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GLOSSARY

ADB	Asian Development Bank
Aku Anak Sekolah	'Back to School' campaign related to the Social Safety Net in Education Programme
AusAid	Australian Agency for International Development
BAPPENAS	National Development and Planning Board
BP3	Parent Teacher's Association
BP3 fee	School fee in state school
BPS	<i>Badan Pusat Statistik</i> (Central Statistical Board)
CIMU	Central Independent Monitoring Unit
DBO	<i>Dana Bantuan Operasional</i> . School Block Grant from the SGP began in June 1998
DOP	<i>Dana Operasional Pendidikan</i> — a primary school block grant for Operation and Maintenance which has been established since 1999. This grant was previously known as BOP.
DepDikNas	<i>Departemen Pendidikan Nasional</i> (Ministry of National Education)
EBTANAS	National Educational Attainment Test
GNOTA	<i>Gerakan Nasional Orang Tua Asuh</i> — a National Foster Parent Movement
IDT	<i>Inpres Desa Tertinggal</i> — Governmental Grants Programme for "under-developed" villages
JPS	<i>Jaring Pengaman Sosial</i> (Social Safety Net Programme)
JPS Pendidikan	Social Safety Net Programme in Education
Kabupaten	Non-urban District
Kota	Urban District
Kecamatan	Sub-District
MHA	Ministry of Home Affairs
MONE	Ministry of National Education
MORA	Ministry of Religious Affairs
OPF	<i>Operasi dan Perawatan Fasilitas</i> — a Project-Based Fund for Maintenance and Operation of Secondary Schools Facilities
SGP	Scholarship and Grant Programme, which has been established since 1998
SPP	<i>Sumbangan Pembinaan Pendidikan</i> — school fee for private school
Susenas	<i>Survey Sosial Ekonomi Nasional</i> — a Yearly National Socio Economic Survey
<i>Wajib Belajar Pendidikan Dasar 9 Tahun</i>	Nine Years Universal Basic Education (NYUBE)

THE INDONESIAN ECONOMIC CRISIS AND ITS IMPACT ON EDUCATIONAL ENROLMENT AND QUALITY

Introduction

The impact of the economic crisis in Indonesia on education enrolments and dropout rates has not been as devastating as initially feared. School incomes however, have been hit hard by the crisis.

This study examines how the crisis has affected key educational indicators since the 1997/98 academic year. The findings expressed in this study reflect the authors' analysis of several previously published sources of data from the Central Independent Monitoring Unit (CIMU), which independently monitors and evaluates the Scholarships and Grants Programmeme (SGP), one component of the Indonesian Social Safety Net.¹ CIMU has published a number of reports on the economic crisis, education and the Scholarships and Grants Programmeme.

The analysis begins with an overview of Indonesian economic development preceding the current crisis and examines how the crisis has affected the Indonesian economy. This is followed by a description of the education system with a summary of the policy focus at the time when the crisis first struck Indonesia. Detailed findings from CIMU national survey data are used to describe the varying effects of the crisis on education. Other data sources are also examined to determine the consistency of findings from CIMU data and other sources. The paper concludes with an analysis of the impact of the Scholarships and Grants Programmeme, a major donor-supported government intervention to mitigate the affects of the crisis on the school system.

The Indonesian Economy During the Crisis

The Asian financial crisis struck in mid-1997 with profound effects. As a result, Indonesia has experienced enormous social, economic and political pressures. Although it was the collapse of Asian currencies that initiated the crisis, the depth of the Indonesian recession was fueled by many of the institutional weaknesses that were the legacy of the Soeharto government.

Several factors contributed to the Indonesian economic collapse. High external private sector debt and capital mobility were prevalent prior to the crisis. Financial regulation was extremely poor. The banking sector was at the centre of the financial crisis: irregular banking practices were pervasive, and state banks had bad debt ratios. Inadequate enforcement of central bank regulations meant that rules were routinely violated with impunity. A total of 16 banks closed in November 1997, undermining confidence in the financial system. The total number of banks in Indonesia decreased from 238 before the crisis to 162 by 1999. The value of the rupiah dropped dramatically.

Problems with corruption and governance were extensive. A very small portion of the population held a great deal of power and privilege, which was maintained through the system of patronage. Courts could not be expected to be impartial and authorities were averse to take decisive action whenever it threatened vested interests. These factors combined with political instability caused increased pessimism among both foreign and domestic investors.

At the outset, the International Monetary Fund (IMF) insisted on a fiscally conservative stance, which many in government perceived as harsh. It initially called for an end to subsidies on fuel and foods. It also compelled the government to cut its efforts to maintain the value of rapidly declining civil service salaries. Neither of these moves were popular within Indonesia.

The events that occurred from August 1997 to May 1998 had no precedent for most Indonesians. The combination of factors painted the picture of a country in which everything appeared to go wrong at once. Declining terms of trade (due to a 30% decline in oil prices), soaring inflation and difficulties in getting jobs all compounded the financial crisis. Extensive forest fires spread across parts of the country and many areas

were affected by prolonged drought. There was a decline in food production accompanied by food shortages. Violence in West Kalimantan, Timor, Maluku, and Aceh caused many to question the Government's ability to manage these social divisions. In May 1998 the situation peaked with bloody and uncontrolled riots and arson in the Jakarta and several other urban centers. These scenes were marked by ethnic violence aimed at Chinese Indonesians. These events culminated in President Soeharto's fall from power.

The crisis resulted in a dramatic rise in unemployment and 6.4 million workers were laid off in 1998. This unemployment differed across economic sectors. The worst affected sectors included manufacturing, construction, commerce, hotels and restaurants, transportation, communication, finance, rent and company services. On the other hand, several economic sectors accommodated more workers, including agriculture, animal husbandry, forestry, fishery, electricity, gas, and drinking water. Many laid off workers were able to move to the informal agricultural sector, which served as a safety net. With regard to the regional impacts of the crisis on different economic structures, Java was apparently hit harder by the crisis than other areas. Urban areas were hit more severely than rural ones. These two observations suggested that the crisis hit modernized areas (represented by both Java and urban areas) harder than less modernized areas (agriculturally-dominated areas which are predominantly located outside of Java and in rural areas).²

It would however, be incorrect to assume that all rural areas experienced a continuous rise in real incomes. In some rural areas, in line with the appreciation of rupiah and as prices of imported inputs and basic necessities rose, the income of farmers, which was initially boosted as a result of the devaluation found their welfare not change appreciably or actually fell.³ Decreasing income among the urban population that resulted from formal sector layoffs and reduced income from informal sector occupations also affected rural populations by reducing the flow of remittances. The economies and labour markets of rural populations are closely related to those of urban areas, and only those people who are land-rich have been able to cope with the crisis, or gain from increased prices.⁴

Although the country has not yet recovered from the crisis, many analysts have been surprised at the apparent flexibility in the Indonesian economy which has not declined as far as some early predictions expected. The feared difficulties in finding jobs in urban areas did not materialize despite numerous negative economic trends. Although manufacturing experienced many cutbacks or closures, it appears that the Indonesian informal sector and close family networks might have played a part in reducing the severity of the impact. These factors, together with increased earnings within agricultural exports might have been influential, particularly outside Java and Bali. The World Bank estimates that, in the short run, the incidence of poverty is unlikely to be very dramatic. The proportion of the population under the official poverty line would certainly be higher in 1999 than in 1996, but only by a few percentage points.⁵

The Indonesian Educational System and Development

The Indonesian education system consists of several levels including pre-school, primary school, junior secondary school, senior secondary school, and a range of post-secondary education programmes. According to Indonesian Law No. 2/1989, basic education lasts for nine years, consisting of six years of primary school plus three years of junior secondary school.

Several government ministries are responsible for education. The Ministry of National Education manages general primary schools, junior secondary schools and senior secondary schools. However, the general primary school is not only managed by the Ministry of National Education but also by the Ministry of Home Affairs. The Ministry of Religious Affairs administers Islamic institutions including some primary schools known as *Madrasah Ibtidaiyah* (MI), some junior secondary schools known as *Madrasah Tsanawiyah* (MTs), and some senior secondary schools known as *Madrasah Aliyah* (MA). In addition to the distinction between general and Islamic education, there is also a distinction between general and vocational secondary education (*SMK* — *Sekolah Menengah Kejuruan*). Vocational secondary education emphasizes specific occupational skills and prepares students to enter the workforce. This vocational secondary education is also managed by the Ministry of National Education.

