HIGHER EDUCATION REFORM IN INDONESIA

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Abstract

Globalization's risks of inequality are likely to be greatest in the next decade, as developing countries undergo the difficult transition to more competitive, transparent, and rule based market systems. During the transition, a focus on minimizing and managing inequality and on market game as nearly as possible fair, should be highlighted.

Probably the best single vaccine against the worst effects of globalization-provoked inequality is education : the more there is of it, the lower the inequality of real total wealth in the long run. Unfortunately one price of high current inequality is the greater difficulty of delivering good education to the currently less well off, and thus the risk of inequality persisting into the future.

Higher education could not be excluded from the above mentioned concern and therefore it is necessary for the higher education institutions to develop institutional credibility through restructuring the nation wide system as well as the university system. The system should be accountable to the public, demonstrated by high efficiency of its operation, quality and relevance of its outputs, and an internal management that is publicly transparent and comply with the acceptable standard of quality. The higher education program should be responsive and adaptive to the current challenges and therefore it is necessary to introduce a concept as the new strategy called the new paradigm.

The implementation of the concept, which relies on merit based tiered competition, user participation in planning, transparency, democracy, and higher accountability, has been chosen as best suited strategy for higher education. There are several programs conducted in Indonesia namely Development of Undergraduate Education (DUE), Quality of Undergraduate Education (QUE) and Technological and Professional Skills Development (TPSD). All those programs focus on improving the quality and efficiency of higher education through competitive development grants. Institutions write development proposals

based on the results of self-evaluation which is prepared according to explicit standard and expectations.

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INTRODUCTION

Developing economies must remove the very elements that cause them to be "developing" i.e. they need better infrastructure, more human capital, adherence to the rule of law and so on in order to be able to attract from domestic as well as foreign investors the new capital required to finance inequality-reducing growth. In many developing countries, education is still a vehicle that reinforces rather than compensates for initial differences across households in income and wealth. In a vicious circle, inequality can constrain effective demand of poor households and generate resistance of rich households to use the public funds to finance effective basis schooling : the resulting inferior schooling of the poor then feeds another generation of destructive inequality.

Education policy should be constructed to ensure that schools work for the poor. If macroeconomic equilibrium requires high interest rates, temporary measures to ensure equal credit access for small and micro enterprises may be warranted. It is expected that effective public education should be ensured on which the poor so heavily depend if they are to join in the benefits of a market economy. This will also slash subsidies enjoyed by the rich.

IMPACT OF THE CRISIS ON HIGHER EDUCATION

Higher education is a fairly developed and fast expanding sector especially in East Asia. Higher education has a lot of stake in these countries since their economies are export based and export sector requires skilled labor for its operations. In the recent years, the production has become knowledge-based and hence the demand for highly qualified professionals has increased. Moreover, competitiveness in the international market depends on the quality of the labor force. Equally important is the fact that there is a pressure on the system to provide

quality education. Even when there is a crisis, export being the sector that makes or breaks these economies, the emphasis on education should continue.

Households respond to a crisis situation depending upon the effects and substitution possibilities during the crisis period. A loss of employment will have an immediate income reduction and it may lead to a reduced quantity of purchases of the same basket of items of consumption or to a substitution of those with items of consumption whose prices have gone down and/or with poor quality items whose prices are low. Some households tend to consume less of everything while incomes are falling; certain households substitute dear items with inferior items (income effect); and still some reallocate the family budgets to keep consumption of certain items at the cost of other items. For example, if education belongs to an item of priority investment by the household, the households will readjust the budgets to protect expenditure on education.

In countries where the private and public provide similar facilities, public provision may be subsidized while private provision may be full priced. During periods of increasing income people shift from public to private provisions, if quality of provision and customer services are better in that sector. A corollary of that is a person shifting from full-priced private system to subsidized private systems during a crisis period, if the quality of public provisions is not very bad. Such substitution have taken place in the case of education and health. Consequently, demand for use of public education and health services expanded during the crisis period. In Indonesia people preferred a drop in health expenditure to dependence on public health facilities; the quality of public provision might have declined sharply after the budget cuts during the crisis periods.

In general the crisis has a negative impact on the household expenditure on health and education primarily due to reduced incomes. Households tend to continue to invest less in education partly due to the fact that they are more worried about survival than investment. Investments in human capital take a long time to give results, which the households can not cope with during periods of falling income. High income families depending on their paying capacities, retain children in the same schools and colleges or shift them to low cost private institutions or public universities if seats are available. The unfortunate situation is that the impact of crisis may be in terms of a budget cut which contributes to a decline in the quality of public services.

