

# P R A K A R S A *Policy Brief*

December 2024

## Optimizing Education Budget to Ensure Equal Rights to Education

### Key Points:

- The privatization of education could widen inequalities due to challenges for schools to access funding as well as affordability and quality assurance for students.
- The distribution of the education budget across various ministries leads to inefficiencies in prioritizing the use of education funds.
- The Indonesian House of Representatives (DPR RI) and the Ministry of Finance need to reformulate the mandatory spending of 20% of the education budget from the state budget (APBN) and regional budgets (APBD).

### The Challenges of Education Quality in Indonesia

Education is one of the most fundamental human rights and plays a crucial role in the development of individuals and society. The fourth Sustainable Development Goals (SDGs) emphasizes the importance of ensuring quality, inclusive, and equitable education, as well as promoting lifelong learning opportunities for all (UNESCO, 2016). This means that the goals of education extend beyond merely providing physical access to schools; they also encompass the quality, relevance, and support needed by all learners, particularly those from marginalized groups. As a basic right, education contributes to long-term productivity improvement and creates more equal opportunities for society.

The quality of education in Indonesia is still far from optimal. According to the OECD report (2023), Indonesia scored 379 in mathematics, 398 in science, and 371 in reading on the PISA assessment, all of which are below the OECD averages of 480 for mathematics, 382 for reading, and 491 for science (OECD, 2023). Additionally, the World Bank (2020) stated that the Human Capital Index estimates a child born in Indonesia today will only achieve 54% of optimal productivity levels compared to if they received adequate and comprehensive education and healthcare. This presents a challenge that Indonesia must address to create a workforce that is hardworking, dynamic, skilled, and proficient in science and technology.

To achieve educational goals, adequate budget allocation is necessary. Government spending on education reflects the government's commitment to advancing education in the country. By allocating significant funding to the education sector, it demonstrates that education is a priority on the national agenda. This is also an essential element in creating fiscal equity for the community.

Indonesia has a strong commitment to education by implementing "mandatory spending," in which 20% of the State Budget (APBN) is allocated for education. Mandatory spending refers to government expenditures regulated by law, aimed at reducing social and economic inequalities across regions.

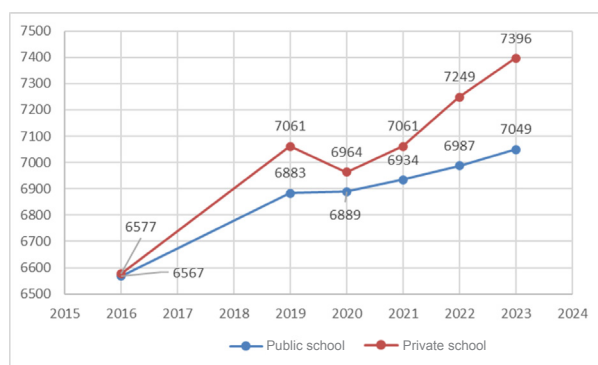
However, this mandatory spending is still insufficient to improve access to quality education for the community. Quality education is often only accessible to learners living in urban areas and those who are financially capable. For example, data from the National University Entrance Test Institute (LTMP) (2022) shows that most high schools with the best UTBK (Computer-Based Written Examination) scores are in large cities in Java and Sumatra, particularly high-cost private schools. Ensuring equity remains a challenge for the government, as education is a public good and a right for all citizens and cannot be entirely left to market mechanisms. If not addressed promptly, it will be difficult to achieve the goal of creating superior human resources and realizing the vision of Indonesia Gold 2045.

### The Dilemma of Education Privatization in Indonesia

The growth of private schools in Indonesia reflects the inability of public funding to meet the educational needs of the citizens. About 51% of schools in Indonesia are managed by the private sector at the senior high school level and 74% at the vocational high school level (BPS, 2023). According to the Central Statistics Agency (2023), private schools under the Ministry of Education account for 32.6% of the total student population. In proportion, the Ministry of Religious Affairs has a significantly larger number of private schools, with 83% of private schools falling under its jurisdiction. This fact must also be considered in a historical context. Since colonial times, formal education for the indigenous population of Indonesia began with religious-affiliated organizations that established branches throughout the country, aligned with schools set up by colonial rulers.

