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Investment in the Indonesian university sector: a regulatory overview for Australian universities

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About this report

This publication was developed by PT PricewaterhouseCoopers Indonesia Advisory (PwC Indonesia) in collaboration with Study Melbourne, who commissioned the report. It is intended to provide a broad overview of the regulatory and administrative requirements for foreign higher education institutions that are interested in investing in the Indonesian higher education sector. Refer to *Section 4 About us* and *Contacts* if you wish to make further enquiries about this publication.

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1. Investment guide overview

The opportunity for Australian higher education institutions

The Indonesian higher education market offers attractive opportunities for new entrants. At present there are over 3,000 higher education institutions, serving around 8.5 million enrolled students.¹ This figure, however, does not reflect the full potential of the university market, given the low current tertiary enrolment rate of only 36%.² Comparing this to rates of 45% in Malaysia, 90% in Singapore, and an average of 75% across OECD countries, gives a sense of the market's untapped potential.³

Indonesian university enrolment rates are expected to rise as secondary school outcomes steadily improve and demand for high quality tertiary education grows. Euromonitor estimates that Indonesia's higher education sector will be worth USD 118 billion by 2025 (an almost 50% increase from its estimated value in 2021).

Australian universities are well positioned to enter the Indonesian market, given their reputation for quality and strong showings in international rankings, as well as the fact that Australia is currently the most popular destination for Indonesian university students studying for degrees abroad.

Three modes of entry

The Government of Indonesia (GoI) recognises that foreign investment will be integral to improving the quality of educational services in the country, and is taking steps to ease restrictions on market access for overseas institutions. In 2018, legislation was passed allowing foreign universities to set up stand-alone branch campuses in Indonesia without requiring a local partner.

The regulations now offer three modes of entry, mainly distinguished by the level of physical presence in-country, and the overseas institution's degree of control over the services provided.

Models 1 (Branch Campus) and 2 (Partnership to establish a university) require the foreign university to set up a non-profit foundation (*yayasan*).

Model 3 (Partnership to deliver joint study programs) involves a partnership between a foreign entity and an Indonesian university to deliver courses without the creation of a new institution.

Distance learning is also permissible under current regulations, with fewer restrictions on this particular model.

Scope of regulations

Although this guide has been developed with Australian universities in mind, the prevailing regulations set out in this guide apply to all institutions classified as tertiary vocational education institutions (TVEIs) in Indonesia. The Ministry of Education Regulation No. 7/2020 specifies that universities, institutes, polytechnics, community academies and colleges as institutions all fall into this category.

Table 1 - Options for in-country service delivery by higher education institutions

Service model	Stand-alone branch campus	Partnership to establish a university	Partnership to deliver joint study programs
Summary	Foreign universities are now permitted to establish a stand-alone branch campus, without the need for a local partner.	A foreign university (or consortium of universities) can also establish a new university in-country through partnerships with a local partner.	A foreign university can partner with an existing university for the joint delivery of degrees or programs in-country.
Key requirements	Institutions and/or its programs/courses must be ranked in the top 200	Minimum local employment quota must be respected.	Institutions will be prioritised for approval if they are ranked in the top 100 universities

¹ Ministry of Education and Culture, Research and Technology 2020, Higher Education Statistics

² UNESCO (2020), Towards universal access to higher education: international trends. UNESCO defines the tertiary enrolment rate as the ratio of total enrolment, regardless of age, out of the population of the age group that officially corresponds to tertiary education.

³ Ibid.

Service model	Stand-alone branch campus	Partnership to establish a university	Partnership to deliver joint study programs
	<p>universities globally, or must be specifically invited by the Ministry of Education, Culture, Research and Technology (MoECRT).</p> <p>Undergraduate courses must include a component of Indonesian national studies.</p> <p>Local employment and foreign student quotas must be met.</p> <p>Collaboration with local institution(s) is expected.</p>	<p>A feasibility study must be undertaken prior to establishment.</p> <p>Prescribed minimum institution size must be complied with.</p>	<p>globally.⁴</p> <p>The Australian university, as a foreign entity, must enter into a contractual partnership with the Indonesian university, which then handles all regulatory matters in-country.</p> <p>Specified student-to-lecturer ratios must be met.</p>
Example	Monash University Indonesia	International University Liaison Indonesia (IULI)	<p>Several public and private Indonesian universities have partnered with different Australian universities.</p> <p>Indonesian universities involved in offering joint programs include: University of Indonesia, Bandung Institute of Technology, IPB University, Gadjah Mada University and Binus University.</p> <p>Australian universities have included Monash Australia, Melbourne University, Queensland University of Technology (QUT), The University of Queensland (UQ), University of Sydney, Murdoch University, and University of Newcastle.</p>

⁴ The regulation does not specifically refer to a particular partnership program. In our understanding, any kind of partnership, regardless of the form of program (either double degree or other), will need to fulfil this requirement.

