the school level, with the exception of Mongolia where the funding formula is more complex. However, it appeared that in several cases schools did not receive the expected amounts for reasons other than the changes in enrolment. Notably, cuts and delays in fund distribution affected the amounts received by schools, as discussed earlier.

Awareness and opinions

As with the funding formulas, head teachers and school accountants/treasurers in each of the four countries were aware of the school grant amount, as they are directly involved in its management. Teachers also possessed this information in some cases, while parents and pupils overall remained unaware of the grant amount. In a few cases, however, head teachers were unable to provide the exact amount of the grant, reflecting the stronger role played by their accountant: 'I'm new, so I don't know the amount of grants this school should receive this year' (Head of school, Vanuatu).

Interestingly, in Indonesia the level of awareness of the BOS amount varied noticeably among teachers according to their place of work (urban or rural area) and the school size. In nine easily accessible and large schools, teachers confirmed they had received information about the amount of BOS funds, whereas teachers in five schools which were difficult to access and relatively small did not know the amount of the BOS fund received by their school.

Three reasons can be given to explain these differences in the degree of awareness:

- Dissemination and awareness-raising campaigns on the BOS programme for teachers, parents, and community members were insufficient. Such campaigns are very important for the small rural schools, which have few other means of obtaining information.
- The BOS budget was not always displayed on school information boards or the board was not easily accessible by all actors. In a few cases, the budget was displayed on an information board in the head teacher's office. Here again, larger urban schools showed more respect for this requirement than smaller rural schools.
- There was an assumption that BOS fund management was under the full authority of the head teacher, in particular in smaller schools, and did not involve other actors (National synthesis, Indonesia: 52).

In general, school-level actors highlighted the inadequacy of school grant amounts for achieving their main objectives. There were nevertheless some exceptions. One school in Indonesia (with the largest number of pupils among the group of schools studied) considered the BOS fund to be more than sufficient, even leading the school on one occasion to return the unspent part of the fund. In Vanuatu, a similar albeit smaller group, including three ZCAs, one head of school, and several groups of teachers, also thought that the current size was sufficient: 'VUV 8,900 (\$85) is enough to educate each child well' (Teacher, Vanuatu).

But these are exceptions. In the majority of the schools studied, the school staff considered that the fund received was far from adequate: 'VUV 8,900 (\$85) isn't enough. For a child to really enjoy learning in the classroom, the grant needs to be higher' (Head of school, Vanuatu).

A number of actors highlighted the inadequacy of the school grant to implement activities foreseen in the guidelines and to meet their main needs. Many school supplies could not be bought, particularly if

the school required the grant to cover teacher salaries. In Indonesia, the research found that three out of five small schools with BOS funds below IDR 85 million per year (about \$6,500) had to spend higher percentages of the grant to cover honorary teachers' salaries than in other schools. *Table 5.2* presents these data and also shows that schools with almost the same enrolment figures have very different spending patterns, as reflected in the share of honorary teachers: schools SD 10 and SD 12, the largest in the group, have respectively 50 per cent and 11 per cent of honorary teachers among their teaching staff. This could be interpreted as an indication that schools can adapt the grant to meet their needs, but may also demonstrate the weakness of central regulation on the use of the funds.

Table 5.2 Amount of BOS fund received by sample schools (in IDR and US\$), 2012/2013

Sample schools	Size	Amount of BOS fund	Percentage of honorary teachers
SD9	37	21,460,000 (\$1,630)	67%
SD11	117	70,180,000 (\$5,332)	46%
SD8	121	70,000,000 (\$5,318)	50%
SD6	139	80,620,000 (\$6,126)	13%
SD5	146	84,680,000 (\$6,435)	22%
SD14	153	101,500,000 (\$7,712)	29%
SD7	225	128,760,000 (\$9,785)	68%
SD1	224	131,660,000 (\$9,997)	27%
SD13	230	133,980,000 (\$10,181)	40%
SD3	263	150,800,000 (\$11,450)	46%
SD2	391	226,780,000 (\$17,219)	22%
SD4	399	230,840,000 (\$17,548)	17%
SD12	452	269,120,000 (\$20,450)	11%
SD10	465	269,700,000 (\$20,494)	50%

Source: National synthesis, Indonesia: 54.

The same issue emerged in Timor-Leste, where one school director stated that 'the school grant needs to be increased to improve the school administration's needs and to pay the volunteer teachers'. However, it must be noted that using the grant to cover the salaries of temporary teachers is prohibited by the guidelines. Similarly in Mongolia, the State Fund provided to schools mostly comprises teacher salaries, leaving few residual funds for other school needs. Several actors pointed out the insufficiency of State Funds in this regard, particularly concerning school maintenance, which is covered by parental contributions.

The higher costs in rural and remote areas were emphasized in several cases: ‘If asked whether the BOS fund is enough or not, I will instantly answer “no!” The oil (fuel) price here is already IDR 9,000–10,000 per litre, not to mention the cost for pupils’ school needs’ (Head teacher, Indonesia). Several comments were made concerning the high level of transportation costs for schools located in rural areas, which drain a significant part of the grant. In Timor-Leste, one DEO considered that ‘the school grant needs to increase up to 25 per cent from the current amount, especially for the remote schools. This would help teachers’ transportation to attend meetings.’

Many interviewees suggested an increase in the grant amount to allow the school grant to achieve its main objectives. However, when asked to supply a figure, few were able to provide a precise reply. In Vanuatu, the research team was able to collect such information in a fairly systematic manner. *Table 5.3* presents the proposals made by different categories of actors in various schools. There seems to be a consensus on an amount between VUV 10,000 (\$93) and VUV 12,000 (\$111), which is very close to the policy intention (an increase to VUV 11,000) (\$102).

The difference in opinions on school grant amounts can be explained by the complexities involved in assessing the ‘minimum’ cost of educating a child at primary level, taking into account all relevant factors such as stationery, textbooks, teaching resources, furniture, and facilities. Opinions also depend on various priorities according to the different actors. The school grant amount should be assessed in view of the objectives for which the policy was developed, and based on the items it is expected to cover. If it is aimed at covering teachers’ salaries, this should be stated explicitly and the appropriate amount should be given. If the aim is to contribute to improving overall school functioning, it is important to assess the needs of schools, which might be different in different contexts. If the focus is education quality, it will be necessary to develop a specific funding formula that ensures appropriate spending.

Table 5.3 Requests for a change in the size of the school grant in Vanuatu, in VUV (and US\$)

School	ZCA	Heads of school	Teachers	School committee members	Parents	Pupils
Strawberry	↗ 11,000–12,000 (\$102–111)	↗ 11,000–12,000 (\$102–111)				
Enchanter	↗ 11,000–12,000 (\$102–111)	↗				
Ivy		↗	↗ 12,000 (\$111)	→	↗	
Teasel		↗ 11,000 (\$102)	→	↗ 11,000 (\$102)	↗ 11,000 (\$102)	
Marigold		↗ 11,000 (\$102)		↗ 11,000 (\$102)		
Succory	↗	↗ 15,000 (\$139)	↗ 15,000 (\$139)			
Tiare	↗	↗ 10,000 (\$93)	↗ 10,000 (\$93)	↗ 10,000 (\$93)	↗ 10,000 (\$93)	
Sunflower					↗	
Lily	→		→			
Quinoa	↗ 10,000 (\$93)	↗ 10,000 (\$93)	↗ 10,000 (\$93)	↗ 10,000 (\$93)	↗ 10,000 (\$93)	
Larch	NA	→	↗ 12,000 (\$111)	→		
Lavender	→	NA		↗	↗	
Kadsura	→					
Tulip	NA					

Source: National synthesis, Vanuatu.

Note: NA = not available. → = should stay the same. ↗ = should increase. Blank = no opinion stated.

Share of the grant in the school budget

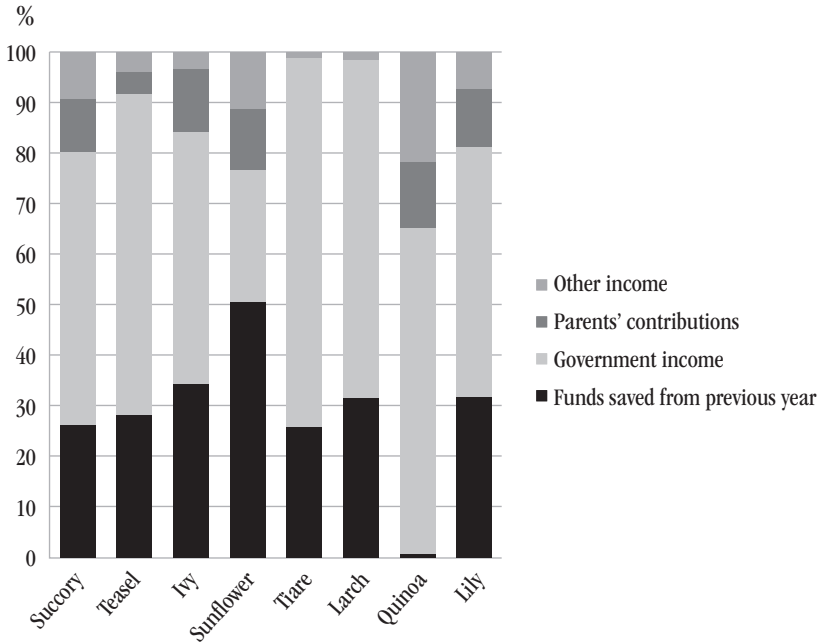
In the four countries, the school budget consists of the school grant and other sources of funds, on which more details are given in the next section of this chapter. According to the interviewees, the school grant constitutes the most important share of the school budget in all cases. Indeed, as highlighted in the case of Indonesia, the research ‘indicates that nine years after its introduction, BOS funds have become the primary source of funding for almost every public elementary school’ (National synthesis, Indonesia: 43). As discussed above, this is also the case in Mongolia and Timor-Leste.

Specific analysis was undertaken in this regard in Vanuatu based on available data. It should be noted that collection of such data on schools’ financial resources is a difficult task: many payments to schools by parents, well-wishers, and others are informal and irregular, and because of their unofficial character there is little book-keeping and even less reporting.

Illustration from Vanuatu

Figure 5.1 shows that the grant constitutes the main source of funds in schools studied in Vanuatu. Schools commonly save funds from year to year: in all schools but one, over 25 per cent of the budget consists of funds saved from the previous year (see the next section). This amount was highest in Sunflower primary school (50 per cent). The share of student income or parental contributions varies between schools. While minimal in some schools (from 1 to 4 per cent of the total school budget in Teasel, Ivy, Tiare, and Larch schools), it is highly significant in others (22 per cent in Quinoa school). This should be completed by the category ‘other income’, which includes fundraising activities to which parents contribute.

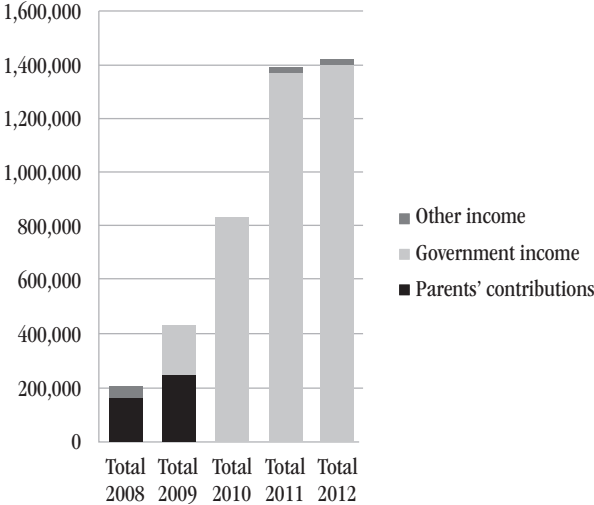
Figure 5.1 Sources of income in schools studied in Vanuatu (in VUV), 2012



Source: Quantitative analysis report, Vanuatu.

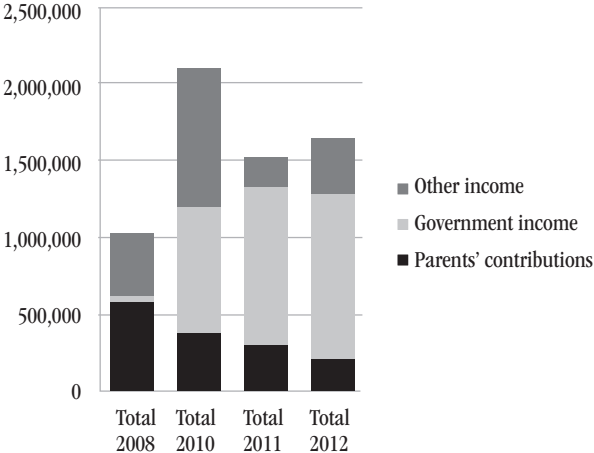
The data collected in two schools permitted examination of the evolution in their sources of income (see *Figure 5.2* and *Figure 5.3*). The structure of school income has clearly changed in these two schools from 2008 (prior to implementation of the school grant in 2009) to 2012. In 2008, Tiare school reported receiving no government income and Quinoa school received very little; however, by 2012 the portion of the school budget composed of government income had risen dramatically. The size of parental contributions (student income) also reduced in both schools and was even eliminated at Tiare school. However, at the time of research this school was envisaging the reintroduction of parental contributions as a result of guideline restrictions and the need to meet school needs.

Figure 5.2 Evolution of sources of income at Tiare school, Vanuatu, 2008–2012 (in VUV)



Source: Quantitative analysis report, Vanuatu.

Figure 5.3 Evolution of sources of income at Quinoa school, Vanuatu, 2008–2012 (in VUV)



Source: Quantitative analysis report, Vanuatu.

As with the other countries, the school grant in Vanuatu comprises the main part of school budgets, but is not the only source of funding, with schools having to rely on other sources to meet their main needs as a result of limited grant amounts and restrictions on grant use.

Saving funds

The possibility of saving funds was mentioned only in Mongolia and Vanuatu. In Indonesia, the practice is prohibited in the guidelines. In Vanuatu, ‘although the guidelines do not encourage schools to unnecessarily save funds, they authorize schools to keep small amounts of money on the school account from one year to the next, if there is cause to do so’. Accordingly, many of the schools studied did save funds (National synthesis, Vanuatu: 53). In all schools except one, over 25 per cent of the budget consists of funds saved from the previous year (*Figure 5.1*). Schools declare these leftover funds in their annual financial reports, but are not required to return them to the government. One key explanation for saving was the fear of being accused of mispending funds. One head of school, for example, said that he and the committee were sometimes afraid to spend the grant, for fear of violating the restrictions of the grant scheme. In another school, it appeared that some supplier outlets did not provide receipts, and therefore, the school sometimes avoided certain expenditures, as they knew they would not be able to record them according to the required reporting procedures. Another explanation from PEO officers was that schools deliberately saved money for the beginning of the following year, as they expected delays in the disbursement of funds.

In Mongolia, schools can save specific amounts for categories that are specific to certain times of the year. This provides them with a slight amount of flexibility to manage their allocated budgets: ‘In order to save the budget, there are some cases that schools limit electricity and heating during the warm weather and/or pupils’ vacation time’ (Head teacher, Mongolia). Similarly, the head of one PED explained that travel expenses are allocated in winter, but are usually saved for spring when they are needed more. However, informants stated that unused money is usually returned to the State Fund.

