



Australian Government
Australian Education International

Profiles of the International Education Markets in Selected Indonesian Provinces

A report commissioned by Australian Education
International, Australian Government Department
of Education, Science and Training

Research undertaken by Morelink Asia Pacific.

AUSTRALIAN EDUCATION INTERNATIONAL



About this report

In 2007, the Department of Education, Science and Training (DEST) commissioned Morelink Asia Pacific to undertake a study of the international education market in Indonesia. The objective of the study was to identify emerging regions within Indonesia with market potential for Australian education providers.

About Australian Education International (AEI) and DEST

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The research was designed and carried out by Morelink Asia Pacific in collaboration with AEI officials in Australia and Indonesia.

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Acknowledgements

AEI would like to thank Morelink Asia Pacific for undertaking this study and all individuals who contributed by agreeing to interviews, supplying data and information, and assisting otherwise.

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EXECUTIVE SUMMARY

The Department of Education, Science and Training (DEST) through Australian Education International (AEI) contracted Morelink Asia Pacific (Morelink) to undertake a study of the international education market in Indonesia. The overall objective of the study was to identify emerging regions within Indonesia with market potential for Australian education providers. Nine provinces were visited (East Java, East Kalimantan, Jakarta, North Sulawesi, North Sumatra, Riau, South Sulawesi, South Sumatra and West Kalimantan) to obtain data to help identify opportunities for Australian education providers.

Indonesia has the fourth largest population in the world with 219 million people in 2005 and forecast to reach 248 million by 2015. Indonesia has a large potential student population with 31% of the population being in the school age group (5-19 years). There are 21.6 million young people in the age group 15-19 years with 3.4 million of this group attending senior high school.

Consumer expenditure on education is one of the fastest growing items, as more people realize the importance and benefits of a good education in a country where there is intense competition for jobs. More students are now staying at school longer with university graduates increasing by 27% over the last 3 years. In Indonesia, the Department of National Education is responsible for delivery of education and training and looks after about 187,000 education institutions catering for almost 42 million students supported by almost 2.3 million teachers.

Most Indonesian consumers are optimistic about 2007, with further improvement of key economic indicators continuing to brighten prospects for jobs and personal finances. While Gross Domestic Product (GDP) growth in 2007 is forecast at about 6%, Indonesia's manufacturing sector output is expected to grow at a rate of 7.9% according to Indonesian Government officials.

Bilateral merchandise trade between Australia and Indonesia has been increasing and was A\$8.5 billion in 2005/06. There are about 400 Australian companies with a permanent presence in Indonesia and over 2,000 Australian registered workers in Indonesia according to the Ministry of Manpower.

KADIN (the Indonesian Chamber of Commerce) reports that over the last five years there has been a big gap between demands from industry and skills required. KADIN has identified that there is a need for human resource capacity building across many sectors and provinces in Indonesia providing an opportunity for in-market vocational training. There is also strong demand for English language skills and ELICOS training opportunities exist in provincial Indonesia for students, businesses and Government.

Based on interviews with a number of education agents, the number of Indonesians studying overseas is likely to increase. Australia still has the major share of the international student market from Indonesia. However, Australia's share has declined

over the last few years due to increased competition and declining commitment or interest by Australian education providers.

While the number of Indonesian students in Australia has declined recently to about 15,000, there was an increase in student visas issued in 2006 indicating that commencements are likely to increase in 2007.

In February 2007, the Australian Education Centres held education exhibitions in three Indonesian cities. A total of 2,184 people were surveyed during the exhibitions in Semarang, Jakarta and Surabaya. The survey found that most of the respondents chose to study overseas due to perceived better education (56%), improved career options (54%) and to improve English skills (about 40%).

Although Australia is still the preferred destination for Indonesian students, competitor activity from Malaysia and Singapore is increasing with promotional efforts targeting regional areas of Indonesia. Also, there has been increased competition from local universities in Indonesia, which have started offering international programmes with attractive packages.

The introduction of regionalization in 1999 has given some autonomy and increased budgets to Indonesia's 33 provinces. Each province is unique in its history, religion, culture and business activities and needs to be treated differently.

The majority of the population live on the island of Java (58%), followed by Sumatra (22%). The province of South Sulawesi is the only one in the top 10 by population size, outside of Java and Sumatra. 80% of Indonesia's GDP is in the western part of Indonesia (Java, Sumatra and Kalimantan).

While the provinces on the island of Java dominate economic activity in terms of construction, investment and GDP, other provinces that have strong economies are in Sumatra (North Sumatra, South Sumatra and Riau) and East Kalimantan and South Sulawesi.

In general, Australian education providers have targeted their commercial marketing and promotional activities where the buying power is in Indonesia – the island of Java and North Sumatra (Medan). Most students that come to Australia are from the provinces in Java and North Sumatra, however the biggest growth in recent years has come from the province of West Kalimantan.

The study found (based on interviews in the nine provinces) that Australia's education providers were facing challenges from an (1) increasing number of international schools and national-plus schools throughout Indonesia, and (2) an increasing number of low cost international competitors (eg Malaysia and China) targeting provincial Indonesia.

Many of the school principals interviewed wanted more international cooperation between schools and more engagement with international universities to assist students'

careers. Australia has a reputation for providing a good quality education and the universities that were interviewed were looking for twinning partnerships with Australian universities.

A summary of the key education and business drivers that are relevant to the nine provinces visited is presented below and discussed in detail in sections 5-13.

East Java

- Major industry sectors by GDP are: manufacturing (30%), trade/hospitality (27%) and agriculture (17%) with almost 50% of the workforce employed in agriculture;
- Major trading hub to link with provinces in Eastern Indonesia;
- 2nd largest economy in population and GDP;
- 2nd largest number of university students – 344,000;
- largest number of vocational students – 290,000;
- 2nd largest number of students at senior high school – 460,000;
- 2nd largest source of students to study in Australia;
- Australia still dominates the market although other countries especially Singapore and to a lesser extent China and Malaysia are entering the East Java market; and
- Business opportunities include solar energy power, water sanitation and horticulture.

East Kalimantan

- Major industry sectors by GDP are: mining (41%) and manufacturing (38%) but employment is mainly in agriculture (32%) and trade/hospitality (23%);
- Highest GDP per capita as there are abundant resources of gold, coal, oil and gas;
- Strong buying power but relatively moderate interest in studying overseas;
- Malaysia and Singapore have been active in this province in promoting education;
- English speaking countries are still preferred although considered expensive; and
- Business opportunities are via the Government in Vocational Education and Training (VET) training (as they have a large budget) and private sector (mining companies).

Jakarta

- Capital of Indonesia. All international organisations operating in Indonesia are located in Jakarta including embassies and multinational companies;
- 2nd highest GDP per capita;
- Major industry sectors by GDP are: finance/business (31%), trade/hospitality (20%) and manufacturing (16%);
- Largest education budget;
- Most students at university – more than 600,000;
- Highest number of international schools & national plus schools (40% of total);
- Largest source of students to study in Australia; and
- There are many opportunities in VET, twinning partnerships in education, aid development projects and private sector training and business.

North Sulawesi

- Major industry sectors by GDP are: agriculture (20%), public services (17%), trade/hospitality (16%) and construction (16%) but 44% of workforce employed in agriculture;
- Major developments occurring and improved consumer buying power;
- Large Christian community;
- Value education and have a positive attitude towards children studying overseas;
- Australia has a good reputation for education but faces strong competition from Singapore due to proximity and scholarships; and
- Major tourism city – Hosting the International Marine Summit 2009 and Manado tourist city 2010. Training opportunities for Australia in hospitality and tourism.

North Sumatra

- Major industry sectors by GDP are: manufacturing (26%), agriculture (23%) and trade/hospitality (18%) but 53% of workforce employed in agriculture;
- 4th largest population (largest outside of Java);
- Large Chinese business community;
- Strong competition from Singapore and Malaysia for students;
- Large number of vocational schools (570) and universities (170);
- 4th largest number of students at senior high school – 300,000;
- 6th largest source of students to study in Australia (largest market outside of Java); and
- In the business sector there are opportunities in the manufacturing and agricultural sectors as well as being a base for training and development aid projects in Aceh.

Riau

- Major industry sectors by GDP are: mining (42%), agriculture (22%) and manufacturing (20%) but employment is mainly in agriculture (41%) and trade/hospitality (17%);
- Second largest GDP outside of Java and 3rd highest GDP per capita;
- Business is mainly oil and gas (mining and manufacturing) – Chevron;
- Riau is a wealthy and expanding province with high consumer buying power;
- Largest education budget in Sumatra;
- Strong competition from Singapore and Malaysia for students due to proximity;
- Minimal awareness of Australia; and
- Business and training opportunities exist in Riau in the area of natural resources, infrastructure, energy and transportation.

South Sulawesi

- Agriculture dominates with 32% of GDP and 58% of employment;
- Considered to be a centre for trading and major businesses in Eastern Indonesia;
- Base for many East Indonesian aid programmes, including AusAID and ACIAR;
- Not traditionally interested in sending children to study overseas;
- Malaysia is preferred because of similarity in ethnicity and is a Muslim country;

- Australia is seen as a supplier of good quality education – and known to offer many scholarships;
- Some negative sentiments about Australia's support for USA;
- 6th largest number of universities – almost 150;
- 6th largest number of students at senior high school – almost 150,000; and
- Business and training opportunities are in agriculture and fisheries linked to World Bank, AusAID or ACIAR projects or directly with the private sector.

South Sumatra

- Major industry sectors by GDP are: mining (29%), manufacturing (22%) and agriculture (18%) but 64% of workforce employed in agriculture;
- Has seen growth in the number of students studying in Australia;
- Relatively moderate GDP but people have a positive attitude towards studying overseas;
- While Australian education is considered to be of good quality it is more expensive and less well known compared with Malaysia and Singapore; and
- In the business sector, there is an opportunity to develop cooperation in mining, oil and gas, palm plantation and rubber production.

West Kalimantan

- Major industry sectors by GDP are: agriculture (27%), trade/hospitality (23%) and manufacturing (19%) but 64% of workforce employed in agriculture;
- Most businesses are owned by Chinese who have a relatively positive attitude toward sending their children to study overseas;
- Malaysia is becoming a favourite place for study overseas, especially to Australian University campuses in Sarawak;
- 7th largest source of students to study in Australia and the biggest growth over the last three years in student numbers to Australia;
- Australia is considered expensive but provides a good quality education; and
- Business opportunities exist in the agriculture and manufacturing sectors

In summary, Indonesia is not one market but comprises many provinces that offer a range of education and training opportunities for Australian education providers.

1. INTRODUCTION

1.1 Background

The Department of Education, Science and Training (DEST) through Australia Education International (AEI) has responsibility for promoting Australia's education services to international markets. Indonesia is one of Australia's traditional markets for international education. However in recent years there has been a declining interest in Indonesia by Australian institutions, increasing international competition, and a corresponding decline in interest by Indonesians to study in Australia.

1.2 Objectives

The overall objective of the study was to identify emerging regions within Indonesia that are supportive of education provision by Australian providers and to provide detailed market and competitor intelligence and strategic advice for targeting marketing activity by Australian education providers.

1.3 Methodology

The project involved two stages.

In the first stage, secondary information was gathered and analysed from various sources including the Ministry of Education, the Indonesian Bureau of Statistics (BPS) and other reports (eg World Bank). A list of references is attached, and an overview of the Indonesian education sector is provided in Appendix One. Information was collected and regional economic, demographic and social data analysed, which resulted in nine provinces being identified as areas of potential interest for Australian education providers.

The second stage of the project involved a visit to the nine provinces during February and March 2007 (a minimum of two days for each province). The provinces visited were: East Java, East Kalimantan, Jakarta, North Sulawesi, North Sumatra, Riau, South Sulawesi, South Sumatra and West Kalimantan.

Personal interviews were undertaken with a wide range of organisations including Australian Education Centres (AECs), Australian alumni, The Indonesian Chamber of Commerce (KADIN), Ministry of Education (DIKNAS), the Local Government for Planning and Development (Bappeda), education agents, schools and universities.

1.4 Report

This report provides an overview of the Indonesian international education market with a focus on nine provinces. Section Two provides an overview of the Indonesian consumer market, developments in the economy, the major industries, demand for skills and Australia's business engagement with Indonesia. In Section Three the international education market, and Australia's position in this market, is briefly analysed. In Section Four an analysis of regional Indonesia is undertaken as it relates to population and economic growth. Sections 5-13 provide profiles of each of the nine provinces visited.

