

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



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1. Investment guide overview

The opportunity for foreign 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%. Comparing this to rates of 45% in Malaysia and 90% in Singapore, and an average of 75% across OECD countries, gives a sense of the market's untapped potential.²

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).

Foreign universities may be well positioned to enter the Indonesian market, considering the reputation for quality and strong showings in international rankings, as well as the fact that more Indonesian university students are studying for degrees abroad but many of them cannot afford the cost of overseas study.

The establishment of Indonesia's new capital city in East Kalimantan includes plans to build new universities and to improve existing ones. The universities planned for the city should be different from existing universities in Indonesia, implementing high-tech research to international standards, including robot technology, artificial intelligence, e-commerce, and green technologies.

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

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, Culture, Research, and Technology (MoECRT) Regulation No. 7/2020 specifies that universities, institutes, polytechnics, community academies and colleges as institutions all fall into this category.

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.

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 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	<p>Institutions and/or their programs/courses must be ranked in the top 200 universities globally, or must be specifically invited by the 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>Minimum local employment quota must be respected.</p> <p>A feasibility study must be undertaken prior to establishment.</p> <p>Prescribed minimum institution size must be complied with.</p>	<p>Institutions will be prioritised for approval if they are ranked in the top 100 universities globally.³</p> <p>The foreign 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	<p>Monash University Indonesia (https://www.monash.edu/indonesia)</p>	<p>International University Liaison Indonesia (IULI) (https://www.iuli.ac.id/)</p>	<p>Several public and private Indonesian universities have partnered with different foreign 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 include Monash Australia, Melbourne University, Queensland University of Technology (QUT), The University of Queensland (UQ), University of Sydney, Murdoch University, and University of Newcastle.</p> <p>Other foreign universities include Tokyo Institute of Technology (Japan), Jeonbuk National University (Korea), Bologna University (Italy), Kozminski University (Poland), Birmingham University (United Kingdom).</p>

³ 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

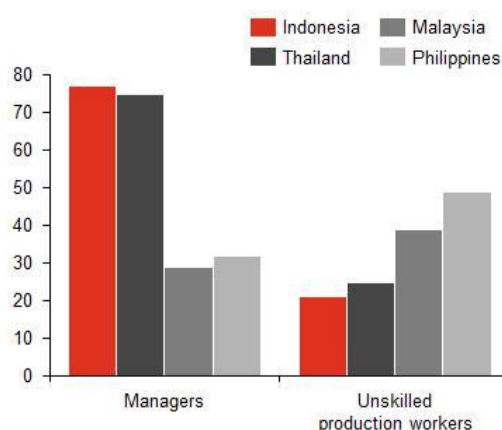
2.1 Indonesia's human capital development imperative

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.⁴ The ADB estimates that over half of workers are under-qualified for their occupations.⁵ Only 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.⁶ 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%.⁷ The World Bank estimates that Indonesia needs to increase this percentage to at least 21% to ensure the required supply of new skilled workers.⁸

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:⁹

- 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.

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.¹⁰

2.2 The need to increase the availability of 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 MoECRT. As of 2020, there were 3,166 higher education institutions

⁴ OECD, (2020). *Employment and Skills Strategies in Indonesia*.

⁵ International Labour Organization, (2019). *Bridging Indonesia's skills gap through partnership between industry - vocational education and training*.

⁶ World Bank Group, (2015). *Indonesia Systematic Country Diagnostic : Connecting the Bottom 40 Percent to the Prosperity Generation*, and World Bank Group, (2019). *Creating Markets In Indonesia: Unlocking the dynamism of the Indonesian private sector*. Country Private Sector Diagnostic.

