



STRONGER EDUCATION PARTNERSHIPS

Opportunities
for Australian
education and
training providers
in Indonesia

Indonesia has a significant need for education and training services.

It has a young and expanding population and one of the world's fastest-growing economies, but is facing a widening skills gap as it develops critical infrastructure and prepares for the jobs of the future.

For many reasons, Australian education and training institutions are uniquely well placed to help Indonesia realise its education, skills and training aspirations.

This report looks at how Australian providers can explore opportunities in Indonesia to the benefit of both countries.

Home to more than 260 million people, the majority of whom are under 30, Indonesia is the world's fourth most-populous country, the biggest economy in Southeast Asia and one of the largest emerging economies in the world. With more than 50 million students attending over 250,000 schools, the World Bank ranks its education system as the fourth largest in the world, behind China, India and the United States.

Indonesia has had great success in expanding access to education, but quality issues remain. Authorities have recognised a growing skills gap in the economy, with an increasing percentage of the workforce considered lacking adequate levels of training. Indonesia's long-term economic prosperity will reflect how well the country deals with this challenge, and its government has set an ambitious goal of adding 57 million skilled workers by 2030.

To meet this goal, Indonesia will need to partner with others, and it is expressing a new willingness to open its education sector to the world. Australian education and training providers are well placed, due to geography, history, reputation and other institutional alignments, to help Indonesia achieve its goals. Reflecting this, the recently signed Indonesia Australia Comprehensive Economic Partnership Agreement (IA-CEPA) has placed vocational education and training as a priority in the partnership.

While Australian institutions are already the destination of choice for Indonesian students studying abroad, this report aims to help Australian providers evaluate opportunities to establish or expand operations in Indonesia. It seeks to identify barriers to and opportunities for providers. It identifies the Indonesian national priorities relevant to Australian providers. It explores how local and foreign industry players active in Indonesia are navigating the regulatory environment to deliver education and training services.

A number of Australian providers are active in Indonesia. This report identifies three types of education partnership models, which we have categorised as general partnerships, strategic partnerships and joint ventures. Based on these models, it provides insights into types of in-country activities underway, the engagement approaches used, and the opportunities available and barriers to entry or expansion.

The report covers five sectors: higher education (HE), vocational education and training (VET), English language courses (ELICOS), schools and education technology (EdTech). Australian education providers have a range of views and approaches on their next steps, but all agree that Indonesia offer opportunities that are too important to ignore.

Key findings

- There is a large and growing demand for education and training in Indonesia. A small number of Australian providers are already actively pursuing their own agendas. Some are succeeding, some are at an early stage of business development, while some are revitalising their Indonesia strategy after seeing the rapid changes taking place in the country.
- These providers are using different approaches. A few concentrate on government engagement, offering training solutions or niche consulting. Some have chosen to deal exclusively with industry where it is relatively easier, and issues of funding are less of a concern. Others seek to partner locally in various ways to access the student market. Providers have consistently identified the importance of choosing the right partner.
- We identified three primary partnership models, each with a different degree of risk, institutional commitment and regulatory complexity. We have termed them general partnerships, strategic partnerships, and joint ventures. These demonstrate how some organisations are navigating Indonesia's regulatory, policy and development environments, and each contains many lessons for Australian providers considering a presence in Indonesia.
- The vocational education sector may present a particular opportunity for Australian providers, due to both the scale of demand and Indonesia's stated goal of boosting its skilled workforce. A number of Australian VET institutions have established operations in Indonesia.
- While the regulatory environment facing foreign providers may be complex, it is by no means prohibitive, as case studies in this report illustrate. Patience, commitment and the willingness to forge strong local relationships are seen as important ingredients in succeeding in Indonesia.