The public universities by definition are funded by the public exchequer. The crisis implies financial stringency for the government and hence it can be expected that allocations to all sectors including higher education may be declining during the crisis period. The budget cuts for the public universities are clearly visible in the case of Indonesia. This partly due to the shift in focus from higher to basic education and there was 56 per cent increase in allocations (in real terms) to primary education and a loss of 26 per cent in higher education.

During periods of economic crisis many parents shifted their children from high fee paying private colleges and universities to public universities. This has happened more in Indonesia and Korea where fees in private universities are very substantial. This has led to a decline in enrolment in private institutions. Some private institutions in Indonesia reduced fees to retain the students.

HIGHER EDUCATION RELEVANCE IN THE 21st CENTURY

The relevance of higher education in the 21st century begins from the changes that are taking place in the production of knowledge. The research practices of universities and industry, as well as other knowledge producers, are drawing closer together. All are now, in effect, actors in the knowledge business. The fact of globalization means that for each actor, the bulk of knowledge to which access is required will have been produced elsewhere. Over 90 per cent of the knowledge produced globally is not produced where its use is required. The challenge is how to get knowledge that may have been produced anywhere in the world to place where it can be used effectively in a particular problem-solving context.

Universities have been far more adept at producing knowledge than at drawing creatively (re-configuring) knowledge that is being produced in the distributed knowledge production system. It remains an open question at this time whether they can make the necessary institutional adjustments to become as competent in the latter as they have been in the former. This requires the creation of a cadre of knowledge workers -- people who are expert at configuring knowledge relevant to a wide range of contexts. The shift from knowledge production to knowledge configuration is a challenge that is particular acute for the universities of the developing world.

In order to operate efficiently, universities will need to be much reduced in size, and they will have to learn to make use of intellectual

resources that they do not fully control. This is the only way that they will be able to interact effectively with the distributed knowledge production system and with the progressive differentiation of supply and demand for specialized knowledge. Universities in the future will comprise a small core of faculty and a much larger periphery of experts of various kinds that are linked to universities in diverse ways. Universities will become a new type of "holding institution" in the field of knowledge production. Perhaps their role will be limited to accrediting teaching done primarily by others while, in research, playing their part by orchestrating problem-solving teams to work on fundamental issues.

Universities will play major roles not only in national but also, and increasingly, in regional economic development, in the delivery of life-long learning, and in the development of civic culture. In order to be effective in these spheres, the values of technology transfer will have to be brought from the periphery of universities, where they reside at the moment, to their core. Universities who are serious about playing a role in the complex game of technology interchange will enter into a complex array of partnerships, the dynamics of which will involve a combination of competition and collaboration.

Universities still enjoy a privileged place in the distributed knowledge production system, but existing structures are too inflexible to accommodate emerging modes of knowledge production or demands that a greater variety of "students" will make. Both students and staffs realize that their personal success lies in being able to find a niche in the emerging knowledge society. The problem is that in neither teaching nor research do the universities have this turf to themselves.

QUALITY CONTROL IN THE 21st CENTURY

Over the last twenty years, a new paradigm of the function of higher education in society has emerged. While universities still maintain their role as the "conscience of society", more pragmatic roles have been evolving over time: universities no longer pursue knowledge for its own sake, rather they provide qualified manpower and produce knowledge. With this new economically oriented paradigm, comes accountability. Higher education will be judged in terms of outputs and the contributions it makes to national development.

Criteria to assess the quality of the work and of the teams which carry out research in this new university will differ from those of more traditional, disciplinary science. In the past, quality was determined

through peer review. Control was maintained by careful selection of those judged competent to act as peers, which was in the part determined by their previous contributions to their discipline. In the new university additional criteria are added through the context of application which now incorporates a diverse range of intellectual interests as well as other social, economic or political ones.

> Quality assurance will be more complex as universities move to broaden the range of their knowledge missions. Until now, quality control in teaching and research has been exercised through essentially the same type of peer review system. Quality has been a matter for academics and academics alone. It has been up to them to determine when quality in both teaching and research has been achieved. Hybridization of the disciplinary structure is likely to continue to be the main mode of expansion in teaching provision in the future. If new research practices diffuse more widely throughout universities, entirely new assurance mechanisms will be necessary for the problem-oriented teaching that will accompany it. One can expect to see the development of new bench marking methodologies and the production of a range of bench marking studies across the higher education sector.

In the quality assurance processes which are now emerging, a much wider range of factors is being considered. Universities will not be able to insist on criteria which reflect their intellectual interests alone rather they will be one actor among several and the challenge for them will be to ensure that their legitimate interests survive the negotiation process.