⁷ OECD, (2020). *Employment and Skills Strategies in Indonesia*

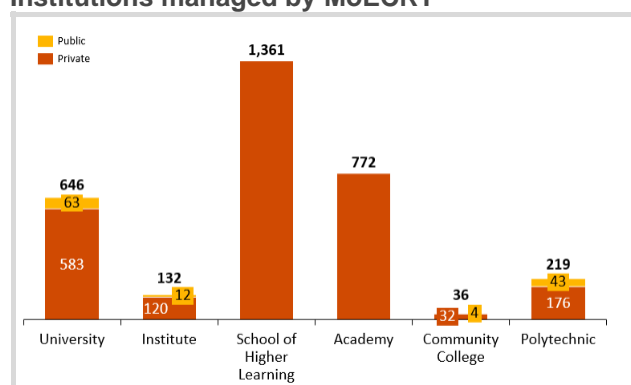
⁸ World Bank, (2014). *Indonesia's higher education system: How responsive is it to the labour market?*, Policy Brief No. 89222

⁹ The National Medium Term Development Plan (RPJMN) 2020-2024 and the Ministry of Education, Culture, Research, and Technology Strategic Plan (*Rencana Strategis*) 2020-2024.

¹⁰ Kampus Merdeka. Kemdikbud, (2021).

under MoECRT, of which 96% are privately owned (see Figure 2).

Figure 2 - Higher Education Institutions managed by MoECRT



Source: MoECRT, 2020.

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 Table 2). 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 50.¹¹

Table 2 - 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 Padjadjaran	=801	751
Universitas Diponegoro	=801	801

¹¹ [The Australia-Indonesia Centre, \(2019\). Stronger Education Partnerships.](#)

¹² [The Australia-Indonesia Centre, \(2019\). Stronger Education Partnerships.](#)

¹³ [BPS data, \(2019\). Higher Education Statistics.](#)

Notes: *Based on QS World University Ranking.

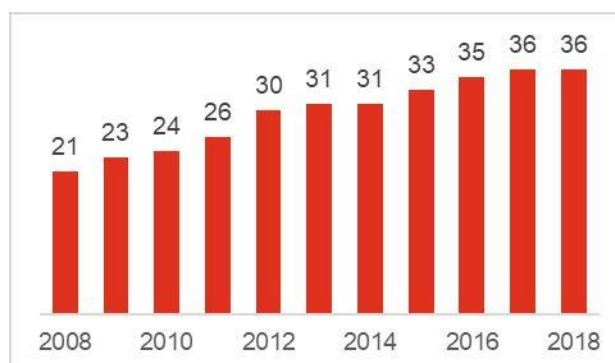
A 2015 study by the OECD and the Asian Development Bank found that only 3% of programs at private universities evaluated by the National Accreditation Board for Higher Education (BAN-PT) achieved an A rating, compared to 22% of programs at public universities.^{12,13} This statistic is concerning given that privately owned universities account for around 68% of student enrolments.¹⁴

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.¹⁵ This in turn has driven steady increases in the tertiary enrolment rate (see Figure 3).¹⁶

Figure 3 - Tertiary enrolment rate¹⁷ (%)



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

¹⁴ [The Ministry of Research, Technology, and Higher Education data, \(July 2018\), and The Australia-Indonesia Centre, \(2019\). Stronger Education Partnerships.](#)

¹⁵ [BPS, \(2019\). Statistik Pendidikan Tinggi 2017-2019.](#)

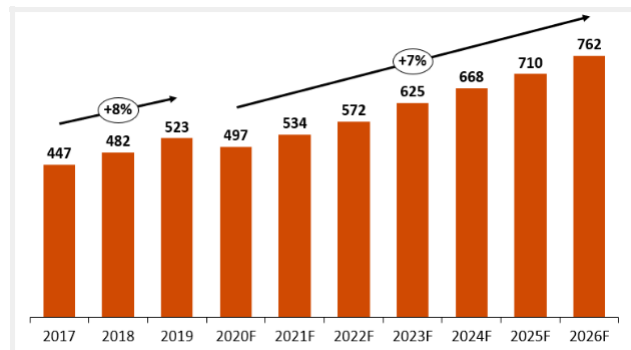
¹⁶ [BPS, 2019. Statistik Sekolah Menengah Atas 2020.](#)

¹⁷ [UNESCO, Gross enrolment ratio for tertiary education, by sex.](#)

'aspiring middle-class' Indonesians just below this income bracket.¹⁸

Between 2017 and 2019, consumer expenditure on education increased by around 8% each year (see Figure 4), a trend that is expected to continue.