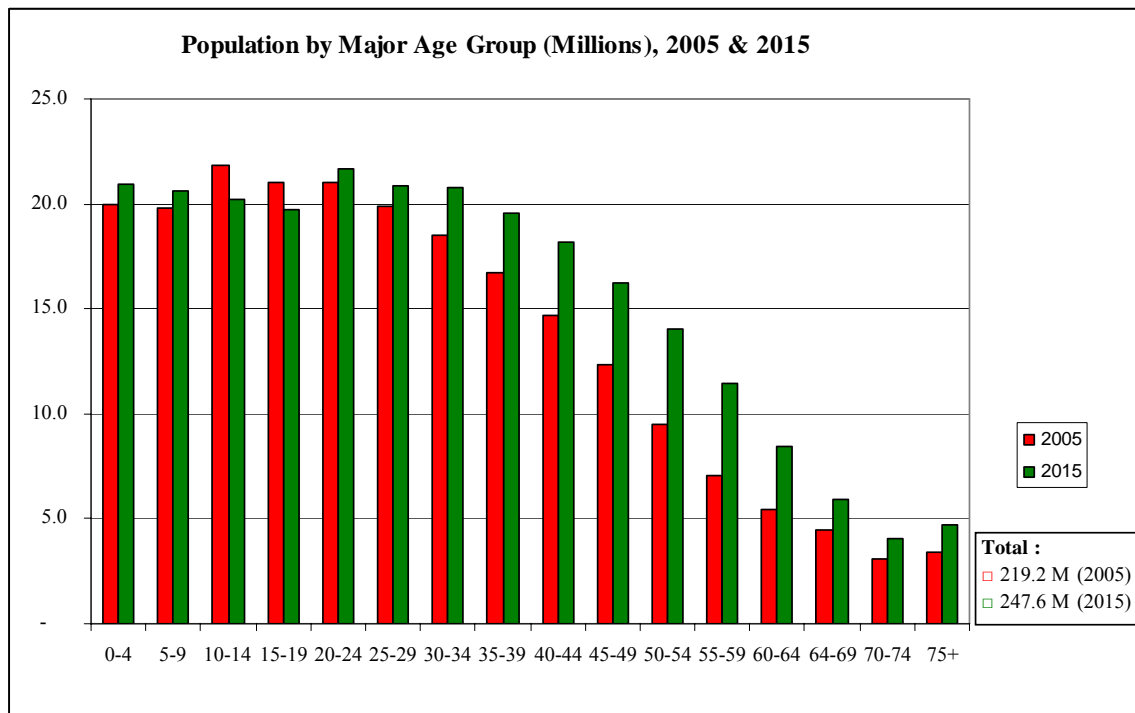
2. INDONESIAN CONSUMERS, ECONOMY AND SKILLS DEMAND

2.1 Consumers

Indonesia, with a population of about 219 million in 2005, is forecast to reach nearly 248 million by 2015. Indonesia's population grew by an average of 1.34% in 2005. The majority of the population live on the islands of Java (58%) or Sumatra (22%). Indonesia is the largest Muslim country in the world with over 88% of the population following Islam as their religion. Protestants and Catholics are the next major religious group comprising 9% of the population, followed by Hindu (2%) and Buddhist (1%).

Indonesia has a relatively young population with a median age of 26.03 in 2005. About 64.8 million people are in the school age group 5 to 19 years (31% of the population) with about one-third each being in the age groups 5-9 years, 10-14 years and 15-19 years. Over the next eight years (by 2015) this total school age population segment will decrease marginally by one million people and represent 25.5% of the total population.

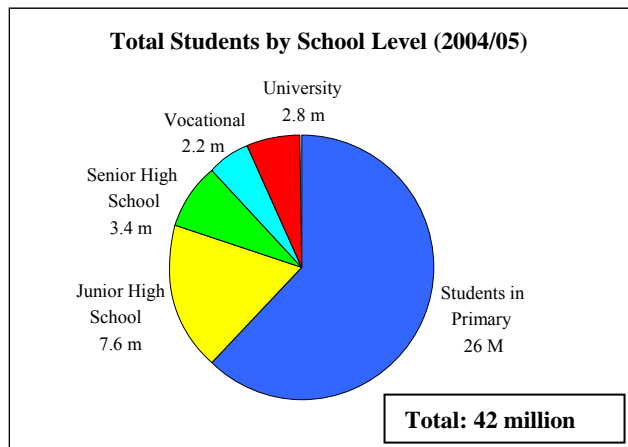
Figure 1. Indonesia Population for 2005 and 2015 by major age groups (in Millions)



Source: Indonesian Population Projection Book, 2000 – 2025 (BPS, BAPPENAS & United Nations Population Fund)

While there are 21.6 million young people in the age group 15-19 years (the target student market), BPS data (see Figure 2 below) show that only 3.4 million of this group attend senior high school (15% of the potential target market). Even taking into account those studying at vocational or university level, there is still a large cohort of young people not in any form of education.

Figure 2. Total Students by School Level (2004/05)



Source: Ministry of National Education (Statistic 2005)

Urbanization is becoming widespread in Indonesia with people moving to the cities for better education and employment. The urban population represents 45% of the population in 2005, and is forecast to increase to 52% in the next eight years. Universities and other tertiary institutions are located in urban areas, forcing rural inhabitants to go to the cities to pursue education opportunities.

According to a study on “Consumer lifestyles in Indonesia” by Euromonitor (April 2005), consumer expenditure on education is one of the fast growing items, as more people realize the importance and benefits of good education in a country where there is intense competition for jobs. More people are now taking master’s degrees, to have an advantage in their careers and more parents are sending their children to quality schools.

A survey by BPS in 2005 (of the Indonesian population aged above 15 years) showed that 83 million people (53% of the population) had only primary or lesser education; this represented a 4% decline over the last 3 years. Over 35 million people had educational levels higher than junior high school (23% of the population) in 2005; this represented a steady increase from 2002. The largest increase was in those students attending university; up by 21% from 3.0 million in 2002 to 3.8 million in 2005.

Given that there is high unemployment and underemployment in Indonesia, there is increased competition for jobs, which is an incentive for people to obtain higher levels of education. Getting the appropriate qualification and skills can lead to a well paid job and a rewarding career.

2.2 Economy

According to the outgoing World Bank Country Director Andrew Steer, Indonesia is well on the road to economic recovery from the turmoil of the 1997 Asian financial crisis. The government has reduced public debt to 38% at present while interest payments have fallen to just above 10% of total expenditure this year. Industrial production is recovering

and imports of capital goods indicate an improvement in investment. Decentralization appears to be working, with the majority of respondents to a World Bank survey saying the quality of services has improved sharply over the past two years while education spending has increased.¹

The government has forecast a 6.3% gross domestic product (GDP) growth in 2007, compared to a projection of 5.8% in 2006. The Bank of Indonesia (BI) has cut the BI interest rate nine times in less than a year to 9.25% in early 2007. Some analysts say the BI interest rate could fall to 8.5% by the middle of this year, as inflation is expected to decline to 6.5% by the end of 2007.

Most Indonesian consumers are optimistic about 2007, with the further improvement of key economic indicators continuing to brighten prospects for jobs and personal finances, according to independent surveys by AC Nielsen and Roy Morgan². AC Nielsen found that 68% of Indonesians have a good perception of where their personal finances will be in the next 12 months. Australian research firm Roy Morgan found that most consumers expect to be financially better off within the next 12 months. The survey found that 82% of respondents expect good financial conditions over the next five years.

However, the challenge for the Indonesian Government is to reduce unemployment and underemployment by further improving the investment climate in Indonesia to encourage new investment. In late March 2007, the House of Representatives passed a long-awaited investment law designed to provide various incentives for both local and foreign investors.

Actual foreign direct investments (FDI) into Indonesia rose 15% on year to around US\$3 billion in the first quarter of 2007, while the value of approved FDI increased to US\$15.62 billion in 2006; a US\$2 billion increase on the previous year.

2.3 Major Industries and Skills

Indonesia's economic output (GDP) is dominated by the manufacturing sector followed by trade and hospitality. However, the majority of the working population is employed in the agriculture sector (44%). The other significant employers are the sectors of trade and hospitality (20%), manufacturing (12%) and public services (11%).

The growth rate of most of Indonesia's industrial sectors showed a positive trend in 2006 except agriculture, mining and financial sectors which declined. While GDP growth in 2007 is forecast at about 6%, Indonesia's manufacturing sector output is expected to grow at a rate of 7.9% in 2007, helped by higher consumption and lower interest rates.

According to KADIN³, over the last 5 years there has been a big gap between demands from industry and skills available. Currently there are about 10 million job seekers in Indonesia with 60% of them being at least high school level graduates. Research by

¹ Article in Trade and Investment News. "Indonesia on Road to Recovery – WB", 26 February 2007, page 7

² Article in Trade and Investment News. "Consumer Confidence Up – Survey", 12th March 2007, page 8

³ Based on an interview with the Deputy Chairman of KADIN in January 2007

KADIN shows that about 30% of foreigners working in Indonesia are at the operator level in jobs which could be undertaken by Indonesians. There are an estimated 20,000 foreigners working in Indonesia, registered with the Ministry of Manpower.

According to the World Bank⁴, the Indonesian education system does not produce enough students with the knowledge and skills required to work in high growth economic and industry sectors.

There is an opportunity for Australian education providers to work with KADIN to develop education and training packages for industry. Indonesia needs a comprehensive competency-based training system to address industry skills shortages at the national and regional levels.

2.4 Australia's Business Position

Bilateral merchandise trade between Australia and Indonesia was A\$8.5 billion in 2005/06; a 27% increase from the previous year. Indonesia is Australia's 11th largest merchandise export market. In addition, Australian exports of services to Indonesia were worth \$842 million in 2005/06; with \$475 million in education related travel.

There are about 400 Australian companies with a permanent presence in Indonesia. Australian approved investment in Indonesia has been around US\$ 10 billion across 400 projects, mainly concentrated in mining, oil and gas but also including businesses in finance, hospitals/health, agribusiness, manufacturing and consulting.

⁴ World Bank Report, "Investing in Indonesia's Education", page 16

3. THE INTERNATIONAL EDUCATION MARKET

3.1 Trends in International Education

It is estimated that the demand for international education will increase to 7.2 million by 2025, up from 1.8 million students in 2000 with about 94% studying in an OECD country⁵. However, over the last few years some Asian countries (Singapore, Malaysia and China) have begun promoting themselves as emerging centres of excellence in education. In addition, some European countries and Australian education institutes have formed partnerships in Asia to offer more flexible education programmes to the large population and education market in Asia.

3.2 Australia's Position

The number of Indonesian enrolments in Australia has declined over the last few years to around 15,000 in 2006, from a peak of 21,000 in 2002. However, commencements in 2006 fell by only 1.7% from 2005 and based on the growth of student visas issued in 2006, commencements can be expected to rise in 2007. The number of student visas issued in 2006 increased by 14% from the previous year; from 4,519 in 2005 to 5,154 in 2006.

More than half of the Indonesian enrolments in Australia are at the higher education level (under and postgraduate). VET is the second most popular sector for Indonesian enrolments in Australia.

Most students still choose business as their preferred study option, however there is increased interest in practical courses in hospitality, social sciences, health and design.

In 2006, most Indonesian students going to Australia came from the provinces on Java Island - Jakarta (31%), East Java (7%), West Java (7%), Banten (5%) and Central Java (4%). These five provinces on Java accounted for 73% of all applicants, not including overseas or by e-visa. Other provinces (outside of Java) that are an important source of international students are North Sumatra (4%), West Kalimantan (3%), Bali (2%) and South Sulawesi (2%). Over the last three years, the biggest growth has come from West Kalimantan.

3.3 Competition

Although Australia is still the preferred destination for Indonesian students, competitor activities from Malaysia and Singapore are increasing and have become a threat to Australia's share of the international student market in Indonesia. These countries are now very active in promoting and targeting regional areas of Indonesia. There is also increased competition from local universities in Indonesia, which have started offering international programmes with attractive packages.

The increased competition could be considered a threat for the Australian education sector as many students are now choosing to study in Malaysia or Singapore and to a lesser extent China, which offer more affordable study options.

⁵ Paper presented by Meares at IDP Education Conference, Sydney 2003

Malaysia has now become the second choice (after Australia) for Indonesian students attracting almost 10,000 students in 2006, up from 3,500 in 2002. The number of Indonesians studying in the United States of America (USA) declined by 35% between 2002 and 2006. Singapore student numbers are difficult to obtain; estimates (based on interviews) are that there are about 7,000 Indonesian students in Singapore in 2006. However, Singapore plans to double the number of international students in the next 10 years with a target of 150,000 foreign students.