5.2 Other school financial resources

School budgets in the four countries also consist of other sources of funding drawn from national, provincial, or district authorities, parents,

donations by well-wishers, fundraising, and school income-generating activities. The number of sources varies across countries according to their nature, origins, and purpose. The following sections examine their characteristics, and *Table 5.5* at the end of the chapter summarizes the different budget sources, excluding school grants, in the groups of schools studied.

Funds from national, provincial, or district authorities

Funds from national, provincial, or district authorities are allocated to schools or children in addition to the school grant only in Indonesia and Timor-Leste.

In Indonesia, such additional sources of funds vary. Funding programmes developed by governments at different levels target regions, schools, and pupils, for example, based on information supplied by socio-economic indicators. Such funding schemes take into account existing disparities within the country and between districts and schools, as well as the needs of the most disadvantaged areas, as explained below.

It is possible to make a distinction between funds allocated to students and those allocated to schools. The Scholarship for Poor Students (BSM) programme is a ‘national program aimed at helping poor students access proper education services by preventing dropouts, helping dropouts return to school, providing necessities for learning activities, supporting the nine-year compulsory education program (and further up to senior high-school level), as well as assisting the running of the school programs’ (National synthesis, Indonesia: 45). Funds are allocated to students based on socio-economic indicators. BSM beneficiaries at the primary level are allocated IDR 360,000 (about \$27.60) per student annually. The research shows that more students benefited from this programme in remote schools than in urban schools.

Several types of funds from national, provincial, or district authorities are allocated to schools. The Special Allocation Fund (DAK) is allocated by the central government to district governments for specific investment expenditures, and must be used in accordance with national priorities, including education. Of the 14 schools studied, six received these funds between 2011 and 2013, for library construction and equipment procurement, as well as to fund classroom renovations.

The BOS guidelines also request provincial and district governments to allocate funds for school operational costs (called UUDP funds),

regardless of the existence of the BOS grant. The research showed that eight out of the group of 14 schools studied received such financial support from these authorities. In one district, funds were transferred directly from the district or province to the school's bank account. Beneficiary schools, however, stressed that the amount of funds transferred was very limited. In another district, funds were used to provide schools with textbooks; however, the schools complained that these books did not meet their needs.

In Timor-Leste, schools receive two types of funding from the central government: the school grant and the school feeding programme. Parents and students appeared to be more aware of the latter than the former.

Parental contributions

A standard practice

Parents remain a source of school funds in all four countries, although not in all schools. Timor-Leste is the only country where contributions from parents to the school budget were considered minimal, if not non-existent, with the central government constituting the main source of funds through school grants and the school feeding programme. Parents continue to pay for school uniforms, and may occasionally contribute additional funds or provide labour for the building and maintenance of school structures. In one school, for instance, it was reported that parents decided to contribute \$3 each to construct two classrooms in 2013 (National synthesis, Timor-Leste: 79).

In the three other countries, the research noted that parents still contribute to the school budget on a more regular basis. Parental contributions are used by schools to compensate for the perceived insufficiency of the grant, and its restrictive use, as stated in the guidelines. The purpose of contributions varies between countries and even among schools in a single country.

In Indonesia, schools may ask for different kinds of contributions. For example, school committee levies are used in one school 'to fund activities that cannot be financed by BOS funds, such as building and land procurement costs for building a mosque, as well as general maintenance'. Another example is national and semester examination levies, which in one school were charged to every Grade 6 student to finance the transportation costs of students and teachers to the examination location (National synthesis, Indonesia: 48–50).

In Mongolia, the researchers established that parents also contribute small amounts of money for classroom cleaning and maintenance through the parents' committee, which is in principle an entirely voluntary process. This amount is collected by teachers and is not included in the school budget. Parents also used to contribute to extended classes, which consisted of three extra teaching hours; however, this practice has been prohibited by the MoE (National synthesis, Mongolia: 31).

In Vanuatu, parental contributions were also found to be a standard practice in most schools studied at the time of the research. They are used to cover items that the school grant cannot cover and, in particular, temporary teacher salaries. The amount of such contributions evolved after the school grant was allocated to schools, leading to either a reduction or elimination of the burden of school contributions on parents (*Table 5.4*). Two schools even stopped asking for such contributions on receipt of the school grant. However, as was learned from the research, in 2013 these two schools were considering reintroducing this additional source of funding, while two others had increased their parental contributions: 'We are thinking about bringing VUV 1,000 (\$9.30) per year back to finish the library building' (Head of school, Larch school, Vanuatu).

Table 5.4 Evolution of parental contributions in 12 of the schools visited in Vanuatu, per student

Name of school	Size of parent contributions before grant, in VUV (and US\$) per year	Size of parental contributions, in VUV (and US\$) per year, in 2013
Enchanter	Unknown	1,500 (per household) (\$14)
Strawberry	9,000 (\$83)	2,500 (\$23)
Ivy	12,000 (\$111)	3,000 (\$28)
Teasel	7,500 (\$69)	1,500 (\$14)
Marigold	21,000 (\$195)	3,000 (\$28)
Succory	9,000 (\$83)	1,000 (per household) (\$9.3)
Tiare	3,000 (\$28)	0
Sunflower	9,000 (\$83)	1,000 (per household) (\$9.3)
Quinoa	Unknown	2,500 (per household) (\$23)
Larch	3,000 (\$28)	0
Lavender	3,000 (\$28)	Unknown
Kadsura	18,000 (\$167)	Unknown
Lily	6,000 (\$64)	3,000 (\$28)

Source: National synthesis, Vanuatu.

In Vanuatu it was also learned that most schools ask for extra school charges, which may cover school uniforms and insurance fees, but also unusual categories of expenditure such as late enrolment fees, ‘the cost of sewing the school logo on uniforms, or fines for parents who did not participate in working days’ (National synthesis, Vanuatu: 59).

Fundraising activities were also frequent in this country, with funds collected by schools during specific events, for instance, during food sales, kava nights, and sports tournaments. Such events are organized regularly by schools (usually once per term) and can be a substantial source of revenue. One school, for example, managed to collect about VUV 150,000 in 2012 (equivalent to \$1,390), while another collected VUV 500,000 through just one event (approximately \$4,633). While such funds are in principle linked to the participation of individuals in these events, and should therefore be voluntary, the research showed that schools found ways to make people contribute. In one school, ‘the parents said that fundraising was simply too frequent. It was learned from the parents that those who do not bring food to the fundraiser are expected to pay a contribution. The parents said that the [head of school] makes a note of who provides these contributions’ (National synthesis, Vanuatu: 60). Such fundraising activities resemble unofficial compulsory parental contributions.

The combination of all these contributions therefore indicates that parents are still asked to contribute quite significantly to school budgets in Vanuatu.

Parental contributions and fee-free education: solving a paradox

Such contributions may appear paradoxical in the context of fee-free education. While school fees are now forbidden in these countries, in accordance with legislation, parents are nevertheless encouraged to contribute on a voluntary basis.

In Indonesia, for instance, the national regulations state that state-owned elementary and junior high schools are prohibited from collecting funds from education participants, their parents, or carers. However, the 2013 guidelines allow schools to request contributions from the community and parents who have sufficient financial means, in order to cover costs unmet by government funding.

Based on BOS guidelines, routine levies are not allowed. In BOS fund guidelines, it is mentioned that if a school wants to receive BOS funds, it

must stop collecting levies. But it's all right if we collect donations from parents (Head teacher).

Several parents interviewed regarded the fact of being encouraged and even asked to contribute to the school budget as a paradox. In some cases in Indonesia, parents refused to contribute on the grounds that the BOS programme is supposed to be a 'free education programme'. This was the situation in one rural school, which constituted the only example in the group of Indonesian schools studied where parents no longer contributed to the school budget. As the school committee chairman explained: 'In cities parents are willing to collect committee fund though BOS funding is available, while here it is difficult to ask for such contribution for school activities not funded by BOS. They would ask: what is the BOS fund used for if we still have to pay?'

Such views on parental contributions lead to delicate situations at the school level and potential conflicts between school staff and parents, as the latter may doubt the proper management of the grant by the school staff if additional funds are still required.

In theory, the voluntary nature of these contributions resolves the paradox. No parent should be obliged to pay, and if they do not contribute, their children should not be refused access to school or to the services related to this payment. However, parents feel in some cases indirectly obliged to contribute, as was highlighted in Vanuatu concerning fundraising activities. While the research showed that pupils were in no case excluded from school or school services due to non-payment, they might feel uncomfortable and stigmatized as a result of this situation, as was mentioned in one school in Vanuatu: 'We do not forbid them from attending, but when they know that their parents don't pay their contributions, they are sometimes too embarrassed to come to school' (Member of the school committee, Vanuatu).

Other sources

In addition to government funding, school budgets are completed by other sources of funds such as donations and income-generating activities.

Donations were found mostly in Indonesia and Vanuatu. Civil society, NGOs, foundations, and village community members are among those providing donations, mostly consisting of in-kind resources (e.g. water pipes in one school in Vanuatu). Most donations target schools, but in some cases they also target students. This was the case for two

schools in Indonesia where some students benefited from uniform and transportation money (for those living far from the school) provided by the village. In some cases, donations took the form of financial assistance to schools or students. One Indonesian school received financial support for six students from an Islamic organization, which it used to buy school uniforms and notebooks. Other examples include participation through labour, such as for the construction of a road leading to a school.

Schools in Vanuatu engage in income-generating activities, such as selling products from their school gardens or plantations at the local market. In three schools, funds were collected through the school canteens, which in one case were used to pay salaries of non-teaching staff. In Mongolia, schools are encouraged to make a certain amount of profit from their activities. This consists in most cases of a cafeteria-renting fee.

Table 5.5 Funding sources (excluding the school grant) for schools visited in Indonesia, Mongolia, Timor-Leste, and Vanuatu

	Sources	Purpose/use	Coverage	Funding allocation mechanism	
Indonesia	National, provincial, or district governments	Poor pupil assistance (BSM)	<ul style="list-style-type: none"> Assisting poor pupils to access proper education 	National programme. Identification of pupils based on socio-economic conditions	<ul style="list-style-type: none"> From the central level to students
		Special allocation fund (DAK)	<ul style="list-style-type: none"> To assist regions in the implementation of transferred responsibilities under decentralization In the field of education: construction and equipment of library buildings, classroom rehabilitation 	Specific regions. Of the 14 schools studied, six received the DAK fund in 2012 and 2013	<ul style="list-style-type: none"> From the central government to district level and then to schools
		Provincial government	<ul style="list-style-type: none"> Library buildings, classroom rehabilitation 	One studied school in District A, one in district B, all studied schools in District D	<ul style="list-style-type: none"> From provincial governments, based on their own resources
		District government	<ul style="list-style-type: none"> UUDP (cash fund for school operations) 	Districts C and D (among the four districts studied)	<ul style="list-style-type: none"> In District C: allocation based on the number of learning groups, disbursed every quarter to school bank accounts In District D: provision of textbooks to schools
	Parental contributions	<ul style="list-style-type: none"> School committee fees Fee for national and semester examinations Class promotion/Grade 6 graduation 	In all except one of the schools studied. The types and purposes of parental contributions varied among the schools studied	<ul style="list-style-type: none"> Financial resources Directly to schools 	

		<ul style="list-style-type: none"> • New pupil registration fee • Pupil recreation expense • School health service guarantee fee • Social levy • Incidental fee (cash, labour, or goods) • School supply purchase 		
	Other contributions (community, village government, some companies, BAZNAS [charitable giving by Muslims])	<ul style="list-style-type: none"> • Labour for road construction, direct assistance to pupils under the Healthy and Smart Generation Programme (GSC), supplies of school equipment, scholarships 	Eight schools among the 14 studied	<ul style="list-style-type: none"> • Financial resources, in-kind, or labour • Directly to schools or students
Timor-Leste	Central government	<ul style="list-style-type: none"> • School feeding programme 	All schools studied	<ul style="list-style-type: none"> • Direct transfer to schools
	Parental contributions	<ul style="list-style-type: none"> • Uniforms • Occasional support for construction of school buildings 	All schools for uniforms	<ul style="list-style-type: none"> • Financial resources, in-kind, or labour • Directly to schools
Mongolia	Parental contributions	<ul style="list-style-type: none"> • Payments for classroom cleaning and maintenance • Fees for extended classes 	All schools studied	<ul style="list-style-type: none"> • Financial resources • Directly to schools
	School income-generating activities	<ul style="list-style-type: none"> • Fees for rent of cafeteria 		<ul style="list-style-type: none"> • Financial resources • Directly to schools
Vanuatu	Parental contributions	<ul style="list-style-type: none"> • Temporary teachers' salaries; school operational costs • Extra school charges: school uniforms, insurance fees, cost of sewing the school logo onto the uniform, cost of stationery, fines for parents who did not participate in working days • Fundraising: food sales, kava nights, sport tournaments 	In all schools studied (specific use of these funds depending on schools)	<ul style="list-style-type: none"> • Financial resources, in-kind, or labour • Directly to schools

	Donations (Members of Parliament, NGOs)	<ul style="list-style-type: none"> In-kind and labour (water pipes, stationery, material for buildings, water tank, photocopiers, etc.) 	In some schools studied
	School income-generating activities (school gardens, canteens)	<ul style="list-style-type: none"> Extra funds for schools: assistance in paying salaries of non-teaching staff; contribution to improving school equipment 	In all schools studied

Source: National syntheses.

Chapter 6

School-level actors involved in the decision-making process on the use of the school grant

The decision-making processes outlined in grant guidelines create **two distinct scenarios**. In the first, only **head teachers** and **school accountants** decide how to use grant funds, as is the case in Mongolia. In the second, a more **participatory process** is prescribed where head teachers, school accountants, school committees or PTAs, and teachers are all meant to play a role, as is the case in Indonesia, Timor-Leste, and Vanuatu. Nonetheless, the research found that a gap exists between official procedure and decision-making processes in reality. In all countries, **head teachers** and, to a lesser extent, **accountants** play a central role. **Teachers** participate mainly through consultation, at times exceeding the role prescribed by the policy. The opposite is true for **school committees**, however, which were found to play only a weak role. Finally, **parents and students** were excluded from such processes, participating only through their representatives on school committees.

This chapter examines the participation of school-level actors in the decision-making process on grant use. It aims to identify which school-level actors (head teacher, accountant, teachers, pupils, parents, and community) participate in the different steps, who is consulted, and who plays the main deciding role. The chapter presents a comparative analysis of the official scenarios prescribed in the guidelines and the actual processes followed in the schools studied.

6.1 Official scenarios

Two scenarios can be identified from the guidelines concerning the involvement of actors in the decision-making process on the use of school grants, as reflected in *Table 6.1*. The first scenario relies on the head teacher and school accountant, and is prescribed in Mongolia. The second, more participatory scenario is based on the participation of the head teacher, accountants, and school committees (in most cases composed of teachers and parents), and is prescribed in the three other countries. In some cases, teachers participate as a separate group, as discussed below.