2. The opportunity to invest in Indonesia's higher education sector

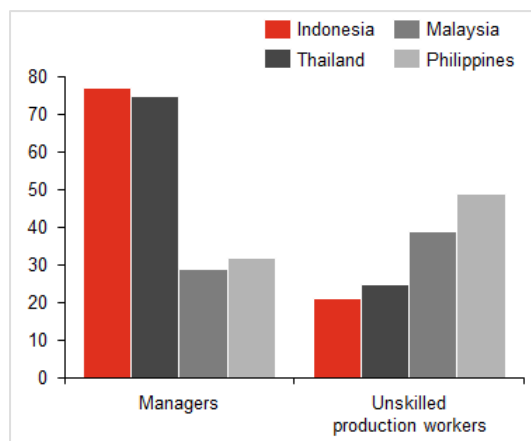
2.1 Indonesia's human capital development imperative

Although Indonesia has made significant progress in expanding access to education in recent decades, there remains significant room for improvement relative to other ASEAN countries in terms of the level of educational attainment and skills of its workforce.

The OECD has found that a majority of Indonesia's workforce is unskilled with a low level of education.⁵ The ADB estimates that over half of workers are under-qualified for their occupations.⁶ Almost 60% of the Indonesian workforce have qualifications beyond junior high school level (Grade 10).

A World Bank study also found that more than 60% of Indonesian firms surveyed cited difficulties recruiting suitable employees for professional and management positions, a higher proportion than any other country in the region.⁷ However, Indonesia faces fewer issues with the supply of unskilled production workers (see Figure 1).

Figure 1. Firms citing inadequate skills when recruiting managers and unskilled production workers



Source: World Bank Group, 2019.

For Indonesia to harness the demographic opportunities offered by a young and expanding population, it must urgently improve the educational

attainment and skills of its workforce to match the requirements of its developing economy.

Improving outcomes in higher education will be key to this transition. At present only 11.9% of adults (25- to 64-year olds) have completed tertiary education - far below the OECD global average of 44%.⁸ The World Bank estimates that Indonesia needs to increase this percentage to at least 21% to ensure the required supply of new skilled workers.⁹

The GoI recognises the need to close the skills gap, and has declared human capital development one of its top priorities. It aims to add 57 million skilled workers to the economy by 2030, and has a number of targets specifically focused on higher education geared towards achieving this. These targets include:¹⁰

- Expanding the number of science and engineering higher education graduates;
- Raising universities' science and technology capacity through research cooperation, both locally and internationally;
- Improving graduate employability through an industry-oriented curriculum in both the higher education and vocational education and training (VET) sectors; and
- Improving the quality and quantity of research and innovation in Indonesia.

The Ministry of Education, Culture, Research and Technology (MoECRT) also recently announced its new *Kampus Merdeka* program, which aims to improve the accreditation system and introduce greater flexibility into the higher education system.¹¹

2.2 The need to increase high-quality offerings in Indonesia's higher education system

The higher education system in Indonesia is made up of universities, institutes, schools of higher learning, academies, community colleges, and polytechnics. The majority of these institutions are established and operate under the MoECRT. As of 2019, there were 3,251 higher education institutions

⁵ OECD, 2020. Employment and Skills Strategies in Indonesia.

⁶ See

https://www.ilo.org/jakarta/info/public/pr/WCMS_711886/lang-en/index.htm

⁷ See: World Bank Group. (2015). Indonesia Systematic Country Diagnostic : Connecting the Bottom 40 Percent to the Prosperity Generation, and: Unlocking-the-Dynamism-of-the-Indonesian-Private-Sector.pdf World Bank Group. (2019). Creating Markets In Indonesia: Unlocking the dynamism of the Indonesian private sector. Country Private Sector Diagnostic.

⁸ OECD 2020, Employment and Skills Strategies in Indonesia

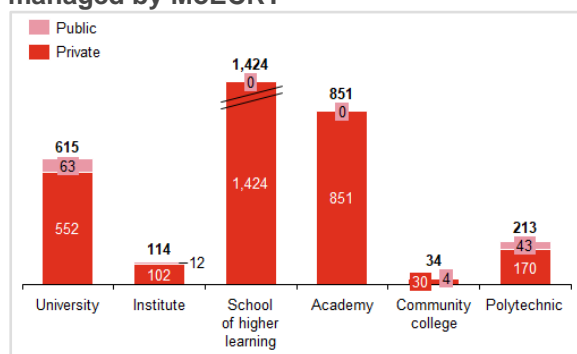
⁹ World Bank 2014, Indonesia's higher education system: How responsive is it to the labor market?, Policy Brief No. 89222

¹⁰ Based on the Medium Term National Development Plan (RPJMN) 2020-2024 and the Ministry of Education, Culture, Research, and Technology's (MoECRT) Strategic Plan (Renstra) 2020-2024

¹¹ Kampus Merdeka. Kemdikbud. 2021

under MoECRT, of which 90% are privately owned (see Figure 2).

Figure 2 - Higher Education Institutions managed by MoECRT



Source: MoECRT, 2019.

The overall quality of Indonesian universities remains at the lower end of international rankings. For example, only Universitas Indonesia made the Times Higher Education World University 2021 Rankings, where it was ranked 801st out of 1,000 universities.

Seven Indonesian universities are included in the QS World University Ranking for 2021, but all are outside the Top 200 (see Figure 3). By comparison, five Malaysian universities are in the Top 200.