Some of the Asian countries (like Singapore and Malaysia) are frequent visitors to Indonesia and do targeted provincial promotions, supported by their Government or Tourism Board. Malaysia is also active in sponsoring education agents, Government officials, principals and teachers from key schools to visit Malaysia's education sector.

Malaysia is preferable to some Indonesia students in some provinces because the Indonesian students and parents do not require a visa to enter the country; it is close to Indonesia; has relatively cheap living costs; and has a similar culture (food, language and religion).

4. REGIONAL INDONESIA

4.1 Population trends

Indonesia's population is forecast to grow by an average of 1.3% per year over the next 10 years (See table 1). The biggest annual growth is forecast to occur in the provinces of Riau (4.7%), Banten (3.0%), East Kalimantan (2.8%) and Papua (2.4%).

The majority of the population live on the island of Java (58%), followed by Sumatra (22%). The province of South Sulawesi is the only one in the top 10 by population size, outside of Java and Sumatra.

Table 1: Population by Selected Provinces, 2005 and 2015

Province	Population 2005 (millions)	Population 2015 (millions)	Annual Growth (%)
West Java	39.1	46.1	1.8
East Java	35.6	36.8	0.4
Central Java	31.9	32.9	0.3
North Sumatra	12.4	13.9	1.2
Banten	9.3	12.1	3.0
Jakarta	8.7	9.2	0.5
South Sulawesi	8.5	9.3	1.0
South Sumatra	6.7	7.8	1.6
Riau	6.1	9.0	4.7
West Kalimantan	4.4	5.1	1.7
West Sumatra	4.4	4.7	0.7
Bali	3.4	3.8	1.2
East Kalimantan	2.8	3.6	2.8
Papua	2.5	3.1	2.4
North Sulawesi	2.1	2.4	1.2
Other	41.2	46.7	1.6
TOTAL	219.2	247.6	1.3

Source: Indonesian Population Projection 2000 - 2025 (BPS, Bappenas & UNFPA)

4.2 Economic Activity

The provinces on the island of Java dominate economic activity in terms of construction, investment and GDP. Eighty per cent of Indonesian's GDP is in the western part of Indonesia (Java, Sumatra and Kalimantan). Outside of Java, other provinces that have strong economies are in Sumatra (North Sumatra, South Sumatra and Riau) and East Kalimantan and South Sulawesi.

The provinces with the highest per capita GDP are: East Kalimantan (Rp.62.2 million), Jakarta (Rp.50.1 million), Riau (Rp. 22.8 million) and Papua (Rp.17.3 million). These

provinces (with the exception of Jakarta) have abundant natural resources as their main source of income. The high GDP of these provinces provides an opportunity for offering education and training packages.

Table 2: Total GDP, GDP per capita, Construction, Domestic Investment, and Foreign Investment, 2005

Province	GDP (in Billion Rp.)	GDP per capita (Rp '000)	Construction (in Billion Rp)	Domestic Investment (in Billion Rp.)	Foreign Investment (in Million US\$)
North Sumatra	136,903	10,994	1,802	3,589	236
West Sumatra	44,675	10,149	1,047	512	145
South Sumatra	81,532	12,068	1,673	744	31
Riau	139,009	22,759	1,157	4,580	180
Jakarta	436,251	50,144	10,089	4,080	5,206
West Java	387,353	9,915	6,700	5,893	1,438
Central Java	234,435	7,352	4,020	1,857	627
East Java	403,392	11,347	4,474	5,474	527
Banten	84,622	9,090	994	5,137	2,774
Bali	33,946	10,046	666	3,245	205
South Kalimantan	29,075	8,974	994	2,036	561
East Kalimantan	174,936	62,233	3,664	966	66
West Kalimantan	33,742	7,679	753	1,544	297
North Sulawesi	17,815	8,317	262	470	73
South Sulawesi	52,043	6,127	1,144	801	55
Papua	43,638	17,330	893	1,608	14
Other	425,415	6,914	5,240	10,591	1,706
TOTAL	2,729,708	12,453	44,578	50,577	13,579

Source: Statistic Indonesia 2005

Private consumer expenditure is the main driver of the Indonesian economy and with an increase in consumer purchasing power in some of the provinces in Indonesia, modern retailers (including Hero and Carrefour) are opening stores in regional centres to exploit this wealth. The location of modern retailers provides a good indication of where the wealth is located in provincial Indonesia.

About half of the 33 provinces of Indonesia have witnessed recent investments by modern retailers. While the majority of the modern supermarkets and hypermarkets are located in cities on the island of Java, there are now a number of modern retailers located in provinces on the islands of Sumatra, Kalimantan and Sulawesi. These modern and wealthy provinces are potential targets for Australian education providers.

4.3 Education developments

Over the last eight years there has been an increase in private sector investment in education with an expansion of international schools and development of national plus schools (see Appendix 1). About 50% of the provinces in Indonesia now have access to international and / or national plus schools with about 25% of these schools located outside the island of Java.

Table 3. International and National Plus School

Province	International Schools	National Plus Schools	Total
North Sumatra	4	3	7
South Sumatra	1	-	1
Riau	1	1	2
Batam	1	1	2
Jakarta	19	26	45
West Java	8	8	16
Central Java	3	-	3
D.I. Yogyakarta	1	-	1
East Java	5	3	8
Banten	2	1	3
Bali	2	1	3
West Nusa Tenggara	1	1	2
West Kalimantan	-	1	1
East Kalimantan	4	-	4
South Sulawesi	1	1	2
Irian Jaya	3	-	3
Total	56	47	103

Source: <http://www.globalcertificate.com>

Provincial Budget

The Indonesian government (under former President Habibie) introduced regionalisation in 1999 giving more autonomy and budget control to provincial governments. The wealthier provinces are now able to gain greater access to financial resources and have the powers and responsibility to allocate expenditure across functions.

All provinces have allocated a budget for education and training. The development of human resource capacity is an increasing priority at the provincial level. For example, the East Kalimantan region of Kutai Kartanegara has a large local budget for education which has been used for student leadership training while the Provincial Government has paid for 30 local English teachers to study a masters degree in Australia.

Central and provincial governments are aware of the need to increase human resource capacity at local government and in some private sectors. Funding is available for education providers to participate in training programmes. The key to success is to identify specific local opportunities and local partners.

Jakarta has the highest in value of the provincial budgets allocated for education and training, followed by Riau and Aceh. However, Aceh (17.7%) and Riau (17.3%) are the only two provinces that get close to allocating the required (by law) 20% of their budget in education and training. Other significant spenders (as a percentage of their total budget) are the provinces of South Kalimantan (11.7%) and Yogyakarta (10.3%).

While there has been increased allocation of funding to regional Indonesia, many of the provinces are having difficulty in spending their budget allocations. Most of the provinces have not spent their allocated education and training budget – Jakarta was Rp118 billion unspent while Papua was Rp7 billion unspent in 2005. This set of circumstances offers opportunities for overseas education and training providers to be actively involved in these provinces.

Table 4. Provincial Budget and its Allocation on Education in Indonesia, 2005 (Billion Rp)

NO	PROVINCE	YEAR	TOTAL BUDGET	EDUCATION BUDGET	1*	TOTAL REALISATION	2*	3*
1	North Sumatra	2005	1,646	99	6%	77	77%	5%
2	West Sumatra	2005	831	42	5%	37	89%	5%
3	Riau	2005	2,440	423	17%	382	90%	16%
4	South Sumatra	2005	1,134	81	7%	81	100%	7%
5	Jakarta	2005	13,920	1,304	9%	1,182	91%	8%
6	West Java	2005	4,131	372	9%	353	95%	9%
7	Central Java	2005	2,682	117	4%	114	98%	4%
8	East Java	2005	3,619	224	6%	308	138%	0%
9	East Kalimantan	2004	2,998	48	2%	44	92%	1%
10	West Kalimantan	2005	689	38	6%	37	96%	5%
11	South Sulawesi	2005	1,126	81	7%	59	73%	5%
12	North Sulawesi	2005	426	14	3%	14	101%	3%
13	Banten	2005	1,599	91	6%	65	72%	4%
14	Bali	2005	844	58	7%	54	92%	6%
15	Papua	2004	2,566	180	7%	172	96%	7%

1. Education Budget divided by Total Budget; 2. Total Realization divided by Education Budget; 3. Total Realization divided by Total Budget. Source: Ministry of Finance R.I., 2007

4.4 Australian education and the major provinces

In general, Australian education providers have targeted their commercial marketing and promotional activities where the buying power is in Indonesia – the island of Java. Jakarta is still the biggest market for students to study overseas, due primarily to the degree of buying power and open-minded culture of the province. The other big regional markets in Java are Surabaya (East Java), Bandung (West Java), Semarang (Central Java) and Banten. Outside Java there has been a focus by education providers and investors in the regions and cities of Medan (North Sumatra), Makassar (South Sulawesi) and Bali.

In North Sulawesi, the people from Manado are open to study overseas, while residents of Pontianak (West Kalimantan) have the potential buying power but they are more likely to choose Malaysia as a place for overseas study, because of the same culture and religion, and cheaper costs of living.

While there is substantial resource money in East Kalimantan (Balikpapan), Riau and Papua, the Australian Government's travel advice has, and will, impact on the willingness of Australian education providers to travel to some regions/provinces in Indonesia, for example Papua.

The provinces in Eastern Indonesia (including all the provinces east of Bali) are considered to be the poorest in Indonesia, with the exception of Papua and parts of Sulawesi. The Australian Government aid programme (administered by AusAID) has focussed many of its activities on east Indonesia. The provinces in Eastern Indonesia have little money for international education (unless through scholarships) but offer opportunities for English language training and in market aid training projects.

The table below summarises and ranks the information gathered across a wide range of variables (including economic data, education budget data and current student numbers) by 15 major provinces. Morelink has grouped the regions into three major areas as follows:

1. Existing Market - "Old Wealth" - provinces of Jakarta, East Java (Surabaya), West Java (Bandung), Central Java (Semarang), Banten (new province from West Java), Yogyakarta and North Sumatra (Medan). These seven provinces score highly on most of the indicators of population, economic activity, numbers of students overseas and access to money for education and training. (However, Banten and Yogyakarta are a mixture of highs and lows.)

2. Potential Market for Attracting Students - "New Regional Wealth" – provinces of North Sulawesi (Manado), Bali, South Sumatra (Palembang), South Sulawesi (Makassar) and West Kalimantan (Pontianak). These five provinces score high across a range of indicators and from personal interviews are all seen as open-minded markets and good markets for undertaking marketing activities to attract students to study in Australia.

3. Potential Market for In-Market Training Programmes - "New Mineral Wealth" – provinces of Riau (Pekanbaru), West Sumatra (Padang), East Kalimantan (Balikpapan) and Papua. These four provinces all have high GDP per capita and large education budgets. Financially these provinces are considered to have the ability to undertake self-funding training programmes.

Table 5: Ranking of key economic and education indicators, by highest (1) to lowest (15)

Province	Total Ranking *	Population	GDP Per capita	No. Senior High School Students	No. Students studying in Aust	Size of Education Budget
Jakarta	1	6	2	5	1	1
East Java	2	2	6	2	2	4
West Java	3	1	10	1	3	3
North Sumatra	4	4	7	4	6	7
Central Java	5	3	14	3	5	6
Riau	6	9	3	10	10	2
Banten	7	5	11	9	4	8
South Sumatra	8	8	5	7	13	9
South Sulawesi	9	7	15	6	9	10
East Kalimantan	10	13	1	13	11	12
Papua	11	14	4	15	15	5
West Kalimantan	12	11	13	12	7	14
Bali	13	12	9	11	8	11
West Sumatra	14	10	8	8	14	13
North Sulawesi	15	15	12	14	12	15

Note: * Rank is based on a total of each row – the lower the total the higher the ranking

Nine provinces (East Java, East Kalimantan, Jakarta, North Sulawesi, North Sumatra, Riau, South Sulawesi, South Sumatra and West Kalimantan) were visited to obtain detailed data on the issues impacting on Australia’s education position and opportunities for Australian education providers.

The nine provinces chosen were based on the rankings above and to cover a sample of provinces from each of the three areas as follows:

1. Old wealth – East Java, Jakarta, North Sumatra
2. Potential student market – North Sulawesi, South Sulawesi, South Sumatra, West Kalimantan
3. Potential VET market – East Kalimantan, Riau

Some of the other major provinces not visited but that are considered important targets for Australian education providers are the provinces of West Java, Central Java, Banten and Bali.