Sector-specific opportunities

Higher Education (HE)

- Some higher education providers use general partnerships as a lower risk strategy to establish or expand operations in Indonesia. These are generally the least complex and most flexible forms of engagement. Two types of activities are common: short-term arrangements responding to institutional capability needs; and collaborative coursework arrangements involving credit transfer and dual/double degrees.
- Strategic partnerships are the second most common model. These involve: higher education institutions using a licensing arrangement where they enter into a contract with a local partner to obtain the right to deliver programs in-country; and delivering joint degrees involving partnering with a local education institution and leveraging their program, facilities and services to deliver degrees in-country.
- Indonesia's Law on Higher Education permits a wide range of direct engagement by foreign higher education providers in Indonesia. However, at present there is no standalone foreign branch campus operating in Indonesia. One foreign institution has been operating a joint venture with a private Indonesian university since 2014.
- The recent *Ministerial Regulation 53 of 2018* potentially allows foreign universities to open a campus in Indonesia on a not-for-profit basis. Foreign providers will need to meet strict criteria and important details are still being finalised. Also the language used in the regulation lacks clarity on its potential application. For example it states that foreign campuses "can" be established in special economic zones. Does this mean they "can not" be established outside such zones. It suggests some further internal debates within the Indonesian higher education ecosystem are needed.
- According to the Department of Foreign Affairs and Trade, the recently signed IA-CEPA "automatically locks in future liberalisation for Australian universities setting up in Indonesia", which means Indonesia will not impose any further regulatory restrictions on Australia should Indonesia open its higher education sector to any other country.

Vocational Education and Training (VET)

- Increasing the skilled workforce through VET is a priority for the Government of Indonesia. Improving the curriculum and the quality of teachers, along with enhancing partnerships with industry, are some of the key priorities.
- VET providers active in Indonesia use short-term commercial contracts to engage with government and business. These contracts are useful for developing business-to-business relationships, with a view to potentially establishing longer-term arrangements.
- Many providers are looking for opportunities for strategic partnerships. Some are looking to partner with the Government of Indonesia at national and provincial levels. Some are looking to industry/sectoral opportunities. The potential for strategic partnerships in the VET sector appears to be greater than in the higher education sector.
- There is a demand for a "train-the-trainer" model in collaboration with local institutions. This type of model is attractive to government – national and local – given the scale of skills needed.
- There are currently no Australian VET providers with a joint-venture partnership or standalone campus in Indonesia. Some VET providers exploring greater Indonesia engagement are considering a campus or training facility.
- Providers are looking for new financing models to support the delivery of training programs to government and the private sector. Some view non-accredited training, for example, a 'train-the-trainer' model, as a way of delivering programs at scale and cost.
- The IA-CEPA contains provisions allowing Australian ownership of up to 67 per cent for supplying certain technical and vocational training services. Any further relaxation of investment restrictions would automatically include Australian providers.

English Language Training

- English language tuition can be a bridging program supporting pathway to higher education, VET and schools. Providers are considering how to combine English tuition within a broader package, and whether they can employ online or blended learning.
- Most providers don't see a model based on teaching English alone. English tuition fees are modest when compared to services such as VET, higher education and schools. Rather it is seen as a means of attracting students to other offerings, or as a component of a larger qualification.

Sector-specific opportunities

Schools

- Indonesian schools are permitted to partner with foreign providers to operate as Joint Cooperation Schools (SPK) in Indonesia. Foreign partners must work with a local Indonesian education institute to establish a local non-profit foundation or Yayasan, be registered locally and have Indonesian citizens on their governing board.
- While few Australian schools currently deliver education services in Indonesia, Australian providers see schools engagement as essential not only for in-country opportunities, but also to build onshore pathways. The number of schools in Indonesia that teach an international curriculum demonstrates a potential market for Australian school education. There is strong brand recognition of Australian school education, but this has yet to be converted into significant opportunities. Increased schools engagement would benefit all sectors, and Australia is best placed to champion such engagement.
- VET providers could consider expanding foundation programs suited to Indonesian students to foster pathways to higher education in Australia. This has been attempted, but there are few examples.

EdTech

- Online/blended learning is integral to delivering modern educational services, and providers should consider how these platforms could be used at all levels.
- Although still in early days, Indonesia's EdTech ecosystem is now in full take-off mode, with around 20 established EdTech firms operating in Indonesia across the school, English language and VET sectors.
- Australian providers wanting to add an online component to their offering might consider partnering with an emerging Indonesian EdTech firm, or one of the few foreign EdTech companies in Indonesia.
- Indonesian providers are keen to partner with Australian firms. Securing a place in this sector will become more complex in the medium term as established players reach the point of diminishing returns in accessing new clients.