There is a significant difference in the trends of the number of public and private schools (BPS, 2024). Chart 1 shows that the number of private schools has increased at a faster rate compared to public schools, with an average percentage increase of 1.18% for private schools, while public schools only saw an increase of 0.6%. This growth has continued consistently, except for the year 2019-2020, when a decline occurred due to the COVID-19 pandemic.

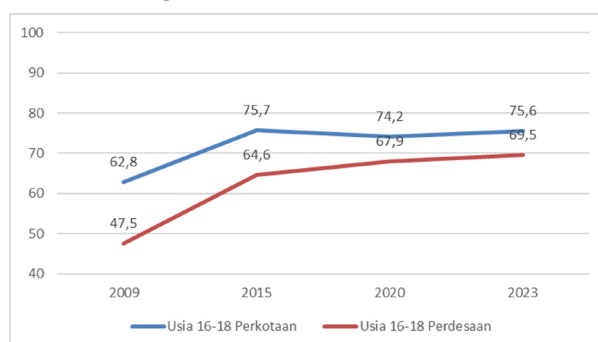
Graph 1. Trend in the growth of the public and private school in Indonesia (2016 – 2023)



Source: Central Bureau of Statistic (2024)

The growth of public and private schools indicated a high demand among students for education. However, the increase of number of private schools does not necessarily inclusive for the community. The school's participation rate between rural and urban areas still shows a significant gap.

Graph 2. The school's participation rate between rural and urban areas (high schools' level) (2009 – 2023)



Source: Central Bureau of Statistic (2024)

This gap may narrow at higher educational levels. Based on Graph 2, the school participation rate for ages 16-18 (equivalent high schools) shows an increase, but the growth rate is gradually showing down. Over past eight years, participation growth has remained stagnant at 2%. This indicates that the privatisation of education has not contributed to better educational equity. Otherwise, there are concerns that education is becoming increasingly commercialized in the long term.

### Funding Crisis and Its Impact on Education in Indonesia

Dependence on private education poses challenge related financing, affordability, and quality assurance. PRAKARSA (2024) notes that the primary challenge concerning education privatisation is funding. Private educational institutions operate independently and develop their own administration systems. However, this independence means that each private school has its own responsibility to meet its facility and funding needs. This includes the freedom to innovate and develop knowledge independently, fostering academic autonomy. While higher school fees can exchange educational quality, this raises concern about the commitment to ensuring access to more comprehensive and equitable education.

High education cost serves as a barrier for low-income families. Education expenses for secondary schools accounted almost one third of total household expenditures in 2021, where the average monthly household in Indonesia was only IDR 2.7 million. This aligns with the Education Finance Watch report in 2022, which indicated that households in Indonesia cover 60% expenses for education, while the government contributed only 40%. In contrast, in high income countries, the contribution exceeds 80%, thereby reducing the financial burden on households (World Bank, UIS, & GEM Report, 2022).

In addition to cost issues, the quality gap in private education is significant, with highly varied standards. Quality assurance remains a concern since the educational standards provided by private institutions are highly diverse. Private schools may adopt the national teaching curriculum or develop their own (PRAKARSA, 2024). Many private schools collaborate with international institutions to maintain international teaching standards, often integrating international curricula in their teaching and learning. However, this approach can lead to a lack of uniformity in the quality of education provided.

However, based on facilities, private schools in Indonesia are not solely elite institutions for the wealthy. Many are low-budget private schools with very minimal facilities. Numerous private schools also serve students from low-income backgrounds but have limited funding. For example, an Islamic school in Mandalamukti Village, West Bandung. This school operates independently and is responsible for meeting its facility and funding needs without much government assistance. The school's classrooms are not yet fully completed. Limited subsidies compel them to seek alternative funding sources, including collaborations with companies for facility development and sponsorships (KOMPAS, 2023). However, not all institutions can engage in fundraising, leading them to face challenges in competing with financially stronger schools.

Another example is seen in a private junior high school in Bandar Lampung, which faces serious challenges in funding its operational activities, especially due to the risk of losing government Operational Assistance Funds (BOS). This school also accommodates students from poor families, with a limited number of students—60 children, most of whom are from orphanages.

Government Regulation No. 4 of 2022 regarding Amendments to Government Regulation No. 57 of 2021 on National Education Standards regulates the standards for quality graduates. However, quality graduates are heavily influenced by the quality of the institution and funding support, as educational quality is often correlated with the costs incurred.