There is also a significant gap between the quality of public and private universities, with public universities consistently outperforming private universities. Based on rankings produced by the former Ministry of Research, Technology, and Higher Education in 2019, all of the top 10 universities in Indonesia are public, and public institutions dominate the rest of the top 50.¹²

Figure 3 - Global rankings of Indonesian universities

University	Global ranking*	
	2021	2020
Universitas Airlangga	251	651
Universitas Gadjah Mada	254	320
Universitas Indonesia	305	296
Institut Pertanian Bogor	531	601
Institut Teknologi Sepuluh Nopember	751	801
Universitas Padjajaran	=801	751
Universitas Diponegoro	=801	801

Notes: *Based on QS World University Ranking.

¹² The Australia-Indonesia Centre. Stronger Education Partnerships.
¹³ The Australia-Indonesia Centre, 2019. Stronger Education Partnerships
¹⁴ Based on latest BPS data (Statistik Pendidikan Tinggi 2019), 2% of HEIs received a rating of A, 18% received B, 32% received C, and 48% were not accredited.
¹⁵ See: Ministry of Research, Technology, and Higher Education data, July 2018, and The Australia-Indonesia Centre, 2019. Stronger Education Partnerships.

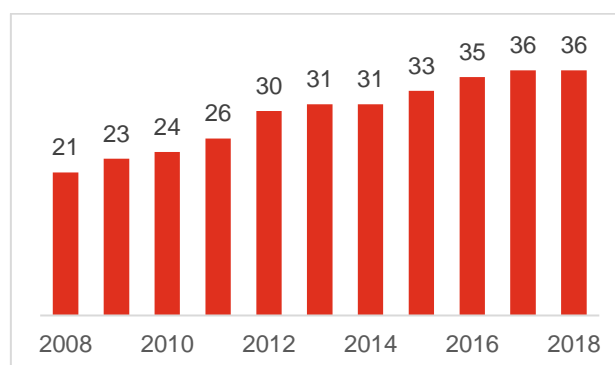
A 2015 study by the OECD and the Asian Development Bank found that only 3% of programs at private universities evaluated by the National Accreditation Board for Higher Education (BAN-PT) achieved an A rating, compared to 22% of programs at public universities.^{13,14} This statistic is concerning given that privately owned universities account for around 68% of student enrolments.¹⁵

2.3 Growing public appetite for higher education

There is a growing pipeline of potential tertiary enrolments in Indonesia, driven by population growth and improved secondary school graduation rates, as well as growing consumer appetite to spend on educational services.

Over the past decade, secondary school enrolment has increased, dropout rates have declined and the number of school leavers successfully completing Grade 12 has increased steadily each year.¹⁶ This in turn has driven steady increases in the tertiary enrolment rate (see Figure 4).¹⁷

Figure 4 - Tertiary enrolment rate¹⁸ (%)



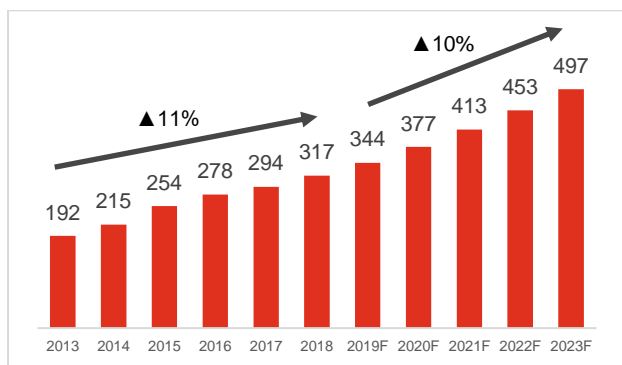
Source: Euromonitor

With a growing economy and rising disposable income, Indonesians now have more resources to spend on education. Much of the potential for higher spending comes from Indonesia's middle class, the fastest-growing demographic. There are now 52 million middle-class Indonesians (one in every five people), who account for almost half of national consumption. There are another 115 million 'aspiring middle-class' Indonesians just below this income bracket.¹⁹

¹⁶ BPS, 2019. Statistik Pendidikan Tinggi 2017-2019.
¹⁷ BPS, 2019. Statistik Sekolah Menengah Atas 2020.
¹⁸ UNESCO defines this as the ratio of total enrolment, regardless of age, out of the population of the officially-recognised age group for tertiary education.
¹⁹ World Bank, 2019. Aspiring Indonesia: Expanding the Middle Class.

Between 2013 and 2018, consumer expenditure on education increased by around 11% each year (see Figure 5), a trend that is expected to continue.

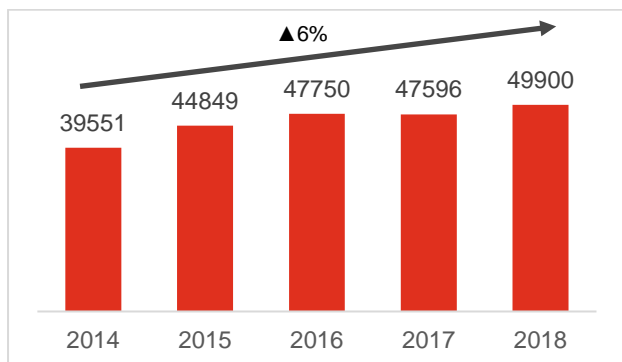
Figure 5 - Consumer expenditure on education²⁰ (IDR trillion)



Source: Fitch, PwC analysis

Demand for globally recognised academic qualifications among Indonesian students has seen a small but growing number pursuing higher education overseas. Between 2013 and 2017, the number of Indonesians studying abroad increased by around 3% each year to reach over 45,000 (See Figure 5).