In 1984, the government of Indonesia declared six year compulsory education for primary school age children (7-12 years). This policy has increased participation rates in primary school from 79.3 % in 1983 to 92.2 % by 1993. In 1994, compulsory education was extended to nine years (*Wajib Belajar Pendidikan Dasar 9 Tahun*) commonly referred to as “Nine Year Universal Basic Education” (NYUBE) so that it would encompass both six years of primary education and three years of junior secondary education.

Education indicators showed improvements before the financial crisis, particularly during the 1990s. The percentage of school-age children who had never attended school declined, school attendance rose and there was a decline in dropouts. These indicators varied slightly across different age groups.⁶

Table 1
Status of School Enrolment by Age Groups (in Percentages), Indonesia 1993-1998

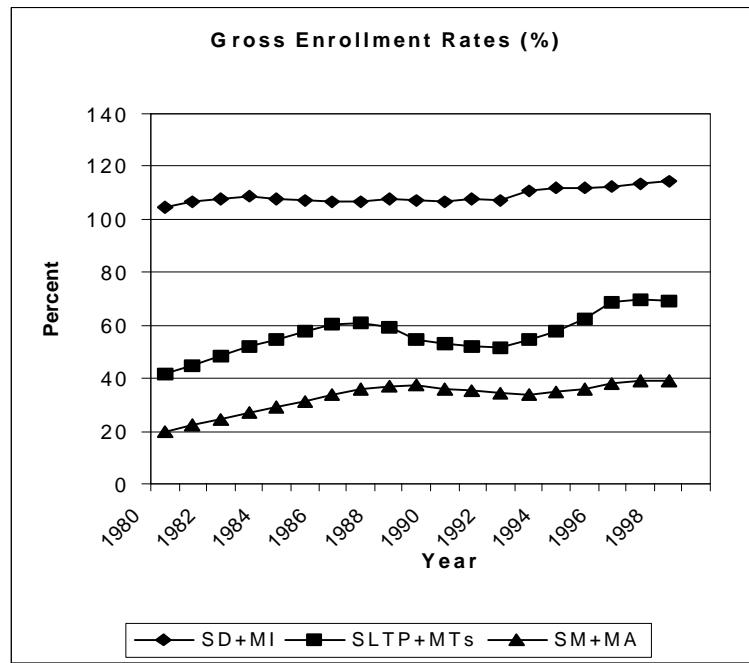
	1993	1994	1995	1996	1997	1998
5-6 years:	100,00	100,0	100,0	100,0	100,0	100,0
Never attended school	84,8	82,5	82,5	80,7	77,3	77,4
Attending school	14,9	17,3	17,3	19,1	22,5	22,3
No longer attending school	0,3	0,2	0,2	0,2	0,2	0,3
7-12 years:	100,0	100,0	100,0	100,0	100,0	100,0
Never attended school	4,5	3,8	3,8	3,5	2,9	3,0
Attending school	92,8	94,1	93,9	94,4	95,4	95,1
No longer attending school	2,7	2,1	2,2	2,1	1,7	1,9
13-15 years:	100,0	100,0	100,0	100,0	100,0	100,0
Never attended school	1,3	1,3	1,2	1,2	1,0	1,0
Attending school	68,9	72,4	73,2	75,8	77,5	77,2
No longer attending school	29,8	26,3	25,6	22,9	21,5	21,9
16-18 years:	100,0	100,0	100,0	100,0	100,0	100,0
Never attended school	1,6	1,4	1,4	1,5	1,3	1,3
Attending school	42,6	45,3	44,6	47,6	48,6	49,3
No longer attending school	55,8	53,3	53,9	50,9	50,1	49,4

Source: BPS, special tabulations from *Susenas* 1993-1998. This table is taken from Oey-Gardiner (2000).

Note: A year of *Susenas* data pertains to one school year. The 1993 *Susenas* data pertains to the 1992/93 school year, and so on.

The trend of enrolment rates in Indonesia from 1980 until the current crisis showed general increases in enrolment although there was a marked decline in junior secondary enrolment between 1988 and 1994 (see the following chart on “Gross

Enrolment Rates”). At the same time, there was a significant rise in dropouts at the junior secondary level. This figure reached 12.4% during the 1988/89 school year. It was widely accepted that these trends resulted from the economic crisis that occurred in 1986/87.



Source: The World Bank, 1998.

Notes: SD+MI (general and Islamic Primary School)

SLTP+MTs (general and Islamic Junior Secondary School)

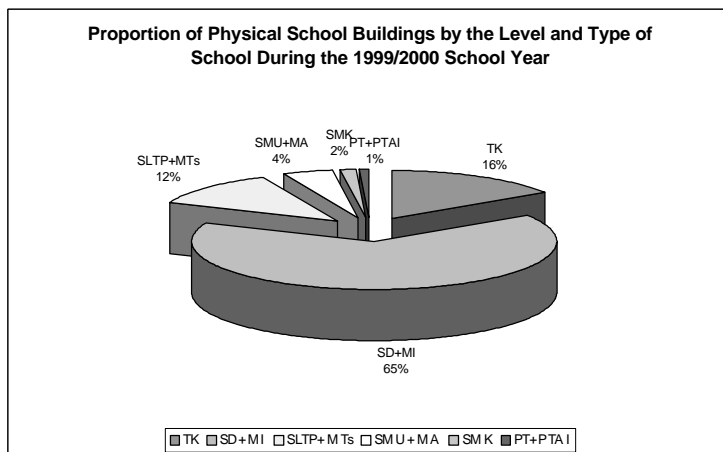
SM+MA (general and Islamic Senior Secondary School)

Enrolment rates remained at a constant level since the attainment of “universal” primary school enrolment in the early 1980s. The most likely reason for this trend was that the numbers of primary school aged students had not grown. This may have been the result of a very successful national planning programme which reduced fertility. The result is that over time, schools have had reduced numbers of new entrants, particularly among primary school age students.

As mentioned, over the ten to fifteen years preceding the 1997 crisis, Indonesia had achieved a high primary school participation rate. Education policy was therefore focused on reaching nine-year universal basic education (NYUBE) by expanding participation through junior secondary school. Efforts to achieve NYUBE focused on the junior secondary level and on the transition from primary to junior secondary school,

a critical juncture that can determine further educational continuation. The government then pledged to achieve NYUBE by 2020. The number of junior secondary students would be increased by nearly two million students, in order to raise crude participation rates to 87% by 2004. The move would require a major investment, which includes around 45,000 new classrooms and tens of thousands of new teachers. Achieving NYUBE was still the focus of educational policy when the crisis broke in 1997.

The number of school buildings also rose over this same period. Data from *Depdiknas* (the Indonesian Ministry of National Education) showed an increase in school infrastructure since 1994. The increase in school infrastructure combined with the increased demand on schooling may be related to enrolment gains. The following figure depicts the proportion of physical school buildings by the level and type of school during the 1999/2000 school year.



Source: Departemen Pendidikan Nasional (The Ministry of National Education), 2000.

Notes: SD+MI (general and Islamic Primary School)
 SLTP+MTs (general and Islamic Junior Secondary School)
 SM+MA (general and Islamic Senior Secondary School)

During 1997/98 the World Bank conducted a review of the sector which depicted the overall context of education policy favourably. The review described several positive features: the system was expanding, there was a solid commitment to universal basic education, several pro-poor policies were being implemented, there was a narrowing in gender differentials and there were positive economic returns. The review also recognized the progressive introduction of policies aimed at

decentralization. These policies hoped to address existing institutional rigidities and fragmented responsibilities which were apparent throughout the system, particularly at the district level.

In spite of this, several underlying deficiencies remained. The system was inefficient, rigid and non-responsive to labour markets. Administrative arrangements were extremely complex, particularly at the lower levels. Three major agencies were (and remain) responsible for different aspects of education. The Education Ministry is responsible for: curriculum and teacher training at all school levels; running public secondary schools; and inspecting private secondary schools. The Ministry of Religion manages Islamic (*Madrasah*) schools. The Ministry of Home Affairs manages financing and human resources (including teacher employment) for public primary education. Many of the poorest students attend private schools, particularly at the secondary level.

World Bank and Asia Development Bank (ADB) funded studies criticized education funding as being fragmented. Routine and development budgets were drawn up in isolation and with little regard to actual needs. According to an ADB study in 1998, the net effect was particularly stark at the primary level: 88% of government funds supported in-school spending, mostly on teachers' salaries. Only 70% of what little non-salary funding there was actually trickled through the administrative superstructure to schools. There were also significant and persistent concerns about educational quality. Teachers tend to demand rote learning, learning materials are in short supply, and there is need for curriculum reform.

