

There is no “right” financing strategy that will suit all students, but every student can be helped by having a clearer understanding of the costs, benefits, and potential pitfalls associated with their various options. Such a shift in thinking will help individual students reach their academic goals and may free up vital space and resources at institutions that must accommodate a large influx of new students. While this report examines only U.S. higher education, it seems likely that such strategies would help institutions in the many countries that are experiencing unprecedented enrollment growth.

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Moving toward Autonomy in Indonesian Higher Education

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In line with developments in higher education in other countries in Southeast Asia—such as Malaysia and Thailand—Indonesian universities are moving toward greater autonomy. The Indonesian higher education landscape is a very complex one with around 70 public universities and almost 1,700 private universities, in an archipelago stretching out over a region comparable to the area between Dublin and Moscow. In June 1999, the Indonesian government issued two important laws in the field of higher education. Government regulation PP60 covers the changes in the administration of higher education institutions, and government regulation PP61 relates to the establishment of universities as legal entities. As of January 2000, four public universities—Universitas Indonesia Jakarta (UI), Institute of Agriculture Bogor (IPB), Institute of Technology Bandung (ITB), and Universitas Gadjah Mada in Yogyakarta (UGM)—were selected to function as “guides” in Indonesia’s move toward greater academic and financial autonomy. In the near future, universities in islands other than Java (e.g., the University of Northern Sumatra in Medan) are expected to follow this path of transition.

Although often seen as an offshoot of the Asian economic crises and the subsequent era of *reformasi* in Indonesia, the move toward increased autonomy can be traced further back. The package of higher education

policy reforms was already initiated in the third long-term development plan of 1996. Quality, autonomy, accountability, accreditation, and evaluation constitute the five pillars of these reforms, known as the “new paradigm” in Indonesian higher education management. In the 1990s, several World Bank and Asian Development Bank programs were initiated—such as Quality for Undergraduate Education, Development of Undergraduate Education, and University Research for Graduate Education. These programs focus on improving the quality and efficiency of higher education through competitive development grants, and requiring universities to take a more active role. Notwithstanding these earlier developments, the post-1998 events did have an accelerating effect on the reforms. Increasing university autonomy was in line with the IMF reform packages and increasing accountability and transparency clearly fitted the call for *reformasi*. Furthermore, the country’s major universities are also expected to play an important role in the strengthening of the economy and in the empowerment of the regions (that are also becoming increasingly autonomous). The new autonomous universities are thus expected to produce better-qualified graduates in a more efficient and transparent way.

In order to implement this part of the new paradigm, the government invited its most reputable universities to submit a plan for autonomy. At that time, universities were government service units and had to comply with government regulations in financial management, personnel management, the appointment of rectors, and other areas. The four universities are now halfway through their transition period (lasting from 2000 until 2005). At this stage, substantial progress has been made in the move toward autonomy, although several problems remain. Progress in the first stage has focused on changes in organizational structure and the democratization of the universities. In the new structure, the university no longer has to report directly to the ministry, but rather to a board of trustees (Majelis Wali Amanat, MWA). The MWA represents the stakeholders of the university and consists of representatives from government, the academic senate, the academic community (staff and students), and society. Although this represents a major shift in university governance, a large stake is still in the hands of the ministry, which is also represented in the MWA. At the end of 2001, the new rector of ITB became the first Indonesian rector of a public university who was not appointed by the state but chosen by the MWA. In March (UGM), August (UI), and November (IPB) of this year, the rectors of the three other universities were chosen by their MWAs for a five-year period.

One of the most delicate issues in the transformation

toward a legal entity are the changes in university funding. Modifications in the funding of public universities would entail a detailed review of the existing national budgetary laws and regulations (such as the “Indische Comptabiliteitswet”). Until now, funding from the central government is allocated to specified areas, in the form of a regular budget and a development budget, and is rigidly line itemized. Government will act more as a funding agency in the future and will implement block grants or a block funding mechanism, based on output or the number of graduates produced instead of student enrollments. In addition to government funding, universities will also be free to generate income in other ways, like through consultancy or through cooperation with industry.

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Tuition fees are another important way to generate income for the autonomous universities. Although tuition fees were already common before the transition toward autonomy, in the new situation, the universities are supposed to collect tuition fees directly from the students. In the current situation, however, national regulations have not yet been adapted to the new circumstances. For the academic year 2002–2003, input from the Ministry of Finance is still necessary, leaving the autonomous universities in uncertainty about their budgets for the subsequent year. Not just the allocation of tuition fees will change. Under the new arrangements, the universities themselves will also be able to set tuition fees. Not surprisingly, students are worried about the future cost of higher education, now that the responsibility of setting the level of tuition fees is no longer in the hands of the central government. For the current academic year, their worries have been confirmed, with increasing tuition fees for many programs in the new autonomous universities. On the other hand, the universities in their new role also have to develop mechanisms to provide financial support for economically disadvantaged students.

Obviously, the four universities have realized many changes in a short period of time, but many obstacles lie ahead. A five-year period for the transition from a centrally governed university toward an autonomous university might be rather optimistic—especially if we take into consideration that for many continental

European universities this is still an ongoing process, even after almost two decades in some cases. Furthermore, much existing legislation in related areas—mainly in the financial sphere—is not yet prepared for a switch of universities toward autonomous legal entities. Furthermore, the government can also expect the student population to react very critically to the new developments. ■

Japan and International Trade in Education

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The Ministry of Education will consider revising the legislation governing the recognition of foreign universities in Japan—the opening wedge for foreign institutions to enter Japan’s education market. The reason for this reconsideration is pressure from the World Trade Organization. Eight WTO members, including the United States, have asked Japan to liberalize regulations concerning higher education generally. This is part of a serious push by some of the major exporters of education and knowledge products—including the United States, Britain, Australia, and some others—joined by the Organization for Economic Cooperation and Development, to include higher education and related areas such as testing, educational products and programs on the Internet, and other categories in the WTO regime. The General Agreement on Trade in Services (GATS), the broad new WTO treaty under which higher education would fall, seeks to remove barriers from the import and export of a wide range of educational products and services.

Generally speaking, including higher education in the GATS is a terrible idea. Once implemented, the regulations would compromise the ability of a country to control educational institutions entering the local market in the areas agreed upon. This would be a significant benefit to the exporters, but would be of little advantage to the importers. Japan’s traditional approach to educational imports has been largely correct, if much too restrictive and conservative. Japan has insisted on maintaining control over institutions seeking to set up shop in Japan and offer academic degrees or certificates. Japanese authorities examine the products and institutions and determine if they will be recognized by the government. It happens that few if any have been recognized, but the commitment to maintain control over the nation’s educational institutions and standards is good policy.