

Higher Education Finance and Cost-Sharing in Indonesia

I. A Brief Description of Indonesia's Higher Education

Indonesia consists of 17,000 islands. It has a population of 241,973,879 (2005) that comprises about 3,000 ethnic groups (Javanese 45 percent, Sundanese 14 percent, Madurese 7.5 percent, coastal Malays 7.5 percent, other 26 percent) (U.S. Census Bureau, 2005). The majority of the population is Muslim (88 percent). (CIA, 2005) It gained its independence from the Netherlands in 1945, after 350 years of colonization. Bahasa Indonesia is its official language.

In terms of purchasing power parity gross national income per capita in 2004, Indonesia (\$3,500) falls between low-income and lower-middle-income countries. Its unemployment in 2004 stood at 9.2 percent, close to the high-income countries' average. Its GDP grew by 4.9% in 2004. (CIA, 2005)

Public expenditure

Indonesia's expenditure on education as a percentage of GDP is far lower (1.3 percent), than the average of 3.1 percent for low-income countries. The low investment in education is also observed in relation to its percentage of public expenditure on education as a percentage of total government expenditure (9.6 percent), which is a very low rate, compared with India's 12.7 percent, Malaysia's 25.2 percent, or Thailand's 28.3 percent. In 2001, its public expenditure on higher education as a percentage of the education budget was 18.9 percent. (UNESCO, 2003)

Enrolment

Higher education in Indonesia was started in the end of 19th century with the establishment of medical education for indigenous doctors in Jakarta. Since independence, higher education has experienced dramatic growth, particularly after the Education Act in 1961 was enacted. In 1950, there were 10 institutions of higher learning, with a total of 6,500 students. In 1970, there were 450 private and state institutions enrolling 237,000 students, and by 1990 this had grown to 900 institutions with nearly 1,486,000 students. In 1995, there were 853,000 students in 52 public universities, 1,450,000 in 1,228 private universities, and 279,000 in public and 68,000 in private Islamic institutions of higher education. Over the 1990-1996 period, total enrolment in public universities doubled, while enrolments in private universities rose by one third. (Quality Education for All Young People, 2004) Currently, the higher education system in Indonesia comprises close to 2,600 higher education institutions including 82 public institutions. (Djanali, 2005)

However, inequity in access to higher education by region and income level is evident. The enrolment rate in rural areas is less than half of that in urban areas. Enrolment in higher education among the low-income population is only 20 percent of that among the high-income population.

Table 1
Enrolment of 19 - 24 year olds in higher education by region and income level

	High income	Middle income	Low income	Mean
Urban	33.5	14.2	6.9	18.2
Rural	14.2	6.0	2.7	7.6
Mean	23.9	10	4.8	

Source: Susenas (National Social and Economic Survey, Indonesia), 2003.

Institutions

The higher education sector in Indonesia is very diverse, with separate groups of institutions:

- Universities, both private and public, which are recognized by the Ministry of Education and Culture;
- Institutes and teacher training institutes (Institut Keguruan dan Ilmu Pendidikan or IKIPs) that rank as universities with full degree-granting status;
- Islamic institutes, which have the same rank as universities but come under the Ministry of Religious Affairs;
- Schools (Sekolah Tinggi), both public and private, which offer academic and professional university-level education in one particular discipline;
- Single-faculty academies which offer Diploma/Certificate technician-level courses at public and private levels;
- Polytechnics, which are attached to universities and provide sub-degree junior technician training.

The Ministry of Education and Culture, through the Directorate General of Higher Education, exercises authority over both state and private institutions.

Approximately 80 to 90 percent of public university budgets are financed by the government. Private universities are operated by foundations. Unlike state universities, private institutions have budgets that are almost entirely tuition driven. Each student negotiates a one-time registration fee - which could be quite high - at the time of entry. If a university had a religious affiliation, some of its costs are covered by donations or grants from international religious organizations. The government provides only limited support (do we have any stats) for private universities. (Operations Evaluation Department, 2005)

Stages of studies

There are three types of studies:

- Non-university level post-secondary studies (technical/vocational type):
 - Higher technical/vocational education is offered by Akademi, which are single-faculty academies which confer Diploma level qualifications (up to three years' study) and by Polytechnics, which also confer Diplomas. Diploma programs are considered to be professional rather than academic.
- University level studies:
 - University level first stage: Sarjana (S1) is awarded after four years of

full-time study at a recognized university, institute or school. Students must obtain 144 credits.