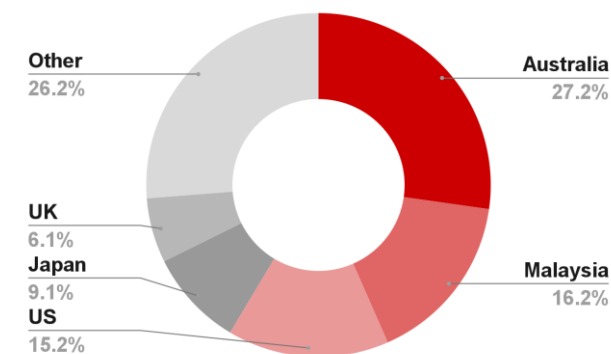
Figure 5 - Indonesian students pursuing higher education overseas



Source: UNESCO, PwC analysis

Australia has long been the top destination for Indonesian students pursuing higher education overseas, with Malaysia and the USA in second and third place, based on the latest data from UNESCO (see Figure 6).²¹ China does not provide official data to UNESCO, but is another top destination for Indonesian students. According to other sources there are around 15,000 Indonesian students studying in China as of 2021.²²

Figure 6 - Indonesian outbound students, tertiary level in 2020



Source: UNESCO, PwC analysis

Australia has the advantage of geographical proximity and high quality institutions.²³ Enrolment of Indonesian students at Australian universities has increased significantly from 8,469 in 2015 to 12,180 in 2020. This number is higher if Australia's offshore presence is factored in, with 2,300 Indonesian students studying at Australian campuses in Singapore and Malaysia in 2015. In terms of field of study, Management and Commerce courses are the most popular among Indonesian students in Australian universities.²⁴

2.4 Improving the environment for foreign investment in education

Over the last few decades, Indonesia has sustained strong economic growth and made substantial reductions in poverty, enabling the country to achieve middle-income status. Today, it is the world's fourth most populous country and the tenth largest economy in the world in terms of purchasing power parity. PwC projects that Indonesia may rise to fourth place by 2050, overtaking Japan, Germany, Brazil, and Russia.²⁵

The GoI recognises the importance of foreign investment in realising Indonesia's economic potential. Over the last decade, Indonesia has implemented various measures aimed at improving the business environment and attracting foreign investment.

These include enacting the Omnibus Law on Job Creation (Omnibus Law), establishing Special Economic Zones (SEZs), and finalising bilateral and regional trade deals, including the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA) and the Regional Comprehensive Economic Partnership (RCEP). The Ministry of Investment (BKPM) is actively taking

²⁰ "Education" here refers to all levels of education.

²¹ UNESCO, Global Flow of Tertiary-Level Students, accessed at: <http://uis.unesco.org/en/uis-student-flow>

²² China Daily, 2021. Reputation of China's universities draws thousands of Indonesian students.

²³ ICEF Monitor, 2017. Study finds that young Indonesians are highly motivated to study abroad.

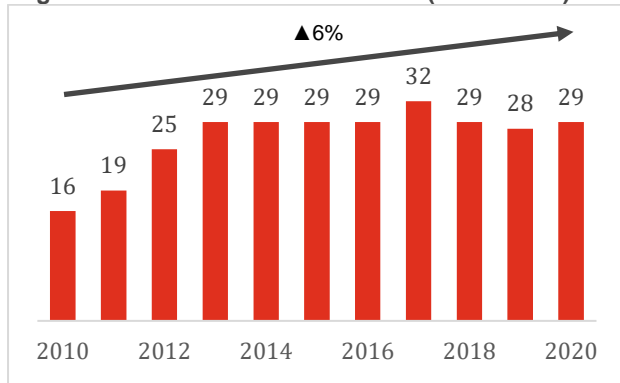
²⁴ The Australia-Indonesia Centre, 2019. Stronger Education Partnerships.

²⁵ PwC, 2017. The World in 2050.

steps to cut red tape and help businesses through the introduction of a 'single-window' to streamline business licensing and regulatory matters.

The fruits of this progress towards reducing red tape and improving the overall business environment are visible in Indonesia jumping 49 places in the World Bank Ease of Doing Business ranking, from 132nd in 2010 to 73rd in 2020. Total foreign direct investment (FDI) has also grown steadily at around 6% per annum over the last decade (See Figure 5).

Figure 6 - Realised FDI in Indonesia (USD billion)



Source: BKPM's National Single Window for Investment

In 2018, Indonesia issued a regulation allowing tertiary education institutions to establish stand-alone branch campuses in Indonesia, provided they are recognised among the top 200 universities in the world.²⁶

Furthermore, under the Omnibus Law, the range of business sectors permitted to operate within SEZs was expanded to include the education and health sectors. Collaboration on vocational education and training is also a national priority, as set out in the IA-CEPA.

These changes opened the way for Monash University to set up a branch campus in Indonesia, and for other institutions to follow.

²⁶ While the regulation does not specify which Top 200 list is referred to, the emphasis on quality of education is clear. Ten Australian universities are included in the Top 200 of the QS

World University Rankings 2021, and 12 are included in the Top 200 of the Times Higher Education World University Rankings 2022.