5. PROFILE OF THE PROVINCE OF EAST JAVA

5.1 People

East Java is located on the eastern part of the island of Java and includes neighboring Madura and Bawean islands.

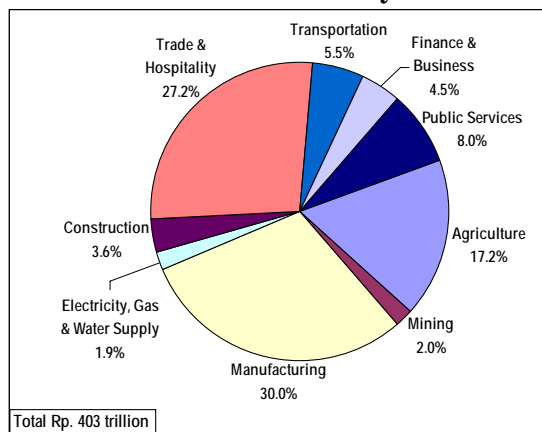
East Java covers an area of 48,000 km² with a population of 35.6 million in 2005 (2nd largest in Indonesia) and is forecast to increase by only 0.4% per annum to reach 36.8 million in 2015. The capital and largest city is Surabaya. There are eight other cities and 29 regencies in East Java. The predominant religion of East Java is Islam accounting for 96% of the population.



5.2 Economy

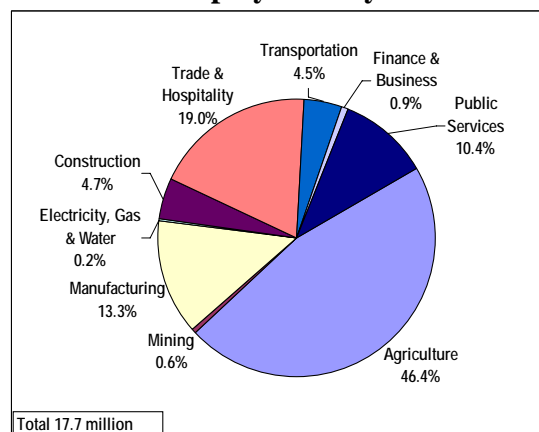
East Java has the 2nd highest GDP in Indonesia of Rp. 403 trillion and a GDP per capita of Rp. 11.3 million (ranking it 5th out of the 9 provinces examined in this report). The major industry sectors by GDP are: manufacturing (30%), trade/hospitality (27%) and agriculture (17%) but almost 50% of the workforce are employed in agriculture. East Java is a major industrial region and trading hub linking with provinces in Eastern Indonesia.

East Java Economic Activity



Source: BPS – Catalogue No. 9203

East Java Employment by Sector



Source: Population of Indonesia, BPS (Catalogue No. 2117.35)

5.3 Business Links

East Java, as a major trading port, has a wide range of international links and experience, including with Australia. In international trade, Australia is ranked 3rd in trade volume and ranked 6th in value with East Java. In 2005, the value of trade with Australia was US\$ 130 million, up 33% from the previous year. The main products exported by East Java are leather products, timber, footwear, and minerals.

All cooperation with East Java institutions is done through the International Cooperation Bureau from the local Government. There are many Memoranda of Understanding and established co-operations between East Java and overseas countries. East Java has a sister state relationship with Western Australia.

There are currently 630,000 manufacturing businesses in East Java (about 90% are small and medium scale industries) with many businesses in footwear and clothing manufacturing.

Case Study – Industry Association

According to the Provincial Chamber of Commerce (KADINDA), Australia has a good image, is relatively close to East Java and is well known for its good quality of education and training. Alumni educated in Australia receive higher remuneration than local graduates; the salary rate for overseas educated graduates is around 25% – 50% above local rates. East Java people consider that a foreign education is superior to a local education.

Some countries are active in entering the training sector in East Java for business and manufacturing. For example, Germany is working with the local Manpower office to set up a technical training centre. According to KADINDA, there are training opportunities in the business sector in governance and English language.

5.4 Education sector

East Java is ranked second in Indonesia for the number of university students (344,000), the number of vocational students (290,000) and the number of students attending senior high school (459,000). Therefore, it is not surprising that East Java is the 2nd largest source of students going to Australia to study.

Table 6. Number of Schools, Teachers and Students in East Java Province, 2004-05

East Java Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	20,771	3,023	1,108	865	11	225	26,003
Teachers	177,379	76,801	33,525	27,658	6,843	15,257	337,463
Students	4,342,979	1,131,461	459,368	290,758	100,506	243,911	6,568,983

Source: Ministry of National Education (Statistic Indonesia 2005)

There are a number of international and national plus schools in Surabaya. These schools and Catholic schools are a good source of students who may be considering overseas undergraduate study. The East Java government is keen to promote school clusters and

encourage international sister school relationships. Most universities in East Java are looking for twinning programmes.

List of International Schools in East Java:

Surabaya International School, Surabaya
Surabaya Japanese School, Surabaya
Wesley International School, Malang
Sophomore International School, Surabaya
SMA Khadijah Surabaya

List of National Plus Schools in East Java:

Sekolah Ciputra, Surabaya
Singapore National Academy, Sidoarjo
Dapena, Surabaya
Source: <http://www.globalcertificate.com>

East Java also has 1,426 Muslim schools, 81 of which are senior high schools and 151 are vocational schools.

Case Study – Senior High Schools

Six senior high schools (national plus Christian schools) were visited as part of this research project. Some of the schools were established in the last few years and offer the International Baccalaureate (IB) programme. The curriculum is taught mainly in English with international teachers, including Australians.

The options for quality secondary and university undergraduate study in East Java are now better than 10 years ago and some parents are encouraging their children to stay in Indonesia rather than pursuing overseas study. At one of the schools visited, most of the Year 12 students said they would stay in Indonesia with only 5% planning to go overseas for undergraduate study. At another school, the figure was higher with 30% of Year 12 students planning to go overseas for undergraduate programmes.

One school visited was looking for partnerships with universities specializing in naturopathy, theatre art, visual art, music, film production and food science. Australian universities need to build the links with local schools (such as Cita Hati) as this could lead to pathways for Indonesian students.

Australia is the preferred country for international study with small numbers of students going to Singapore and China. Most students decide to pursue business studies, design or engineering. Australia is preferred because it is close to Indonesia and most students choose to study in either Melbourne or Sydney.

5.5 Australia’s education position in East Java

In 2006, 367 students from East Java commenced their study in Australia (according to AEC data), and was the second largest source of Indonesian students going to Australia.

When making a decision on study destination, students consider the quality and cost of education, as well as the reputation of education agents and knowledge of overseas universities.

The competition for attracting students to Australia is becoming tougher as there are now more options for students and more countries are actively promoting education. Agents that were solely promoting Australia in the past are now also representing and promoting other countries including Switzerland, New Zealand, China, Singapore and Malaysia. Many of the people interviewed said that interest for study in Australia is still strong and that many families have money available for overseas education. However, some people would prefer to keep their children at home and save their money, given the improved quality of local education.

Malaysia is not a direct competitor to Australia in East Java as most students are Chinese Indonesian and prefer to go to Australia or to a lesser extent Singapore.

Testimonials by Indonesian school students who are studying in Australia are a good way to reinforce the messages about studying in Australia.

Case Study – Alumni

Four alumni were interviewed for this research. The alumni commented that their parents had considerable influence in relation to the decision to study overseas. However, word-of-mouth and the informal social networks are very important in deciding where to study. Prestige is also a very important consideration for parents with the USA seen as prestigious for postgraduate studies.

Australia was chosen by the alumni interviewed because of its close proximity and access to a foundation programme in Jakarta.

Case Study – Agents

There are many education agents operating in East Java. The agents interviewed commented that Australia needs to boost its tourism promotion, which in turn will help boost international education. For example, the Singapore Tourism Board has been promoting Singapore in East Java through promotional themes such as Christmas in Singapore, shopping in Singapore and concerts in Singapore. It was suggested that Australia needs to hold regular promotions and festivals in East Java to promote Australian food, culture and tourism.

5.6 Issues and Opportunities for Australia

East Java has been and will continue to be a major source of students going to Australia for secondary school, undergraduate and postgraduate studies. However, improvements in the quality of local secondary education and universities may impact on student numbers in these sectors. Singapore is also active in this province in promoting education and lifestyle. Australian education providers will need to continue to support their agents and be more active in building relationships with the school sector.

In the business sector there are many potential areas for cooperation including solar energy power, water sanitation and horticulture. Companies with the potential for international cooperation in training include PT PAL (a ship building company) and Gresik Industry Estate (petrochemical and cements). There are also training opportunities in the business sector in corporate governance and English language.

6. PROFILE OF THE PROVINCE OF EAST KALIMANTAN

6.1 People

East Kalimantan is located on the east coast of Borneo. This resource-rich province has two major cities, Samarinda (the capital and a center for timber product) and Balikpapan (a petroleum center with an oil refinery).

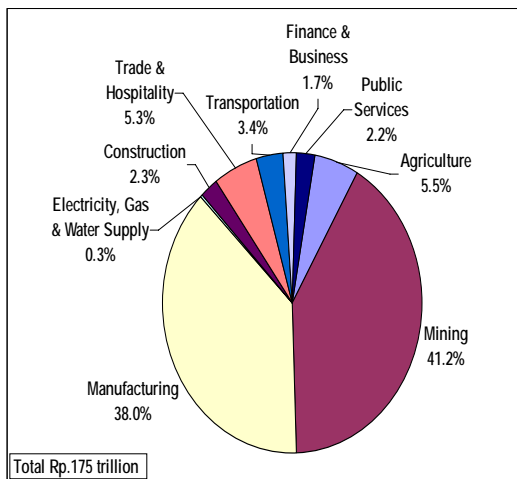
The population of East Kalimantan is 2.8 million and is forecast to increase by an average of 2.8% per year to reach 3.6 million in 2015. The population is a mixture of Dayaks and Kutai (indigenous ethnic groups living in rural areas) with other prominent migrant ethnic groups including Javanese, Chinese, Banjarese, Bugis and Malays.



6.2 Economy and Business

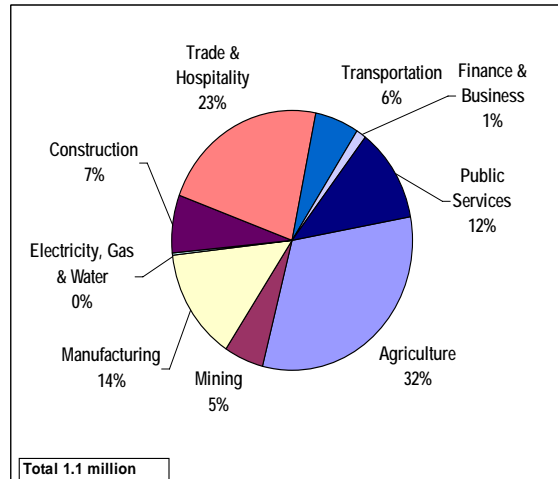
East Kalimantan is the fifth largest economy in Indonesia (42% of its GDP is from mining) with the highest GDP per capita of Rp. 62 million. East Kalimantan is rich in natural resources such as oil, natural gas, coal and gold. Since Indonesia opened its mineral and natural resources for foreign investment in the 1970s, East Kalimantan province has experienced a major boost in timber, petroleum and forest products. The state-owned petroleum company Pertamina has been operating in the area since it took control of the oil refinery from the Royal Dutch Shell Company in 1965.

East Kalimantan Economic Activity



Source : BPS – Catalogue No. 9203

East Kalimantan Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

The main problem in developing the economy of East Kalimantan is the lack of transportation infrastructure. Transportation depends on traditional boats connecting coastal cities and areas along the Mahakam River.

The region of Kutai Kartanagara is the richest region in Kalimantan and Indonesia. The local budget for 2007 is about Rp.3.4 trillion, compared to the city of Balikpapan which is only Rp.1.2 trillion. Most of the budget is for infrastructure rather than human resource development.

The main industry in the city of Balikpapan is oil and gas, with the main employers being Pertamina and Chevron. Key issues in this city are:

- Oil and gas employees tend to send their children to study in the best universities in the best countries to study which are the USA, Australia or United Kingdom; and
- Business people, when deciding on where to send their children, are looking for the best mixture between cost, benefit and future employment opportunities.

According to an education agent interviewed, one private sector company is planning to establish an international school based on the Queensland education system. Employees in the mining sector are being targeted, with the aim to enrol about 100 students every year. The tuition fee will be about A\$10,000 per annum with graduates expected to continue their university study in Australia.