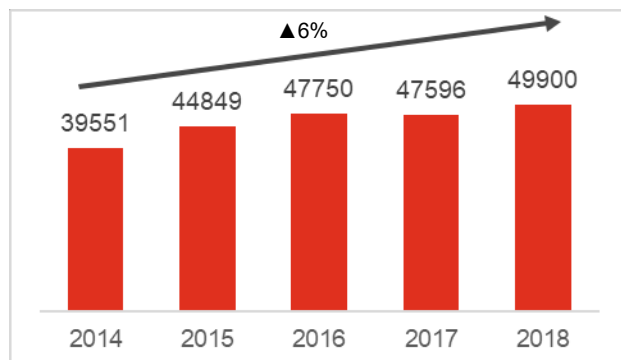
Figure 4 - Consumer expenditure on education¹⁹ (IDR trillion)



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).²⁰ This is in line with a 2017 survey by AFS Intercultural Programs, which found that Indonesian students surveyed had a distinct preference for English-speaking destinations.²¹ China does not provide official data to UNESCO,

¹⁸ World Bank, (2020). *Aspiring Indonesia: Expanding the Middle Class*.

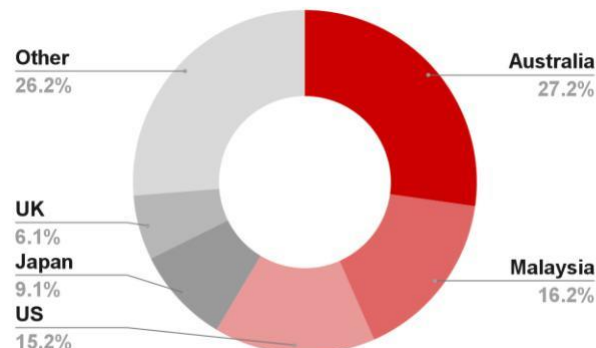
¹⁹ "Education" here refers to all levels of education.

²⁰ UNESCO, *Global Flow of Tertiary-Level Students*.

²¹ ICEF Monitor, (2017). *Study finds that young Indonesians are highly motivated to study abroad*.

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

The 2017 survey by AFS Intercultural Programs also found that eight in ten of Indonesian students surveyed had considered studying abroad. The majority of them were drawn to study abroad out of an interest in pursuing a high quality education at a reputable institution. The long-term goal of these students is to boost their academic profile and ultimately pave the way for better career prospects.²³

According to the survey, the most important decision factors for studying abroad were the reputation of the host country, affordability, the opportunity of English-medium instruction, and the reputation of the host institution.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

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 Ibid.

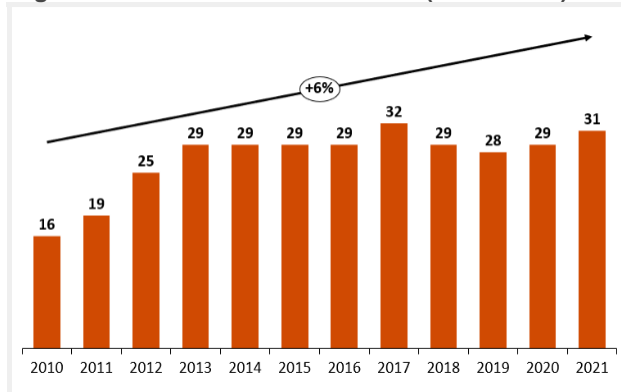
²⁵ PwC, (2017). *The World in 2050*.

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 steps to cut red tape and help businesses through the introduction of an Online Single Submission (OSS) 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 7).

Figure 7 - 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 (specifically for those located in a special economic zone is 100 top universities).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, such as 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.

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 the first foreign university to establish a branch campus in Indonesia, having been granted a licence to operate by MoECRT 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), a newly developed satellite city, 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 a 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. All options may be attractive to domestic students, as it allows them to enhance their qualification without having to go abroad.

Several foreign universities have collaborated with the University of Indonesia (UI) under their international study program, which has been running since 2012. Swiss German University (SGU) has established partnerships with European universities since 2000. Students receive dual degrees from the local university 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 Intensive Courses for Overseas Students). 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 MoECRT 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 graduates who wish to pursue a career with government agencies or state-owned enterprises),²⁸ several conditions must be met under MoECRT Regulation No. 7/2020:

²⁷ [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

- 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;
- 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; and
- Licensing application procedures.