Table 6.1 School-level actors involved in the decision-making process on the use of school grants, according to guidelines, in the four countries

	Head teacher	School accountant	School committee/PTA	Teachers	Parents	Students
Indonesia	✓	✓	✓	✓	No	No
Mongolia	✓	✓	Only for monitoring	No	No	No
Timor-Leste	✓	✓	✓	✓	No	No
Vanuatu	✓	✓	✓	No	No	No

Decision-making in the hands of the head teacher and school accountant

In Mongolia, the head teacher is recognized by law as the main actor responsible for managing the budget at the school level. In accordance with the Budget Law of 2012, ‘the head of any organization and/or body is the main body for using the budget, thus the school head teacher is the actor, who is responsible for using the school funds. The Law describes the responsibilities of the head teacher as follows:

- to plan the budget proposal in the framework of the year’s budget;
- to effectively use the budget;
- to manage and run the activities in the framework of his/her job;
- to prepare the report on the budget use and introduce to the Government bodies;
- to prepare half-year and yearly reports on the implemented projects with the support of government agencies, international loan, NGOs, etc., and deliver to the Ministry of Education and Ministry of Finance;
- to implement and control the activities of the internal monitoring unit’ (National synthesis, Mongolia: 36).

The school accountant assists in this process by preparing the school budget with the head teacher, and calculating teacher salaries, in particular.

The legislation therefore clearly places the head teacher at the heart of the process, together with the school accountant, and does not foresee the involvement of any other actors. It should be noted, however, that the role of the school in the management of State Funds is limited, as they do not hold cash, with funds instead being located at the level of the DSF.

A more participatory process

In Indonesia, Timor-Leste, and Vanuatu, the guidelines foresee a more participatory process, with decisions on the use of school grants relying on the involvement of the head teacher, school accountants, school committees/PTAs, and teachers. This approach is directly in line with trends towards school-based management and participatory decision-making at the school level in these countries.

According to the guidelines, representative structures such as school committees and councils and PTAs should play a role in the identification of school needs, as well as in the preparation of school budgets and activity plans, in Indonesia, Timor-Leste, and Vanuatu. In Indonesia, such structures are composed of representatives of teachers, parents, and members of the local community. In Vanuatu, the guidelines provide more leeway to schools in the composition of these committees, as long as they do not exceed nine members and include both women and men, as well as one teacher representative (National synthesis, Vanuatu: 34). In Timor-Leste, PTAs are required to participate in the process.

According to the guidelines, parents in these countries are supposed to participate in the decision-making process on the use of school grants through representative structures at the school level, and not as a group.

In Mongolia, school councils, which consist of 11 members elected from teachers, students, parents, school staff, and representatives of the local community, are not implicated in the decision-making process on the use of grants, but *are* involved at the monitoring stage, as discussed later.

In Indonesia and Vanuatu, teachers participate through their representatives in these structures. In Indonesia, they are also involved through the teacher council, which strengthens the key position they are supposed to have in this process. In Timor-Leste, the guidelines specify that teachers should be consulted collectively as a separate group about their needs and involved in the decision-making process on the use of the grant at both central and filial schools. In Mongolia, the legislation does not foresee the participation of teachers in this process, either through representatives or collectively.

Guidelines in Indonesia and Vanuatu also explicitly foresee the involvement of school accountants³ in the management of funds at the school level. This reflects recognition by the authorities of the new responsibilities in financial management that schools must adopt, in particular at the level of senior management, which require specific competencies in this area. According to BOS guidelines in Indonesia, ‘a principal can be assisted by a BOS treasurer and, if necessary, a computer clerk’ (National synthesis, Indonesia: 19). In Vanuatu, heads of school can be supported in this process by SFOs, whom they recruit using funds from the school budget. The *School Financial Management Manual* indicates that the SFO ‘is responsible for keeping track of the financial transactions of a school, but is by no means a decision-maker in the school’ (National synthesis, Vanuatu: 31–32).

In Timor-Leste, the head of GAT is quite similar to an accountant, and plays a key role in the decision-making process on the use of the school grant in close collaboration with the central school director and the filial school director (*filial school coordinators*). According to the *School Grant Manual*, the head prepares the annual plan of activities and budget for the cluster, makes expenditures using grant funds, and records the transactions.

Overall, the guidelines do not foresee the participation of either parents as a separate group or students in the decision-making process in any of the four countries.

6.2 Practice by schools

As was learned from the research, a gap exists in the four countries between the actors identified in the guidelines to play a role in the decision-making process on the use of school grants, and those who participate in reality. Four main trends emerged from the research, albeit with some variations among and within countries:

- The process is centralized in the hands of the head teacher and school accountants in most cases.
- The role played by teachers varies across countries, with almost no involvement in Timor-Leste, while teachers are at least consulted in the decision-making process in other countries.

3. This group includes ‘BOS treasurers’ in Indonesia and ‘school finance officers’ in Vanuatu. For ease of reading, this category of actors is referred to here under the term ‘school accountant’.

- The role played by school committees is quite weak, compared with the officially prescribed scenario in the guidelines.
- Parents do not play a role in this process, even at the consultation stage, except through their representative in school committee. Overall, students have no say in the process.

The following sections examine these scenarios and present tables comparing the actors involved in the decision-making process, in accordance with the guidelines, against those who participate in practice.

The central role of head teachers and accountants

Head teachers and school accountants play a central role in the decision-making process on the use of grants in the four countries. They identify school needs, prepare the school plan, withdraw funds, expend funds, and prepare financial monitoring reports (*Table 6.2*).

Table 6.2 Involvement of the head teacher and school accountant in the decision-making process on the use of grants, according to the guidelines and in practice

	Head teacher		School accountant	
	Guidelines	In practice	Guidelines	In practice
Indonesia	✓	✓	✓	✓
Mongolia	✓	✓	✓	✓
Timor-Leste	✓	✓	✓	✓
Vanuatu	✓	✓	✓	✓

Head teachers implement these responsibilities alongside their teaching duties in Timor-Leste, Vanuatu, and Indonesia, although they are only required to teach for six hours a week (National synthesis, Indonesia: 19). They are discharged from teaching in Mongolia.

School accountants assist head teachers in this task by playing a more or less determining role in the decision-making process, according to the country. In Mongolia, accountants prepare school plans with the head teacher based on an analysis of the school needs and available budget. The accountants have specific qualifications in financial accounting and management, and in several of the schools studied, used to work as civil servants in education institutions, and are therefore well aware of the regulations in financing. The following quotes from two school accountants are illustrative in this regard: ‘I am happy with the responsibility for managing the schools’ accounts, because I am well aware of my profession’; ‘I was given this job as I had eight years of

experience of working in the sector. Having worked in a pre-school was considered as a good experience to work in a school.’ In some cases, a treasurer and a clerk supported accountants in their tasks. In several schools studied, school accountants could provide more information on State Funds and the funding formula than the head teachers.

In Indonesia, all the schools studied had BOS treasurers, who in most cases worked in a collaborative fashion with the head teacher and played a key role in management of the grant. Both the treasurer and the head teacher could retrieve funds from the bank. Only six schools had a computer clerk to help the BOS treasurer prepare accountability reports. In most schools, BOS treasurers assisted the head teacher with the preparation of the school plan, which they discussed together with teachers. Unlike the case in Mongolia, BOS treasurers do not possess specific qualifications in financial management and accounting. Instead, they are teachers at the school, selected by the head teacher to hold this position in addition to their normal teaching responsibilities, usually because they were considered more computer literate. Several treasurers noted that ‘they have no choice but to accept the extra responsibilities’ (National synthesis, Indonesia: 20). In accordance with the guidelines, they are entitled to receive an allowance of IDR 300,000 (equivalent to \$23) every quarter, although some stated that they receive only IDR 250,000 (about \$19) per quarter. Most emphasized their heavy workload as a result of fulfilling this task in addition to their standard teaching hours.

In Timor-Leste, heads of GAT play a role similar to that of an accountant. In a few central schools, they were supported by school accountants – teachers selected by the head teacher for that purpose, and without qualifications in accounting. Their involvement was limited to receiving and keeping funds at the school; they did not play a specific role in deciding how to use the funds.

In Vanuatu, schools use the school budget to recruit SFOs. Their recruitment is not a common practice, likely due to the source of funding, with SFOs found in only two of the visited schools, where they were recruited to help the head teacher cope with their workload. As prescribed in the guidelines, their participation is limited to the management of funds as financial accountants (for instance, keeping track of school income and expenditures). The research indicated that this description matched the reality, with the SFO applying the head of school’s instructions, rather

than playing an oversight role: ‘The school finance officer will normally prepare all documents according to instructions from the head of school, and is assisted again by the head of school to carry out these tasks’ (Zone curriculum advisor for Sunflower school, Vanuatu) (National synthesis, Vanuatu: 32). This lack of support at the school level in relation to managing the school grant led a number of school heads in Vanuatu to complain about their heavy workloads, which include teaching duties, as well as overall management of the school.

Participation of teachers

In practice, the role played by teachers varies across countries. They have almost no involvement in the decision-making process in Timor-Leste, but are at least consulted in the other three countries (*Table 6.3*).

Table 6.3 Involvement of teachers in the decision-making process on the use of grants, according to the guidelines and in practice

	Teachers	
	Guidelines	In practice
Indonesia	✓	Varies across schools
Mongolia	No	Limited
Timor-Leste	✓	Limited
Vanuatu	No	Limited

In Timor-Leste, teachers should participate in this process according to the guidelines, but in practice they are very seldom involved in this regard, even in the consultation of main school needs.

In Indonesia, in most of the schools studied, teachers participated in the preparation of the school plan and budget through their representatives on the school committee. However, meetings and consultations with all teachers are not organized systematically. Indeed, this practice was found in only a minority of schools. In several others, teachers were asked simply to submit a list of their needs, which the head teacher would take into account. In small remote schools, head teachers did not request inputs from teachers, arguing that funds are too limited to organize a discussion on their use. Instead, the head teacher determined the priority needs of the schools autonomously. One head teacher highlighted the workload and lack of availability of teachers as a factor: ‘Formerly, there was a special teacher meeting in the first quarter, but now, due to time

limitations in which teachers and head teacher are always busy, they only ask what the teachers need' (Head teacher, Indonesia).

In Mongolia and Vanuatu, the involvement of teachers in the decision-making process appears to exceed their role as foreseen in the guidelines. In most cases, they are invited to share their main needs. In some schools in Vanuatu, the draft budget is presented to all teachers for their feedback.

In some cases, teachers may also be involved in the purchase of goods for the school or their own classes, as is the case in Indonesia. A few specific situations can be noted. In one school in Vanuatu, the head of school allocated each teacher VUV 20,000 (\$192) per year to purchase the teaching materials they needed. The teachers explained that they were free to spend this money as they saw fit and only needed to show the head of school the purchase receipts. While this could be considered a way to ensure that teachers receive the materials they need, it also raises concerns, as the funds distributed to teachers constitute only a small share of the total amount. This approach could thus be considered a strategy on the part of the head to placate teachers and curb any deeper involvement.

Such involvement of teachers in the decision-making process remains quite limited overall, resulting in dissatisfaction among the majority, and requests for greater involvement in preparation of the school plan and budget, as illustrated by the following quotes from Vanuatu: 'We would be happy to share ideas or be consulted on how the budget should be prepared to meet children's needs in the classroom' (Teacher); 'I really hope that in our school, one day teachers will be able to plan with the [head of school] and the school committee on how to improve our school' (Teacher).

Weak involvement of school committees

In the four countries, school committees are only marginally involved in the decision-making process on the use of school grants, compared with the role described in the guidelines (*Table 6.4*).

Table 6.4 Involvement of school committees in the decision-making process on the use of grants, according to the guidelines and in practice

	School committee/PTA	
	Guidelines	In practice
Indonesia	✓	Weak
Mongolia	Only for monitoring	
Timor-Leste	✓	Varied across schools
Vanuatu	✓	Weak

In Indonesia and Vanuatu, school committees do not participate in the preparation of the school plan or the budget – only in their endorsement, as illustrated by the following quotes:

The role of the school committee is just to know, agree upon, and then sign the RKAS [school plan]. To date, the school committee has never given any major or significant corrections because they do not quite understand the schools’ needs and circumstances (School principal, Indonesia).

The school committee’s role is to discuss and approve the plan that the head of school brings to us (Member of the school committee, Vanuatu).

In Timor-Leste, the involvement of PTAs in the preparation of the school plan varies across schools, from active participation in some cases, to no participation at all in others.

Only in rare cases did the committees in these countries complain about their minimal involvement in this process. In two schools in Vanuatu, the committee members said they felt marginalized and sometimes in conflict with the head of school because of the situation. In Timor-Leste, one PTA member in a filial school suggested: ‘we need to be informed and invited if there are programmes and activities in school so that we know. We need to know about transparency in the use of the school grant, for what and how it is used.’

In Mongolia, several members of school committees requested, however, to be more involved in the decision-making process, their role being limited thus far to the monitoring phase. ‘We never discussed the report of school funding, we are not included in this process’ (Member of school committee, Mongolia).

Aside from these cases, school committees indicated satisfaction with their level of involvement in the decision-making process: they considered simply being informed of the school plan as sufficient. In several schools in Vanuatu, the basis for this satisfaction was their full trust in the head of school: ‘The head of school is very cautious as to how the money is spent, and will only spend according to the children’s needs in the classrooms’ (Member of the school committee).

Absence of participation of parents and students

In the four countries, parents only participate in the decision-making process on the use of school grants through representatives on the school committees. Their involvement as a group, for example, at the consultation stage, was almost inexistent in the four countries (*Table 6.5*).

Table 6.5 Involvement of parents and students in the decision-making process on the use of grants, according to the guidelines and in practice

	Parents		Students	
	Guidelines	In practice	Guidelines	In practice
Indonesia	No	No	No	No
Mongolia	No	No	No	No
Timor-Leste	No	No	No	No
Vanuatu	No	No	No	No

In a very limited number of cases, parents were consulted during the decision-making process, as was the case in one school in Vanuatu. The following quote is typical of the situation in most schools, in all four countries: ‘We were never invited and we don’t know what the school grant is used for, because we were never invited by the school to talk about the school grants’ (Parents, Timor-Leste).

The school staff and district officials gave several reasons for excluding parents from decision-making. They refer to the lack of capacities among parents. They argued that decision-making on the use of grants is the concern of head teachers and school accountants, who are held accountable. And they claimed that the whole process becomes more complex and problematic when parents have to be involved. Examples of such opinions are given below:

Outside actors including pupils’ parents aren’t appropriate [for the decision-making process] because they often create problems instead (Committee chairperson, Indonesia).

By knowing about the financing, parents can know how much resources have been used for their children's education. But the spending is no concern of parents (Accountant, Mongolia).

I do not want to share the responsibility of managing the grant with anyone else because I'm afraid of being blamed for something they decide or any mistakes they make (Head of school, Vanuatu).

Parents responded in different ways to this exclusion, and complained only on rare occasions. Several did not see the need for them to participate in the process, while some agreed with the head teachers that decisions regarding the school grant are a task for the school management team. In some cases, they also mentioned that they are well represented in this regard by school committees and PTAs. Others, in tune with the head teachers, highlighted the risk of making the process even more complex: 'If too many people wish to have their say on the use of these funds, then it will cause a lot of problems and frustrations' (Parent, Vanuatu).

