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EDUCATION SECTOR ASSESSMENT (SUMMARY)

1. **Background**

1. The Indonesian economy in recent years has seen a moderation in economic growth but has outperformed its ASEAN economic peers. The country’s strong economic performance in the post-crisis era has yielded significant improvements in human development and the quantity and quality of the country’s human resources. In 2013, Indonesia’s HDI score stood above the average for medium human development countries, but below the average for countries in East Asia and the Pacific. In 2013, Indonesia ranked 108th on the HDI—ahead of Philippines (117th) and Viet Nam (121st), but below Thailand (89th). Indonesia’s 2013 rank on the HDI is up from 112 in 2008.

2. **Sector Progress**

2. The Indonesian school system is one of the largest and most diverse in the world, with more than 50 million students, 4 million teachers and more than 250,000 schools. Primary, junior secondary education (JSE) and senior secondary education (SSE) are managed by districts, with the Ministry of Education and Culture (MOEC) responsible for overall system governance. Islamic schools are centrally managed and governed by the Ministry of Religious Affairs (MORA). Formal vocational education is offered at the SSE and higher education (HE) levels. MOEC is responsible for the former, while the Ministry of Research, Technology and Higher Education (MORTHE) is responsible for the latter.

3. Over the past 15 years, the government has introduced a series of reforms aimed at improving the performance of the education system. These include decentralization to local governments of responsibility for the delivery of basic education in 2001, 9-year compulsory education in 2003, the teacher law of 2005, the introduction of school operational assistance in 2005, and passage of a constitutional requirement to devote 20% of the national budget to education in 2009. The government has also strengthened quality assurance, in part by introducing minimum service standards (MSSs) for education, expanding school and HE accreditation, and reformed HE governance. Improving the quality of education and training remains a priority, as set out in the administration’s pre-election Nine Priorities Agenda. Public spending on education more than doubled in real terms from 2001 to 2009 and grew by a further 6.5% per year in real terms from 2009 to 2013. This helped to lift Indonesia’s public spending on education as a proportion of gross domestic product to 3.6% in 2012—above the Philippines, but below Viet Nam, Malaysia and Thailand.

4. Government reforms and increased spending on education have yielded significant benefits, particularly in terms of increased access to education. From 1980 and 2013, the mean years of schooling increased from 3.1 to 7.5 years, while expected years of schooling rose from 8.7 to 12.7 years. Indonesia has achieved almost universal access to primary education (PE) with a net enrolment rate (NER) of 95.5% in 2013. The NER at the JSE level stood at 77% in 2013, up from 63.5% in 2003—ahead of the Philippines and Malaysia, but below Thailand.

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2 http://www.establishmentpost.com/jokowis-nine-priorities-agenda-nawa-cita/
4 http://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS.
5 http://data.worldbank.org/indicator/SE.SEC.NENR/countries.
Access to SSE has also expanded significantly, with enrolments growing by more than 80% and the NER increasing from 37% in to 57.7% from 2000/01 to 2011/12. The gross enrolment rate (GER) at the HE level rose from 21.3% to 27.1% from 2008 to 2011. The poor have benefited the most from improvements in access to education, leading to a substantial reduction in inequality. For example, among the poorest 20% of households, the proportion of 15 year-olds in school rose from 63% to 74% from 2009 to 2013, while the proportion of poor 18 year-olds in school grew from 21% to 29%. A key factor driving this improvement was the introduction of the school operational assistance program. Indonesia has also made some progress in improving the quality of basic education through increases in the number of qualified teachers, higher teacher pay, the introduction of teacher certification and strengthened continuous professional development. Gender disparities have largely disappeared at all levels of education, although issues remain—in particular under-representation of females in vocational training, and in science, technology and engineering.

3. Sector Challenges

5. The Indonesian education system has made impressive progress since the early 1980s. While its performance on many educational metrics is in line with other lower middle income countries, Indonesia faces a number of educational challenges, as discussed below. Overall, Indonesia ranked only 69th on the World Economic Forum human capital index 2015, which assesses countries’ success in developing people’s skills and competences through learning and in deploying acquired knowledge through productive employment. This placed Indonesia below all neighboring countries except for Cambodia and Lao PDR.

6. Quality. Despite recent reforms, the quality of education remains a significant problem. At the basic education level, Indonesian student performance in international tests is below that of most neighboring countries. The country was ranked 38th and 40th respectively out of 45 countries in 8th grade mathematics and science in the 2011 Trends in International Math and Science Study, and 42nd among 45 countries in the Progress in International Reading Literacy Study 2011. Indonesian 15 year old students also perform well below the OECD average on all skills measured by Programme for International Student Assessment. Private and public schools at the PE and JSE lag in the attainment of a number of MSSs, including class size; textbooks and teaching resources (PE); science laboratories, furniture, equipment, and specialist teachers (JSE). Quality at vocational schools—particularly private ones—is low and needs to be strengthened. In 2011–2012, 34% of SMK had no accreditation status. Weak local government capacity is a barrier to improved quality at the primary and JSE levels. The quality of HE remains problematic, with a survey of employers in the country showing that only 10% of recent hires were considered very good, while 77% were considered fair. The top-ranked Indonesian university was 310th in the world (79th in Asia) in the QS University rankings, and 781st in the world in the Webometrics rankings.