3. Providing higher education services in Indonesia: regulatory requirements

3.1 Overview of permissible in-country service models

Under the current regulations, there are three options for foreign universities to deliver services in Indonesia:²⁷

- Establishment of a stand-alone branch campus of the foreign university
- Partnership with an Indonesian institution to establish a new university
- Partnership with an Indonesian university to establish a joint study program

Branch campus

Foreign universities are permitted to establish a stand-alone branch campus through a *yayasan* (non-profit foundation).

Monash University is set to be the first foreign university to establish a branch campus in Indonesia, having been granted a license to operate by the Ministry of Education and Culture in November 2020.

Monash has formed a *yayasan* called Yayasan Monash University Indonesia, and plans to offer Masters degrees and doctorates, as well as executive programs and micro-credentials. The postgraduate campus will be located in Bumi Serpong Damai (BSD) in southwest Jakarta.

Partnership to establish a university

A foreign university can also establish an in-country education facility through a partnership with a local institution. This would involve jointly forming a *yayasan*, which would then establish a new university. A *yayasan* could also be established by a consortium of universities, provided a local partner is involved.

The only example under this model thus far is International University Liaison Indonesia (IULI), which was set up through a foundation (Yayasan International University Liaison Indonesia) by the European University Consortium, led by the German Technische Universität Ilmenau.

Partnership to deliver joint study programs

The third option involves a foreign university partnering with a local educational institution to offer academic programs jointly. This could include joint study programs or even dual degrees, and requires lower investment than the other two in-country service models. Such an option may be attractive to domestic students, as it allows them to enhance their qualification without having to go abroad.

Several Australian universities have collaborated with the University of Indonesia under their international study program, which has been running since 2012. Students receive dual degrees from UI and the partner university, after studying for substantial periods at each university.

In April 2020, Central Queensland University (CQU) opened its Executive Business Training Centre in Jakarta in partnership with Bakrie University, as part of CQU's plan to establish a full presence in Indonesia. CQU will deliver corporate training programs focusing on business, law, governance and business ethics, and ELICOS (English Language). It will also offer a dual Masters degree in Management and MBA program with Bakrie University.

3.2 Distance learning

The provision of distance learning from abroad to students in Indonesia is permissible under Ministry of Education Regulation No. 7/2020, and also under Directorate of Higher Education Ministry of Education Decree No. 83/2020.

For distance learning degrees and programs to be formally recognised in Indonesia (which is a requirement for recruitment by government agencies and state-owned enterprises),²⁸ several conditions must be met under Ministry of Education Regulation No. 7/2020:

- The degree and/or study programs being offered should be subject to the MoECRT's approval;
- The foreign university must be accredited in the country of origin;

²⁷ There are two main regulations to be referred to: Research and Technology Ministerial Decree No. 53/2018 and Education Ministerial Decree No. 7/2020.

²⁸ Students graduating from overseas study, including from a distance learning program offered by a foreign university, should have their degree accredited by the MoECRT, which will assess whether the course design is in line with Indonesian higher

education standards. However, it is worth noting that the need for accreditation depends on the institution to which graduates apply for a job. Government agencies and state owned enterprises are known to require such degree accreditation as part of their recruitment criteria, but in most cases there is no such requirement in the private sector.

- The hiring of Indonesian lecturers, academic staff and other personnel shall be prioritised; and
- The foreign university should have some sort of partnership with an established local university.

3.3. Key regulatory requirements for foreign universities in Indonesia

There are different regulatory requirements for each type of in-country delivery model. The tables below set out the various requirements, under the following heads:

- Legal presence and minimum licensing criteria
- Requirements for the period of operations of the university
- Licensing application procedures

Impact of the IA-CEPA

The requirements set out below reflect the prevailing regulations covering all foreign universities. The IA-CEPA has legal force in Indonesia, having been ratified via Law No. 1/2020 in February 2020. However, unlike in some other sectors, the agreement has a relatively limited impact on higher education. The key change for Australian universities is that it lowers the minimum percentage of Indonesian lecturers that must be employed from 60% to 30%. However, the MoECRT has yet to issue any revision to the regulations. As such, it is unclear whether Australian universities can take advantage of the lower threshold at this point in time.

3.3.1. Legal presence and minimum licensing criteria

	Branch campus	Partnership to establish a university	Partnership to establish a joint study program
Legal presence	<p>Australian university establishes a foundation</p> <p>An Australian university must establish a <i>yayasan</i>, either as a sole founder or jointly with an Indonesian party.</p> <p>Collaboration with local institution(s)</p> <p>Regardless of whether the university is wholly managed by the foreign university or is managed jointly with an Indonesian party, the regulation requires some form of partnership or collaboration between the foreign university and other partner(s). The collaboration can be in the form of a joint study program or joint research with other higher education institutions, or joint research with private sector partners.</p>	<p>Joint establishment of a new foundation by the Australian university together with their Indonesia partner</p> <p>An Australian university must establish a <i>yayasan</i>, together with an Indonesian party, as joint founders.</p> <p>The local partner must be an institution accredited by the Ministry of Education.</p>	<p>No new entity establishment</p> <p>The Australian university, as a foreign entity, enters into a contractual partnership agreement with an Indonesian university, which handles all regulatory matters in-country.</p>

	Branch campus	Partnership to establish a university	Partnership to establish a joint study program
Threshold requirements for the Australian university to obtain a license ²⁹	<ul style="list-style-type: none"> Accredited in Australia Ranked in the top 200 universities globally If the above criteria cannot be fulfilled, the Australian university must receive an invitation from the Indonesian Ministry of Education. 	<ul style="list-style-type: none"> Accredited in Australia 	<ul style="list-style-type: none"> Accredited in Australia Priority for approval will be given to the top 100 universities globally
Relevant regulation	Research and Technology Ministerial Decree No. 53/2018 and Higher Education Directorate General Decree No. 86/2020.	Minister of Education Decree No. 7/2020 and Higher Education Directorate General Decree No. 62/2020.	Minister of Education Decree No. 7/2020 and Higher Education Directorate General Decree No. 66/2020.