Case study – Government Local Education Office

The Provincial Government has a large budget for training and has previously sent 30 local government officials for further study in Australia. Some local Government officials have received training on “Life Skills” from a training provider in Western Australia, while Singapore is active in the provision of English language courses and Germany is providing technical training in a community college.

According to a local Government official, the most popular countries for overseas study are Malaysia, Singapore, Australia, Europe (Netherlands and Germany) and Japan. The main factors that influence decisions on study destinations relate to cost and shared culture. Australia is preferred to other “western” countries because it is an English speaking country, is closer to Indonesia and is less expensive than going to the USA or Europe.

6.3 Education Sector

East Kalimantan is ranked 13th (from 33 provinces) in the number of students in senior high school. This is proportional to its population ranking.

There are two big cities to target for international students: Samarinda and Balikpapan. In 2006, about 150 students went to study overseas (according to a local agent), mostly coming from Samarinda (about 75 students), Balikpapan (50 students) and Bontang city (25 students).

Table 7. No. of Schools, Teachers and Students in East Kalimantan Province, 2004-05

East Kalimantan Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	2,115	476	195	108	3	46	2,943
Teachers	21,210	8,777	4,259	3,200	775	1,486	39,707
Students	383,330	107,120	50,044	37,297	15,675	22,180	615,646

Source: Ministry of National Education (Statistic Indonesia 2005)

There are a few international schools operating in East Kalimantan to meet the education needs of the expatriate community and wealthy locals. In addition to the international schools, some key schools to target in Balikpapan are: Santo Mikail, SMA Patra Darma and SMA 1.

List of international schools in East Kalimantan:

- Balikpapan Independent Personal School
- Raffles International School, Balikpapan
- Tanjung Bara International School, Sangatta, Kutai Timur
- Pasir Ridge International School, Balikpapan

Source: <http://www.globalcertificate.com>

East Kalimantan also has 89 Muslim schools, 72 of which are senior high schools and 15 are vocational schools.

Case Study – Senior High Schools

From about 500 students who graduated in 2006 from a senior high school, only 2% went to study overseas. Of these, half went to Malaysia and a quarter to Australia. The rest of the students chose to continue their study in Jakarta, Bandung, Surabaya and Yogyakarta.

Students chose Malaysia to study because:

- It is a non-English speaking country (students are still not confident in speaking English);
- It shares the same Asian culture, especially in language and food;
- Cost considerations – relatively cheap tuition fees and living costs; and
- It is easier to enter the country (visa) and gain admission to universities.

6.4 Australia’s education position in East Kalimantan

In 2006, 49 students from East Kalimantan commenced studies in Australia (according to AEC data) representing about 30% of students from East Kalimantan; the twelfth largest source of Indonesian students going to Australia.

Word-of-mouth is important for students in making a decision to study overseas, as well as the reputation of agents and knowledge of overseas universities.

Case Study – Agents

Education agents can represent a range of countries and education institutes and their alliances and alumni background can impact on the students' choice of study destination. Some agents are actively promoting Malaysia and Singapore to students in Balikpapan and Samarinda, whereas other agents focus more on promoting Australia. Some Malaysian and Singaporean education institutes promote directly to students.

When deciding on which agent to use, the reputation of the agent is the main consideration for many parents (with word-of-mouth being important). According to agents the factors parents considered important when deciding to send their children overseas to study are:

- Costs - available funds in the family;
- Networks: parents feel more comfortable if there are some relatives or friends who can look after their children;
- Quality of education in the country and in the university; and
- Opportunities for part-time employment and the possibility to obtain permanent residency status.

6.5 Issues and Opportunities for Australia

East Kalimantan, despite being the wealthiest province in Indonesia based on GDP per capita, has relatively few students going to Australia every year for further studies. Malaysia has been active in this province in promoting education. Australian education providers will need to broaden their engagement in this province to cover the three major cities of Samarinda, Balikpapan and Bontang.

The Mayor of Balikpapan has announced that the city will become a vocational city with a focus on building the human resource skills required for people to work directly in the industrial sector. To achieve this target the local Government with the support of the Ministry of Education will upgrade most vocational schools (SMK) while the general senior high schools (SMA) will be developed into national schools using international curricula (SNBI). This approach offers an opportunity for Australian education providers to provide consultancy services and technical training. There is also a need to train local teachers in delivery of English language courses.

In addition, some of the schools visited in East Kalimantan are looking for sister-school arrangements with Australian schools. For example, SMA Patra Darma is planning to develop an international-scope school, which will involve using a bi-lingual system of teaching for several subjects, as well as the establishment of a partnership with international institutions to develop its human resources capability. In addition, SMP St Mikail is seeking international cooperation to develop the quality of its teachers, including in English language and improved laboratory infrastructure.

In the business sector there are many potential areas for cooperation particularly in the mining sector and support industries.

7. PROFILE OF THE PROVINCE OF JAKARTA

7.1 People

Jakarta is a small province on the northwest coast of the island of Java. Jakarta has an area of 661 km² and a population of 8.7 million people in 2005 (ranked 6th in size in Indonesia) with an average annual growth rate of 0.5. %. The population is expected to reach 9.2 million in 2015. Jakarta is the capital and largest city in Indonesia.

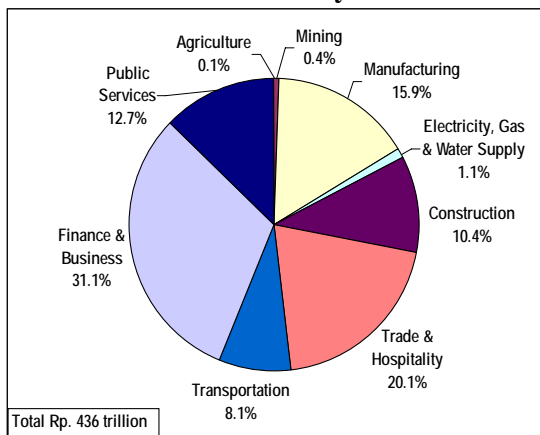
Jakarta has a mixture of Javanese (35%), Betawi (28%), Sundanese (15%) and Chinese (6%). The main religions are: Islam (86%), Protestant (6%), Roman Catholic (4%) and Buddhism (4%).



7.2 Economy

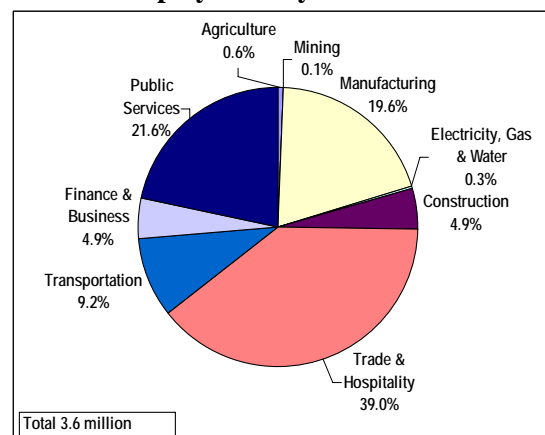
Jakarta has the largest economy in Indonesia with a GDP of Rp. 436 trillion and a GDP per capita of Rp. 50 million (2nd largest). The major industry sectors by GDP are: finance/business (31%), trade/hospitality (20%) and manufacturing (16%).

Jakarta Economic Activity



Source : BPS – Catalogue No. 9203

Jakarta Employment by Sector



Source: Population of Indonesia, BPS (Catalogue No. 2117.35)

More than 50% of all modern retailers are based in Jakarta, which is the main province in terms of consumer buying power.

7.3 Business Links

As the capital of Indonesia, all international organisations operating in Indonesia are located in Jakarta as well as embassies and multinational companies.

Jakarta is also the location of KADIN, which has 161 business associations under the coordination of National KADIN. There are currently more than 6,700 companies registered in Jakarta.

The Indonesia Australia Business Council (IABC) has its head office in Jakarta.

7.4 Education Sector

Jakarta has the highest number of students at university (more than 600,000). It also has the highest number of international schools and national plus schools (40% of Indonesia's total); 21 international schools and 28 national plus schools.

Jakarta is the largest source of Indonesian students studying overseas. In 2006, the (then) Australian Department of Immigration and Multicultural Affairs reported that students from Jakarta accounted for the highest number of Indonesian students going to Australia. Many education agents target Jakarta as their main market.

Table 8. Number of Schools, Teachers and Students in Jakarta Province, 2004-05

Jakarta Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	3,034	865	498	590	4	306	5,297
Teachers	36,020	22,625	16,892	16,596	6,516	21,921	120,570
Students	841,729	365,847	209,615	190,953	213,994	421,583	2,243,721

Source: Statistic Indonesia 2005

List of International Schools in Jakarta

ACG International School
Australian International School
Al-Haramain Al-Saudiah Academy
British International School
Deutsche International Schule
Gandhi Memorial International School
Jakarta International Korean School
Jakarta International Montessori School
Jakarta International School
Jakarta Japanese School
Jakarta Taipei School
Lycée International Français
Nederlandse International School
New Zealand International School
North Jakarta International School
Pakistan Embassy School
Raffles International Christian School
Singapore International School
International Center for Special Care in Education (ICSCE)

List of National Plus Schools in Jakarta

Binus High (SMU Bina Nusantara)
P.S.K.D Mandiri
Sekolah IPEKA
Sekolah Cita Buana
Djuwita International School/Sekolah Djuwita
Sekolah Global Jaya
Sekolah Global Mandiri
Sekolah Lentera Kasih
Sekolah Lentera International
Sekolah Mentari
Sekolah Mentari Citra
Sekolah Pelita Harapan
Sekolah Tiara Bangsa – ACS
Sekolah Tunas Muda
Singapore Indonesian School
Singapore PSB School
SMP Nurul Ihsan
SMA Sapta Karisma
SMK Iptek Jakarta
Saint Peter's School Jakarta
Kanaan Global School
Dwi Matra Elementary School
Bina Tunas Bangsa School (BTB School)
Sekolah Dian Kasih
Sekolah Victory Plus
LP Pribadi Boarding School
Source: <http://www.globalcertificate.com>

Jakarta also has 239 Muslim schools, 144 of which are senior high schools and 89 are vocational schools.

Case Study – Senior High Schools

In Jakarta, Australia is well known to students as a potential study destination. Most of the students in Jakarta who are considering overseas study are from wealthy families and well-educated parents. Cost is not a major consideration for them and they will choose to study in a country which has a good quality of education.

Australia and the USA are considered to have a good quality of education, but Australia is preferred by those interviewed because it is closer to Indonesia.

At some of the less affluent schools in Jakarta, students may look for scholarship options from Singapore or Australia.

7.5 Australia's education position in Jakarta

In 2006, about one third of all Indonesian students commencing their study in Australia came from Jakarta (according to AEC data). The quality of education, the reputation of agents and knowledge of overseas universities are important factors for students deciding where to study.

Case Study – Agents

Most of the major education agents have offices throughout Jakarta and promote Australian education institutions.

While Australia is the preferred destination for the majority of students in Jakarta, Singapore is important for large numbers of Indonesian students because of the short distance (only one hour from Jakarta), the multilingual society and quality of life. There are about 70,000 international students studying in Singapore with numbers projected to reach 150,000 by 2015. In 2006, Indonesia ranked second after China in terms of student numbers going to Singapore. Indonesian secondary school student numbers are now increasing, and this is likely to lead many of them into university study in Singapore. There are many international universities operating in Singapore, including those with cooperative arrangements with English speaking countries (such as the USA and Australia) and also some with China.

However, according to one agent interviewed, while Australia is still the number one destination of choice for students within three years China may overtake both Singapore and Malaysia as a preferred destination to study.⁶

7.6 Issues and Opportunities for Australia

Jakarta is the largest province in Indonesia, in terms of domestic income, population and the number of students going to study in Australia.

There are numerous opportunities in training and education both in the Government and private sectors. The Provincial Government through its Ministry of Education invites overseas education providers, including those from Australia, to assist in enhancing the human resources capability of the province. This could take the form of consulting on curriculum matters or the development of education infrastructure.

There are also many VET providers offering courses in public relations, secretarial studies, nursing, hospitality etc and further opportunities exist.

In the business sector there are many potential areas for cooperation particularly through KADIN, international aid agencies (such as World Bank, ADB, AusAID and the ASEAN Secretariat) and Australian companies with a base in Jakarta.

⁶ Over the last five years, the Indonesian Government has allowed Chinese Indonesians to practice their beliefs openly and as a result some Chinese Indonesians have established links with China for business and Mandarin studies for their children.

8. PROFILE OF THE PROVINCE OF NORTH SULAWESI

8.1 People

North Sulawesi is on the north eastern tip of Sulawesi and borders Gorontalo province. Its provincial capital and largest city is Manado.