Students do not participate at all in the decision-making process. One student in Vanuatu referred to the absence of a student association at the school level as key factor: 'If we were in a committee, there would be a better chance that we would be listened to compared with when we request things individually from the head of school.' Overall, it appeared from the research that students had very little knowledge about the school grant in any of the four countries, as illustrated by the following quote from a student in Timor-Leste: 'We do not know about the school grant and its name, and we do not know who buys the chalk, papers and note books. We are not told by our teachers about the school grant.'

Chapter 7

Use of school grants

School grants in all four countries aim to **improve teaching and learning environments**, covering costs for school equipment, teaching and learning materials, maintenance and repairs, and utility bills. In some cases, grants can also be used to cover civil servant **teacher salaries** (Mongolia and Timor-Leste) or to pay temporary contract teachers (Indonesia). Guidelines recognize the costs associated with **grant management** in Indonesia and Vanuatu, but not elsewhere. Schools in Mongolia and Indonesia can also use grant funds for **disadvantaged and disabled students**. At times, grants can be used to cover **specific costs** such as extracurricular activities (Indonesia and Timor-Leste) or lunch rations (Vanuatu). However, **restrictions** limit grant spending in all four countries. **Prohibited areas of expenditure** are quite detailed in Indonesia and Vanuatu. Overall, research found that grants were used mostly for the purposes prescribed in the policies, although in some schools in Timor-Leste they were used to cover the salaries of temporary teachers, which is prohibited under the guidelines.

School grants have been developed in the four countries to achieve a set of objectives, as discussed in *Chapter 2*. Official guidelines in each of the four countries outline the areas for which the grants may be used. This raises two questions: Are these areas in line with the specific needs and priorities of the schools? Will these areas have the most valuable impact on achieving the main objectives of the policy? This chapter addresses the first question by examining the official framework for use of school grants, and their use by schools in practice. The second question is discussed in the last chapter of this book.

7.1 Official framework for the use of school grants

In the four countries, the use of grants is strictly circumscribed by legislation, which clearly identifies the areas for which school grants can and cannot be used. The following sections examine these authorized areas of expenditure and the restrictions imposed on schools by the guidelines concerning the use of grants.

Areas of use

A number of authorized areas of expenditure have been identified in the guidelines in the four countries. These are regularly updated in Indonesia on a yearly basis. The areas are grouped in *Table 7.1* and ranked by

degree of similarity among the countries, ranging from areas found in all four countries, to specificities by groups of two to three countries, and finally, to areas found in only one country.

Table 7.1 Authorized areas of expenditure according to the school grants guidelines in the four countries

	Indonesia	Mongolia	Timor-Leste	Vanuatu
Teaching and learning materials	✓	✓	✓	✓
Repair and maintenance of school buildings	✓	✓	✓	✓
School equipment	✓	✓	✓	✓
Utility bills	✓	✓	✓	✓
Transportation for school meetings and workshops	✓	✓	✓	
Administration and transportation costs related to the school grant	✓			✓
Support to disadvantaged groups	✓	✓		
Extracurricular activities for students	✓		✓	
Teacher salaries (civil servants)		✓	(part-time teachers)	
Examination and tests	✓			
Salaries for contract teachers and school support staff	✓			
School meals and board				✓

Several comments can be made regarding *Table 7.1*:

- The four school grant policies all cover areas aimed at **improving the teaching and learning environment**, through the provision of teaching and learning materials and school equipment (such as photocopy papers, dictionaries, staplers, and textbooks), as well as through repair and maintenance of school buildings. School grants can also be used in these countries to cover utility bills (power and heating in Mongolia). These authorized areas of expenditure are directly in line with the objectives of school grant policies developed in the four countries, which aim to contribute to greater access through stimulating demand for education, as well as to improve education quality, as discussed earlier in this book.
- Specific attention is given to **teachers** in these policies. Part of the grant should be used in Mongolia to cover the salaries of civil servant teachers. Interestingly, only the BOS guidelines in Indonesia

allow schools to cover the salaries of temporary teachers.⁴ This is not the case in the other three countries, despite the significant number of teachers in this category in schools in Timor-Leste and Vanuatu. This is an important point, which is discussed later in this chapter. In Indonesia, Mongolia, and Timor-Leste, schools can also use the grant to cover teachers' transportation costs to meetings and workshops, as part of teacher professional development.

- Indonesia and Vanuatu have recognized in their guidelines the costs that can be incurred through **management of the grant**, which in Indonesia covers the office stationery to administer the BOS grant (including printing devices and ink), and in Vanuatu includes the transport-related costs for collecting the grant funds at the bank.
- In line with policy objectives in relation to equity, schools in Indonesia and Mongolia can use grant funds for **disadvantaged groups** (poor pupils and disabled pupils). In Mongolia, additional grants can be allocated to schools with disabled students, to provide a 30 per cent allowance in addition to regular salaries for teachers working with these children.
- The grant can be used in some countries to cover specific costs, such as extracurricular activities for students in Indonesia and Timor-Leste. In Vanuatu, the grant can also be used to cover boarding facilities and lunch rations for students. As discussed above, school feeding is subject to another grant allocated to schools in Timor-Leste, while parents cover the related costs in Mongolia and Indonesia.

In some cases, there are limits on the shares of the grants to be used for specific purposes. This is the case in Indonesia, where a maximum of 20 per cent of the BOS grant could be used for temporary school staff (contract teachers and non-teaching staff) at the time of research.

In conclusion, it appears that the BOS guidelines in Indonesia have the widest coverage. The prescribed areas of use of the four school grant policies are also overall in line with their main policy objectives, which aim to contribute to greater access and equity, in some cases, and to improve education quality. Concerning the latter objective, the guidelines deal with different aspects of quality, focusing in all cases on the school

4. This category of teachers is referred to as 'honorary teachers' in Indonesia, 'contract teachers' in Timor-Leste, and 'temporary teachers' in Vanuatu. For ease of reading, they are referred to here as 'temporary teachers'.

environment and availability of teaching and learning materials, but also on teachers. This is particularly the case in Indonesia.

Restrictions

The autonomy of schools to use school grants depends on several issues: Are there restrictions on the items or services that can be purchased with the grants? How well informed are the schools? How much flexibility does the school have in respecting this official framework, while responding to their specific needs? This section addresses each of these questions.

Prohibited areas

While legislation in the four countries identifies items for which the grants can be used, it also specifies prohibited areas of expenditure. These are most explicit in Indonesia and Vanuatu. The 2012 BOS guidelines in Indonesia clearly refer to 13 prohibited areas of expenditure, while the School Grant Scheme published in 2010 in Vanuatu lists seven items that cannot be covered by the school grant. *Box 7.1* summarizes these items for each country.

There are commonalities between the school grants developed in Indonesia and Vanuatu as regards prohibited areas of expenditure. These include: providing loans to other parties; use of the grant for large expenditures (an amount is fixed in Vanuatu, while it is left to the discretion of schools in Indonesia); coverage of daily teacher transportation to and from school (using the BOS grant to cover teacher transportation costs for meetings and workshops outside the school is allowed in Indonesia); and use of the grant for activities that are not a school priority, as well as for purposes other than those prescribed in the guidelines. Interestingly, the school grant scheme in Vanuatu clearly prohibits use of the grant to pay the wages of non-certified and/or non-qualified teaching staff. This is discussed in more detail later.

Only one restriction has been added to the official authorized areas of expenditure in Timor-Leste: the *School Grant Manual* does not allow, strictly speaking, the use of grant money to pay the fees of volunteer teachers. In the case of Mongolia, funds cannot be used for three categories of expenditures: textbooks, training courses, or maintenance of classrooms.

Box 7.1 Prohibited areas of expenditure for school grants in Indonesia and Vanuatu

Prohibited areas of expenditure for the BOS fund in Indonesia:

- savings to obtain bank interest;
- loans to other parties;
- funding of activities that are not a school priority and require significant outlay;
- funding of activities carried out by the *kecamatan/kabupaten/city/province/central UPTD* [regional technical implementation unit] or other parties, except to cover the expenses of pupils/teachers who join these activities;
- payment of routine bonuses and transportation for teachers;
- purchase of clothes/uniform/shoes for teachers/pupils for personal use (not school inventories), except for BSM recipients [scholarships for poor students];
- funding of medium and heavy renovations;
- construction of new buildings/rooms;
- purchase of materials/equipment that do not support the learning process;
- purchase of stocks;
- funding of activities already fully funded by the central government or regional government;
- funding of support activities unrelated to school operation, for example, costs related to national holidays or religious ceremonies/events;
- funding of training/dissemination/mentoring activities related to BOS/BOS programme taxation, which are carried out by institutes outside the educational agency of a *kabupaten/city/province* and the MoEC.

Restrictions on the use of the school grant in Vanuatu:

- loans or advances, or gifts;
- wages or salaries for non-certified and/or non-qualified teaching staff;
- maintenance of school houses;
- major expenditure of over VUV 500,000 (equivalent to \$4,814) per item (e.g. new permanent classrooms, large generators), unless approved in writing by the MoE;
- daily transport to or from school for students and staff;
- entertainment, gifts, hospitality, alcoholic beverages, or kava;
- subsidies to establish commercial activities within the school.

Source: National syntheses, Indonesia and Vanuatu.

Awareness and opinions

Head teachers and accountants were, in most cases, well informed of the rules determining how the grant could and could not be spent. This is in part because the communication strategy emphasized clear and simple messages regarding authorized and non-authorized areas of spending, as was the case in Indonesia, for example. This was also an issue to which

much attention was given during training sessions. Teachers were aware of these areas in some cases, in particular where grants were used to cover their salaries. Parents and pupils, however, were largely unaware of these rules.

A few areas remained where school staff were unclear about what was allowed. This was the case when rules changed over time, additional rules were formulated, or when rules were not clearly stated in the guidelines. For example, in Vanuatu 60 per cent of the grant should be spent on academic items, and 40 per cent on non-academic items. This rule was not included in the School Grant Scheme, but the instruction was transmitted to schools through a MoE circular, and subsequently through ZCAs and training sessions. However, knowledge of this restriction was weak, with some actors believing that spending on non-academic items was not authorized at all.

Most actors, however, complained about these restrictions, emphasizing their rigidity and the role they play in preventing schools from addressing their individual needs. The following quote from Indonesia is illustrative of this overall feeling:

If seen at a glance, on a national scale, the technical guidelines are, of course, good as guidelines, but at the local level they greatly hinder because local conditions should be considered (School principal, Indonesia).

Several actors complained about the lack of inclusion of specific items such as school uniforms for students in Indonesia, which are needed in remote areas, or the ability to use the grant to improve teacher housing in Vanuatu. In Mongolia, some head teachers complained that State Funds could not be used for repair work. However, the most contentious item in Indonesia, Timor-Leste, and Vanuatu related to the payment of temporary teachers. This issue surfaced in all schools studied in these countries, and is subject to specific analysis in *Box 7.2*.

In a few cases, some actors appreciated the restrictions on grant use imposed by the guidelines, as they found them useful in helping schools avoid misuse:

School has the autonomy but it is bound by technical guidelines and that is already appropriate because there must be autonomy in limitation. Even when there is limitation, there is still misuse (Superintendent, Indonesia).

Box 7.2 Using the grant to pay the salaries of temporary teachers in Indonesia, Timor-Leste, and Vanuatu

Using the BOS grant to cover the salaries of contract teachers is an authorized area of expenditure in Indonesia. However, at the time of research only 20 per cent of BOS funds could be allocated to this item. This category of teachers constitutes a majority of teaching staff in some schools, representing more than 40 per cent of teachers in seven of the schools studied, and even two-thirds of teachers in some cases. As a result, in some schools, volunteer teachers were paid much lower salaries than other teachers, and significantly less than the salary normally associated with their qualifications and experience.

In Vanuatu, using the school grant to pay the salary of temporary teachers is prohibited by the guidelines. However, several actors felt strongly that the policy should be modified, as this expense is directly linked to the quality of education: 'Temporary teachers do the same job as those on the government payroll and we would like this to be reflected in their salary' (Member of the school committee, Vanuatu). This would also relieve part of the financial contributions of parents. Alternatively, some actors recommended that the policy be changed to authorize the use of grants to pay at least part of the salary of temporary teachers (e.g. 70 per cent), and that the school committee should raise funds to pay the remainder.

Similarly, the *School Grant Manual* prohibits use of the school grant to pay salaries of volunteer teachers in Timor-Leste. However, the research highlighted a major difference in the way this rule is applied in the two districts. One district paid volunteer teachers using the grant, while the other did not use grant funds for that purpose: 'we have volunteer teachers and we would like to use the grant to pay them, but it wasn't mentioned in the Manual. So the volunteer teachers are not paid. They haven't received anything from the government. Sometimes we give them a sack of rice' (School director and head of GAT central school, Timor-Leste).

The authorities in Timor-Leste and Vanuatu are aware of this sensitive issue, and have given it specific attention by changing the rules or allowing greater flexibility in grant use. However, these changes were made either at the time of the research, or just before or after. As a result, school-level actors interviewed were not aware of these key modifications in the guidelines. The changes made in this regard are as follows:

- In Timor-Leste, the MoE is in the process of converting existing volunteer teachers to temporary-contracted teachers, who will form part of the government payroll system as of the 2014 school year.
- In Vanuatu, since 2011, an official circular indicates that schools can seek consent from the MoE to spend part of their grant on temporary teacher salaries, if they have a very low proportion of government-paid teachers. However, this information did not emerge in any of the interviews at the school level.

Conversely, the 2015 BOS guidelines in Indonesia restricted the scope of use of the grant to cover contract teachers' salaries, lowering the maximum share from 20 per cent to 15 per cent.

In Vanuatu, a few actors (PFO, one teacher, one committee member) believed there was currently too much autonomy on spending and they hoped that, in the future, heads of school would receive guidance on percentage allocations.

Flexibility

In Indonesia, a measure of flexibility was given to schools with respect to the BOS guidelines. The research showed that they could use the grant for needs other than the authorized uses set out in the guidelines, as long as they provide receipts and justify their expenditures. This included expenses for urgent needs, such as construction of additional classrooms and school building maintenance, unplanned expenses suggested by the DEO but not included in the school plan, or funds to cover the transportation of external visitors.

In Mongolia, as discussed above, schools must make a request for expenditures each month that fall within the approved school plan and budget. However, as was learned from the research, it is possible in certain circumstances to switch money allocated for one budget line to another, as long as some funds remain in all categories. One school accountant explained that schools are permitted to ask for such changes: ‘The head teacher and I make a proposal to the State Fund. We explain the shifts in categories. Usually, if they have money, they will approve’ (School accountant, Mongolia). Such changes are only possible for budget items within fixed costs, namely, heating bills, electricity bills, and water bills. Another school accountant illustrated this point: ‘There are funds that can be transferred from one cost category to another. For example, if electricity cost is saved in a certain month, the saved money can be used for fuel and heating’ (School accountant, Mongolia). Other categories, such as salaries and social insurance, cannot be touched.

7.2 Actual use of grants: illustrations from the group of schools

For what purposes do schools actually use the grants? This is a key question, but one that is not easy to answer for several reasons. First, obtaining the data can pose difficulties. Financial reports are not always well archived and schools can be late with their reporting. Furthermore, school staff are not always eager to discuss such financial matters with outsiders. Second, the analysis may be complicated by the lack of detailed information in the financial reports on the purpose of a specific

expenditure (transport or materials can be used for many different purposes). The present research, therefore, relied on both interviews in the case-study schools and quantitative data to address this question. The quantitative data covered a wider number of schools. This allowed the researchers to examine the actual use of funds by school. The kind of information collected varied across countries, according to the available data.

