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Inequality in Indonesia higher education a real threat

Eric Beerkens, Sydney

The roles of universities in national development and the impact of higher education and innovative research on economic growth are becoming ever more apparent. This has been recognized by many countries in the region, ranging from Malaysia and Singapore to countries like Thailand, the Philippines and Vietnam.

Indonesian Director General for Higher Education, Satryo Soemantri Brodjonegoro recently announced that he would increase the subsidies for universities (*The Jakarta Post* on June 29, 2007). The government would disburse a Rp 13.5 trillion (US\$1.5 billion) fund next year to subsidize costs at state-run and private universities, up from Rp 12.9 trillion.

The increase would not cover education costs for university students because the amount was too small to meet the demands of poor students to gain access to higher education. Obviously, every extra dollar or rupiah is welcome, but isn't this just a drop in the ocean?

In recent years the government has decreased its subsidies for state-run universities and encouraged them to find their own funding sources. Starting from 2000, Indonesia's leading four institutions have -- in financial terms -- basically been privatized. Bandung Institute of Technology, Bogor Institute of Agriculture, University of Indonesia and Gadjah Mada University received the so-called BHMN (corporate body) status.

BHMN means greater autonomy and autonomy is necessary, partly because the universities, under the Soeharto regime, suffered from a lack of academic freedom. But autonomy does not just mean academic autonomy; it also means financial autonomy because universities are seen as inefficient and ineffective. And this basically translates into budget cuts. These cuts are so severe that some of the universities now only receive a small part of their financial means from the government.

The chronic underfunding of Indonesian education was acknowledged by the Megawati government. The pledge to allocate 20 percent of the government budget on education was even incorporated in the Constitution. This constitutional duty has been repeated in several court rulings afterwards. But what is going on in reality? And how does this compare to Indonesia's neighbor Malaysia?

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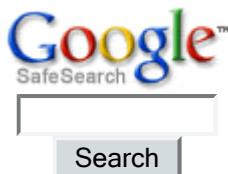
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According to UNESCO data, Indonesia's spending on education as percentage of GDP has slowly decreased in the early years of this century. While in 2003, Indonesia spent only 0.9 percent of its GDP on education, its neighbor Malaysia spent nearly 8 percent!

So is the 20 percent objective unreasonable? For sure it is ambitious and the 20 percent objective is far from achieved in Indonesia. Malaysia however spent even more than 20 percent in the first years of the 21st century, while Indonesia did not even reach 10 percent in 2001 and 2002. However, there has been some progress after 2002. For 2006, the expenditure on education is 11.8 percent of the budget. Some improvement, but still far from the promised 20 percent.

For the university sector, the situation becomes even more severe if we keep in mind that Indonesia spends relatively less of its education budget on higher education. For Malaysia, between 30 and 35 percent of its education budget went to higher education between 2000 and 2003. For Indonesia that is less than 25 percent. What is interesting to look at in this respect is where the money is spent.

The majority of Indonesian higher education spending is current expenditure. For Indonesia that is over 80 percent, of which nearly 100 percent goes to salaries. For Malaysia, current expenditure is around 50 percent and much less of this goes to salaries. Capital expenditure for Indonesia thus is very low, pointing to a serious underinvestment in the infrastructure and facilities of Indonesia's universities.

What has been the result of all this? Basically two things. For Indonesia it has led to rigorous inequality for higher education. In the past decades the government has done a good job in eliminating inequality in elementary education. But if we consider data on equality and access, we can see that inequality increases drastically with the level of education. While over 30 percent of the richest quintile receives higher education, of the poorest quintile only 3.3 percent is that lucky.

The second result is that the autonomous BHMN universities are becoming ever more entrepreneurial. This in itself is not a problem and it is seen (and encouraged) in nearly all countries. The Indonesian BHMN universities have transformed themselves in only a few years and have handled the radical changes relatively well.

But they are in a state of serious underfunding, especially if we consider that the demand upon them has grown. Increasingly they are expected to deliver high quality research and, much more than their Malaysian counterparts, rely heavily on the

market and the private sector to acquire research funding.

Somewhere along the line you will have to ask whether one type of domination is just being replaced by another. Indonesian higher education should not be left solely to the "tyranny" of the market. Market mechanisms can do a lot of good in distributing scarce resources, but higher education is far too important for social progress and economic development to rely solely on the market.

In this light the increase of subsidies can be seen as too little too late. Maybe it is never too late to invest in education, but an increase from Rp 12.9 trillion to Rp 13.5 trillion is definitely too little!

The writer is a postdoctoral research fellow at the University of Sydney. His research focuses on higher education and science policies, with a special interest in Southeast Asia.

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