Anticipated Consequences of the Crisis on Education

Analysts predicted that the crisis would result in rising unemployment, lower purchasing power, and reductions in education spending. There were concerns that worsening household economic conditions might eventually affect the ability of poor households to pay for goods and services, including education for their children.⁷

Many of the predictions related to the current economic crisis were based on experiences with the educational setbacks that occurred as a result of the 1986/87 crisis. Three immediate risks were identified that might result from the current crisis on education. First, enrolment in basic education might decline as needy families keep their

children out of school. Poor parents might withdraw older children from school so that the children can contribute to the family income. Parents might also withdraw younger children from school to reduce education-related costs. Secondly, the quality of education might be affected by the crisis as government, schools, and parents struggle to minimize educational costs during this period of economic hardship. It was also feared that poorer communities might not have sufficient funds for the operation and maintenance of schools. Even before the crisis, many schools needed books, supplies and substantial maintenance. Thirdly, inefficiencies and corruption in government might exacerbate worsening conditions and funds shortages.⁸

When the 1997 crisis struck, the policy makers in the Ministry of National Education (MONE), and the lending agencies, immediately recalled the economic crisis of the mid-1980s. That downturn was caused by a decline in oil prices and a prolonged drought. It hit the education sector particularly hard, causing sharp declines in enrolment, particularly among the poor. At the junior secondary level, the gross enrolment rates fell for four years from 62 percent to 52 percent between 1988 and 1992. This decline did not recover back to its previous level until 1995. Primary enrolment rates also saw some decline even though these were much smaller than those at the junior secondary level.⁹

One characteristic of the 1986/87 crisis was that the worst effects on enrolment did not occur until nearly two years after the crisis broke. That crisis caused a shortage of government funds for routine and development expenditures. These reductions in public expenditures on education, compounded by increases in the price of schooling and a drop in family incomes, may have been responsible for the declines in enrolment.

The Indonesian government and lending agencies thought that the 1997/98 crisis was going to be much more serious than the one that occurred in 1986/87. Various government agencies produced differing projections of the effects that the crisis would have on education, but all held one common belief — that the impact would be severe. In early 1998, both the MONE and BAPPENAS (the Planning Agency) produced estimates of the impact that the crisis would have on enrolment. The MONE predicted that junior secondary enrolment rates would drop from 72% in 1997/98 to 57% in 2001/02 and from 40% to 23% at the senior secondary level. BAPPENAS anticipated

that at least 10% of primary and junior secondary students would require immediate financial assistance to stay in school.

A variety of plans were drafted during the period preceding the May 1998 leadership transition. Each of these reflected the differing goals of government and the lending agencies, which did always focus on the same priorities. This early planning period lacked effective coordination, and the organizations involved frequently moved in differing directions.

Moving each of the partners involved in the planning phase to a single shared vision required a substantial effort. Strong leadership from BAPPENAS played a key role in developing the kind of cooperation that was necessary between all of the partners involved. This ultimately resulted in agreement, and in the production of a final plan for what would eventually become the SGP (Scholarship and Grant Programme).

Early government plans called for a broad-based intervention rather than a focused approach aimed at a single target. The government wanted to include a range of both short-term financial support structures and longer-term “infrastructural” assistance. Included in these early strategies were components that would counteract the perceived threat to enrolment rates, particularly among students that came from the poorest families. These measures would include scholarships for students in primary and for junior secondary level education, and vouchers that would allow grade 6 students (in their last year of primary school) to continue to junior secondary school. The plan also included grants for schools that served poor communities and it would fund improvements to poor primary schools. Components that were targeted for long-term support were directed toward improving relations between communities and schools and on supporting school based resource management. As valuable and as appropriate as each of these priorities might have been, government funding was not sufficient to support them. Similarly, none of the detailed planning had been developed to describe how any improvement efforts would be implemented.

On 5 May 1998, the Indonesian government released a circular that outlined an extensive list of measures that were created to mitigate the financial burden that parents might bear in sending their children to school. This marked the first significant policy shift in response to the growing crisis. The circular listed exemptions from a variety of

payments including BP3 (monthly fees for schools' operating costs), SPP (school fees at private schools) and payments for national exam fees (EBTANAS). It also listed exemptions from costs for school trips, extra-curricular activities and other extra costs. The government lifted the requirement for students to wear uniforms or shoes, if they were unable to afford these items. Finally, students were exempted from paying school entry fees during the upcoming school year 1998/1999. Head teachers who continued to require these payments or who required students to pay for supplementary school books were to be disciplined by Provincial Education Offices. What the circular failed to explain was how schools would compensate for the income that they would lose by implementing its provisions.

The government of Indonesia and the international lending agencies were able to agree on a few defining issues. Both the World Bank and the Asian Development bank firmly requested the government to maintain basic education development budgets in real terms. This principle later became one component of the Asian Development Bank's Social Protection Sector Development Programme (SPSDP). It also became a condition of the World Bank's Social Safety Net Adjustment Loan. The government formally stated that its education development expenditures would remain at 1997/98 levels (in real terms) until the end of 1999/2000.

Effects of the 1997-2000 Crisis on Education

Introduction

The primary data used in the analysis derives from two national surveys conducted by CIMU in November and December 1999 and again in late June and early July 2000 in 77 districts (*kabupaten* and *kotamadya*) and in 197 sub-districts (*kecamatan*) throughout the then 26 provinces. A total of 1027 schools were surveyed, 95% of which were included in CIMU's first national survey of November-December 1999. Trained independent monitors collected data for the two surveys using questionnaires.

The sample was chosen to achieve a spread of geographical locations. On average, a total of 40 schools were surveyed from each province. These were stratified to reflect each school level, public or private status, and general or Islamic affiliation. Every school in the sample received a block grant (DBO) under the Scholarships and

Grants Programme (SGP) in the 1999/2000 school year. In effect, the survey population includes those poorer schools that have received DBO under the SGP.

This analysis also compared data collected by CIMU to data from other sources, the most comprehensive of which were the educational data produced by the Ministry of National Education (*Depdiknas*) and the Annual Socio-Economic Survey (*Susenas*) implemented by the Central Statistical Board (BPS). The Social Safety Net Survey conducted by the BPS in 1999 was another important data source that supplemented the 1999 *Susenas* data.

The chronology of the economic crisis in Indonesia was an important factor to keep in mind when assessing the utility of this data. Dating the start of the crisis is difficult. Although the Asian financial crisis began in mid-1997, the financial and banking crisis only began to have a severe impact for Indonesia in November 1997. This impact rapidly worsened in the early months of 1998. On the other hand, some financial institutions in Indonesia had been in trouble even before the fall of the Thai baht, and some provinces had been suffering severely from prolonged drought and forest fires.

Enrolment data for the 1997/98 academic year related to the period before the financial crisis affected enrolments or other aspects of education. This is because the reference point for enrolment data is early in the school year — 31 August 1997. Education data for 1998/99 and 1999/2000 reflected the impact of the crisis.

Data from Other Sources

It is worthwhile to summarize the findings from other data sources that can be used to examine the impact of the crisis on enrolment. This allows comparison between CIMU findings and findings from other sources. The following is the summary of findings by individual data source.¹⁰

Susenas

Susenas data from 1997 through 1999 showed no significant enrolment declines. They showed that previous gains in the proportion of 5-6 year old and the proportion of 7-12 year old children in school were halted. However, at the junior secondary ages (13-15 years old) enrolments began to rise again in 1999 after a brief stall. At the senior secondary level (ages 16-18) enrolments continued to rise.

Susenas data also showed variation in enrolment by income group. Using trends by expenditure quintile as a proxy for income groups, *Susenas* data showed that if anything, enrolment rates reveal greater increases within poorer parts of the population.

At the primary level, *Susenas* data show no major differences in enrolment ratios between members of expenditure quintiles from 1993 to 1999. At the junior secondary level however, enrolment ratios have risen overall for the lowest three quintiles, while they changed little for the highest two quintiles. Senior secondary enrolment ratios rose for all quintiles except the richest, with the sharpest rises in the poorest two quintiles (Table 2).

Depdiknas

At the primary level, *Depdiknas* data did not show significant change in either net enrolment repetition or dropout rates between 1997/98 and 1998/99. The junior secondary enrolment rates fell from 54.4% to 53.2% between 1997/98 and 1998/99 and then recovered in 1999/2000. The junior secondary dropout rate rose from 3.2% in 1996/97 to 6.0% in 1998/99, causing the proportion of 13-15 year old children in school (including children in primary school who were over-age) to fall from 73.4% to 72.3% over this period. *Depdiknas* data indicated that there were about 255,000 fewer children in school as a result of the crisis. *Depdiknas* data did not show a significant change in the proportion of students who attended private schools at each level or in the proportion of all schools that were private over the years of the crisis.