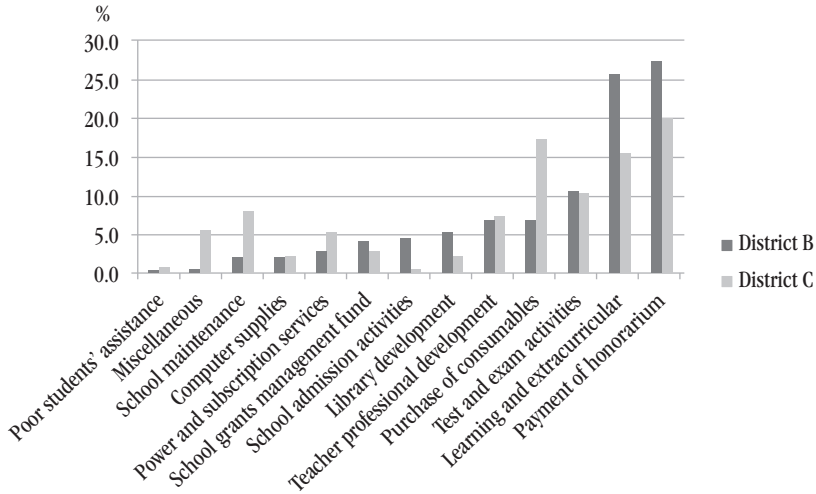
This section reflects the lessons learned for each country in this regard, with specific comparative analysis conducted in some cases according to school size or location, depending on the data available at district level.

Indonesia

In Indonesia, quantitative data were collected in Districts B and C. The sections below present general comments on the patterns of expenditure in both districts, and provide a comparative analysis between schools according to their size and location. Final comments are made on the support provided by schools to poor students through the BOS grant.

As shown in *Figure 7.1*, the largest expenses of the BOS fund in the two districts studied for the quantitative analysis were the payment of temporary (or honorarium) teachers (27.5 and 20 per cent of total BOS expenditures in each district), and learning and extracurricular activities (25.7 and 15.6 per cent). The ‘payment of honorarium’ component consists of wages for contract teachers, non-civil servant school administrative staff, librarians, security guards, and cleaning services, with the honorarium for contract teachers comprising the largest share. In District C, 102 schools (58 per cent) used 20 per cent or less of the BOS grant to pay contract teachers and school support staff salaries, while in District B, the majority of schools (82 per cent) spent more than 20 per cent of their BOS funds for that purpose. In this regard, it should be recalled that at the time of the research, they were not authorized to use more than 20 per cent for this purpose.

Figure 7.1 Use of BOS funds at the school level in Districts B and C, Indonesia, 2013

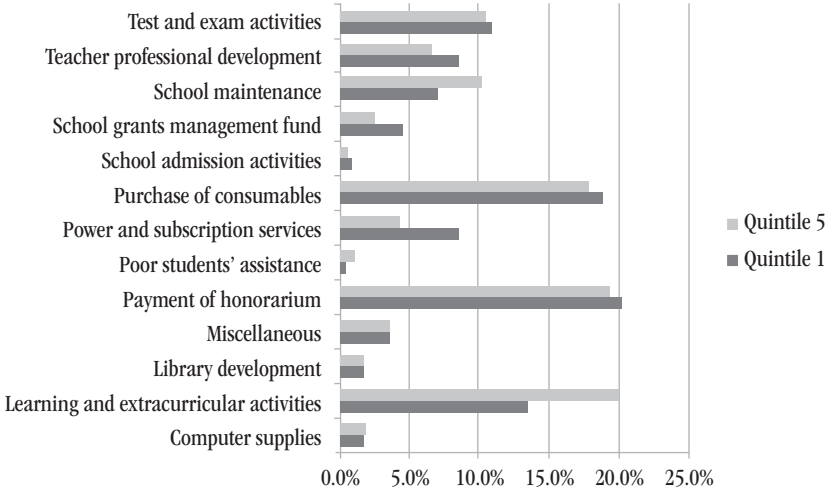


Source: Quantitative report, Indonesia.

The two subsequent categories of spending are ‘purchase of consumables’ and ‘test and exam activities’. There are also significant differences between the two districts, for instance, in spending on ‘school maintenance’.

More instructive, however, than a comparison in spending between districts is a comparison between different types of school. The research therefore examined differences between groups of schools in their areas of spending. A first comparative analysis distinguished between schools according to their size. For the purpose of analysis, the schools of each district were organized by quintiles according to the number of students (*Figure 7.2*).

Figure 7.2 Comparison of total amounts spent in District C, in small (quintile 1) and big schools (quintile 5), Indonesia, 2013



Source: National synthesis, Indonesia.

In District C, the proportion of school grant used for learning and extracurricular activities is much higher in big schools (20 per cent), followed by the payment of temporary teachers (19 per cent). Similarly, small schools dedicated an important share of their BOS to this category of teachers (20 per cent). However, in contrast with big schools, smaller schools use a larger proportion of their BOS funds to pay for power and subscription services such as electricity, water, telephone, and the Internet (8.5 per cent vs. 4.3 per cent in big schools). Regarding the school grant management fund, data show that small schools spend a higher proportion than big schools (4.4 per cent vs. 2.5 per cent). Similar results were found for District B, although with greater use of BOS funds for library development in big schools (National synthesis, Indonesia: 71–72).

A second comparative analysis was performed according to school locations (urban, rural, and remote). The researchers took a detailed look at spending on management of the grant, as rural and remote schools tend to complain about these costs. The difference is not significant: in District C, schools in remote areas spend a slightly higher proportion of BOS funds on school grant management funds than schools in urban areas (3.3 per cent vs. 2.9 per cent). In District B, the gap is even smaller.

On other items, there were no clear differences between these groups of schools (*Table 7.2*).

Table 7.2 Proportion of BOS funds spent on fund management, based on location, in Districts B and C, 2013

School location	District B (%)	District C (%)
Urban	4.1	2.9
Rural	NA	2.8
Remote	4.3	3.3

Source: Quantitative report, Indonesia.

Note: NA = not available.

One of the specific purposes of the BOS programme is to free poor students, both in public and private schools, from any kind of charges (through transport allowances, and provision of uniforms, shoes, and stationery for poor students). Therefore, a specific category of spending was created: ‘poor pupils’ assistance’. The quantitative analysis found that about 70 per cent of schools in Districts C and 60 per cent of schools in District B do not allocate BOS funds to this specific item. Even among schools who do spend funds on this item, few allocate more than 4 per cent (see *Table 7.3*). Among the group of 14 schools studied during the qualitative research, only six specifically allocated BOS funds to assist poor students. Furthermore, ‘the number of recipient students is limited to only one to three students per class. Recipients are determined to be poor based on their financial circumstances and/or unkempt appearance. The assistance usually is not provided continuously over one year, but distributed on a rotating basis among poor students’ (National synthesis, Indonesia).

Table 7.3 Proportion of the BOS grant to ‘poor students’ assistance’ in Indonesia, in Districts B and C, 2013

Percentage of amount	District B		District C	
	Number of schools	%	Number of schools	%
(None)	47	60.2	125	69.8
0.1%–1.0%	17	21.8	9	5.0
1.1%–2.0%	12	15.4	17	9.5
2.1%–3.0%	1	1.3	10	5.6
3.1%–4.0%	0	0.0	3	1.7
> 4.0%	1	1.3	15	8.4

Source: Quantitative report, Indonesia.

School managers responsible for grant spending offered three reasons for allocating little or nothing to ‘poor pupils’ assistance’. They referred to the existence of the BSM (scholarship for poor students) programme, which takes care of poor students; they mentioned the risk of stigmatizing poor pupils and creating jealousy within schools; and lastly, in some schools in less developed regions, so many pupils are poor that such allocations would result in all funds being spent on poor pupils’ assistance.

Mongolia

In Mongolia, the majority of school funds are used for teachers’ salaries, which comprise 70 per cent of the budget, utility bills (electricity and heating) (about 20 per cent), with a small amount remaining for school maintenance (school corridors, school walls, and schoolyards), and teaching and learning materials (National synthesis, Mongolia). As teacher salaries comprise the main part of the budget, schools have little leeway to use the funds for other purposes. Some head teachers and accountants complained about lack of funds to support the capacity development of school staff. Overall, school-level actors felt that state funds are insufficient and do not cover all school needs.

Funds allocated for disabled students should be used to provide teachers working with them with a 30 per cent allowance to be added to their salary. However, this was not the case in the schools studied. One teacher complained about the lack of support in this regard:

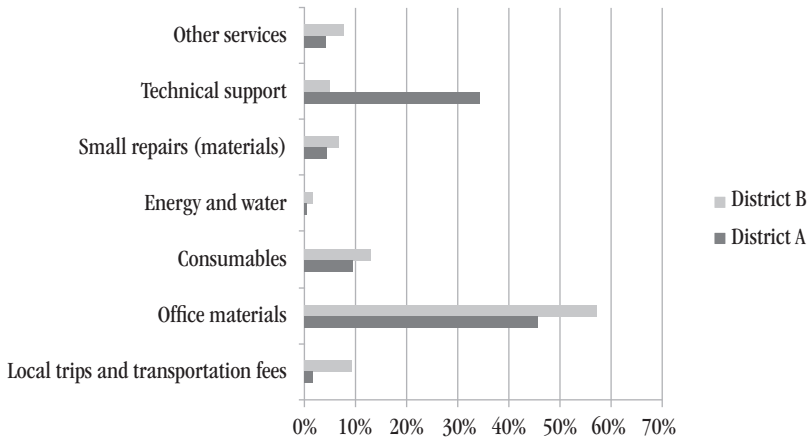
I was a teacher of Grade 11 in which one disadvantaged pupil studied, however this pupil needed special attention from the teacher. It was very difficult for me to teach 36 pupils as well as this pupil. I did not receive extra salary (Teacher, Mongolia).

Timor-Leste

In Timor-Leste, quantitative data were collected in the two districts studied for the qualitative research. As shown in *Figure 7.3*, the principal item of grant expenditure in 2012 in the two districts was office materials. The main difference between the two districts related to the payment of volunteer teachers (‘technical support’), which constitutes an important item of expenditure in District A, but not in District B. However, as already highlighted, the *School Grant Manual* does not allow for the use of grant money to cover volunteer teacher fees. Schools in District B

used more money to support teachers' activities such as local trips and meetings.

Figure 7.3 Proportion of school grant amount by category in Districts A and B, Timor-Leste, 2012

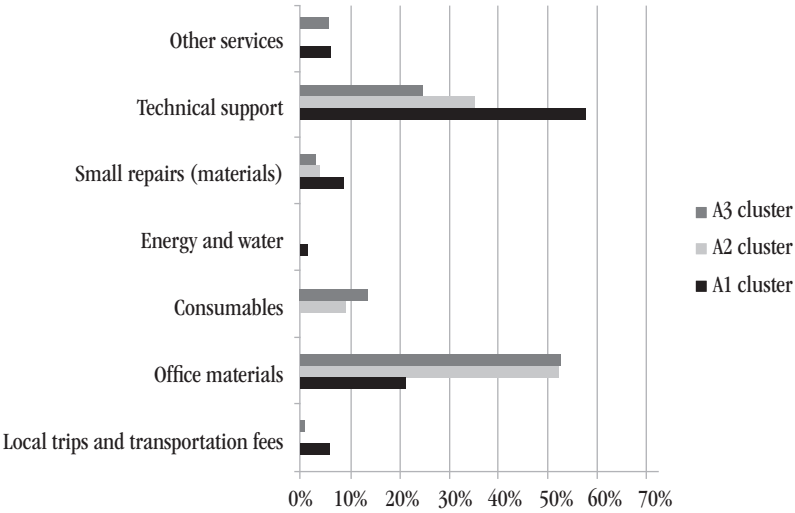


Source: National synthesis, Timor-Leste.

The analysis also looked in more detail at the differences between school clusters in the two districts, focusing on the clusters selected for this study (three of the 16 clusters in District A and three of the 23 clusters in District B). In District A in particular, one school (A1 cluster) had a greater number of volunteer teachers and, therefore, used a more significant share of the school grant to provide them with salaries (*Figure 7.4*). Most schools in District B followed the manual and did not allocate fees to volunteer teachers using the school grant. Instead, all three clusters focused on the allocation of office materials (*Figure 7.5*).

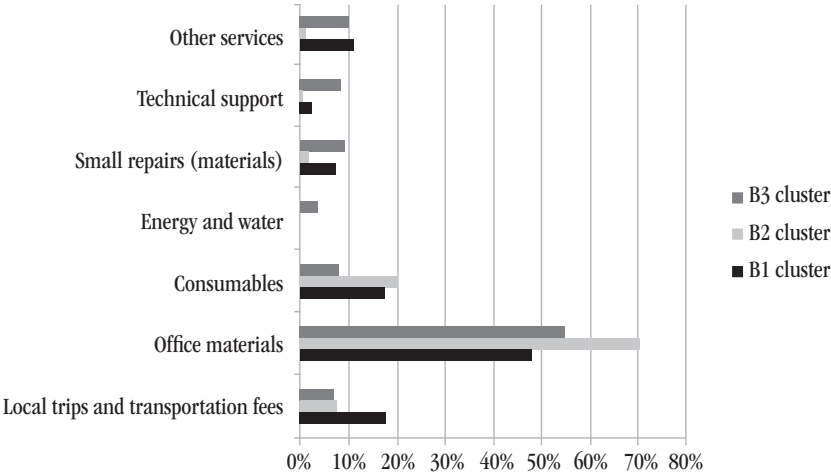
However, detailed analysis on the use of temporary teachers by schools in District A shows that the number of teachers in this category contracted by schools and paid for with the grant, is not related to the actual needs of the schools, as measured by the pupil–teacher ratios (PTR) prior to recruitment. *Figure 7.6* presents the PTR based on the number of public servant teachers and the PTR for all teachers (public servants and volunteers) for the six schools studied in each district.

Figure 7.4 Proportion of school grant amount within each cluster by category in District A, Timor-Leste, 2012



Source: National synthesis, Timor-Leste.

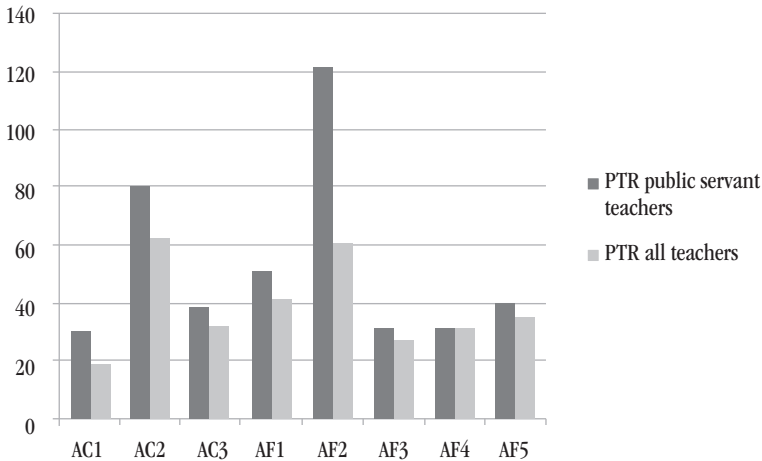
Figure 7.5 Proportion of school grant amount within each cluster by category in District B, Timor-Leste, 2012



Source: National synthesis, Timor-Leste.