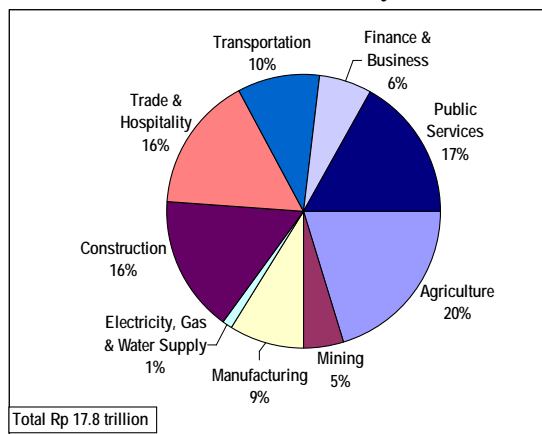
North Sulawesi had a population of 2.1 million in 2005 which is forecast to increase by 1.2% per annum to reach 2.4 million in 2015. The region is predominantly Christian (70%) with Muslim and Hindu minorities, which is an exception in this largely Muslim country. The largest ethnic group is the Minahasa, who speak Manado Malay.



8.2 Economy

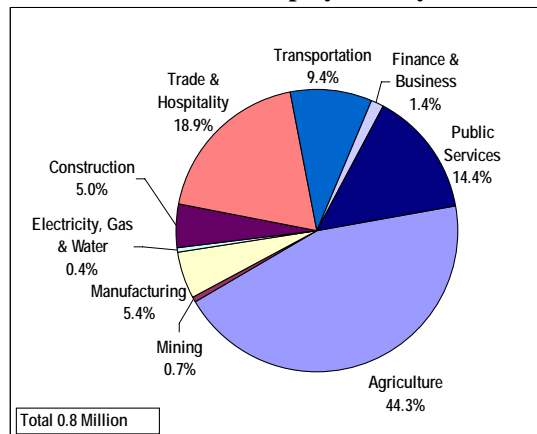
North Sulawesi has a GDP of Rp. 18 trillion and a GDP per capita of Rp. 8.3 million (ranking it seventh out of the nine provinces in this report). The major industry sectors by GDP are: agriculture (20%), public services (17%), trade/hospitality (16%) and construction (16%) but 44% of the workforce are employed in agriculture. There are major retail developments occurring in Manado due to improved consumer buying power.

North Sulawesi Economic Activity



Source : BPS – Catalogue No. 9203

North Sulawesi Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

8.3 Business Links

KADINDA has about 1,000 members, mostly small to medium enterprises (SMEs). Major business opportunities for investment are in the industries of mining, fisheries and

agrifood. There are also business opportunities to provide consultancy services for the “World Ocean Summit 2009” and “World Tourism City 2010 – Manado City”.

The Local Government for Planning and Development (Bappeda) has planning responsibility but has a limited budget for staff training. The aim is to make the region more internationally focused as it moves towards “World Ocean Summit 2009”. Training budgets have been provided from aid organisations from Japan, Canada, the Netherlands and Australia in the past.

8.4 Education Sector

The education sector is expanding with some new investments in private schools and the opening of an international school. There are almost 45,000 students in senior high school and over 30,000 students at university in North Sulawesi.

Table 9. Number of Schools, Teachers and Students in North Sulawesi Province, 2004-05

North Sulawesi Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	2,378	517	169	58	3	39	3,164
Teachers	17,027	6,898	3,196	1,816	2,465	1,161	32,563
Students	241,916	87,356	44,750	19,991	15,827	15,755	425,595

Source: Ministry of National Education (Statistic Indonesia 2005)

There are no international and national plus senior high schools in North Sulawesi.

There were 39 Muslim schools in North Sulawesi including 28 senior high school and three vocational schools.

Case Study – Senior High Schools

Two newly established progressive senior high schools were visited as part of the research; both had only small numbers of students in Year 12.

Most of the 2006 graduates at the national school went to China (which is cheaper) and Singapore (very close) for their university studies.

At the international school, subjects are taught in English and the school specializes in science (physics, biology and chemistry) and languages (English, Bahasa and Mandarin). Expatriate teachers are from Canada and England. The school expects the majority of students to continue their studies overseas with priorities being Australia, followed by China, USA, Malaysia, Singapore and the Netherlands. Australia is well known because of numerous presentations by AEC and education agents.

8.5 Australia’s education position in North Sulawesi

In 2006, 42 students from North Sulawesi commenced their study in Australia (according to AEC data).

Case Study – Alumni/parent

Based on an interview with a parent and their Australian alumni child, parents do not push their children towards any specific country as a study destination. There are many children from Manado who choose to study in Australia as they know about Australia (from many information sources) and because it is much closer than the USA. Also, the culture of Manadonese Chinese is to seek further study and employment opportunities.

Case Study – Agents

According to the agent interviewed, activities by both Singapore and Malaysia education institutes increased in 2006. Both destinations are seen by students as a cheaper option than studying in Australia. Malaysia offers Australian degrees from Monash University and Swinburne University of Technology campuses, which are attractive to some students in Manado.

The number of students going overseas to study is likely to increase as the economy expands and wealth increases. According to the agent, Australian education providers need to participate and visit the market more often to meet with prospective students, give presentations and build sister school relationships.

8.6 Issues and Opportunities for Australia

North Sulawesi is a small province that is showing potential to expand and to become an important source of students for Australia.

At the international school visited, there was interest in teacher exchange programmes as well as training benchmarking (best practice) programmes for principals. The aim is to expose senior teachers and principals to Australia so they become ambassadors to promote Australia.

The school was also interested in having some seminars/information sessions to guide their students on their career paths. Another option suggested was to promote competitions in areas such as science and technology to get school students involved in and thinking about Australian options for further study and work.

The provincial and district governments and industry aim to make the region more internationally focused as it moves towards “World Ocean Summit 2009”. Some of the staff from the local government agencies interviewed reported that they had limited English language skills and were interested in undertaking further English language study.

There are business opportunities to provide hospitality and tourism consultancy services for the “World Ocean Summit 2009” and “World Tourism City 2010 – Manado City” as well as English language training.

9. PROFILE OF THE PROVINCE OF NORTH SUMATRA

9.1 People

The province of North Sumatra stretches across the island of Sumatra between the Indian Ocean and the Straits of Malacca. It borders Aceh province on the northwest and Riau and West Sumatra provinces on the southeast.

North Sumatra covers an area of 71,680 km² with a population of 12.4 million in 2005 (ranked 4th in size in Indonesia) and forecast to increase to 13.9 million in 2015. The capital of North Sumatra is Medan.

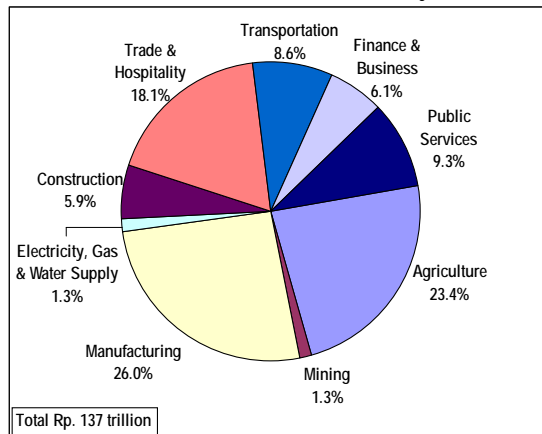
North Sumatra is a mixture of Batak (42%), Javanese (32%), Nias and Chinese Indonesian. The main religions are: Islam (65.5%), Christianity (31.5%), Buddhism (2.8%) and Hindu (.02%).



9.2 Economy

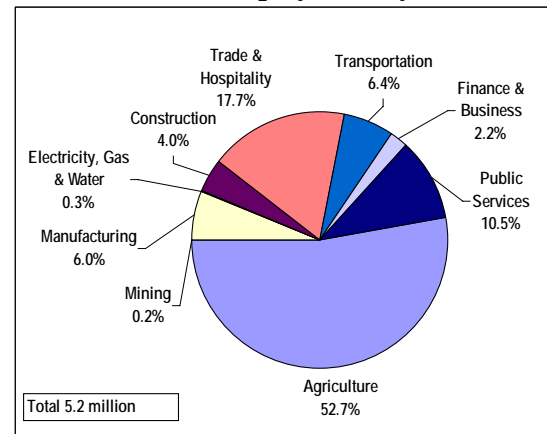
North Sumatra has a GDP per capita of Rp. 11.0 million, ranking it sixth out of the nine provinces discussed here. Provincial income in 2005 was almost Rp.137 trillion mainly from the manufacturing sector (26%), agriculture (23%) and trade and hospitality sector (18%).

North Sumatra Economic Activity



Source : BPS – Catalogue No. 9203

North Sumatra Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

9.3 Business Links

Total provincial budget for the year 2007 is Rp 2.6 trillion with about 12% being allocated to education (around Rp 200 billion); mainly for infrastructure and facilities.

According to a representative of the Provincial Government, the agriculture sector is the main priority for development. North Sumatra is planning to build an agro-marine park with education and training opportunities. Any proposals for cooperation need to be made directly to the Education Department (Kantor Dinas Pendidikan) in the province.

9.4 Education Sector

North Sumatra has the 4th highest number of students attending senior high school (almost 300,000) and is the 6th largest source of students going to Australia to study (the largest outside of Java). There are also a large number of vocational schools (570) and universities (170) in North Sumatra.

Table 10. Number of Schools, Teachers and Students in North Sumatra Province, 2004-05

North Sumatra Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	9,282	1,702	762	571	3	167	12,487
Teachers	81,605	37,180	18,691	15,196	2,863	9,038	164,573
Students	1,778,183	581,483	297,365	186,051	41,733	123,998	3,008,813

Source: Ministry of National Education (Statistic Indonesia 2005)

There are a number of international and national plus schools as well as some SMA schools (such as Sutomo, Methodist II and St Thomas1) in Medan which are considered potential sources for international students.

List of International Schools in North Sumatra:

Medan International School
Medan Japanese School
Singapore International School Medan
Kinderland Preschool, Medan

List of National Plus Schools in North Sumatra:

Djuwita International School/Sekolah Djuwita, Medan
Singapore Indonesian School, Medan
Twinkle land School, Medan

Source: <http://www.globalcertificate.com>

There are 355 Muslim schools in North Sumatra, including 172 senior high schools and 53 vocational schools.

Case Study – Senior High Schools

Two senior high schools (St. Thomas and Methodist II) were visited as part of the research project. Enrolments ranged from 400 to 700 Year 12 students with 90% of the graduates intending to continue to study at university with about one third choosing to

study overseas – Malaysia, Singapore and Australia each nominated by about a quarter of those interested in studying overseas.

Malaysia and Singapore education institutes are becoming more aggressive in the Medan market. Singapore is active in giving scholarships to students in Medan, while Malaysia is becoming the preferred study destination for some students because it is close to Medan and cheaper in total costs (however, China is also inexpensive).

Students obtain information to assist them in their decision-making process when choosing a university from a range of sources including agents, the internet, relatives or friends. The decision is often based on an assessment of which university offers high quality education at a reasonable price.

9.5 Australia's education position in North Sumatra

In 2006, 192 students from North Sumatra commenced their study in Australia (according to AEC data).

Case Study – Alumni

Australia is a very popular place to study and well known by family and colleagues. Students choose where and what to study with encouragement by parents, according to the alumni interviewed.

The key issues considered by some students in deciding where to study were the need to improve English language; assistance from agents and friends; information from friends already studying in Australia; doing a foundation year as a pathway to university; and the availability of part time work.

Case Study – Parent of Alumni

While parents will give their children the freedom to choose the subjects they like, parents want their children to study at a university using English language.

There are a multitude of reasons why parents consider Australia as the first choice to study including being a safe country in which to study and live; English language; the quality of education; close to Indonesia (compared with USA); relatives in Australia; opportunities to work part-time; good experience for the children; opportunities to obtain permanent residency status; and the opportunity to work in Australia after completing study.

While living costs in Australia can be expensive, the parent interviewed considered it worthwhile compared with the benefits received.

Case Study – Agents

There are a number of education agents operating in this region so competition among agents is relatively high.

According to agents, when considering a study destination, parents take into account:

- reputation of the country and university, (often through word-of-mouth);
- if there are some relatives or friends at the study destination;
- the quality of education based on the alumni profile and world ranking; and
- Cost (although not a primary consideration).

Some countries (such as Malaysia and Singapore) are actively promoting their countries in Medan as study destinations. The Singapore Tourism Board and the Malaysia Tourism Board have promoted their countries not only as a place of study but also for tourism and healthcare (hospitals). Some Malaysian institutes are now promoting study in Malaysia as an option for students before undertaking their final year in Australia.