Table 2
Age-Specific Enrolment Ratios in Junior and Senior Secondary Age Group
by Quintile Expenditures

	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99
7–12 years (Primary School Age Group)	92,8	94,1	93,9	94,4	95,4	95,1	95,2
Poorest quintile	88,3	89,9	90,1	90,3	91,8	91,4	91,8
Richest quintile	98,1	98,6	98,3	98,5	98,8	98,9	99,1
13–15 years (Junior Secondary Age Group)	68,9	72,4	73,2	75,8	77,5	77,2	79,1
Poorest quintile	51,6	55,8	57,4	60,3	62,7	63,3	66,3
Richest quintile	89,3	89,3	91,0	91,9	92,3	92,9	92,8
16–18 years (Senior Secondary Age Group)	42,6	45,3	44,6	47,6	48,6	49,3	51,2
Poorest quintile	18,2	20,8	20,7	22,5	25,6	25,6	29,1
Richest quintile	69,5	71,3	70,3	74,2	72,9	75,4	75,0

Source: BPS, special tabulations from Susenas 1993-1999. For the years 1993-1998, taken from Oey-Gardiner, 2000.

100 Village Survey

The 100 Village Survey showed a rise in primary school level enrolment rates. At the junior secondary level enrolments fell in Java from 65.9% to 59.6% by August 1998, but returned to 63.2% by December 1998. This recovery may have resulted from a new provision allowing late enrolment. The eastern region of Indonesia also fell from 73.2% in 1997 to 70.6% in December 1998.

Special Surveys

The Ministry of National Education conducted two special surveys in 1999 that showed enrolment trends. The first survey showed little change in enrolments, however the second and larger survey showed enrolment declines at all school levels. Declining rates were largest in urban areas and were larger among students attending private schools than those attending public schools. However, this decline appeared to have begun

during the year before the crisis broke and may have been related to a prolonged drought in 1997.

Other Data Sources

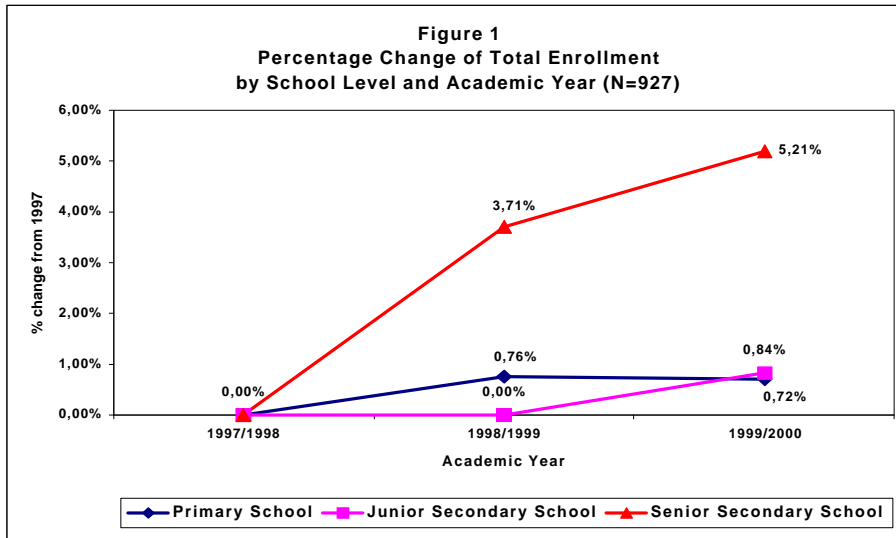
SMERU (a Social Monitoring and Early Response Unit) also conducted a study in four provinces that showed a rise in continuation rates at the primary school level over the 1999/2000 school year.

From this summary, it can be concluded that these sources of data showed no indication of marked declines in enrolment at either the primary or junior secondary school level during the 1999/2000 school year.

Findings from CIMU Data: Enrolment, Transition, and Dropout

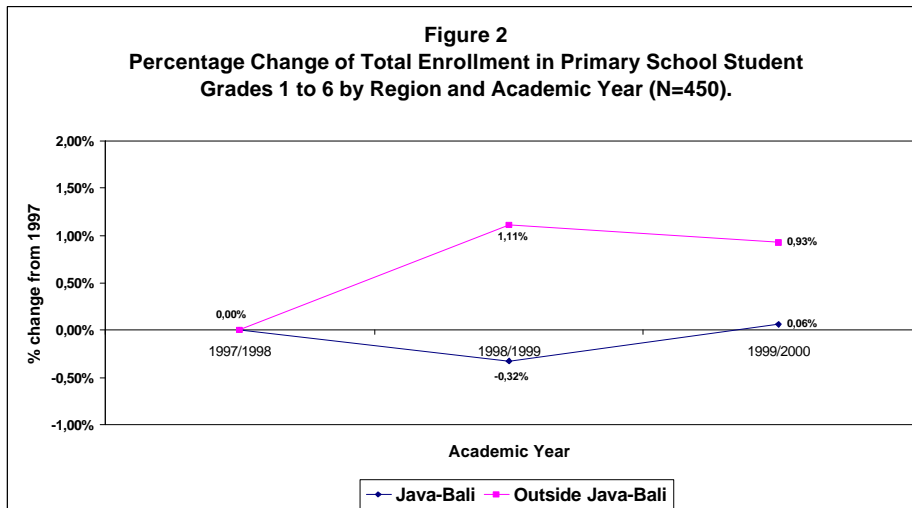
The second CIMU national survey found no discernable drop in primary and junior secondary enrolment over the first three academic years of economic crisis (academic years 1997/98, 1998/99 and 1999/2000). It is also apparent that enrolment increased overall in senior secondary schools.

Within the overall picture, however, some general trends are evident. During the crisis, total enrolments in primary schools did not fall but actually rose slightly less than 1% between 1997 and 1999. Total junior secondary enrolment was unaffected in the first year of the crisis, then rose slightly less than 1% by the 1999/2000 academic year. Total enrolment for senior secondary schools increased substantially during the crisis. By the 1999/2000 academic year total senior secondary enrolment rose 5.2% from its 1997/98 level (Figure 1).

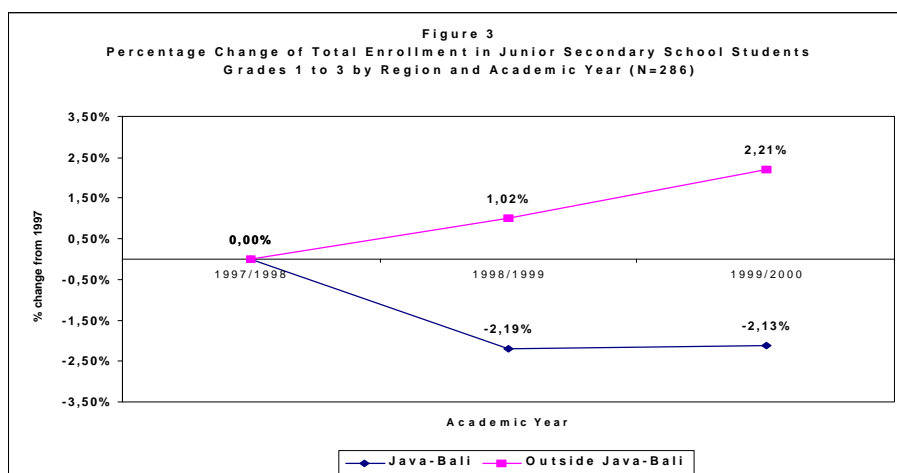


Enrolments in the more developed areas of Java and Bali have suffered somewhat while slight enrolment increases occurred outside that region. Within these broad groupings, the crisis seems to have affected school attendance in urban areas more than in rural ones. These findings seem to confirm that the effects of the economic crisis have been uneven throughout different parts of Indonesia. More developed areas, which include the Java and Bali region and urban areas, were hit harder by the crisis than less developed areas (agriculture dominated areas located at outside Java and rural areas).

The impact of the crisis on enrolment in primary schools (grades 1-6) does not differ markedly between the more developed region of Java and Bali and the rest of Indonesia. However, within Java and Bali, despite a continuous positive trend was found during the crisis the trend for grades 1-6 took a slight dip during the 1998/99 school year (Figure 2).