A wide range of scenarios exists within this district. Some schools with sufficient public servant teachers nonetheless decided to contract temporary teachers, while other schools in the same situation did not. Some schools with fairly high PTRs did not contract additional teachers, while others did. This raises a significant problem of regulation. Schools with sufficient public servant teachers should not be allowed to use the grant to contract additional teachers, as they appear to prioritize the comfort of public servant teachers over the needs of students.

Figure 7.6 Pupil per teacher ratios for public servant teachers and all categories of teachers, in the schools studied in District A, Timor-Leste, 2013



Source: National synthesis, Timor-Leste.

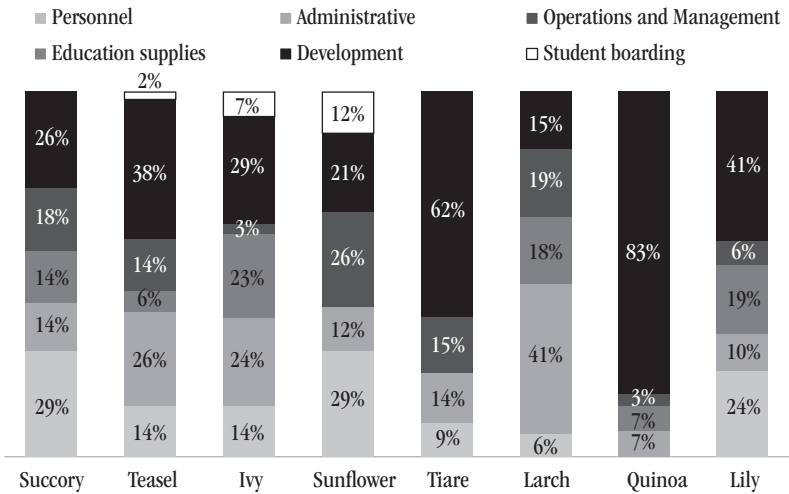
Vanuatu

In Vanuatu, overall, the school-level actors interviewed were under the impression that school grant funds were mostly used to pay for stationery, followed by maintenance of school buildings, and learning materials, including a photocopier in half of the schools studied. As such, the school grant seemed to have contributed to improving the working conditions of teachers, allowing them to spend more time in the classroom with students: ‘the photocopies save time and speed up teachers’ work’ (Member of the school committee, Vanuatu). Four schools declared that they spent the funds on the salaries of extra personnel, referring in this case to school cooks, maintenance workers, accountants, and secretaries. There were slight differences in the expenditures of urban and rural

schools, utility bills being mentioned during the interviews only by urban schools, while rural schools emphasized the cost of transportation of materials to their schools.

These findings have, to some extent, been confirmed by the results of a quantitative analysis conducted based on the financial reports and school profiles of eight out of the 14 schools studied (financial reports were missing in the others). As shown in *Figure 7.7*, education supplies were indeed an important item of expenditure in several schools. In five schools, ‘school development’ was the main item of expenditure, amounting to 80 per cent in Quinoa school. In two others, the main item was ‘personnel’ (ancillary staff), and in one, ‘administration’. Overall, the main items of expenditure differed significantly between the eight schools. Spending on ‘operations and management’, for example, ranges from 0 to 26 per cent. This variation probably indicates that schools use the grant more in line with their needs, an option more available in Vanuatu than elsewhere because of the greater level of autonomy enjoyed by schools.

Figure 7.7 Percentage of expenditure category in 2012 in the schools studied, Vanuatu



Source: Quantitative report, Vanuatu.

However, as was learned from the research, the expenditure items schools are required to follow in their financial reports are quite broad (‘Personnel’, ‘Administrative’, ‘Operations and Management’,

‘Education supplies’, ‘Development’, ‘Student boarding’), and do not fit with the terminology used in the guidelines. It is, therefore, difficult to assess from these reports how schools used the grants, according to the authorized items of expenditure. The research team therefore recommended that the financial reporting format include more detailed coding of expenditures, so as to improve the monitoring and control process on the use of the school grant.

In conclusion, it appears that school grants are used in the four countries mostly for teaching and learning materials, as well as to pay civil servant teacher salaries in Mongolia, and temporary teachers in Indonesia and some districts in Timor-Leste. Grants are more commonly used for utilities and maintenance in Mongolia and Vanuatu. Overall, such grant use fits with the policy objectives, contributing to improvement in the teaching and learning environment. In a few cases, however, the grant was used for prohibited areas of expenditures such as the salary of volunteer teachers in some schools in Timor-Leste. As was learned from the research, the share accounted for by teacher salaries in the school budget is also significant in several cases, leaving little space to use the grant for other items of expenditure. This was particularly highlighted in Mongolia, where little is left in the budget for school development.

Chapter 8

Monitoring and control of the use of the school grant

School-level monitoring is carried out in various ways. In all four countries, schools must submit **financial reports**, which are prepared almost exclusively by **head teachers** and **school accountants**, despite the fact that the process should also involve school committees/PTAs (Indonesia, Timor-Leste, and Vanuatu) and teachers (Timor-Leste and Indonesia). In Mongolia, teacher participation increased following the recent introduction of internal monitoring units in schools. In Indonesia, Timor-Leste, and Mongolia, schools are instructed to post grant information on **notice boards**, while in Vanuatu, **school meetings** should inform parents and teachers about grant use, although neither practice is carried out on a regular basis.

In all four countries, **external monitoring** is quite heavy, and takes the form of **school visits** and **analysis of financial reports** by education authorities. A diverse group of actors participate in external monitoring processes, including **technical units** and **auditors** (Indonesia, Mongolia, and Vanuatu), and **education professionals** (Indonesia, Timor-Leste, and Vanuatu).

Monitoring and control mechanisms accompany any policy providing autonomy to specific actors, particularly when it applies to financial management. Performance of monitoring may take place at the school level and/or through external actors.

Providing schools with more autonomy is intrinsically linked to the development of participatory decision-making processes at the school level. Ideally, decisions on the use of school grants, and monitoring in this regard, should involve various actors within the school. However, as discussed in previous chapters, these decisions remain centralized in the hands of a few actors, primarily the head teacher and the accountant. School-level monitoring on the use of grants remains weak in the schools studied. This is the subject of the following section.

It is important to balance significant levels of autonomy with strong monitoring and control systems operated by external actors. However, in practice such relationships do not always exist, with schools that have been granted only minimal levels of autonomy subject to strong control mechanisms. The second section of this chapter analyses the

characteristics of monitoring and control mechanisms exercised by external level actors in the four countries.

8.1 At the school level

Monitoring of school-level actors on the use of school grants can potentially be undertaken at different stages:

- during identification of the school's needs and the preparation of the plan and budget;
- during retrieval of funds from the bank following the signature of different actors;
- through participation in decisions on spending;
- through sharing information on the use of funds, once expenditures have been made.

The first three steps have been studied in previous chapters. This chapter focuses on the last key stage: monitoring at school level once expenditures have been made. This can be achieved through two means, namely, with the involvement of school-level actors in the preparation of financial reports, and the posting of school grant budgets on information notice boards within the school. School meetings were also mentioned as another tool in this regard, albeit in very few cases.

Involvement of school actors in financial reporting

Financial reports on the use of school grants are prepared in all four of the countries. As discussed in *Chapter 4*, their preparation is a precondition for receiving the forthcoming instalment in all countries except Vanuatu. These reports are prepared for the purpose of external monitoring. However, they can also function as a monitoring tool for school-level actors on the use of the school grant, depending on their degree of participation in report preparation and the extent to which they are informed about the content of the reports.

In all countries, preparation of these reports remains centralized in the hands of the head teacher and the school accountant/treasurer, both of whom characterized the task as very demanding. As previously discussed, head teachers have to fulfil this responsibility in addition to their numerous commitments at the school level, in some cases including teaching. Furthermore, not all head teachers receive training for this task and they often complain about their lack of skills and the absence of support in this regard, as illustrated by the following example from Vanuatu: 'It takes me twice as long to do the financial reporting as it

would someone who has training in this task' (Head of school, Vanuatu). Interestingly, however, heads of schools in Vanuatu did not ask that financial reporting be simplified, as they considered the process justified, but instead asked to be relieved of their teaching duties or supported in the school's financial management by a SFO.

In Indonesia, the situation is different: head teachers and school accountants receive support from the BOS manager at the district level, which they appreciate: 'We have meetings with the BOS manager with other schools from our cluster. He gives us technical assistance, for instance on how to refund the budget and how to prepare reports' (Head teacher, Indonesia).

In Indonesia, Timor-Leste, and Vanuatu, school committees/PTAs, together with teachers in Timor-Leste and Indonesia, are supposed to participate in this process. According to the guidelines, they should receive information on the report's content and sign the document prior to its submission. However, in most cases their participation is weak. In practice, the involvement of PTAs and school committees is limited to signing off on these reports, as illustrated by the following quote from Timor-Leste: 'I am given the report by the school director to sign but I do not know about the total amount of the grant they spend' (President of the PTA, central school, Timor-Leste). In Vanuatu, reports are not shared regularly with the school committee. Concerning teachers, their participation is slightly more important in Indonesia and Timor-Leste, where they may support the preparation of the report in some schools by providing receipts for expenditures.

Three factors explain the roles of school-level actors in this internal financial monitoring process.

First, the actors responsible and accountable for financial management (e.g. the head teacher and school accountant) are keen to retain this authority, and are often not open to the participation of other actors, as they may question their authority. In Vanuatu, one head of school explained that he had been clearly told that, as head of school, he was responsible for the school's spending and the government would hold him personally accountable for any mistakes or mismanagement. The lack of skills of parents and committee members in relation to financial management and reporting was also emphasized: 'They don't know enough to write a financial report, I would prefer people skilled

in financial reporting to be overseeing this part of my work' (Head of school, Vanuatu).

Second, parents and committee members do not always feel comfortable questioning the use of state funds by the head teacher and treasurer. They were more at ease overseeing the use of parental contributions.

Third, it is essential to stress the lack of participation of teachers in this process, both in terms of the regulations and in practice. Their role has been overlooked in the accountability process at the school level, with greater emphasis placed in the guidelines on the need to involve parents through school committees. Teachers have accordingly requested more participation in this process: 'The head of school should tell us more and be more careful in managing the fund' (Teacher, Vanuatu); 'We the teachers never control and monitor the use of the school grant' (Teachers, Timor-Leste).

The situation is quite different in Mongolia, where internal monitoring units have recently been established in schools with the objective of increasing financial accountability and transparency in the use of financial resources (state funds and other sources of funds). In the schools studied, teachers played an active role in these small units and thus have a voice in the process. Parents knew about the existence of the unit but not its detailed mandate and activities. From a general point of view, head teachers, accountants, and teachers highlighted the effectiveness of such units. (For more details on this, see *Box 8.1.*)

Information notice boards

To promote transparency regarding the funds received by schools and their spending, school grant guidelines in Indonesia, Timor-Leste, and Mongolia instruct schools to post the arrival of school grant instalments and statements of accounts on school notice boards, visible for all pupils and parents. However, research shows that this is not a common practice in all schools, and that when such information is posted it is not always read or understood by school-level actors, due to lack of accessibility and the complexity of the information. This section details the experience of the four countries in this regard.

Box 8.1 The role of internal monitoring units in financial monitoring at school level in Mongolia

Since 2012, internal monitoring units have been established at all schools in Mongolia. According to the legislation, 'the unit must monitor property registration and financial documentation' (Government Resolution No. 31, 2012, Article 4.1.5). The unit is responsible for monitoring and controlling the implementation of legislation; examining, evaluating and making conclusions and recommendations on budget funds, loans, payments, incomes, expenses, programmes, measures, and investments; and providing risk management.

The internal monitoring unit must report once per semester. Its responsibilities cover controlling the quality of the school lunch, registration of teachers' teaching time, and documentation of social insurance, as well as the calculation of teachers' salaries. This is illustrated in the following quote: 'Last year I was a member of the monitoring council. The council worked on controlling the lunch for pupils, and requested the accountant to report the salary for teachers' (Teacher). In one school, the unit examined spending on coal and standards for lunch ingredients. Another teacher added: 'The trade unions give teachers information about how their salaries are determined and paid and how their vacation pay is calculated' (Teacher).

As noted by the researchers, the unit usually consists of three members, including teacher representatives and a member of the labour union. In some cases, parents also participated as members. All the schools studied included this unit, which was in most cases newly established. In the majority of the visited schools, their activity had just begun when field research took place.

The internal monitoring unit reports to the head teacher and school accountant and informs teachers during meetings. There is no reporting mechanism for parents. Some interviewees noted the absence of support in this regard at the district or provincial level, with the exception of instructions from the DEO and PED.

In one school, interviewees noted that the unit allows them to 'increase the effectiveness of budget use (accountant), control the budget use (accountant), and decrease the misunderstanding among other actors (teachers)'.

Source: School monographs and National synthesis, Mongolia.

In Indonesia, among the 14 schools visited, only five had a bulletin board for BOS funding notices. Principals and BOS treasurers at other schools stated that they used to post information about BOS funds, but stopped because no one seemed to read them.

In Timor-Leste, the requirement to post information was followed in only one central school. According to one GAT officer, the total money used by the central school is posted on school notice boards and copies

are given to filial schools (but not the full report), so that pupils and actors are aware of the total amount of the grant used. He stated: ‘I put the total amount and expenses items on the school notice board, so everyone can access the information.’

In Mongolia, a few school council members mentioned that they were able to access information on the school budget at the school’s information corner or at the village administration office. Some school accountants also indicated that the total amount for schools can be accessed on the PED website prior to disbursement, or from budget officers at the PED. According to one accountant, ‘The results of monitoring and control are presented on the information board of the school.’ However, very few parents mentioned these two sources of information on the school budget.

In Vanuatu, there is no specific rule stating that reports have to be posted on a notice board. In four schools, parents asked explicitly for more information, either through a notice board (in one school) or hard copies of the financial report (in three schools). One head teacher argued against such transparency as she feared that informing parents of the exact school bank account balance would disincline them to provide contributions: ‘The report is not posted on the school notice board, or copied and given to parents, as parental contributions might decline if the parents are aware of savings in the school account’ (Head of school, Vanuatu).

School meetings

In Vanuatu, teachers and parents are also informed about the use of school grants in school meetings, during which financial reports are presented. Some teachers stated that they were therefore informed about spending at the same time as the parents. However, such meetings were organized occasionally in a few schools and did not seem to be a regular practice. School meetings did not constitute a means for internal monitoring in other countries.

8.2 Monitoring by other actors

External monitoring on use of the school grant is carried out through two main tools in the four countries: analysis of financial reports submitted by schools, and visits to schools. Overall, this process can involve a wide range of actors in some countries, at times leading to confusion for schools and ultimately becoming counterproductive.

Analysis of financial reports submitted by schools

In the countries studied, schools submit their financial reports to the closest upper administrative authority, namely, the district education office (DEO) in Indonesia and the provincial education office (PEO) in Vanuatu. In Mongolia, this role was fulfilled by the DEO until recently, but now falls under the purview of the DSF following implementation of the Law on Budget of 2012. In Timor-Leste, the financial report is prepared at the central school level by the head teacher and the GAT, and submitted to the DEO. Financial reports in all four countries are then transferred to the MoE at central level.