FINANCE AND MANAGEMENT REFORM AGENDA

As a result of the massification and diversification of higher education, governments are progressively implementing a finance and management reform agenda : supplementing governmental revenues (in important part from those students and families who can pay), differentiating institutions, encouraging private sector initiatives, and loosening governmental regulations.

Significant progress in implementing this reform agenda is seen in the following. The costs of higher education are increasingly being shared with students and families via tuition and full cost recovery fees. Means-tested grants and student loans are available in many countries, and are on the public higher education policy agenda of many others. Private sectors

continue to grow where not prohibited by law, and cost-effective, market-responsive learning is occurring in these institutions, though often, or so it seems, of uneven quality. The financing of universities is taking into account measurable output indicators, and devolving expenditure authority to the universities.

> On the other hand, parts of the generally accepted reform agenda have progressed very unevenly. For example, public higher education sectors in most countries continue to have great difficulties restructuring and closing inefficient and outdated institutions. Means testing for the purpose of subsidizing selectively those students in greatest financial need has proven difficult in countries where tax compliance is uneven. Loans have not, in most cases, shifted cost burden from the government, or taxpayer, to the student, due mainly to insufficient interest rates, collections, and targeting upon students whose access depends on the loans. "Performance" and other new forms of public budgeting have been accompanied, in many instances, with unintended and sometimes unwanted consequences--like attempts to exaggerate any performance criteria in order to secure more resources. The quest for productivity and efficiency is dominated by cost side considerations rather than by outputs of learning—universities throughout the world continue to neither measure the learning added by the institution, nor to maximize learning in ways that have been proven to be effective. Finally in the devolution of authority between government and institutions there is a need for clarification of what authority and what operating decisions belong to institutions of higher education and which belong to the government.

There continues to be an open debate in most of the countries between the centralized and decentralized frameworks, the relative importance of the public and the private, about the role of the government, and the autonomy of the university. The challenge to public policy is in combining the efficiency and flexibility associated with diversification with the continuing responsibility of the governments with a view to guide, regulate and subsidize. The main aim of such guidance and reforms being the provision of minimal standards of quality and consumer protection, appropriate academic coverage for the needs of economy and society, and assurance of access for those of high ability and motivation, from families otherwise unable to pay.

NATIONAL STRATEGY IN INDONESIAN HIGHER EDUCATION

The New Paradigm

A university in Indonesia carries out certain functions in the society, which are education, research, and community service. The society, as the source of university funding, has the right to be informed on the quality of university's performance. In order to provide an objective information to the society, the National Accreditation Board (Badan Akreditasi Nasional or BAN-PT) was established in 1994. The accreditation process is conceptually not limited to activities carried out by the BAN-PT. It could also include benchmarking carried out by other national and international agencies, i.e. certification by professional associations. In addition to the external evaluation through accreditation, a widely accepted good practice in management is decision making based on facts, data, and information, that are gathered, processed, and presented through an evaluation process.

Quality, autonomy, accountability, accreditation, and evaluation, represent the five pillars of the new paradigm in higher education management. Different implementation schemes will be required for each level of management hierarchy, i.e. the central authority (Directorate General of Higher Education or DGHE), universities, academic units within each institution, and individuals.

The implementation of the concept includes granting an opportunity to the smallest unit to develop its own plan, implement the plan, and be responsible as well as accountable for that. Similar concepts have been implemented in the United Kingdom, Australia, New Zealand, and Canada. The most important feature of its implementation is the decentralization of management control away from the central authority to the individual institution. The implementation involved a new contractualism coupled with a new accountability and funding structures, a shift from input control to quantifiable output measures and performance targets.

The DGHE's long term strategy (KPPT-JP) has taken the implementation of the new paradigm as its core program. When the current strategy (KPPT-JP 1996 – 2005) was written, the concept was a new concept that needs an extensive piloting before it becomes a proven strategy. During the course of implementation, it turns out that the concept could become the best alternative to solve many problems arise

from the complex and multifaceted higher education system, and more importantly as a mean to prepare the universities in becoming a credible moral force.

Competition is an acknowledged central force in higher education and nurtured by many scholars. Under the new public management theory, the provision of educational services should be made contestable. It provides an opportunity for the beneficiaries not to be uniform, and relies mostly to the proposer ability to participate within a predetermined corridor. In order to accommodate a variety of stages of development, however, institutional maturity, geographical location, and specific disciplines, competition should be introduced in a tiered format.