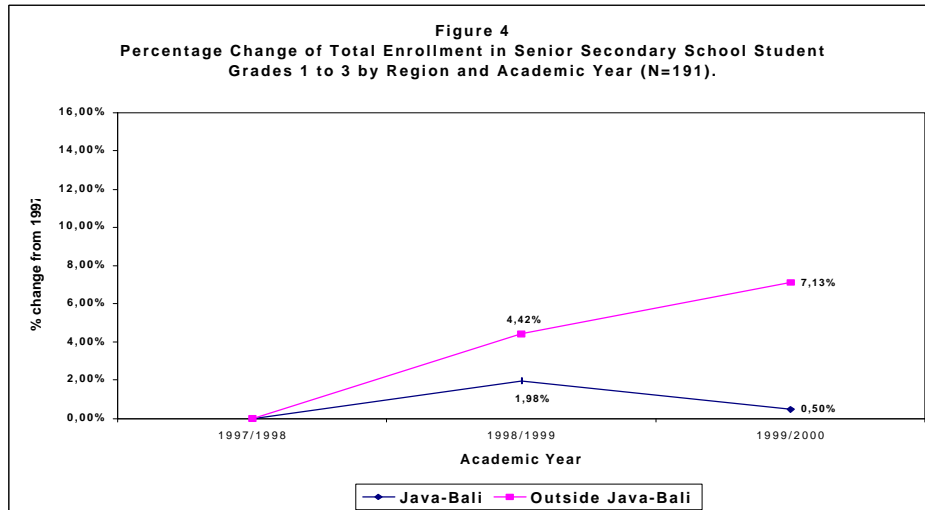


There is a regional difference between junior secondary enrolments within Java and Bali and enrolments outside of Java and Bali. In Java and Bali, the enrolment dropped substantially during the crisis, while the enrolment within the rest of Indonesia rose significantly (Figure 3).

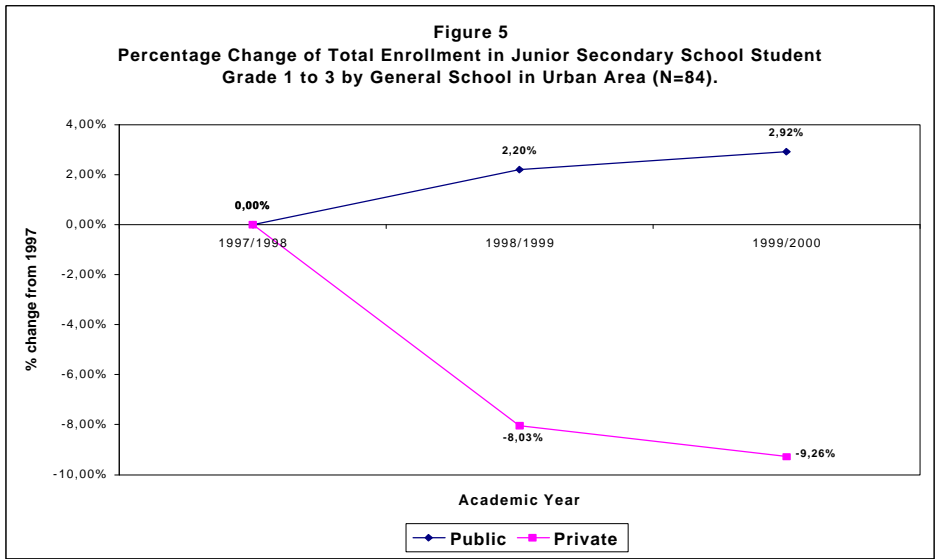


At the senior secondary level, enrolments within Java and Bali remained virtually the same while they increased substantially outside the region. During the first year of the crisis, enrolment in Java and Bali rose by almost 2.0% but in 1999, that figure fell to 0.5% above its 1997 level. By comparison, total enrolment outside of Java and Bali

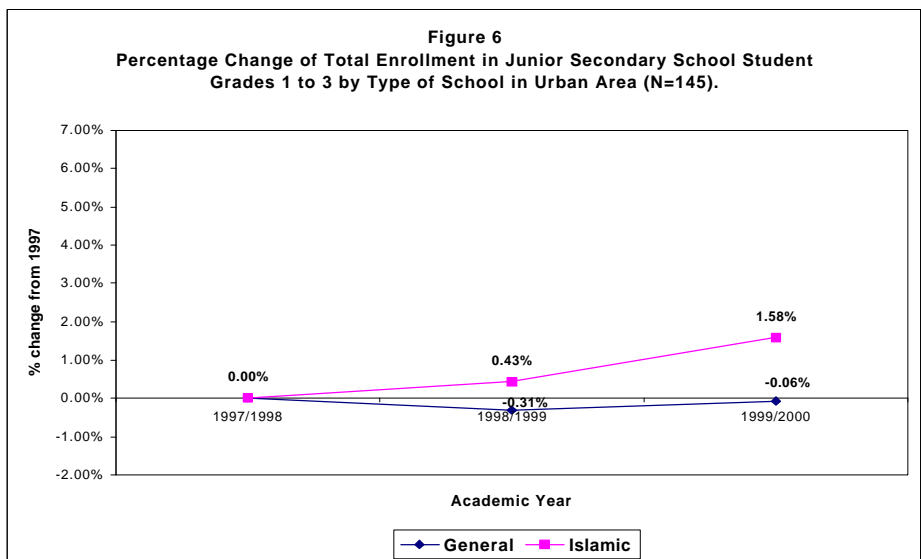
continued to rise during the crisis to end 7.1% higher in 1999 than its 1997 level (Figure 4).

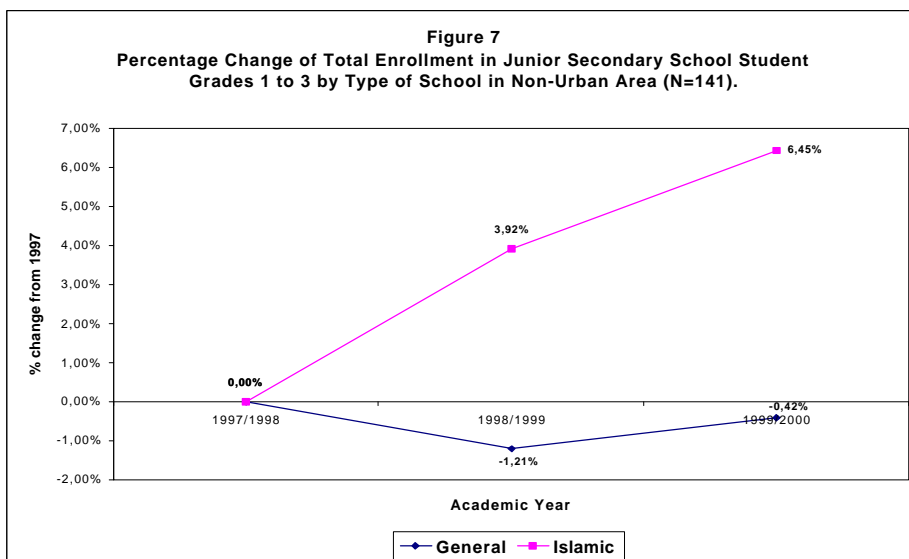


Enrolments at private schools appear to have dropped while the number of students enrolled in public schools rose. This is particularly true at the junior secondary level in urban areas. Private junior secondary enrolment in urban areas fell each year after the beginning of the crisis, 8.0% in 1998, then another 1.3% in 1999. Two years after the crisis began, private junior secondary enrolments in urban areas decreased 9.3% below the level of 1997. Meanwhile, public enrolments in urban areas rose by 2.2% in 1998 and by 0.7% in 1999, finishing some 2.9% above the level of 1997 (Figure 5). Loss of income during the crisis may cause parents to withdraw their children from expensive private schools and take them to public schools.



The survey data also suggest an increase in junior secondary enrolments in Islamic schools, particularly in rural areas. As can be seen in Figure 6 (urban area) and Figure 7 (non-urban area), the trend of enrolment between the general and Islamic schools at the junior secondary level is the same, but the magnitude of the trend is different. The percentage increase in enrolment in Islamic junior secondary located in non-urban areas is greater than the percentage increase in enrolment in Islamic junior secondary located in urban areas.





Migration from urban to rural areas may be one possible explanation for the apparent increase in enrolment in Islamic schools (particularly in non-urban areas). Declining employment opportunities in urban areas may have caused people who previously resided in urban areas and worked in sectors that were hardest hit by unemployment (construction, manufacturing, and to migrate to rural areas to seek informal agricultural jobs. Graeme Hugo, in his study on population mobility during the crisis, observed that population mobility turned out to be an important coping mechanism for people confronting the effects of the crisis.¹¹ In order to enable families to survive the loss of income resulting from the crisis, a range of permanent or non-permanent mobility modes have been adopted. The migrants who return to non-urban areas may send their children into Islamic schools in order to reduce their educational expenditures.