Setting up a yayasan

The applicable regulations stipulate that universities are formal educational settings which are required to be provided by a non-profit legal entity. Most of the implementing regulations on higher education state that an institution's governing body should be a foundation.

By definition, as specified in the Law on Foundations, a foundation is a non-membership legal entity, established based on the separation of assets, and intended to achieve purposes in the social, religious, or humanitarian fields. The founders can be either fully local, fully foreign, or partnerships between local and foreign parties, and the founding parties can be either individuals or legal entities.

The establishment of the foundation will begin with the finalisation of the Deed of Establishment (DoE), which also contains the Articles of Association (AoA) of the Foundation. Once finalised, the DoE will be submitted to the Ministry of Law and Human Rights (MoLHR) for approval of the establishment as well of the AoA.

Upon securing an approval letter from the MoLHR, the Foundation will need to process its Tax ID Number (NPWP) registration with the tax office, and will then need to register for a Business Identification Number (NIB) from the Online Single Submission (OSS) system.

Foundation personnel

For a foundation established by a foreign party, or jointly with an Indonesian party:

- An Indonesian person should hold the management role either of Chairman, Secretary or Treasurer;
- All members of the Executive Board must be resident in Indonesia; and
- Foreign members of the Governing Board, the Board of Trustees or the Supervisory Board must secure a proper work and stay permit in Indonesia if they are residing in Indonesia.

Other notes

Under Law No. 16 year 2001 as amended by Law No. 28 year 2004 on Foundations as well as its implementing regulations, a foundation is prohibited from distributing any profit from its activities. The regulations stipulate that a foundation may incur expenses related to its activities.

²⁹ On specific requirements regarding the foreign university ranking, the regulation is silent on which ranking system is used. There are a number of organisations (e.g. QS World University, Times Higher Education, and Shanghai Rankings) that conduct their own separate rankings based on several metrics of top providers and subjects.

3.3.2. Requirements for the period of operations of the university

	Branch campus	Partnership to establish a new university	Partnership to establish a joint study program
Fields of study and curriculum	<p>Priority fields specified for undergraduate programs</p> <p>For undergraduate courses, the branch campus is encouraged to offer some or all subjects relating to science, technology, engineering and mathematics (STEM), nanotechnology, brain science, climate change, digital economy, creative economy, tourism, new materials, robotics, and data science.</p> <p>National studies</p> <p>A branch campus has the additional requirement of offering national studies (i.e. religion, Indonesian language, <i>Pancasila</i>, and other civics subjects) at the undergraduate level, which must be delivered by Indonesian lecturers.</p>	<p>Curriculum approval</p> <p>The fields of study and curriculum are to be agreed with the Ministry of Education.</p>	<p>No ministerial approval required</p> <p>The curriculum to be offered is determined jointly by the Australian and Indonesian universities.</p>
Location requirement	<p>The campus location should be agreed with the Ministry of Education.</p> <p>The IA-CEPA provision stipulates that the campus location can be anywhere in Indonesia, but the MoE will apply an economic needs assessment before it agrees to the selected site.</p> <p>Campuses may be established in a Special Economic Zone (SEZ), but this is optional.</p>	<p>The campus location should be agreed with the Ministry of Education.</p> <p>The IA-CEPA provision stipulates that the location can be anywhere in Indonesia, but the MoE will apply an economic needs assessment before it agrees to the selected site.</p> <p>Campuses may be established in a Special Economic Zone (SEZ), but this is optional.</p>	<p>Given that the services are to be delivered through the Indonesian university's facilities, there are no restrictions on the location where these services can be provided.</p>
Land and infrastructure requirements	<p>The facilities at the branch campus should be of a similar level of quality to those of the home campus.</p> <p>As the university is set up through a <i>yayasan</i>, the land and facilities infrastructure</p>	<p>Specified minimum land area of ten thousand square metres, either owned or leased.</p> <p>In lieu of an adequate land area, the university could</p>	<p>Not applicable. The Australian university will leverage the Indonesian university's existing land and facilities.</p>