While funding issues do not always directly impact educational quality, they are closely related to components of education. Many schools are unable to carry out teaching and learning activities optimally due to financial problems, such as teacher salaries and the provision of learning facilities and infrastructure. The closer the allocated budget aligns with the actual needs, the more it will affect educational services, and the quality of human resources produced.

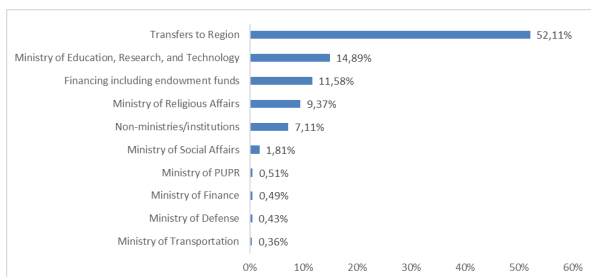
## Reviewing Educational Funding Allocation

Indonesia has shown consistency in maintaining a 20% budget allocation for education from the total state expenditure, in accordance with the constitutional mandate. Article 31, Paragraph (4) of the 1945 Constitution requires a minimum allocation of 20% from the national and local budgets (APBN/APBD) for the education sector. The government claims that the allocation for education has consistently remained at 20% of the total national budget.

There has been a relatively consistent trend of education budget increase in Indonesia each year. Data from the Ministry of Finance in 2024 indicates that Indonesia allocated IDR 665 trillion (approximately 20%) from a total state expenditure of IDR 3,304 trillion. During the pandemic, the government allocated IDR10 trillion for educational facilities through budget refocusing and reallocation in 2020 to support efforts to prevent the spread of COVID-19 and to aid national economic recovery (Ministry of Education and Culture, 2021), in accordance with Presidential Regulation No. 54 of 2020. Examples of the use of these funds include providing internet vouchers for students learning from home, allowances for teachers, and medical assistance.

Although the mandatory spending allocation for education in Indonesia is a positive step, it is essential to consider how the composition of the education budget is managed. According to Presidential Regulation No. 76 of 2023, the education budget is divided into three expenditure categories: central government spending, education spending through regional transfers, and education spending through financing.

Graph 3. Distribution of the education budget to regions and ministries/agencies in 2023



Source: Appendix VI of Presidential Regulation No. 76 of 2023, processed by the researcher

The seemingly large education budget in Indonesia is divided among various ministries and agencies. The education budget is not managed by a single ministry; it includes allocations for budget transfers to regions, which account for nearly 53%, as well as various other ministries, including those for government education such as police and military education, the Ministry of Transportation, and others. This violates Article 49, paragraph 1 of the National Education System Law.

The dispersion of the education budget also leads to inefficiencies in its use. About 10% of the total budget, or approximately IDR22 trillion, is allocated to 23 other ministries and agencies. This figure is in stark contrast to the budget for the Indonesia Pintar Program, which

is only IDR9.6 trillion, aimed at supporting education for 18 million students (Education Financing Service Center, 2020). The allocation of IDR22 trillion to ministries and agencies outside of the main education ministry raises serious questions about the effectiveness and priority of education funding.

If these funds were allocated to direct education programs like the Indonesia Pintar Program, the potential benefits could be much greater, including the possibility of expanding educational facilities for over 41 million students. This is particularly important given that the dropout rate remains at 21.61% at the high school level (BPS, 2024). Furthermore, future needs for various educational programs will also require significant funding, such as for free nutritious meal programs.

## Challenges in Mobilizing Funding Resources for Education

The government has a responsibility to provide adequate funding to ensure that education is accessible to all without financial burden. Prioritizing education as a long-term investment will not only accelerate progress toward achieving the Sustainable Development Goal 4 for education by 2030 but will also serve as a foundation for advancing all other Sustainable Development Goals.

Investing in education is essential to secure progress in critical areas such as employment, peace and security, climate action, and health (UNESCO, n.d.). However, data from the World Bank (2024) shows that Indonesia's government spending on education is among the lowest among middle-income countries. Education expenditure in Indonesia is only about 3 percent of GDP, one of the lowest compared to other countries in the Asian region. With low spending capacity, the coverage and quality of educational services remain uneven.