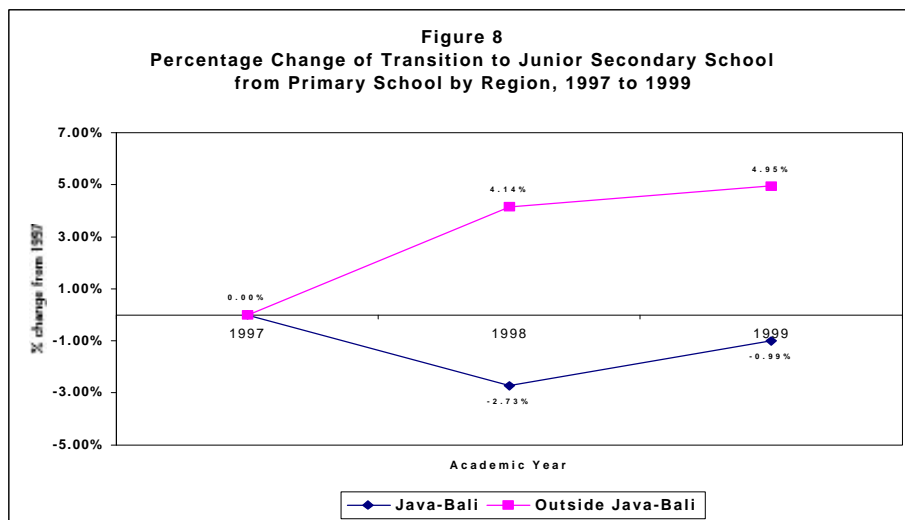
Transition Rates

The change of transition from primary to secondary education is also assessed in order to appreciate whether the crisis appears to be affecting first-year secondary enrolment. Transition from primary school to junior secondary school and from the latter to senior secondary is calculated by using first year enrolment data from a panel of junior and senior secondary schools as a proxy. First year enrolments are compared between 1997

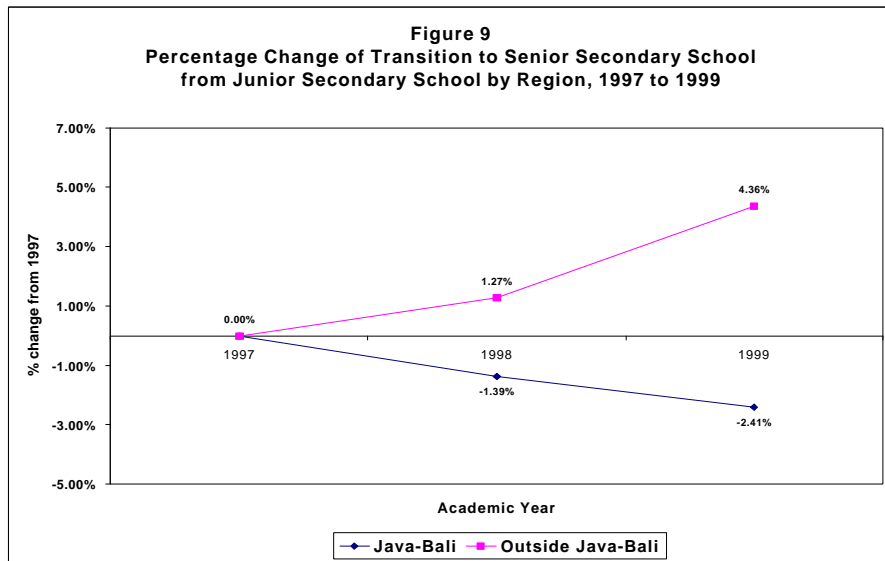
and 1998 and between 1998 and 1999. Since the survey could not cover all schools feeding into a higher level, this is only approximate.

Transition from primary to junior secondary school and from junior to senior secondary school appears to have increased slightly during the economic crisis. Within this overall picture, there was some regional variation.

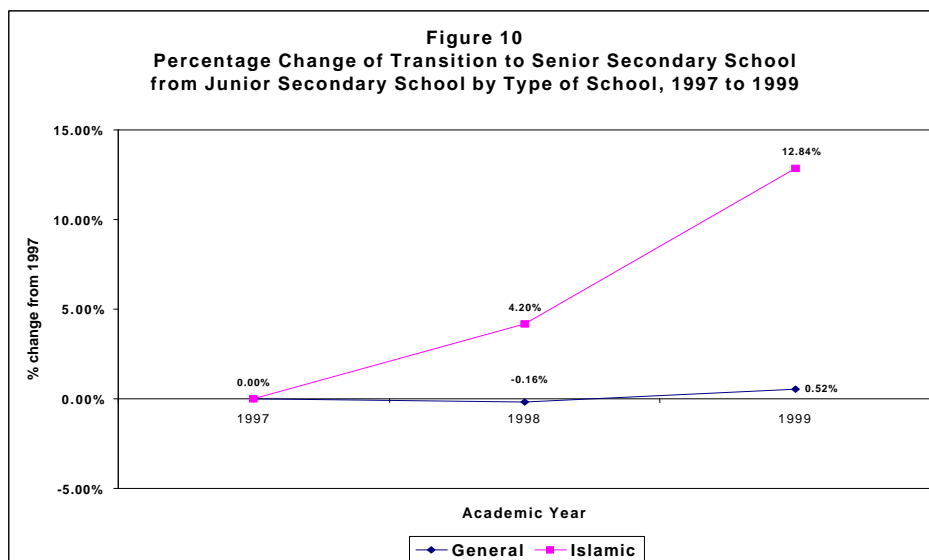
Taking the first year enrolments at both junior and senior secondary school levels as a proxy for transition, the rates at both key points fell in Java and Bali and rose in other parts of Indonesia.



As can be seen in Figure 8, the transition from primary school to junior secondary school in Java and Bali first fell substantially in 1998, then rebounded almost to its pre-crisis level. This trend, however, did not occur for the transition from junior secondary school to senior secondary school (Figure 9) with the tendency of further decreased over three years of crisis.

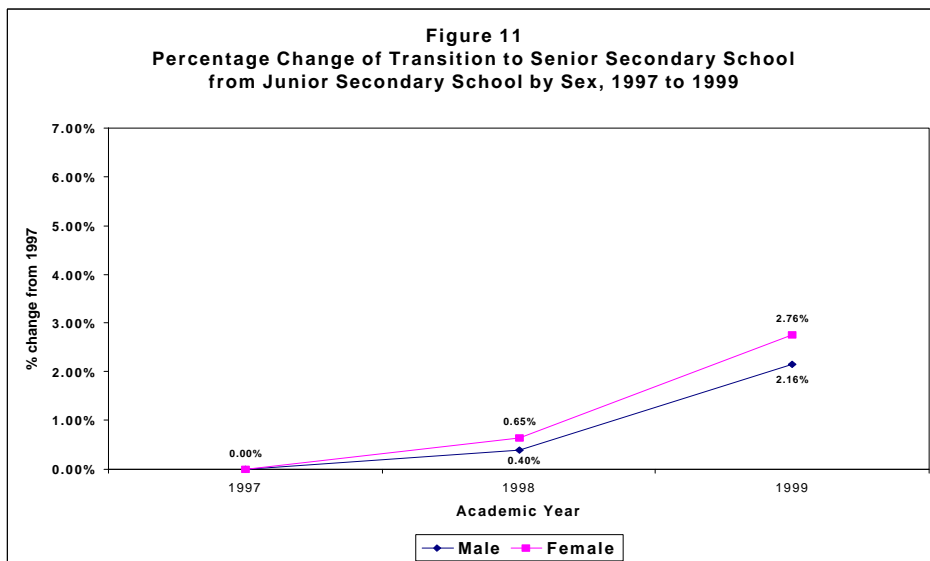


Transition rates to both junior and senior secondary schools were higher for Islamic schools than for general schools. This trend seems to follow the shift from general schools to Islamic schools (Figure 10).



The survey also found that the transition from primary to junior secondary school for boys in 1999 was 1.9% higher than in 1997, while it was 4.4% higher than two years earlier for the girls. Thus, the discrepancy of the transition between boys and girls in 1999 was 2.5 percentage points. This discrepancy was narrower for the

transition from junior secondary to senior secondary school, which varied by only 0.60 percentage points (Figure 11).