	Branch campus	Partnership to establish a new university	Partnership to establish a joint study program
	are also assets of the <i>yayasan</i> .	<p>also meet the requirement by having a multi-storey facility that meets the required total area.</p> <p>There are specifications regarding the provision (and in some cases the size) of lecture rooms, administrative facilities, libraries and laboratories.</p> <p>As the university is set up through a <i>yayasan</i>, the land and facilities infrastructure are also assets of the <i>yayasan</i>, unless there are existing assets which are utilised by the <i>yayasan</i> through a loan, rental or donation arrangement.</p>	
Lecturers and academic staff	<p>Lecturers and academic staff should have similar qualifications and experience to staff at the home campus.</p> <p>Local employment</p> <p>The existing regulations state that Indonesian citizens must be prioritised, but do not mandate a minimum proportion.</p> <p>The IA-CEPA states that 80% of employees (other than lecturers and the head of the university) should be Indonesian citizens.</p>	<p>The regulations set out minimum requirements regarding the qualifications and experience of Indonesian staff.</p> <p>Local employment</p> <p>In each study program, at least 60% of lecturers and academic staff should be Indonesian nationals. The percentage of Indonesian lecturers is reduced to 30% based on IA-CEPA provision.</p> <p>The IA-CEPA states that 80% of employees (other than lecturers and the head of the university) should be Indonesian citizens.</p>	<p>The regulations set out minimum requirements regarding the qualifications and experience of Indonesian staff.</p> <p>Lecturer-to-student ratio</p> <p>The lecturer-to-student ratio must be equal to or lower than 1:45, while for some programs (e.g. applied sciences and social sciences), the ratio is 1:30.</p>
Students	<p>Students of the branch campus need to be registered as students of the Australian university.</p> <p>Foreign student quota</p> <p>20% of students of the branch campus should be foreign (non-Indonesian) (i.e. recruited through</p>	Not applicable.	Not applicable.

	Branch campus	Partnership to establish a new university	Partnership to establish a joint study program
	foreign exchange programs).		

3.3.3. Steps to apply for a licence or set up

	Branch campus	Partnership to establish a new university	Partnership to establish a joint study program
Pre-license application procedures	<p>Legal entity establishment and registration</p> <p>The foreign university must establish a new legal entity in Indonesia in the form of a <i>yayasan</i>. It then has to register the <i>yayasan</i> through the Online Single Submission (OSS) system, and obtain a Business Identification Number (NIB).</p> <p>Invitation from the Ministry of Education</p> <p>If the foreign university partner (or its programs) is not ranked among the top 200 global universities, the foreign university would need to receive an invitation from the Ministry of Education, and will need to submit certain documents to the Ministry.</p> <p>Foreign government support</p> <p>The embassy of the university's country of origin in Jakarta should provide a Recommendation Letter.</p>	<p>Legal entity establishment and registration</p> <p>The foreign university must establish a new legal entity in Indonesia in the form of a <i>yayasan</i>, together with its local partner. The entity then needs to be registered through the OSS system, and obtain an NIB.</p> <p>Feasibility study</p> <p>The new <i>yayasan</i> should prepare a feasibility study of the new university's establishment, including the university's standard operating procedures (which may consist of the organisational structure, quality assurance, academic support for learning resources, and administrative functions).</p> <p>Written recommendation</p> <p>The foundation should receive a written recommendation from the relevant regional higher education agency (LLDikti).</p> <p>Foreign government support</p> <p>Both the embassy of the foreign university's country of origin in Jakarta, and the Indonesian Embassy in the</p>	<p>Legal entity establishment and registration</p> <p>The Indonesian university partner should apply for the license for the program, and prepare the application documents, including legal documents (e.g. deed of entity establishment) and accreditation of the local university, written consent from the academic senate (<i>senat akademik</i>) of the local university in Indonesia, and how it plans to engage with alumni.³⁰</p> <p>Foreign government support</p> <p>No provisions in the regulation.</p>

³⁰ The *senat akademik* is the highest governing institution of the university in academic matters. It is composed of the Rector, the Deans of the Faculties, elected Representatives of Professors, Representatives of lecturers (without professorships), and other members appointed by the *senat akademik*.

	Branch campus	Partnership to establish a new university	Partnership to establish a joint study program
		respective country of origin should provide a Recommendation Letter.	
License application	<p>The license application procedures are similar for all models, as follows:</p> <ul style="list-style-type: none"> • University submits all application documents to the Ministry of Education’s online system (SILEMKERMA); • The Ministry verifies the application documents within 30 working days; • Upon approval of the application documents, the Ministry conducts a site location validation; • If the site location application is granted, the Ministry will issue the relevant license, depending on the model being used. 		

3.4. Key government stakeholders

There are a number of government ministries and agencies a university will need to engage with and be accountable to, both pre- and post-license approval. It is important for foreign universities to comply with the requirements of the relevant government ministries and agencies, since the ministries control the policies, decisions and planning activities for the educational sector, as well as issuing the required licenses.

Ministry of Education, Culture, Research and Technology (MoECRT)

Education in Indonesia falls under the jurisdiction of the MoECRT.³¹ Its tasks include planning and distributing funding and other resources to satisfy the requirements and improve education providers, design and assign curriculum guidance in line with government interests, formulate and implement effective regulation, and work closely with other government agencies relevant to the education sector. All universities in Indonesia need to obtain approval from MoECRT to establish and operate a university or to amend its study program. MoECRT assigns the regional government, particularly the Office of Education Affairs section of the regional government, to ensure the education institution complies with all the requirements within the jurisdiction of such a regional government.