Before 1998/99 many students went to Australia and the USA, but now many students are choosing Malaysia, Singapore and China as alternative overseas study destinations.

Compared to Australia, Malaysia has an advantage as study costs are cheaper. Some students also consider studying in Malaysia as English is also taught in some of the international universities.

Many agents prefer to promote Australia because of the quick turn-around time for student applications and the commission per student recruited is higher and paid faster.

9.6 Issues and Opportunities for Australia

North Sumatra is one of the major provinces outside of Java in terms of population and size of the education sector. While North Sumatra is a major source of overseas students for Australia the competition by both Malaysia and Singapore is intensifying. North Sumatra is atypical of Indonesian provinces with a high percentage of Christians and Chinese Indonesians.

Medan provides opportunities for linkages with Australian schools and universities which can provide high quality education for Indonesian students.

In the business sector there are opportunities in the manufacturing and agricultural sectors as well as a base for training and development aid projects in Aceh.

10. PROFILE OF THE PROVINCE OF RIAU

10.1 People

Riau is one of seven provinces on the island of Sumatra, located in the center of Sumatra along the Straits of Malacca. The provincial capital and largest city is Pekanbaru. There are nine regencies in Riau. Other major cities include Dumai and Bengkalis.

Riau covers an area of 111,228 km² with a population of 6.1 million people in 2005 (ranked 9th in size in Indonesia) and has one of the lowest population densities in Indonesia (54.8 persons per km²). Riau has the fastest population growth rate in Indonesia at 4.3% and is forecast to reach almost 9 million people in 2015; a 50% increase in population.

Riau is a mixture of Malay (38%), Javanese (25%) and Minangkabau (11%). The main religions are: Islam (88%), Buddhist (6%), Catholic (5%) and Protestant (1%).



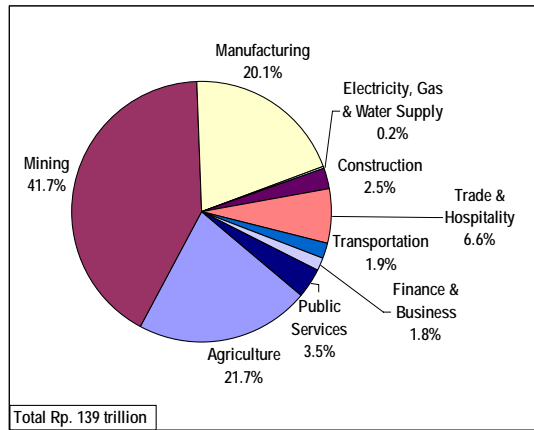
10.2 Economy

Riau is a wealthy and expanding province with high consumer buying power. It is one of the richest provinces in Indonesia with large natural resources such as petroleum, natural gas, rubber, and palm oil. The majority of the province is heavily forested lowlands and logging is a major industry in the province.

Riau has the second largest GDP outside of Java (after East Kalimantan) and the third largest GDP per capita at Rp23 million (after East Kalimantan and Jakarta). 58% of the GDP of Riau is derived from the oil and gas sector (mining and manufacturing) making Riau the largest contributor to Indonesia's income from oil and gas. About 41% of the working population is employed in the agriculture, forestry and fisheries sector which contributes 22% of Riau's GDP.

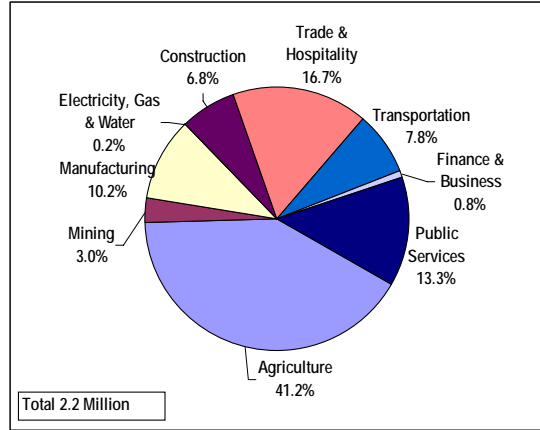
Riau's government has the largest expenditure budget amongst the provinces of Sumatra with Rp2.4 trillion (marginally smaller than the resource rich provinces of East Kalimantan and Papua).

Riau Economic Activity



Source : BPS – Catalogue No. 9203

Riau Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

10.3 Business Links

KADINDA has 3,500 members with 90% doing business related to Government projects. There are approximately 15,000 businesses in Riau with 90% being SMEs.

Riau province has sought to extend its cooperation with many countries. For example, Germany has strong links and is now active in the development of capacity building for SMEs in Riau. The Swiss are also active in technology transfer for industrial enterprises. Riau has developed close links with Malaysia (because of its similar culture, and palm oil business), Singapore (especially in vegetable trading) and Australia (in the beef cattle sector).

In Riau, the main business sector (besides mining) is palm oil plantation with a focus on development of value-added products for the chemical industries (cosmetics, plastics). There are several big companies that have budgets for human resource development, such as Riau Pulp and Paper and Chevron. Opportunities exist to develop partnerships with VET providers to improve skills to support the local businesses. Riau has vocational high schools in tourism and mechanics.

10.4 Education Sector

Riau has the highest education budget in Indonesia (after Jakarta) as the government of Riau allocates 17.3% of its total budget to education (the second highest proportion after Aceh). Fifteen percent of the population is at school or university.

Table 11. Number of Schools, Teachers and Students in Riau Province, 2004-05

Riau Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	3,130	528	218	74	1	73	4,024
Teachers	29,296	11,239	5,525	2,449	815	781	50,105
Students	613,880	162,954	74,626	31,465	11,149	21,218	915,292

Source: Ministry of National Education (Statistic Indonesia 2005)

List of International Schools in Riau and Batam:

International School Batam
Caltex American School, Duri – Riau

List of National Plus Schools in Riau and Batam:

Sekolah Djuwita (Djuwita International School), Batam
Sekolah Djuwita (Djuwita International School), Pekanbaru
Source: <http://www.globalcertificate.com>

Key senior high schools and universities to target are:

- SMA Cendana Rumbai
- School St. Maria
- SMA Alam Kudus
- SMA Duri
- Palm Kids (national-plus school)
- Juwita (national-plus school)
- Darma Yudha (national-plus school)

Riau also has 49 Muslim senior high schools.

Case Study – Senior High Schools

Two schools were visited, each with about 220 Year 12 students. All the previous year's graduates continued onto university with between 5% and 15% continuing their study overseas. Last year, about 60% of these students chose to study in Malaysia while 30% chose to study in Australia.

Malaysia was the preferred study choice because it is close to Riau; the quality of education is good (including twinning programmes with Australian institutions); has both state and international/private universities; some universities teach in English; and the overall costs are low.

Before choosing a country and university in which to study, students consult with agents and their school principal. Malaysian universities sometimes sponsor visits by school principals from Riau to Malaysia.

Parents, as well as their children, are also actively involved in gathering information on study choices. Important issues parents consider are the quality of education; security and quality of life; and the range of education programmes on offer.

A student that was interviewed at the senior high school had chosen to continue their study in Australia because of its international reputation as a provider of high quality education; it is an English speaking country; and Australians are accepting and friendly to Muslim people.

10.5 Australia's education position in Riau

In 2006, 57 students from Riau commenced their study in Australia (according to AEC data). Overall, it is estimated that only 10% of students from Riau choose Australia as their study destination. Important factors for students electing to study overseas include word-of-mouth; the reputation of education agents; and knowledge of overseas universities.

Case Study – Agents

Education agents play an important role in study choices for students. One of the main education agents in Riau, with more than five years market experience, is very active in promoting Malaysia as a study destination (sending approximately 200 students every year). This agent is considered to have very good networks with schools and local government officials. Malaysia actively invites principals and teachers of SMAs and local Government officials to Malaysia.

Malaysian education is well promoted as part of a comprehensive package including health sector (hospitals), tourism sector and business. According to the agent, Australia conducts few promotional activities in Riau province, especially in the education sector. It was suggested that Australian education providers should consider undertaking more targeted activities with selected schools in the region.

10.6 Issues and Opportunities for Australia

Australia has a minor share of the international student market in the Riau province due to strong promotion by Malaysia and its close proximity.

However, based on the GDP in Riau, parents should have the money to send their children to Australia. It is a matter of promoting the strength and benefit of Australian education compared to Malaysia, and changing the perception of the people of Riau towards Australia. Up to 2006, there were major agents promoting Australia in Riau. With the opening of a new education agency for Australia in late 2006 in Riau, it is expected that the number of students going to Australia will increase from this area.

Business and training opportunities exist in Riau in the area of natural resources such as palm plantation and its derivative products (cosmetics ingredients using a base of palm oil products), infrastructure, energy and transportation sectors.

The Riau government has a scholarship programme for its Government officials who are currently sent for further study (Masters and Doctorate degrees) in Japan. This programme could be developed with other countries, including Australia.

11. PROFILE OF THE PROVINCE OF SOUTH SULAWESI

11.1 People

South Sulawesi is a province of Indonesia, located on the island of Sulawesi, bordered by Central Sulawesi (North), South-Eastern Sulawesi (East) and West Sulawesi (West).

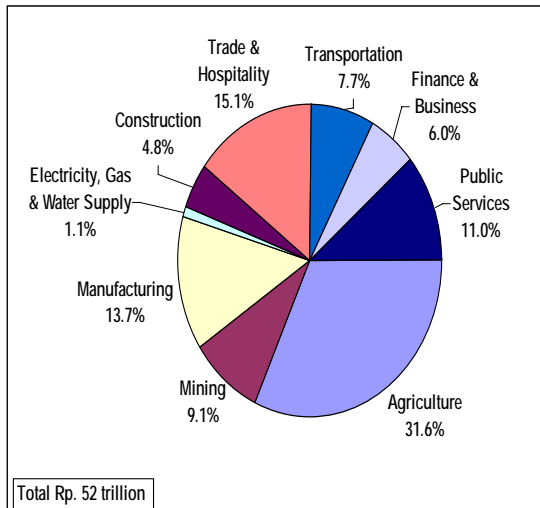
South Sulawesi covers an area of 62,482 km² with a population of 8.5 million in 2005 (ranked 7th in size in Indonesia) and forecast to increase to 9.3 million in 2015. The capital and largest city is Makassar.



11.2 Economy

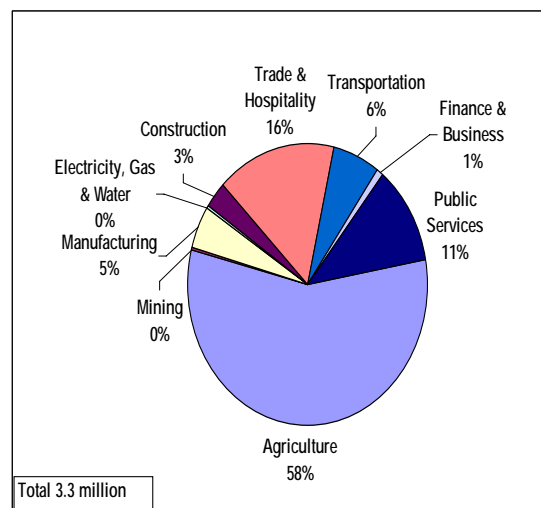
South Sulawesi has the highest GDP in East Indonesia of Rp. 52 trillion and a GDP per capita of Rp. 6.1 million (ranked ninth out of the provinces examined in this report). Agriculture dominates economic activity with 32% of GDP and 58% of employment. South Sulawesi is considered as a centre for trading and major businesses in Eastern Indonesia.

South Sulawesi Economic Activity



Source : BPS – Catalogue No. 9203

South Sulawesi Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

11.3 Business Links

The Sulawesi Development Board (SDB) was established to co-ordinate and promote the business activities and opportunities of all the regions. It is the umbrella organisation for

all Provincial Chambers of Commerce and the Board comprises the six governors of all six provinces. SDB has developed partnerships with overseas donor agencies.

Agribusiness is the main business in Sulawesi with the four main crops being cocoa, corn, coconut and fisheries/seaweed.

KADINDA has about 6,000 members, mostly SMEs. Training opportunities exist in the areas of export marketing, packaging, credit for export, and tourism.

Previous linkages existed with overseas organisations from Canada and Germany that provided either funding or free training in areas such as business, handicrafts (marble and silver), quality and export marketing. KADINDA does not have money for training projects.