Dropout

The CIMU surveys found no evidence of increased dropout from the 1996/1997 to the 1998/1999 school year. Data on dropouts was obtained from head teachers within the sampled schools. This figure is difficult to acquire with any certainty, as the definition of a dropout can vary between head teachers. For example, in one school, a student who has left a sample school and moved to another town may be counted as a dropout even though the student may still continue their schooling in another school in their new town of residence. Head teachers are often reluctant to admit that students have dropped out from their schools. This paper will therefore not provide an analysis of dropout based on data originating from the CIMU national surveys. Qualitative research conducted by CIMU in some schools suggests that school dropout does not appear to have been a factor in the first year of the economic crisis.

The Contribution of SGP

The introduction of the Indonesian Scholarships and Grants Programme (SGP) should also be taken into account when assessing the impact of crisis on education. The SGP that began in June 1998 has distributed scholarships to roughly four million students and

grants (known as *Dana Bantuan Operasional* or DBO) to approximately 132,000 schools per year. The SGP now forms the basis of the education safety net, providing scholarships and grants to the poorest school children and schools.

Every district in Indonesia has received an allocation of both scholarships and block grants, the amount of which varies according to the “*Kabupaten* [district] poverty index”. While district committees decide allocations of SGP scholarship and grant recipients at the *kecamatan* (subdistrict) levels, subdistrict committees decide allocations of recipients at the *kecamatan* level. District committees select recipient junior and senior secondary schools, while the selection of recipient primary schools is made by subdistrict committees. Within each school, it is the school committee, lead by the head teacher that determines individual scholarship recipients.

In addition to scholarship funds, part of the DBO can also be used to pay for the school fees of needy students who did not receive scholarships. When the SGP was conceived, planners intended that schools would use DBO funds to maintain educational quality through the crisis. This would be achieved by spending funds on areas that would benefit the teaching and learning process or by using funds to support poor students who might otherwise dropout from school. A study on DBO usage conducted by CIMU found that at almost all school levels, the largest proportion of DBO funds (ranging from 31% in primary schools to 41% in junior secondary schools) was used to purchase consumable materials (stationary). However, some of the DBO funds were also used to waive formal and informal school charges for needy students, ranging from 12% in senior secondary school to 26% in junior secondary school.

The provision of scholarships certainly helps poor students pay for school fees, transportation and textbooks. However, the extent to which the SGP has contributed to sustained enrolments through the economic crisis is difficult to assess precisely, since it is only one of several factors that may have influenced enrolments.

It is difficult to isolate the effects of the SGP as several other factors may exert an independent influence on enrolments. These other influences should be taken into account when assessing the impact of SGP on enrolment. Other factors that may influence enrolments include:

- Students have not been forced out of school for not paying fees or for late payment of school fees. This phenomenon may be due to the impact of teachers who helped poor students who faced financial hardship during the crisis. It may also be influenced by whether the school retains the non or late-paying students because the school's survival depends on maintaining student numbers in the hope that with economic recovery the number of students who are able to pay for school fees will improve.
- There has been a wide scale campaign throughout out the country (the “*Aku Anak Sekolah*” campaign) which has emphasized the importance of keeping students in school. This may have raised parents’ awareness of the need to keep their children in school.
- School fees have not increased as dramatically as other costs of living.
- Traditional coping strategies, such as family networks and efforts to reduce unnecessary expenditures, may also have helped poor parents keep their children in school.
- The increase in enrolment, particularly at the senior secondary level, in both 1998 and 1999, may also have resulted from a loss of employment opportunities. Students who might normally have dropped out at this level in order to start working may have postponed the move either to wait out the crisis or to improve their marketability by continuing in school.
- The availability of scholarships from other sources such as from GNOTA, *beasiswa prestasi* (scholarships given on the basis of academic achievement), and from private companies or other sources, may have had some impact.

There was an indication of the occurrence of mistargeted scholarships. This might also mean that some of the scholarships went to children who were actually at lower risk of dropping out. There are several reasons why some scholarships were mis-targeted. Although some mis-targeting simply resulted from bad selection by committees, there were several structural reasons why scholarships may not have reached many of the most needy. Students who had already dropped out of school were not eligible to receive scholarships. Many of these were among the poorest and in need of financial assistance. The number of scholarships allocated to the primary level covered a smaller percentage of the needy student population than at the junior and senior secondary levels. Few students at the senior secondary level come from poor families. Primary schools however, tend to have a higher percentage of needy students than junior or senior secondary schools. The poorest students at the senior secondary level are generally better off than the poorest students at the primary and junior secondary levels. The proportion of scholarships allocated to each school level meant

that some junior and senior secondary recipients were not as needy as some primary school students who did not receive scholarships.

The SGP has made an important contribution of much needed resources at a time of economic hardship. Without this additional support, schools might have faced the possibility of raising fees higher than they did, enforcing payment of school fees and possibly even closing. As will be discussed in the next section, SGP funds have certainly played some part in mitigating the impact of the economic crisis on school incomes. CIMU studies have also revealed that SGP funds together with other sources of government funds have made a significant contribution to school incomes. The question of what will happen when these funds are no longer available to the schools that now rely on them for support in their day to day operations is very relevant. Recent visits by independent monitors to several schools reveal that few head teachers were aware that the SGP will end in June 2002.

School Income

Most comparisons of school income have been made for non-wage income, since individual schools control little or none of the salaries paid to regular teachers. This non-wage income is termed “disposable income”, meaning that the school can use it for overall operations.

For public schools, non-wage income is derived from both government funds and payments made by students’ parents. Student payments include students’ monthly school fees known as BP3, fees for extracurricular activities, and entrance fees (although entrance fees have been officially waived by the government, in practice, many schools still charge new students entrance fees). Government sources of non-wage income include routine operational funds and project-based funds, including DBO (the SGP block grant), deductions from SGP scholarships, OPF and DOP (non-routine operational funds).

For private schools the non-wage income is derived from the foundation (*yayasan*) and from school fees (*SPP*). In some cases, private schools rely solely on students’ monthly school fees and entrance fees. This is particularly true for smaller

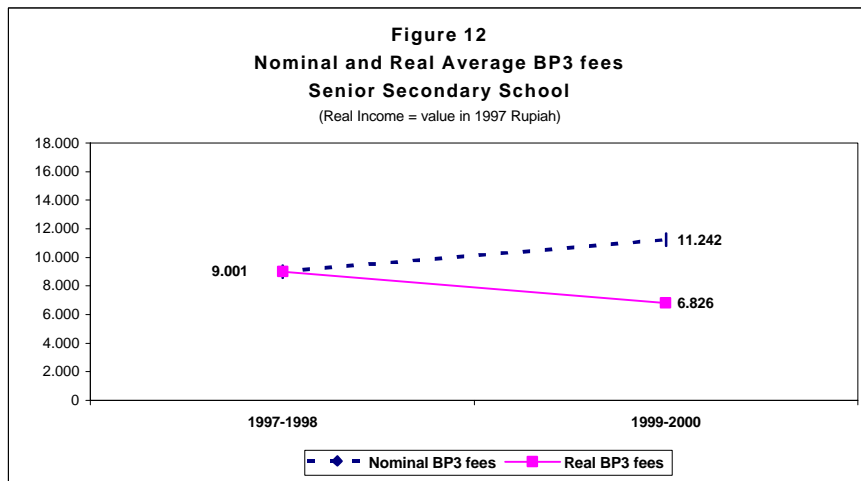
private schools. Private schools also derive non-wage income from government sources including DOP, DBO and deductions from SGP scholarships.

This section compares school income during the 1999/2000 school year with the situation two years earlier in 1997/98. School income in 1999/2000 is adjusted to compensate for high inflation during the crisis from a pre-crisis base in July 1997 to July 2000.

Data from CIMU's Second National Survey revealed that school incomes had fallen significantly in real terms since the start of the economic crisis. While nominal school incomes appeared to rise during the crisis in terms of the total amount of rupiah, this increase has not been large enough to compensate for losses caused by high inflation that have eroded purchasing power. Overall, schools' real incomes have declined by as much as one third from 1997 to 2000. Adjusting for inflation in the education sector (a figure provided by the Indonesian Central Statistical Board, BPS, which differs from overall inflation) reveals that school incomes from both government and parental sources have declined significantly in real terms. Income derived from BP3/SPP fees and from routine operating funds, together constituting nearly half of school income overall, fell in real terms by about 27% between 1997 and 2000.