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>Foreign university establishes a foundation</p> <p>A foreign 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 foreign university together with their Indonesia partner</p> <p>A foreign 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 MoECRT.</p>	<p>No new entity establishment</p> <p>The foreign university, as a foreign entity, enters into a contractual partnership agreement with an Indonesian university, which handles all regulatory matters in-country.</p>
Threshold requirements for the foreign university to obtain a license ²⁹	<ul style="list-style-type: none"> • Accredited in the origin country • Ranked in the top 200 universities globally. Specific provision for special economic zone is 	<ul style="list-style-type: none"> • Accredited in the origin country 	<ul style="list-style-type: none"> • Accredited in the origin country • Priority for approval will be given to the top 100 universities globally

recruitment criteria, but in most cases there is no such requirement in the private sector.

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.

	top 100. • If the above criteria cannot be fulfilled, the foreign university must receive an invitation from the MoECRT.		
Relevant regulation	Research and Technology Ministerial Decree No. 53/2018 (as partially amended by Ministry of Education No. 10/2021) and Higher Education Directorate General Decree No. 86/2020.	Minister of Education Regulation No. 7/2020 and Higher Education Directorate General Decree No. 62/2020.	Minister of Education Regulation 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 and AoA will be submitted to the Ministry of Law and Human Rights (MoLHR) for approval of the establishment.

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 one of 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

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

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 MoECRT.</p>	<p>No ministerial approval required</p> <p>The curriculum to be offered is determined jointly by the foreign and Indonesian universities.</p>
Location requirement	<p>The campus location should be agreed with the MoECRT.</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 MoECRT.</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</p>	<p>Specified minimum land area of ten thousand square metres, either owned or leased.</p> <p>In lieu of an adequate land</p>	<p>Not applicable. The foreign university will leverage the Indonesian university's existing land and facilities.</p>

	<p>and facilities infrastructure are also assets of the <i>yayasan</i>.</p>	<p>area, the university could 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 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.</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 foreign university.</p> <p>Foreign student quota</p> <p>20% of students of the branch campus should be foreign (non-Indonesian) (i.e. recruited through foreign exchange programs).</p>	Not applicable.	Not applicable.

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 MoECRT</p> <p>If the foreign university partner (or its programs) is not ranked among the top global universities, the foreign university would need to receive an invitation from MoECRT, 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 respective country of origin should provide a Recommendation Letter.</p>	<p>Legal entity establishment and registration</p> <p>The Indonesian university partner should apply for the licence 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>
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 MoECRT's online system (SILEMKERMA); 		

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*.

- 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 licence, 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 licences.

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

Education in Indonesia falls under the jurisdiction of 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

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 Law No. 25 year 2007 on Investment ("Indonesian Investment Law"), all foreign investment for the purpose of business activities in Indonesia requires the establishment of a legal 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

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, with no significant change of its role.

Ministry of Labour and Directorate General of Immigration

All foreigners working in Indonesia must secure work and stay permits. Once a foreign university licence is approved by 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 licence 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. Contacts

About PwC Indonesia

PwC Indonesia provides a wide range of assistance in the entire aspect of foreign investment from pre-establishment, implementation, post establishment and exit strategy. We focus our services to meet the needs of businesses entering the Indonesian market. We recognise the need for intensive support in the critical period when businesses first enter Indonesia.

Our professional services include regulatory, legal, tax, accounting, commercial, financial, human resources and other aspects relevant to the business. Our business services can be tailored to meet your specific needs, allowing you to select services appropriate to your situation and the current phase of your business. Our services are coordinated by a team that includes both Indonesian and international members. With the experience and expertise dealing with entity establishment in various business sectors including education, PwC will be able to provide assistance on executing your business plan.

PwC's work in the education sector is grounded in experience at all levels of government and public services. It covers:

- advising international bodies such as the World Bank and the European Commission;
- providing consultancy support to national government education departments and their agencies on major new education policies and programmes;
- working with state, regional and local government bodies including on organisational restructuring and privatisation; and
- supporting the frontline deliverers of learning services - universities, colleges and schools - particularly through our assurance services.

PwC is a global partner of Times Higher Education. The partnership will focus on the broad range of challenges and opportunities facing colleges and universities around the world, and to support them in adapting to today's increasingly dynamic and digital world.

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