National Accreditation Board for Higher Education (BAN-PT)

BAN-PT is an official accreditation agency that has been delegated authority by the MoECRT to improve the quality of higher education in Indonesia. The main task of BAN-PT is to carry out the university accreditation process for state and private

universities, including their study programs, in Indonesia. Some of the duties of BAN-PT include developing a national accreditation system, assessing the feasibility of new study programmes, faculties, or universities together with the Directorate General of Higher Education, recommending and evaluating Independent Accreditation Institutions (LAM) and implementing study programmes that are not associated with a LAM.

Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)³²

The BKPM is the primary interface between investors and government, and has a mandate to boost domestic and foreign direct investment by creating a conducive investment climate, as well as acting as the licensing authority for foreign (and domestic) investors. Acting as a focal point for new investment across sectoral ministries, foreign investors will first need to coordinate with the BKPM to assess the investor’s industrial classification and whether there are any foreign capital ownership restrictions based on Indonesia’s negative list of investments. Accordingly, all business activities will be required to obtain a Business Identification Number (*Nomor Induk Berusaha*), including during the initial establishment of the foundation. In addition, certain businesses may be eligible for certain investment/fiscal facilities which should be obtained by applying to the BKPM. Processing is carried out by the BKPM using the Online Single Submission (OSS) database.

Ministry of Law and Human Rights (MoLHR)

As mandated by the Investment Law, all foreign investment for the purpose of business activities in Indonesia requires the establishment of a legal

³¹ Two different ministries prior to 2021: the Ministry of Education and Culture (MoEC), which was responsible for primary and secondary education, and the Ministry of Research, Technology, and Higher Education (MoRTHE)

³² In early 2021, BKPM officially changed its name to the Ministry of Investment of the Republic of Indonesia, without a significant change of its role.

entity to conduct business. The *yayasan*'s legal entity is established by finalising a Deed of Establishment and Article of Association (AoA) in front of a Public Notary. The Public Notary will submit the *Akta* to the MoLHR for the approval of the establishment of the legal entity and of the AoA. After obtaining the approval from the MoLHR, the establishment process can proceed with registering for a Tax ID Number and processing at the OSS as above for the NIB and Business License.

Ministry of Labour and Directorate General of Immigration

All foreigners working in Indonesia must secure work and stay permits. Once a foreign university license is approved by the MoECRT, if the university needs to hire foreign individuals to work in Indonesia, either as lecturers or academic staff, the

first step is for the foreign university to obtain approval for the proposed positions. Afterwards, the process is to obtain a working permit which allows the legal entity to employ the foreign individual in a certain position. Once these processes have been completed, the foreign individual can proceed to obtain its stay permit, which includes at least an entry visa, limited stay permit approval, and various local registrations for foreign individuals.

Provincial Government

Post license approval, the relevant provincial government agencies will conduct supervisory and monitoring activities to ensure the university's compliance with its permits and the prevailing regulations, such as regarding location, fields of study, manpower and other compliance issues.

4. About us

About Study Melbourne

Study Melbourne is a Victorian Government initiative providing support and information to international students to ensure they have the best possible experience studying and living in Victoria. This support normally focuses on a year-round program of free events and confidential support services that are provided through the Study Melbourne Student Centre in Hardware Lane. However, since the pandemic, this support has also included outreach to current and prospective students offshore including in Malaysia, Vietnam, India and China through our Study Melbourne Hubs. Additionally, Study Melbourne supports Victorian international education providers to develop new partnerships and business opportunities offshore and promotes Victoria as a premium destination for higher education, training and research. Study Melbourne also provides sector advocacy to the Australian Government and seeks to increase business and community understanding about the value of international students and the important contribution they make to our community.

About the Victorian Government Trade and Investment (VGTI) international network

The Victorian Trade and Investment (VGTI) international network underpins Victoria's offshore investment attraction and trade and education promotion operations, and supports government and business engagement between Victoria and the relevant markets. The VGTI offices focus on supporting foreign investment into Victoria, facilitation of exports from Victoria, and more generally the promotion of Victoria as an international destination for business, students and tourists. Our activities include:

- representing Victoria's interests in Southeast Asia
- providing information and assistance with investment attraction, export development, innovation capability, tourism, education, business and skilled migration, and bilateral relations (note: we have expertise in provincial government partnerships, including in West Java and Yogyakarta)
- facilitating the ongoing development of cultural and business linkages and Government-to-Government exchanges to improve mutual understanding and adoption of best practices

About Victoria's Global Education Network (GEN)

Victoria's Global Education Network (GEN) is unrivalled among Australia's states and territories. The role of the GEN is to promote Victoria as a study destination, provide market intelligence to the sector, and provide on-the-ground market access and facilitation support to Victorian education providers.

If you would like assistance in any of these matters, please contact our education staff in Indonesia who will be able to assist you.

Study Melbourne has partnered with **PwC Indonesia** to develop this Guide. PwC Indonesia was selected for its extensive experience in providing assistance to support all aspects of the foreign investment process, from pre-establishment and implementation to post-establishment and exit strategy. In addition to the above, PwC Indonesia provides professional services which include regulatory, legal, tax, accounting, commercial, financial, human resource and other aspects relevant to business. Equally important, PwC Indonesia's work in education is grounded in experience at all levels of government and public services. Also, as a global partner of Times Higher Education, PwC Indonesia has experience in supporting educational institutions in adapting to today's increasingly dynamic and digital world.

Please feel free to contact PwC Indonesia through our experts of these matters.

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