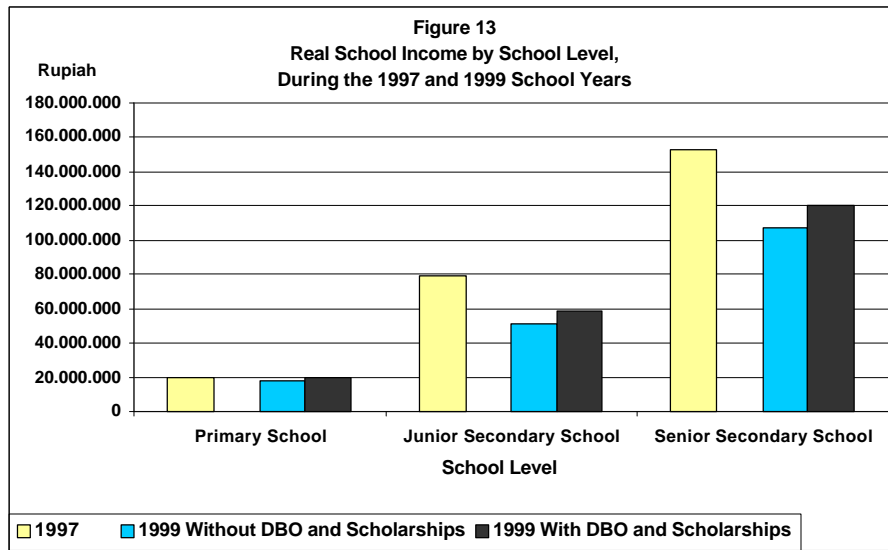
The survey found that wages and fringe benefits for teachers and non-teaching personnel in 1999-2000 constituted 55.2% of all school income for all schools combined. In 1997-1998, wages and other benefits were a slightly smaller 52.9% of income to schools. BP3 fees (or SPP in private schools) were the major source of school income derived from students and were equal to 21.3% of non-wage income (or 9.6% of all income) in 1999-2000. In the first year of the crisis (1997-1998), BP3/SPP represented 22.9% of non-wage income (or 10.8% of income counting wages).

Although BP3/SPP fees rose in nominal terms between 1997 and 2000, their real value fell from one-fifth to one-quarter. For example, average monthly BP3 fees in senior secondary schools rose in nominal terms from Rp.9,001 in 1997-98, to Rp.10,055 in 1998-99, to Rp.11,242 in 1999-2000. From the 1997-1998 to the 1999-2000 academic years, this constitutes a nominal rise of 24.9%. In real terms, however, when adjusted for inflation in the education sector, there has been a fall in the monthly BP3 fee of 24.2% (Figure 12).



The proportion of students paying BP3/SPP fees at all school levels did not vary significantly during the three school years from 1997 to 2000. The proportion was remaining at a steady of 84% for primary school, 92% for junior secondary school, and 93% for senior secondary school students. Although it is not known to what degree payment rates would have fallen without the SGP, it is reasonable to assume that the SGP were compensating the fall in number and proportion of students paying BP3/SPP. However, in addition to the SGP, other possible sources of funding to enable the students (especially those comes from poor families who were unable to obtain SGP scholarships) to pay for the fees include scholarships from other avenues and traditional coping mechanisms.

In short, though the SGP did not fully mitigate the impacts of inflation following the crisis, in some extent the SGP has made up some loss of school income that resulted from high inflation (Figure 13).



As can be seen in Figure 13, without DBO and scholarship deductions, primary schools at the end of the 1999-2000 school year would have suffered a loss of 12.5% of their disposable (non-wage) income over the previous three years. SGP funds, together with the assistance that schools receive from DOP (a special government allotment to primary schools that introduced in 1999), have brought real primary incomes nearly back to their pre-crisis levels. The situation, however, would have been far worse at the junior and senior secondary levels. Without contributions from the SGP, these junior and senior secondary schools would have lost 34.9% and 29.5% of the value of their 1997-98 income, respectively. Even with SGP assistance, junior and senior secondary schools have suffered a significant loss of income from 1997 to 2000. In order to compensate fully for the effects of inflation on real incomes, in 1999/2000 the contribution of DBO and scholarships to school incomes should have been three to four times higher at the junior and senior secondary levels.

These findings have implications for the future of school funding. If parental contributions remain at their present level and grants alone are used to fund school incomes, grant funding levels would need to be significantly higher than current DBO levels to restore school incomes to pre-crisis levels. If, in the future, school funding is to be provided by grants only, such grants will need to be seven times larger than the current level of DBO per senior secondary school and eleven times higher than the

current level of DBO per junior secondary school. An alternative solution would be to increase parental contributions significantly. Such a move may have severe social and political implications.

Maintaining the Quality of Education

There is a lack of useful data on educational outputs in Indonesia. Test scores (from Cawu and EBTANAS test scores) provide unreliable indicators of student attainment, which made it necessary to rely on input measures for research into the impact of the crisis on educational quality. For this reason, CIMU used school income and expenditure as a proxy for educational quality.

Since school incomes are a critical component of school quality, falling incomes raise fears that school quality might also decline. Although there is little consensus on the measures of educational quality, continued reductions of financial resources caused by inflation will almost certainly have an adverse effect. The physical condition of schools, particularly classrooms, is certainly one element of school quality. The number and variety of extracurricular activities offered by schools can also be used as a school quality indicator.

Spending on classroom repairs climbed in real terms between 1997 and 2000 at the primary level, while it fell substantially at the secondary level. This parallels the pattern of school income losses where junior and senior secondary schools suffered most.

Reductions and cancellations of extracurricular activities between 1997 and 2000 do not appear significant at the primary level, but there are indications of the beginning of a decline at higher levels. While it is too early to tell, this may be related to a sustained real income loss at these levels.

Even though there have been significant and successful efforts to build new schools and increase student enrolments, these have not always been accompanied by improvements in educational quality. For example, despite the wide spread implementation of the *SD Inpres* programme throughout the country, gaps in educational quality persist between urban and rural areas, and also between Java and regions outside of Java.

Other studies attempting to determine some measure of educational quality have shown indications that the compulsory education programme seems to focus only on increasing the numbers of students, and not on improving educational performance or on raising standards. An estimated 0.23% of all public and private primary schools meet the criteria for category A classification (the highest of five categories), while only 2.89% of junior secondary schools meet the criteria for category B.¹²

Other studies look at the quality of basic education as an important issue that will influence the capacity of students to continue with further education and to enter the labour market. Studies have revealed that graduates are leaving the basic education system with low levels of competencies in achieving basic standards and are therefore not adequately prepared for post-basic education and for a lifetime of learning and employment.¹³

Maintaining the quality of education is a costly endeavor that requires expenditures on good textbooks, equipment, teaching materials, and on teacher training and compensation. Based on estimated levels of public spending on education in Indonesia, the poor quality of education appears to be linked to inadequate spending on education.¹⁴ A sustained improvement in quality can only be achieved with a much greater commitment of government funding.

Conclusions

The economic crisis has had different impacts on education from those expected. On the whole, schools have remained open and enrolments have been maintained, although there have been regional variations reflecting the severity of the crisis in different parts of the country. The anticipated increase in dropouts has not happened. School incomes, however, have suffered from the cumulative effects of price inflation during the period. This was not anticipated or at least was not in the government's top list of concerns when the economic crisis broke.

Attempts made to maintain spending on education, principally through the Scholarships and Grants Programme and other interventions, such as DOP, have contributed to the closing the funding gap. A large number of schools have benefited. Some have been able to cover as much as 40% of their non-salary expenditure from the

Dana Bantuan Operasional (DBO) and money recovered from scholarships. They have not been forced to raise school fees to levels that might result in high levels of dropout. Operational expenditure has been subsidized. This form of funding is, however, temporary. SGP is set to decline from 2001 and will be phased out completely in 2003. Other sources of funding, such as DOP, will also disappear. A question may arise as to how the schools will maintain their income once the SGP and other funds stop.

The situation is further complicated by uncertainties over the levels of future school funding and channeling mechanisms as a consequence of the decentralization of education governance. The true effects of the economic crisis on education may well have been muted by the measures taken by the government. They may have simply stored up problems for the future.

NOTES

1. The authors are consultants to the Central Independent Monitoring Unit (CIMU) of the Indonesian Scholarships and Grants Programme (SGP) in Jakarta. The SGP is one component of the Indonesian Social Safety Net. The programme is funded by the government of Indonesia, the World Bank and the Asian Development Bank. CIMU is funded largely by a grant from AusAID. The findings and views expressed in this document do not necessarily reflect those of the Government of Indonesia, the donors who have contributed to this programme, or CIMU.
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