The paradigm shift requires a tremendous structural change within the university governance, as well as the central government. The implementation is therefore carried out gradually beginning with a pilot project, called the DUE (Development for Undergraduate Education) Project, assisted by the World Bank in 1996. The introduction of the new paradigm concept for institutional development, which is relatively loosely related with research, had to overcome significant resistance at the beginning. The common argument was that the previous experiments were only limited to the best universities, which are more prepared to participate in competition. The experiment is not expandable to include less established institutions. Therefore the project chose to begin with the least established universities which had not received significant input in the last 5 to 10 years.

After the experience in DUE Project, the same team began the preparation activities for QUE (Quality for Undergraduate Education). It is basically a free competition and offered to all study programs, including those in the private institutions. In the private sector, only programs in mechanical engineering, chemical engineering, civil engineering, electrical engineering, biology, mathematics, chemistry, physics are eligible to compete. Since the QUE is a free competition, only the best will be selected and merit is taken as the most important criteria. Although the QUE is targeted to the best population, proposal development in many cases is still a crucial problem. Years of input based investment projects have considerably affected the ability to focus on outputs and outcome. The capacity to conduct proper self-assessment and draw an appropriate conclusion from it, and develop a program to remedy the weaknesses is in most cases lacking.

In the fiscal year of 1999/2000 the government is introducing a similar scheme to a fully funded government project by opening a tiered competition for a fraction of the government budget, under a project called "DUE-Like". In order to have an acceptable fairness of competition, public universities are grouped in 6 groups. The vertical grouping is done based on the institution's stage of development and previous level of investment, whereas horizontal grouping is done based on their specific disciplines.

In the fiscal year of 2001 the government initiates a similar scheme to the Asian Development Bank assisted project called Technological and Professional Skill Development (TPSD), which is conducted through a tiered competition. In order to have a fair competition, then public and private universities are in the separate group and also the universities with the most level of previous investment are excluded in the competition. Grouping is done also with regard to geographical locations and educational streams (vocational and academic). One additional feature is significant in this project, i.e. sustainability, in which it is compulsory for the winning institution to provide counterpart fund from its own revenue.

Piloting For University Autonomy

As mentioned earlier, universities are expected to play the role of a moral force in supporting the national development. Although financial management is one of the most important aspects that hinder universities to play the expected role, many other centralized control has also affected universities. The 4 most established universities, University of Indonesia (UI), Bogor Institute of Agriculture (IPB), Gadjah Mada University (UGM) and Bandung Institute of Technology (ITB), have all the reputation and potential to become the moral force that the government has invited them to submit a plan for autonomy. It is realized that implementing the new public management theory will be much more difficult and complex in these universities. Establishing a new university must be much easier and simpler, however, the objective of the structural adjustment is not merely a structural adjustment. It has a much larger mandate : preparing them to become a moral force.

The critical success factor in achieving this accountability is a change of the university legal status. Currently public universities were established as a government service unit under the Ministry of National Education (MONE) by a Presidential Decree, whereas their counterpart in other country were established as a legal entity, e.g. in the USA by the state's constitution or legislature, in the UK by the Queen's act. Probably

Japan is the only developed country without such status for its universities. As a government service unit, a public university has limited autonomy and has to comply with all prevailing regulations applied for a government service unit, i.e. financial management (*Indische Comptabiliteit Wet* or ICW), personnel management (civil service), appointment of Rector, internal management and governance. As a government service unit, it is only accountable to the MONE instead of its stakeholders.

In July 1999 the government decreed the Government Regulation 61/1999 making it possible for public universities to change their legal status. Under the regulation, a public university should demonstrate its intention to change its status by submitting a plan for autonomy to the government. A set of criteria and procedure is defined by a MONE's decree. Only those who meet the criteria and procedure will be granted a new status by issuing a government regulation establishing the university as a separate legal entity. Under the prevailing law, the government has the mandate to establish a new state owned legal entity by a government regulation separating its asset (excluding land) from the government's asset.

The learning experience is not only applied to the piloted universities, but it should be equally important for the government. Since a university as a separate legal entity has never been existed before, the MONE, Ministry of Finance, and other government institutions are equally inexperience in implementing this initiative. It is understandable, therefore, that many government officials has different interpretation of its motivating factors. Some still think that changing the university status is an act of "privatization" instead of "corporatization" that government subsidy will be gradually reduced. The government decides to provide a block grant budget allocation to the universities and this demonstrates the whole-hearted commitment to the reform process.

In December 2000 the government issued the Government Regulation No. 152/2000, 153/2000, 154/2000, and 155/2000 for the establishment of University of Indonesia, Gadjah Mada University, Bogor Institute of Agriculture, and Bandung Institute of Technology as a state owned legal entity respectively. Each of the institutions will have a period of five year for a transition process to become fully acting as a state owned legal entity, since there are a number of things to be conducted such as transfer of assets (excluding land), transfer of personnel, establishment of the necessary apparatus within the institution, development of control system, development of a new

budgeting system, and many others. There will be no point of return for those institutions once they are in the new status.