Although Indonesia has made progress over the past 15 years in expanding access to education, there are still significant implementation challenges, including substantial gaps in participation rates, per-student spending, student learning outcomes, teacher quality, and management capacity in schools across districts (World Bank, 2020). When resources are concentrated, allocating adequate facilities, teachers, and materials becomes difficult. For example, Indonesia's teacher-to-student ratio of 18.14 is much higher than the international average of 13.23 (OECD, 2018). This shows that the availability of teaching staff is inadequate to meet the needs of effective education. More worryingly, only 50.9% of teachers in Indonesia are certified, indicating that there are obstacles in improving the competence of the teaching force (BPS, 2023).

If the government allocates education funds disproportionately between villages and cities, and between prestigious schools in big cities and less favourite schools in regions, then schools in the regions will be left further behind. Without sufficient funds, schools in regions cannot update textbooks, repair poor infrastructure, and experience high teacher turnover due to less competitive salaries. The quality of education in cities and regions will be increasingly disparate. In fact, the purpose of mandatory spending is to reduce the problem of social and economic

### Managing Director :

Ah Maftuchan

The PRAKARSA Executive Director

### Written by:

- Bintang Aulia Lutfi
- Eka Afrina Djamhari
- Victoria Fanggidae

### Reviewed by:

Victoria Fanggidae

### Designed by:

Bambang Nurjaman

### PRAKARSA Policy Brief is

an independent policy analysis and recommendation about various critical issues related to development and welfare.



## PRAKARSA

Welfare Initiative for Better Societies

Jl. Rawa Bambu I Blok A No.8-E  
Pasar Minggu, Jakarta Selatan  
Indonesia 12520

Phone +6221 781 1798

perkumpulan@theprakarsa.org

The PRAKARSA is an independent policy analysis and recommendation about various critical issues related to development and welfare.

Readers are allowed to quote or reproduce PRAKARSA Policy Brief by citing the original source, provided that it is not for commercial purpose. The opinion expressed are those of the authors and do not reflect the views of the institution.

[www.theprakarsa.org](http://www.theprakarsa.org)

inequality in the regions (DJP, n.d.), because it is people's tax money that is used for that. It must be ensured that taxes become the right redistribution tool, which is allocated fairly for all groups in society to obtain quality education.

## Policy Recommendations

Here are some policy recommendations:

1. The House of Representatives and the Ministry of Finance need to reformulate the mandatory spending of 20% of the education budget from the state budget (APBN) and regional budgets (APBD) by conducting a thorough analysis of the allocation of education funding, taking into account the educational needs data for each region, and reviewing the allocation of transfers to regions and non-educational ministries/agencies.
2. The Ministry of Finance should develop performance indicators to evaluate the proportion of the regional budget (APBD) allocated to the education sector, as well as conduct regular audits to ensure compliance with the 20% allocation.
3. The President needs to review the Presidential Regulation on the State Revenue and Expenditure Budget (RAPBN) for 2025, such as Presidential Regulation No. 76 of 2023 concerning the RAPBN for the 2024 fiscal year, which stipulates that the details of the education budget allocation must not include non-educational ministries/agencies and must not be used to fund state-run educational institutions, as well as establish clear criteria for the use of the education budget.
4. The Ministry of Primary and Secondary Education and the Ministry of Religious Affairs should map the educational facility needs across all regions and ensure that minimum standards for educational facilities are met by each educational institution.
5. The Ministry of Primary and Secondary Education needs to revisit the budget classification in the standard account chart to ensure the availability and quality of information required about budget expenditures for districts/cities and provinces.