The practice of providing feedback to schools based on these reports varies among countries. In Indonesia and Mongolia it occurs quite regularly. In Indonesia, BOS managers guide schools in the preparation of financial reports, which helps to prevent mistakes in this regard, and may discuss the reports with the BOS management team. As was learned from the research, none of the schools studied had ever been sanctioned by the DEO due to mistakes in financial reports. Instead, the DEO prefers to ask schools to revise and finish incomplete reports (National synthesis, Indonesia). In Mongolia, schools are in regular contact with the DSF to submit monthly spending requests for the State Fund, along with the financial report for the previous month, and receive related feedback at this time.

Unlike these two countries, schools do not receive feedback on their financial reports in Timor-Leste and Vanuatu. PFOs in Vanuatu indicated that they only contact a head of school when the report is completed incorrectly.

Visits from external actors

Visits are also undertaken by personnel from upper administrative layers and external bodies to monitor and control the use of school grants by schools. The profiles of the actors involved in this regard differ among and within countries, consisting of education professionals, technical and financial officers, or auditors.

Education professionals

In Timor-Leste and Vanuatu, district or provincial education officers monitor the use made of school grants by schools as part of their supervision work. In addition to visiting schools and monitoring the quality of the teaching and learning process, and environment, they also

monitor school financial books and reports, and assess the overall use of the grant made by schools. In Timor-Leste, this task is performed by school inspectors and district superintendents. In Vanuatu, ZCAs visit schools for the same purpose, thereby combining pedagogical supervision with financial control. PFOs are also supposed to visit schools; however, this takes place on a very irregular basis, as was learned from the research. One PFO admitted that he only visited schools that did not forward their financial reports. ZCAs were the actors to visit schools most often, ranging from once to twice a year in most cases.

There are risks to asking supervisors to control school finances. It may lead to an overload of tasks; it could distract them from their core mission, namely, monitoring education quality; it can create a conflict between their support and control roles; they may not be able to allocate sufficient time to undertake proper financial monitoring; and they may not possess the required skills. Indeed, as highlighted by one GAT in Timor-Leste: ‘the inspector came not only to inspect the school grant, but also the other school activities like the teaching and learning process’. In Vanuatu, some ZCAs complained about confusion regarding their role and mandate, as in principle, they should be responsible for academic and pedagogical monitoring, rather than monitoring school spending.

Technical units

In Indonesia, the BOS management team forms part of the DEO. The officer in charge visits schools for monitoring purposes, and provides guidance and support to schools in using and managing the grant. The team focuses more on support than control, and does not issue sanctions in the event that mistakes are found in financial reports or funds are misused. This was highly appreciated by several head teachers interviewed.

Auditors

Other bodies are responsible for auditing schools in order to control the use and management of the school grant. Such audits take place in all the countries studied, except Timor-Leste.

In Indonesia, auditing is performed by the Bawasda (regional supervisory board), usually referred to as the ‘Inspectorate’. This body carries out inspections of the BOS fund once a year, at school level or at the UPTD office (regional technical implementation unit). They check whether financial reports are complete, inspect school receipts, and also inspect the goods bought with BOS funds during school visits.

They usually target schools that receive a significant amount of BOS funds. Remote schools with difficult accessibility are generally not visited. Among the group of schools studied and subject to audit by the Inspectorate, none have been sanctioned for violations of the guidelines, but some have instead been asked to improve their accountability reports.

In addition, the Provincial Audit Agency (Audit Board of Indonesia, BPK) also monitors BOS funds. Only two schools of the group studied have been subject to these visits.

In Mongolia, two units are responsible for auditing schools. The Division of Professional Monitoring and Control monitors and controls the implementation of education policies. They visit schools and stay for periods of two to three weeks, during which they check all financial documentation and provide recommendations and advice. Their function is both to monitor and audit use of grant funds.

The Provincial Audit conducts school audits twice a year. The team of auditors informs the head teacher and the school accountant prior to the start of the monitoring process. The auditors work at the school and verify implementation of the school plan and budget. If there is a need for clarification, they meet with the head teacher, school accountant, book-keeper, training managers, and teachers. The report is shared and discussed with the school.

The research revealed that once the Provincial Audit discovers a mistake and imposes a fine, the resulting amount becomes the income of the province. This may create incentives to focus on uncovering and penalizing errors. The school accountants informed us that, in most cases, the schools are fined as a result of the auditing process. According to the head of the PED and some head teachers, external monitoring has been used as an income tool. This is not recognized officially, but is considered compensation for the auditors for their effective work.

In Vanuatu, the auditing unit of the MoE was set up in 2007. According to the School Grant Scheme, at least 10 per cent of schools should be audited annually. The research team discovered that the MoE had audited all 14 schools visited at least once in the past three years. While schools should be randomly selected, it was learned from the research that some schools are targeted in the event of complaints of mismanagement from school committees or community members. Schools received nearly no feedback on these audits. However, some

ZCAs and one PFO reported that heads of school have been penalized for misusing funds in recent years, for example, using grants to pay for so-called ‘sitting allowances’ (payments for participating in meetings or workshops) or temporary teacher salaries. Sanctions in such cases resulted in the demotion, transfer, or termination of the head of school.

Diversity of actors involved in external monitoring and control

The external actors involved in monitoring and control of the use of grants by schools can be quite numerous (see *Table 8.1*).

Table 8.1 Actors involved in external monitoring and control visits in the four countries

	Education professionals	Technical teams	Auditors
Indonesia	DEO	BOS management team	<ul style="list-style-type: none"> • Inspectorate • Provincial Audit Agency (BPK)
Mongolia	—	DSF	<ul style="list-style-type: none"> • Division of Professional Monitoring and Control • Provincial audit
Timor-Leste	DEO Inspectors and district superintendents	—	<ul style="list-style-type: none"> • —
Vanuatu	PEOs ZCAs	PFOs	<ul style="list-style-type: none"> • Auditing Unit, MoE

The involvement of different actors may be an advantage, in terms of more effective control. However, there are also risks. Overlap between different monitoring and control activities may occur if the sharing of responsibilities is not clearly defined and communicated to all actors, and if there is a lack of collaboration. Several actors may be involved in checking financial reports, such as PEOs and auditors in Vanuatu, or may visit schools for similar purposes, such as audit units in Mongolia. This may lead to confusion at the school level when different units undertake similar work. This point was raised for instance in Vanuatu, where one PEO noted that the audit team repeats work already undertaken by the PEO: ‘I do not see any distinction between the works done by our office and by the auditors.’ The risk is that the monitoring system becomes counterproductive and puts too heavy a burden on schools, which have to prepare for these different financial reporting requirements.

The emphasis on accountability, and in particular social accountability, has led to unpleasant situations in Indonesia. Several schools expressed concerns about financial monitoring carried out in

schools by people who claimed to be local NGO staff and journalists. Some of the schools studied during this research were reluctant to allow NGO staff or journalists to verify details of the BOS fund use report, since they had no authority to do so. However, in unavoidable situations, some schools had to provide transport money, usually from the head teacher or treasurer's own pockets, to the so-called NGO staff or journalists. 'Journalists and NGOs usually ask about BOS realization. I tell them to look at the board at the front. But if they ask for receipts, I don't want to provide them because it's not their authority' (Head teacher, Indonesia). It is important that actors in charge of monitoring and control be given official authorization.

Chapter 9

Overall assessments and conclusions

School grants have reduced the costs of schooling for parents, particularly for poor families, **making it more affordable to send children to school**, in spite of the continued existence of parental contributions. From certain perspectives, however, the contribution of grants to equity and equality, as well as to quality, has been mixed. With the exception of Indonesia and Mongolia, funds are not distributed based on school or pupil needs, and grants have not succeeded in reducing disparities between schools. Regarding quality, many actors highlighted improved teaching and learning resources, and teacher motivation, although others found such progress to be less evident, citing high pupil–teacher ratios. Direct transfers to school bank accounts have contributed to **administrative efficiency**; however, delayed disbursements are counterproductive. Overall, grants have **not led to more participatory decision-making** in schools, as parents and teachers are often excluded. Finally, while schools in Indonesia, Vanuatu, and central schools in Timor-Leste enjoy considerable **autonomy** in using grant funds, filial schools in Timor-Leste and schools in Mongolia remain limited in this regard.

The presence of a clear and logical relationship between the objectives of a school grant policy and its design and implementation processes is a key condition for its effectiveness and success. The policy should be developed and implemented in order to achieve these objectives. However, such a logical rationale does not always guide the elaboration of school grant policies. Indeed, as was learned during the research, this linkage is not always coherent, with the design and implementation of the policy at times constituting a barrier to the successful achievement of its objectives. This section aims at analysing this linkage in the four countries studied during the research.

After briefly recalling the objectives of school grant policies developed in Indonesia, Mongolia, Timor-Leste, and Vanuatu, this chapter examines how far these objectives were achieved in the four countries. The chapter concludes by highlighting the main obstacles in this regard resulting from the design and implementation processes of school grant policies.

9.1 What contributions do school grants make to the main policy objectives in the schools studied?

The school grant policy was launched in all four countries involved in the research to help achieve free universal basic education. In Indonesia, Timor-Leste, and Vanuatu, its introduction was related to the abolition of school fees and the recognition of poverty as an impediment to universal access.

The policy also had several other objectives:

- The grant would make school fees unnecessary and, as such, the system could become more equitable, as fees had proven a heavier burden on the poor than the rich.
- Grants should also contribute to higher quality, with schools being able to purchase necessary resources and increase the relevance of spending to their needs.
- Grants would be transferred more quickly and more completely to schools, guaranteeing the allocation of a reliable, predictable, and regular budget to schools.
- Schools' autonomy would be strengthened through the transfer of decision-making powers from central, provincial, or district levels to schools. This would involve stronger participation on the part of the whole school community, including teachers, parents, and students. This last objective forms part of a wider trend in the region towards school-based management.

One purpose of this research was to learn whether and how these objectives have been achieved. One way to achieve this was to 'measure' the impact of the grants. For various reasons this was difficult, if not impossible:

- Some of these key objectives are difficult to measure (quality, autonomy, participation), and any indicator would result in oversimplification.
- No data sets are available over time that would enable comparison of the evolution of the grant with the evolution of these various objectives.
- Most importantly, the relationship between the grants and these objectives is in no way a direct, immediate one. The relationships are complex, and assigning cause and effect is very problematic. An experimental design was impractical in this case.

This does not imply that any form of assessment is impossible. While the impact of grants may not be measured with precision, it is possible to draw several conclusions regarding the implementation of grant policies in the context of different countries, application of the policy in practice across a diverse set of schools, the constraints encountered, and progress towards the policy objectives.

The argument underlying this approach is that the success of the policy depends on its design and its implementation. A wide gap may exist between a policy as planned at central level, and its implementation at local level within schools.

The following paragraphs therefore analyse the research outcomes to see whether they shed light on the achievement of policy objectives in Indonesia, Mongolia, Timor-Leste, and Vanuatu, based on the opinions of interviewees and observations during school visits.

Providing greater access to school for all

The first and most important objective of school grants – to ensure that children can attend basic education without having to pay – has not been fully achieved. In all four countries, and in most schools, parents continue contributing to overall school functioning and maintenance, through services, labour, payment in kind, and financial participation. These contributions are not termed ‘school fees’ and, as such, fee-free education may have been achieved. Nevertheless, such financial contributions can add up to significant amounts. Financial contributions have been eliminated in only a few schools, mainly in Timor-Leste.

Notwithstanding the continuation of these contributions, all interviewees confirmed that the grants have reduced the cost of schooling to parents, especially those from poor families, making it more affordable to send their children to school. In Vanuatu, this has had an impact even beyond the level where fees no longer exist, as the abolition of primary school fees has allowed parents to pay for secondary education. However, this does not imply that all problems of access have been resolved. School staff tend to blame parental lack of interest for children’s non-attendance and lack of discipline, leading to drop-out. While these factors may play a role, the effect of poverty cannot be disregarded.

This last point also raises the issue of equity. To a limited extent, grants have improved equity. The total cost of education has decreased, and as this imposed a greater burden on the poor than the well-off, the

policy has accordingly helped the poor more than others. Regarding the funding formula, grants indeed consider that all pupils should benefit on an equal basis, as illustrated by the following quote:

All students can access textbooks, no matter whether they are rich or poor. As for poor students, they do not need to buy books; they can borrow them from the school (BOS treasurer, Indonesia).

From other points of view the policy has not promoted equity. Funds were not distributed based on pupil's needs, nor were they determined by school characteristics (location and size), except in Indonesia and Mongolia. However, even in these countries, the use of grants for pupils with specific needs (orphans, poor students, disabled) remained quite exceptional. As already discussed, a minority of the group of schools studied in Indonesia did use BOS funds for 'poor pupils' assistance', providing these pupils with school supplies such as uniforms and shoes. In Mongolia, no specific cases of state funds being used for disabled students were found in the group of schools studied.

The guidelines do not foresee any provisions for these categories of pupils in Timor-Leste and Vanuatu. As one school coordinator highlighted in Timor-Leste: 'I consider all the students are the same so I don't give or provide specific grants from any specific groups.' In Vanuatu, several actors affirmed that the grant contains no provision to promote access to school for these children: 'The barriers which existed regarding children with special needs are not overcome through the school grant' (Provincial education officer, Vanuatu). In these two countries, the interviews highlighted the need for specific funding through the grant for this category of children.

According to a significant number of actors, school grants have not been able to narrow the disparity between schools, and have even widened it. This point was raised particularly in Indonesia by small schools, which are often located in remote areas. They argue that this situation is a consequence of: (i) the funding formula, which is based on a per student allocation mechanism; (ii) the different capacities of schools to raise additional funds, which are more significant in urban areas; and (iii) prices, which are higher in remote areas. The following quote illustrates feelings regarding the gap between large urban schools and small remote schools:

Schools with complete facilities become the favourite. They have many students; they are more complete and advanced. On the contrary, for small

schools lacking facilities and not having many students, it's very difficult to keep up with the developed schools (School principal, Indonesia).

A mixed contribution to quality

On first view, grants in the four countries have contributed clearly to improvement in quality. In most schools, head teachers and teachers, parents, and pupils indicated that grants have contributed positively to quality. They highlighted two points in particular: the school's teaching-learning resources have improved and teacher motivation has grown, in part due to the improved teaching and learning environment, and because funds are used for teacher financial incentives, as confirmed by the analysis of grant usage. In Vanuatu, one school committee member noted in this regard that: 'Teachers seem to be more confident to carry out their duties and responsibilities.'

However, several actors in the four countries did not notice any improvement in student achievement at the school level with the introduction of the school grant. In Vanuatu, some drew attention to the high pupil-teacher ratio due to increased enrolments as a factor.

The quality is still the same since the implementation of the school grant (School coordinator, Timor-Leste).

Only two hours teaching per class per day, I think the quality is not yet improved (School coordinator, Timor-Leste).