Structural Adjustment

In Indonesia, university autonomy is mostly discussed within the context of government role in providing funding and program license, whereas the meaning of accountability is commonly limited to financial auditability. Although those aspects are critical, there are many other aspects should be considered as not less in its importance, even more fundamental, i.e. the government control over staffs through civil service, centralized planning, lack of involvement of stakeholders in university governance, and perhaps the most fundamental is the fading moral ground.

The government through the DGHE will not directly involve in implementing policy directions, instead it could act as a mediator through various peer organizations, e.g. Board of Higher Education, National Accreditation Board, as well as other professional associations and organizations. As a mediator, the government could protect the public welfare and fulfill its constitutional responsibility by providing various schemes of subsidy and investment. The provision of funding could also use to protect national interests, implement policies to encourage universities to enrich culture, social life, and critical citizenship, to produce highly skilled manpower, generate knowledge, and promote educated citizenry.

In order to balance the government role in demanding accountability to the universities, universities should also be granted sufficient level of autonomy, i.e. university autonomy and academic freedom. In many cases, as in the case of the current Indonesia, universities are also requested to play a role as a moral force in corrective policies, i.e. restoration of moral and basic value in the society.

In the context of contemporary higher education in Indonesia, the major issue in autonomy is the management of its resources and programs. Due to its legal status, public universities have to comply with the ICW Law and Civil Service Law, which are inappropriate and inapplicable for higher education institutions. As for private universities, the foundation's over-control over university management has created similar problems.

Under the Government Regulation 61/1999 the university will consist of, among others, the Board of Trustees, Academic Senate, Audit

Board, Rector & Vice Rectors, etc. The Board of Trustees will have a central role since it will be responsible to appoint the Rector and oversee his/her performance, and only through this Board the government can involve in the university governance. The Academic Senate will comprise only elected staff (including professors) as members, and become more of a body representing various internal stakeholders within the university. In order to provide a liberty to design the internal mechanism that best suited the university unique needs, the Government Regulation 61/1999 does not provide a guideline for internal governance other than the aforementioned structure. The internal governance within individual university should, however, also adopt the spirit of democracy, participation, transparency, and public accountability.

Funding Mechanism

Funding of higher education system is a very crucial issue around the world since it mingles with many other aspects far beyond the education sector, practical as well as philosophical. Even in the industrialized countries, which can already afford to allocate higher proportion of government budget to higher education, the government funding mechanism is always the target of many critics. As the political economics shifts globally from the concept of welfare state to national competitiveness and wealth creation, funding available to higher education in these countries for discretionary activities is constricting. The distinction between knowledge and commodity has narrowed, and higher education is increasingly demanded to directly contribute to the national development. In developing countries such Indonesia, limited government budget should be first allocated to support the primary and secondary education due to their higher social impacts and benefits and their inclusion in the human rights. In this regard, funding mechanism critically affects the higher education direction.

Currently the government support for higher education is provided in the DIP (development budget) and DIK (routine budget). The government appropriation is particularly provided in the form which currently comprise budget for personnel and is rigidly line itemized. With the shifted government role from supervisory and regulatory body toward more as a funding agency in the future, the government funding mechanism should also be significantly affected. It should adopt the block grant or block funding mechanism which is defined based on output or the number of graduates produced instead of based on the student enrollment.

Setting the tuition rate in universities, particularly for the regular program, could be a delicate issue. Since the only source of funding other than government appropriation is student tuition, it is unavoidable to demand higher rate. The need for higher parents' contribution is also apparent since they have already benefited much more compared to other segment of population. In most countries it is commonly accepted that the community contribution in higher education should be significantly higher compared with basic education. It is important for a manager of any academic unit to better understand the profile of their own student that a thorough analysis on students' social and economic background should be carried out. There are academic disciplines that are traditionally chosen by students from better off family, and some others by those from less fortunate family. There are also universities which location attracts more students from upper middle class economic background, and some others who do not. In any case, admission should be based on academic merit and should not be based on student's economic background. Students who come from a family with adequate financial ability, however, should not be unfairly subsidized, that a higher tuition rate should be charged against them. The surpluses acquired will be used to subsidize those who are financially unfortunate through various schemes of scholarship. Thus, a system of student tuition should be carefully developed and designed to be fully transparent, accountable, and involve them to participate in the design process as well as implementation.

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