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7 Footnote 6.
8 Footnote 3.
11 Footnote 6.
12 Footnote 3.
7. **Relevance.** Employers report that a significant percentage of graduates lack the skills required in the labor market. Skills gaps exist in terms of basic skills, but even more so in terms of soft skills such as thinking and behavioral skills. Curricula are not linked to the needs of the labor market, and have not kept pace with advances in pedagogy, technology and innovation. These weaknesses are exacerbated by old and obsolete equipment, and inadequate workshops and learning facilities. Vocational education is seen as a second best path to skills development. HE teaching and research are generally not relevant to the needs of industry. As a result, graduates enter the workforce have few practical skills. A lack of information on the labor market hampers student and institutional decision-making. Research outputs are increasing, but remain low relative to neighboring countries. University-industry linkages exist, but few are well developed. A key to improving the relevance of teaching and research at the higher education level is a strengthening of HE institutions organizational, staffing, academic and financial autonomy.

8. **Access.** Although access to education has increased significantly at all levels of education, challenges remain. The NER at the primary and JSE level remains below that of such countries as Thailand and Malaysia, while the NER at the SSE level is well below the government’s target. Despite recent increases, the GER at the HE level is lower than in Malaysia, the Philippines and Thailand. Disparities in access—across geographical, urban/rural, and income lines—are significant. District gross enrolment ratios (GERs) at the basic education level vary from 22.4% to 134.3%. At the SSE level, disparities in access are due in part to the significant share of SSE costs borne by families. HE access is also highly inequitable, with most universities located in Western Java and enrolments concentrated among the wealthy.\(^\text{15}\) Although the government has introduced a number of initiatives to address the inequity in access, including scholarship programs, these have yet to bear fruit.\(^\text{16}\) Continuing rapid growth in enrolments will pose further challenges to the quality and relevance of HE tuition and research. Significant increases in spending will be required to expand coverage and improve quality.\(^\text{17}\)

4. **Government’s Sector Strategy**

9. Government education reform priorities, as set out in the RPJMN 2015–2019, are wide ranging and comprehensive, covering all sub-sectors from early childhood education to HE, as well as cross-cutting reforms in areas such as educational governance and financing. A key priority agenda for the RPJMN is the implementation of the 12-year compulsory education system. Other areas of focus of the RPJMN are the fulfilment of the right of all citizens to complete at least 9 years of basic education, improve the quality of learning; and improve teacher management, teacher education, and reforms of teacher education institutes. An overarching government goal is to inspire a ‘movement’ that broadens responsibility for education to the wider community.

10. The government sees HE playing an important role in achieving progress, improving competitiveness, and building national excellence through the development of science, scientific discovery and technological innovation. Government aims include increasing access to HE, particularly for disadvantaged groups; improving the quality of HE; increasing the amount and

\(^{15}\) In 2010, only 2.5% of those in quintile 1 (the least well off) were enrolled in a bachelor program – compared to 64.7% of those in quintile 5 (the most well-off).

\(^{16}\) Footnote 6.

quality of scientific research at Indonesian universities; improving the relevance of HE so as to reduce labor market skill mismatches; and strengthening partnerships between university and industry. Other sector priorities include increasing employment skills through strengthening vocational education and skills training; expanding and strengthening religious education, strengthening civic and character education; improving access to, and the quality of, early childhood education; improving the efficiency of education financing and strengthening education governance.
Problem Tree Analysis

Skills shortages

Mismatch of supply and demand

Significant disparities in access to education

Poor quality of education at all levels

Limited relevance of teaching and research

Education system does not meet the needs of a middle income country and does not support the development of a competitive and innovative economy

Weak governance and management and performance

Teaching and research are not relevant to societal and labor market needs

Mismatch between labor market requirements and graduates’ skills

Inequitable access at all levels of education

Poor educational and research performance

Lack of organizational, staffing, academic and financial autonomy of institutions

Weak enabling environment, including regulation, coordination, governance and financing

Inadequate facilities, equipment, and materials

Shortage of qualified teaching staff in vocational and key academic subjects

Weak linkages between education sector and industry

Shortage of practical training and workplace experience for staff and students

Lack of information and coordinated pathways for skills development

High tuition costs and lack of programs to increase educational access for the poor