These last comments raise the following questions:

- Are the areas of education quality focused on by the grant those that contribute most to sustainable quality improvement? Are there potentially more important but maybe less visible areas that schools have not spent funds on (such as extra tuition for the weakest students, teacher professional development, or other more process-oriented interventions)? The answer to the latter question is yes. There is probably a need to use grant funds for such process-related factors. However, it is important to underline the need for a basic level of resources, which grants have helped schools to achieve.
- At what level should spending on teacher financial incentives and temporary teachers cease? (Such spending can take several forms and be categorized under different items, as is the case in Timor-Leste.) There is a risk of disincentives among teachers in schools where grants are used for a more diverse set of purposes, as well as a risk of unsustainability.

The most complex issue concerns the use of grants to pay additional teachers, as is the case in Indonesia, Timor-Leste, and Vanuatu. Grant funds are used to pay volunteer or contract teachers who are recruited at the school level (this practice falls at times within the rules and at times outside the rules). Some schools allocate a large share of the grant for this purpose, leaving fewer resources for other items of expenditure. It could be argued that allowing schools to use grants to recruit teachers is good. Teachers are an essential resource for quality, and teachers recruited by the school may feel a stronger commitment to the school, especially if they come from the surrounding community. Moreover, direct control by the school principal may result in greater accountability. One objection to this argument is that government should be obliged to provide all schools with the minimum number of teachers required, according to the official norms. A second objection relates to the fact that schools do not recruit additional teachers because of a genuine need. The research shows no relationship between the pupil–teacher ratio of a school and the number of additional teachers recruited with the grant. The result is that disparities between schools increase. In some cases, the additional teachers are recruited to allow public servant teachers to teach fewer hours than are prescribed under the official norms. The policy implication is that, where grants can be used for the hiring of additional teachers, there should be a clear policy framework to regulate their hiring, in terms of needs and profile.

Two additional comments are worth noting here. In Timor-Leste, filial school staff are convinced that grants are being used by central schools to improve quality within these schools (including through the recruitment of teachers) to the detriment of quality at filial schools. In Mongolia, school staff believe that grants have not had a significant impact on quality (although they allow the school to function properly), in part because the school has little autonomy in deciding how to use the grant, and also because the amount is too small. However, some improvements have been made recently in this regard. Since 2014, teachers have been given incentives on a monthly basis based on evaluation of their work; previously this occurred only once a year or quarterly. This practice helps to increase teacher motivation.

What contribution do school grants make to administrative efficiency?

The main aim of school grants is to ensure quicker allocation of funds to schools and efficient use to meet their main needs. If the distribution mechanism for grants and the decision-making process at school level were established with this purpose in mind, in some of the countries, their implementation in practice has not always led to realization of this objective.

As discussed in previous chapters, grants are deposited directly into school bank accounts in Indonesia and Vanuatu. The process is quite straightforward in Vanuatu, while schools in Indonesia must respect a number of conditions in order to receive the grants, and obtain a letter of authorization from the DEO to retrieve the funds at the bank, which proved an unwelcome constraint for schools. The process is quite similar for central schools in Timor-Leste, which are informed once funds have been transferred to their bank accounts by a letter from the DEO.

Funds do not reach most filial schools studied in Timor-Leste and Mongolia. Instead, they are retained at the upper administrative layer, namely, the central school in Timor-Leste and the DSF in Mongolia. The ability of schools to decide on the use of the funds is circumscribed in each case by a set of rules and steps, through these intermediate layers.

In all countries, schools have faced problems of delays in the grants allocation process. As discussed, the reasons for these delays are not shared with them. This places schools in challenging situations such as being unable to pay providers and implement planned school activities. In Mongolia, the issue of reductions to the expected allocated amount was been raised in several cases.

Increased autonomy and participation at the school level: theory or reality?

As was learned from the research, the grant policy has not succeeded in developing more participatory decision-making at the school level. Parents are excluded in almost all schools. A number of more or less justifiable arguments are given in this regard, some of which the parents share. These include lack of capacity, lack of time, and interest in the well-being of children rather than general school functioning. Some parents did not see the need or refused to participate, instead trusting the school staff and, in particular, the head teacher to properly manage and

use grant funds. In some cases, they refused to contest the head teacher's authority.

It is more difficult to defend the exclusion of teachers. In the majority of schools in the four countries teachers play a limited role in both decision-making and monitoring. Rather than engender participation, the grant policies have strengthened the position of the school head teacher.

The level of autonomy given to schools to manage their grant varies among countries. Two scenarios can be identified in this regard:

- Schools in Indonesia and Vanuatu, as well as central schools in Timor-Leste, have been accorded a satisfactory level of autonomy to manage their grants. Vanuatu appears to be the country where schools have been granted the most autonomy: they receive the grants directly into their bank accounts, and even though they must respect authorized and prohibited areas of expenditure they are not constrained by specific predefined amounts of spending for each category. They also can save money for the following year, which gives them some flexibility in managing their budget.
- Timor-Leste, for filial schools, and Mongolia are the countries where schools have the most limited autonomy to manage the school grants. As summarized by one DEO budget officer in Mongolia, 'schools do not exercise even a right to spend their own income independently'.

While grants have moved financial decision-making to the school level, school staff and many head teachers, in particular, consider that their autonomy is still too limited. They refer to several restrictions on the use of the grant, which they consider inappropriate. However, not everybody agrees with this analysis. Provincial and district staff consider that such restrictions are necessary to guide use of the grant towards policy objectives and to ensure that grants are spent on the appropriate areas. Some teachers and many parents are of the opinion that some form of ex-ante control is useful to avoid mismanagement.

In essence, the discussion about autonomy is about finding the right balance between unavoidable central guidance and desirable local autonomy. The fact that actors disagree about this is normal, because their positions differ. This is clearly demonstrated by the case of Timor-Leste: head teachers of central schools are happy with the level of autonomy they are given because it allows them discretion in the use of funds,

while the school coordinators of filial schools who lack the same level of autonomy believe central school heads have too much.

A final point related to issues of both autonomy and administrative efficiency concerns misuse of funds. This study avoided the issue of corruption, mainly because the starting point was that corruption is a symptom, and the result of unequal power relations, ineffective monitoring, insufficient capacity development, and badly functioning decision-making structures. The focus was therefore placed on these deeper-seated elements rather than the symptom. While the research certainly highlights imperfections in all these areas, it also confirms that participatory decision-making structures and monitoring mechanisms exist and function to some extent. These two reasons explain to some extent why the research did not find in any of the schools studied any examples of blatant misuse of funds (the analysis did not focus on minor examples of disrespect for rules). Another reason is more down-to-earth: grant amounts in most schools are small, while the related needs are high – a situation that limits opportunities for misuse.

9.2 Conclusions

The reasons for incomplete achievement of policy objectives can be found partly in the policy design, and partly in policy implementation. The previous chapters have highlighted these factors, and the key findings are briefly recalled here. Finally, this section identifies a set of suggestions to improve the design and implementation of school grants in each country, based on the research findings.

Lessons about policy design and implementation

The objectives of school grant policies have been insufficiently explicit (see the wide-ranging set of objectives in most countries or broad references to improvement of education quality). As a result, they have not been fully reflected in the policy design. This raises the question of the focus of school grant policies. They could certainly be more effective in achieving more precise and straightforward objectives, while other government programmes could target other aspects of access, equity, and quality. This approach has been implemented to a certain extent in Indonesia, where specific projects have been developed to target poor children through cash transfer programmes, as well as to support professional development of teachers.

The funding formula does not take into account the diversity of situations of schools (which is technically not difficult), nor does it take into account diversity among pupils (which admittedly is much more difficult). The only country where this takes place to some extent is Mongolia, where funds are allocated according to the location and size of schools, and include additional funding for disabled children. The case of Indonesia is again different, as the BOS grant can be used to provide assistance for poor pupils and is complemented by the existence of cash transfers for poor pupils. The funding formula is also not always in line with the stated objectives of the policy. While an allocation based on a per-pupil amount contributes to increasing access to school for all pupils, it cannot contribute to equitable access to quality education, as school and student needs and characteristics differ.

The amounts of the grants are considered insufficient to achieve the stated objectives by most people interviewed. The authorized areas of expenditure are too wide in some cases, compared with the allocated amount, or the share taken by one of these items is too important (often teacher salaries), leading to the allocation of insignificant amounts to other areas. In Vanuatu, however, the amount is high and close to what schools consider sufficient for the grant to effectively contribute to fulfilling these objectives.

The schools consider that some of the restrictions and some of the indications on shares of spending are unhelpful, and may lead to spending on unnecessary items. The lack of leeway to transfer funds between budget lines is also decried, although this differs significantly from country to country.

Transfer mechanisms of funds to schools in some cases strongly limit the autonomy of schools, the funds being kept and managed by other actors such as the central school in Timor-Leste or the DSF in Mongolia.

Local staff and stakeholders are only rarely involved in policy formulation and were not consulted on their needs. Policies have been guided by the intention to provide schools with more autonomy, but the schools themselves were not involved in shaping this autonomy. School-level actors believe that, as a result, the grant amount and the restrictions on grant use are inappropriate. This also leads to a lack of ownership of the school grant policy among these actors, in particular parents, who

appeared to be the least concerned about the policy and the least involved in its management.

Autonomy must be accompanied by professionalism. However, while training has taken place, this has not taken the form of genuine capacity development, but rather consisted of a number of irregular, and at times disconnected, workshops. This raises several concerns:

- First, capacity development goes beyond training, and should be supported by a change in the profile of actors, the identification of a clear mandate in relation to the new responsibilities, and the allocation of adequate resources (technical, financial, and material) and working conditions. In the four countries studied, head teachers have been allocated key responsibilities in financial management, but their capacities have not been developed for that purpose. Their profile remains the same. In Vanuatu, one actor interviewed suggested that financial management become a standard subject during teacher training. In Mongolia, new head teachers have learned how to manage state funds on an ad hoc basis. In several cases, they continue to teach while being in charge of financial management. They seldom receive support to fulfil these financial tasks, except in Indonesia, where the BOS manager plays a key role in this regard. Technical guidelines should also be clear, precise, and user-friendly, so as to strengthen the ownership of local-level actors, and to support them in their daily financial management.
- Second, training sessions are not always organized on a regular basis. Instead, they are implemented according to a cascade model, the result being that local stakeholders receive training in a diluted form.
- Third, training has focused on financial managers in schools, which may seem obvious. But the lack of involvement of other actors leads to their exclusion from decision-making and monitoring.

Although the rulebooks prescribe participatory decision-making, it is quite easy for a school principal to avoid this process, while still following the rules on paper. As was learned from the research, school grant management in the four countries remains under the responsibility and authority of the head teacher. As already discussed, parents tend to place their trust in this person, and are not always eager to question their authority so as to avoid potential conflicts.

Monitoring and control within the school is weak, but it is stronger outside the school, reflecting in part a lack of trust in the school's capacity and internal mechanisms to use the grant effectively and control its use. It is also sometimes inconsistent with the small degree of autonomy granted to schools to manage their funds. In Mongolia, for instance, schools are strictly controlled on their use of state funds by several actors, including auditors, while they are given very little leeway in managing these funds. There is also overlap at times between these different external control mechanisms, which may be counterproductive and create a larger workload for the school. Finally, while such external control is strong, there is very little feedback on reports, although schools could use these to improve the management of grants. The approach that schools prefer (and that several countries exercise) is one of supportive financial control by a helpful and competent administrator.

On the whole, awareness about policies, amounts, regulations, and use of the grant is unequal at the school level, with head teachers tending to monopolize knowledge.

Suggestions for policy improvement

Ensuring a clear relationship between the objectives of school grants and their design and implementation processes is therefore a key condition for their success.

Several key questions and principles must be considered when designing and implementing a school grant policy, as was learned from the previous research project coordinated by IIEP and UNICEF in Eastern and Southern Africa, and confirmed by the research conducted in these four countries of the East Asia and Pacific region:

- The policy objectives (access, equality and equity, quality, increased administrative efficiency, and school autonomy) should be clearly formulated.
- The choice of the funding formula and mechanisms of distribution must be made according to these policy objectives.
- Technical studies and analyses on existing disparities between and within schools, per-pupil costs, and existing parental contributions that the grants aim to cover should be conducted beforehand, so as to identify the appropriate school grant amount.
- As far as possible, the policy should be developed and designed in consultation with its main beneficiaries and implementers at the

district and school level, so as to ensure its relevance to local needs, and contribute to its ownership by local-level actors.

- The policy should be well communicated and disseminated to the main stakeholders through different means and tools.
- Regular training programmes should be organized to develop the capacities of the district and school-level actors involved in the management and monitoring of grants.
- Representative structures at the school level should be set up and strengthened, so as to ensure a participatory decision-making process on the use of grants. Awareness-raising programmes for school staff and the community are essential in this regard.
- The development of monitoring and control mechanisms at the school level is a key component of such a policy, so as to ensure transparent management of the grant. Effective monitoring relies on finding the right balance between control and support by external actors, and this depends in part on a second balance, namely, between the capacities of the internal actors and their autonomy. Where internal actors have little capacity, their level of autonomy may be limited, and they will need significant support. Where they have strong capacities, their autonomy can be much higher, and so can external control.

With this in mind, specific recommendations have been identified in each country based on the research findings, to improve the design and implementation of the school grant policy and to ensure the successful achievement of its objectives. These recommendations have been discussed at the national level with the main actors involved in the design and implementation of these policies, in particular the MoE, development partners, and district and school staff, using different dissemination means such as technical meetings, national dissemination seminars, and even the media.⁵

As part of financial decentralization policies and wider plans for fee-free education in developing countries, school grant policies are complex

5. The richness of the findings collected through the IIEP and UNICEF research projects conducted in Eastern and Southern Africa, and East Asia and the Pacific, led the Global Partnership for Education (GPE) to support the extension of the research to two new regions, Latin America and French-Speaking Africa, from 2013 to 2016, through the Global and Regional Activities (GRA) Programme. IIEP, UNICEF, and GPE will subsequently develop a technical guidebook to guide countries in the successful design and implementation of school grant policies.

and context-specific. Nevertheless, research confirmed that school grants have the potential to make an important contribution to increasing access, improving education quality, and reducing disparities within and between schools. While their design and implementation processes require careful planning and reflection, this is a valuable exercise given the ability for school grants to contribute to achieving education for all.

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In a growing number of countries, a significant reform in educational management is under way: schools which, in earlier years, had very little or no say in financial management, now receive grants directly from central authorities. Yet the impact of school grants on quality and equity needs deeper investigation as it is strongly influenced by their design and implementation. The mere existence of such grants does not guarantee success.

IIEP-UNESCO and UNICEF coordinated an intensive research programme on the use and usefulness of school grants in East Asia and the Pacific, in four countries (Indonesia, Mongolia, Timor-Leste, and Vanuatu), from 2012 to 2014. The research explored: (a) how grants are designed and implemented to contribute to access, equity, and quality; and (b) to what extent grants were able to achieve these objectives in reality. Specific attention was paid to: grant objectives; policy formulation and dissemination; criteria and mechanisms of distribution; school-level financial resources; actors involved in decision-making processes; grant use, monitoring and control; and the contribution of school grants to policy objectives.

This book analyses the findings of this research, focusing on the key characteristics of the policies developed in the four countries. Overall, the research confirmed that – while there is no one-size-fits-all formula for designing a school grants policy – a clear relationship between policy objectives and the design and implementation of grants is imperative for success. A list of concrete recommendations concludes the book.

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