## References

- ADB. (2022). Southeast Asia rising from the pandemic (0 ed.). Asian Development Bank. <https://doi.org/10.22617/TCS220093-2>
- BPS. (2024). Angka Anak Tidak Sekolah Menurut Jenjang Pendidikan dan Jenis Kelamin, 2022-2023. <https://shorturl.at/oFy31>
- BPS. (2024). Realisasi Pendapatan Negara (Milyar Rupiah), 2022-2024. <https://www.bps.go.id/id/statistics-table/2/MTA3MCMY/realisasi-pendapatan-negara.html>
- Badan Pusat Statistik. (2023). Jumlah sekolah, guru, dan murid Sekolah Menengah Kejuruan (SMK) di bawah Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi menurut provinsi, 2023/2024. Diakses pada 26 November 2024
- Badan Pusat Statistik. (2023). Jumlah sekolah, guru, dan murid Sekolah Menengah Atas (SMA) di bawah Kementerian Pendidikan, Kebudayaan, Riset, dan Teknologi menurut provinsi, 2023/2024. Diakses pada 26 November 2024
- Kompas.com. (2023, July 21). Potret timpang sekolah swasta di Bandung Barat: Belajar terkoyak di ruang tak layak. Kompas.com. <https://bandung.kompas.com/read/2023/07/21/162401178/potret-timpang-sekolah-swasta-di-bandung-barat-belajar-terkoyak-di-ruang-tak?page=all>
- Kementerian Keuangan Republik Indonesia. (2024). Nota keuangan beserta Rancangan Anggaran Pendapatan dan Belanja Negara Tahun Anggaran 2025 (Buku II). Jakarta: Kementerian Keuangan Republik Indonesia.
- OECD. (2024). Indicator explorer. OECD GPS Education. Retrieved November 26, 2024
- Lembaga Tes Masuk Perguruan Tinggi. (2021). Top 1000 Sekolah Berdasarkan Nilai UTBK. Diakses pada 26 November 2024, dari <https://top-1000-sekolah.ltmpt.ac.id/site/index2021>
- Pemerintah Republik Indonesia. (2023). Lampiran VI dan VII Peraturan Presiden Nomor 76 Tahun 2023 tentang Rincian Anggaran Pendapatan dan Belanja Negara Tahun Anggaran 2024.
- Pemerintah Republik Indonesia. (2022). Peraturan Pemerintah (PP) Nomor 4 Tahun 2022 tentang Perubahan atas Peraturan Pemerintah Nomor 57 Tahun 2021 tentang Standar Nasional Pendidikan. <https://peraturan.bpk.go.id/Details/196151/pp-no-4-tahun-2022>
- PRAKARSA. (2024). Terus Melaju, Menuju Indonesia Maju yang Adil, Makmur, Demokratis & Berkelanjutan. <https://theprakarsa.org/en/white-paper-dua-dekade-the-prakarsa/>
- PRAKARSA. (2024). Studi Tentang Kecenderungan Belanja Publik dan Privatisasi Pendidikan di Negara-Negara ASEAN Pasca COVID-19. <https://shorturl.at/ZYnbl>
- Pusat Layanan Pembiayaan Pendidikan. (2020). Laporan Kinerja Tahun 2020 Pusat Layanan Pembiayaan Pendidikan. Kementerian Pendidikan dan Kebudayaan Republik Indonesia. [https://puslapdik.kemdikbud.go.id/wp-content/uploads/2023/01/Laporan\\_Kinerja\\_Tahun\\_2020\\_Pusat\\_Layanan\\_Pembiayaan\\_Pendidikan.pdf](https://puslapdik.kemdikbud.go.id/wp-content/uploads/2023/01/Laporan_Kinerja_Tahun_2020_Pusat_Layanan_Pembiayaan_Pendidikan.pdf)
- UNESCO. (2016). Education 2030: Incheon Declaration and Framework for Action for the Implementation of Sustainable Development Goal 4. UNESCO. [https://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en\\_2.pdf](https://uis.unesco.org/sites/default/files/documents/education-2030-incheon-framework-for-action-implementation-of-sdg4-2016-en_2.pdf)
- UNESCO. (n.d). Menutup kesenjangan: ajakan bertindak TES tentang investasi pendidikan. <https://shorturl.at/bHeq6>
- World Bank & UNESCO. (2024). Education Finance Watch 2024. <https://documents1.worldbank.org/curated/en/099102824144023412/pdf/P50097818676430c91a18d1653943364726.pdf>
- World Bank & UNESCO. (2021). Education Finance Watch 2021. World Bank Group. <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/226481614027788096/education-finance-watch-2021>
- World Bank, UNESCO Institute of Statistics (UIS), & Global Education Monitoring (GEM) Report. (2022). Education finance watch 2022. UNESCO. <https://www.unesco.org/gemreport/en/2022-efw>
- World Bank. (2020). Mengungkap Bagaimana Pemerintah Daerah di Indonesia Membelanjakan Dana Anggaran Mereka Untuk Pendidikan. <https://documents1.worldbank.org/curated/en/866411608637554032/pdf/Summary.pdf>