- University level second stage: Magister (S2) is awarded after a further two years' study plus research. Some 36-50 credits beyond S1 are required to graduate.
 - University level third stage: Doktor (S3) takes another three to four years beyond the Magister. The Doktor degree is the highest award conferred by Indonesian universities or institutes.
- Teacher education:
- Training of pre-primary and primary/basic school teachers: Primary school teachers are trained at IKIPs where they follow two-year courses leading to the award of a Diploma.
 - Training of secondary school teachers: Junior secondary school teachers are trained at post-secondary level in two-year programs at IKIPs leading to the award of a Diploma. Both Diplomas (DII, DIII) and Degrees (SI, SII, and SIII) are conferred to IKIP graduates.

Financing Higher Education

Currently the government support for higher education is provided for by the DIP (development budget) and DIK (routine budget) (Brodjonegoro, 2002). Of the 17 projects under the Higher Education Development Program, five are general projects. The largest is the Higher Education Improvement Project that furnishes development funds to public universities and consumes about 80 percent of total Program funds. The other general projects provide money for (a) advanced schools (*sekolah tinggi*) and academies, (b) support to private universities, and (c) scholarships and student aid. Eleven projects are specific to a particular mission, such as those to support accountancy education and marine science.

Public higher education is unique within public supported education in that it has much larger amounts of discretionary money accumulated from self-generated funds. Public universities or entities within a university have the ability to raise their own funds through a number of sources, including:

- Special fees, with students regularly charged additional costs beyond regular tuition.
- Special projects, frequently in conjunction with foreign universities.
- Publishing textbooks or student guide to textbooks.
- Contract research projects, often through a university or faculty-related research institute.
- Selling services of staff members.
- Teaching special courses off-budget at the diploma or graduate level.

University Autonomy

In 1999, legislation was introduced in Indonesia that significantly increased the academic and financial autonomy of universities and formed the underpinnings of the Basic Framework for Higher Education Development, KPPTJP IV (2003-2010). Under

this framework, four of the top public universities (serving as guides for other universities) are being transformed from government service units reporting to the Ministry of Education to state-owned and autonomous legal entities (Badan Hukurn Milik Negara – BHMN) with their own boards of trustees.

As part of this autonomy, universities may now collect tuition fees directly from the students and may set their own tuition fee levels (previously set by the central government). They are expected, however, to come up with institutional student financial assistance schemes and to work closely with the government to target various groups of disadvantaged students that should receive government scholarships covering living costs and tuition. The government is also creating a student loan program and a voucher program for disadvantaged students that would cover their tuition costs.

II. Estimated Expenses of Higher Education

Higher Education Expenses Borne by Parents and Students First Degree, Academic Year 2004-2005 [National currency (Rupiah) converted to US\$ by [2004] purchasing power parity estimate \$1 = Rp2,255]

		<i>Public</i>		<i>Private</i>
		<i>Low Public</i>	<i>High Public</i>	<i>High Private</i>
	Special "One-Time" or "Up Front" Fees			
<i>Instructional Expenses</i>	Tuition	Rp300,000 [\$133]	Rp1,000,000 [\$443]	Rp4,000,000Rp [\$1,773]
	Other Fees			
	Books & Other Educational Expenses	Rp900,000 [\$400]	Rp1,350,000 [\$598]	Rp2,250,000 [\$997]
	Subtotal Expenses of Instruction	Rp1,200,000 [\$532]	Rp2,350,000 [\$1,042]	Rp6,250,000 [\$2,770]
<i>Student Living Expenses</i>	Lodging	Rp900,000 [\$400]	Rp9,000,000 [\$3,990]	Rp10,800,000 [\$4,790]
	Food	Rp3,600,000 [\$1,596]	Rp6,300,000 [\$2,793]	Rp8,100,000 [\$3,592]
	Transportation	Rp315,000 [\$140]	Rp450,000 [\$200]	Rp2,250,000 [\$997]
	Other Personal Expenses	Rp800,000 [\$354]	Rp2,700,000 [\$1,197]	Rp3,600,000 [\$1,596]
	Subtotal Expenses of Student Living	Rp5,615,000 [\$2,490]	Rp18,450,000 [\$8,180]	Rp24,750,000 [\$10,975]
	Total Cost to Parent & Student	Rp6,815,000 [\$3,022]	Rp20,800,000 [\$9,223]	Rp31,000,000 [\$13,747]

Low Public: low public tuition, living at home with parents.

High Public: high public tuition, living "independent adult."

High Private: high private tuition, living in dormitory or shared apartment.

Source: Collected from websites of Indonesia universities, 2005

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