11.4 Education Sector

South Sulawesi is ranked 6th largest in Indonesia in the number of students at universities (almost 125,000) and the 6th largest in Indonesia in the number of students attending senior high school (almost 150,000).

Table 12. No. of Schools, Teachers and Students in South Sulawesi Province, 2004-05

South Sulawesi Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	6,167	853	350	180	4	144	7,698
Teachers	44,477	20,625	10,036	5,672	2,782	5,190	88,782
Students	992,347	280,626	147,372	58,300	41,258	83,451	1,603,354

Source : Ministry of National Education (Statistic Indonesia 2005)

Private sector education options for secondary students are improving. There are no senior international schools in Makassar (only a junior international school for expatriate children) as well as one national plus school.

List of International Schools in South Sulawesi:

Makassar International School

List of National Plus Schools in South Sulawesi:

YPS School, Soroako

Source: <http://www.globalcertificate.com>

There are 360 Muslim schools in South Sulawesi, including 280 senior high schools and 17 vocational schools.

Major education agents in South Sulawesi are: IDP, Interlink, Study Line and Limbunan.

Case Study – Senior High Schools

Two senior high schools, with enrolments ranging from 350 to 1,000 students were visited as part of the research project.

The Harapan group established a school in Makassar, a relatively wealthy area with a significant affluent Chinese population, because of the perceived shortage of good quality schools. The teachers are all being taught English so that they can teach subjects in English as well as Bahasa Indonesian.

There is a need for expatriate teachers at the schools. Schools are looking at building a relationship with overseas schools for student exchange and teaching. One of the schools visited has established a sister school relationship with schools in Victoria and South Australia. This has resulted in about 10 student/teacher visits (4 weeks duration) over the last 8 years. However, the Australian Government's travel advice has affected the number of Australian students coming to Indonesia as part of this programme.

In 1997, the principal of one of the schools visited went to Australia (with other regional principals) for a one month management and bench marking study programme organised by La Trobe University. This was considered a useful way to build links with Australian education.

In 2006, about 40% of the 100 graduates (from the two schools visited) went overseas for their university studies. Australia was the number one choice, with small numbers of students going to USA, China, Germany, Malaysia and Singapore.

11.5 Australia's education position in South Sulawesi

In 2006, 84 students from South Sulawesi commenced their studies in Australia (according to AEC data); the ninth largest source of Indonesian students going to Australia.

Australia is the preferred destination for local students wishing to study overseas, followed by Singapore, the United Kingdom (UK) and USA. China is not yet as popular but its presence is increasing. Singapore is very active in South Sulawesi and has increased its school visit programme with presentations, general tourism promotions and education exhibitions. The Singapore Tourism Board brings a delegation of universities to Makassar as a promotional road show on an annual basis.

There are about 200 Australian alumni in Makassar (including senior Government officials), with many having received AusAID scholarships. The local Australian Alumni association (IKAMA) is active in Makassar.

Case Study – Education Agents

There are few education agents in Makassar and they represent many overseas universities (one agent interviewed represented about 40 overseas education providers) and require strong support from overseas education institutes.

Most students choose Australia to study for its high quality of education. However, the Australian currency is strong and there is increased competition from China, Malaysia and Singapore which offer more affordable study options. The Australian visa process is perceived by some to be complicated, according to one agent.

Studying overseas is seen as prestigious for Chinese Indonesian students and their parents. Parents are important decision makers in the choice of where their children will study and education agents will often be the first ones to be consulted, according to one agent.

Case Study – Alumni

Seven alumni attended a group discussion on Australia's education position in the South Sulawesi market, organised by the AEC representative in Makassar.

Most of the attendees used a range of sources to obtain information (including the internet for younger people) on Australian study options. University rankings were checked and compared. Australia is seen as a leader in certain fields of education, for example public health.

All participants did their undergraduate studies in Makassar at one of the local universities and were successful in applying for an AusAID scholarship. Many people from Makassar have been recipients of an AusAID scholarship. However, demand for scholarships is increasing and information access (internet) has improved, so more people are able to easily obtain information about their options.

The minimum qualification standard for a university lecturer is increasing and hence lecturers need to obtain masters degree or higher if they are to continue in this profession.

11.6 Issues and Opportunities for Australia

South Sulawesi is a major province in Eastern Indonesia that is showing potential to continue to expand as an important source of post graduate students for Australia.

There are numerous opportunities in the school sector such as SMA Dian, which is looking for partnerships with Christian schools in Australia for student exchanges and field trips. This is part of the philosophy of the school to internationalize the students.

Universities in Makassar are seeking to develop alliances with overseas universities (for twinning programmes) as are Polytechnics with TAFE providers of VET.

Business and training opportunities exist in South Sulawesi in the area of agriculture and fisheries linked to World Bank, AusAID or Australian Centre for International Agriculture Research projects or direct with the private sector. Opportunities also exist in tourism and hospitality.

12. PROFILE OF THE PROVINCE OF SOUTH SUMATRA

12.1 People

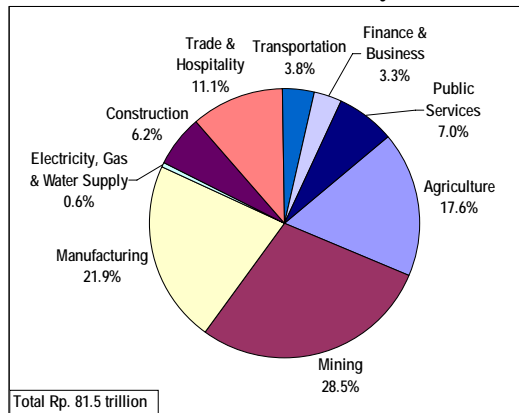
South Sumatra (Sumatra Selatan) borders the provinces of Lampung to the south, Bengkulu to the west, and Jambi to the north. The capital of South Sumatra is Palembang which covers an area of 53,435.72 km² with a population of 6.7 million people in 2005 (ranked 8th in size in Indonesia). Palembang is a mixture of Malay (31%) and Javanese (27%). The main religions are Islam (96%), Buddhism (1.8%) and Christianity (1.7%).



12.2 Economy

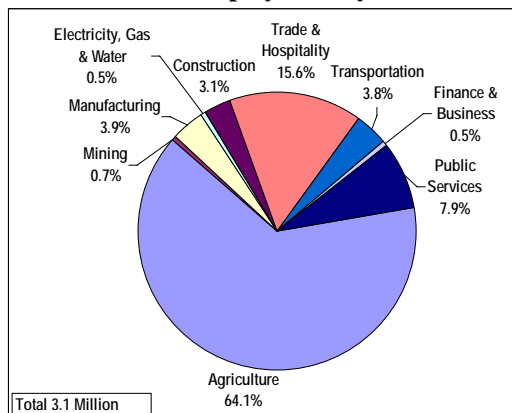
South Sumatra has about 3% of the National GDP and is ranked 3rd highest in Sumatra after Riau and North Sumatra. In 2005, the province of South Sumatra had a GDP per capita of Rp. 12 million (ranking it fourth out of the nine provinces explored here) with GDP growth of 2.7%. The biggest sectors contributing to South Sumatra's GDP are mining (29%), manufacturing (22%) and agriculture (18%).

South Sumatra Economic Activity



Source : BPS – Catalogue No. 9203

South Sumatra Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

12.3 Business Links

The priority areas for development via cooperation with international businesses are mining, oil and gas, palm plantation and rubber production.

KADINDA has strong links with other countries including Australia. For example, agricultural courses have been conducted by some institutions in Perth. Another area of

possible education and training cooperation is in forest fire protection and the environment.

KADINDA is interested to explore opportunities for cultural exchange programmes with the possibility of developing a sister city relationship with a city in Australia.

12.4 Education Sector

Most of the Sumatran population are Muslim, with more than 140 Muslim high schools in South Sumatra under the coordination of the Ministry of Religious Affairs. The rest are public and private schools which are under the coordination of the Ministry of Education through its Provincial Office of Education.

Table 13. Number of Schools, Teachers and Students in South Sumatra Province, 2004-05

South Sumatra Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	4,730	813	374	114	2	105	1,878
Teachers	39,974	20,507	9,368	4,049	1,443	2,493	77,834
Students	918,239	251,723	135,926	45,117	19,551	53,306	1,423,862

Source: Ministry of National Education (Statistic Indonesia 2005)

The only international school in South Sumatra is SMA Negeri I Kayuagung, South Sumatra (Source: <http://www.globalcertificate.com>)

South Sumatra also has 147 Muslim senior high schools.

Case Study – University

Universities (like the University of Sriwijaya) have developed international cooperation with other universities; this includes a twinning MBA programme with a Malaysian university and a twinning programme in lowland management with a Netherlands university. There is also interest in developing partnerships in medicine and business law.

Australia is considered preferable for developing cooperative links because of its good reputation for high quality education. However, for some people Malaysia is now becoming a preferred country for Indonesian students to continue their further study because of its geographic proximity, similar culture and costs efficiencies, and because it is a suitable destination for those who do not speak English.

Case Study – Senior High Schools

Three senior high schools, with enrolments ranging from 170 to 800 Year 12 students were visited as part of the study. Between 10% and 30% chose to do their undergraduate study overseas. The other 70% to 90% of graduates chose to study at national private universities in Jakarta and Bandung.

Of these students, most chose either Malaysia or Singapore (depending on the school) with only 5% choosing Australia as a place to study. Australia was more popular in the 1990s, according to the school principal interviewed.

The main considerations in choosing the country for study are costs including tuition fees and living expenses, the quality of education and networks (relatives and/or friends).

12.5 Australia's education position in South Sumatra

Australian education is considered to be of good quality but expensive when compared with Malaysia and Singapore. In 2006, 36 students from South Sumatra commenced study in Australia (according to AEC data).

Word-of-mouth is important for students in decision making as well as the reputation of agents and knowledge of overseas universities.

Case Study – Agents

According to the agents interviewed, Malaysia and Singapore are the first choices for students from Palembang to continue their studies overseas (these two countries together represent about 60% of all students going overseas); Australia is second (30%) followed by the USA (10%).

In terms of promotion, Singapore and Malaysia are relatively aggressive, while Australia is considered more moderate in promotional activities, according to one of the agents. Parents' and students' knowledge of Australian education is minimal and this provides an opportunity for a comprehensive promotion strategy, according to an agent interviewed.

Australia is chosen by some students because of the possibility of getting Permanent Resident status; the opportunity for part-time work; the quality of education; and it is an English-speaking country. Since Malaysia has several Australian universities, this is seen as a good alternative for Palembang students to study in Malaysia and receive an Australian education qualification.

12.6 Issues and Opportunities for Australia

South Sumatra is one of the major provinces on the island of Sumatra in terms of population and economic activity. Australia has only a minor share of the international student market in South Sumatra. While Australian education is considered to be of good quality, it is more expensive and less well known compared to Malaysia and Singapore.

Specific opportunities in the education sector include the University of Sriwijaya seeking partners in delivering medicine, business and international law. Some senior high schools visited were looking for partners in developing their English language teaching capacity and international curriculum.

In the business sector, there is an opportunity to develop cooperation with international businesses in mining, oil and gas, palm plantation and rubber production.

13. PROFILE OF THE PROVINCE OF WEST KALIMANTAN

13.1 People

West Kalimantan is one of four Indonesian provinces in Kalimantan, the Indonesian part of the island of Borneo. Its capital city Pontianak is located on the Equator. West Kalimantan is subdivided into two urban cities (*kota*) and ten rural regencies (*kabupaten*).

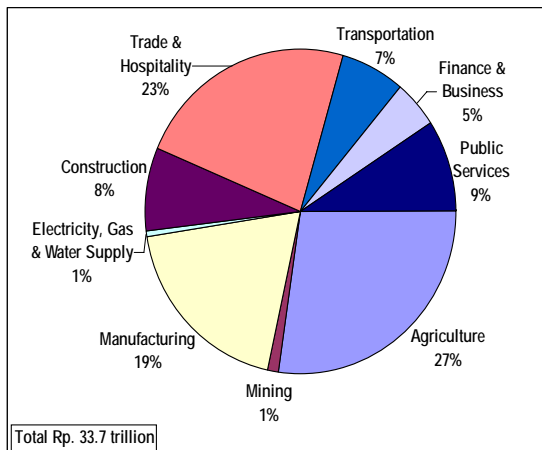
The province has an area of 146,807 km² (4th largest province in Indonesia by area) with a population of about 4.4 million people in 2005 and is forecast to reach 5.1 million by 2015. The major ethnic groups are the Dayak, Malay and Chinese, which make up about 90% of the total population. The main religions are Islam (57%), Catholic (24%) and Protestant (10%).



13.2 Economy

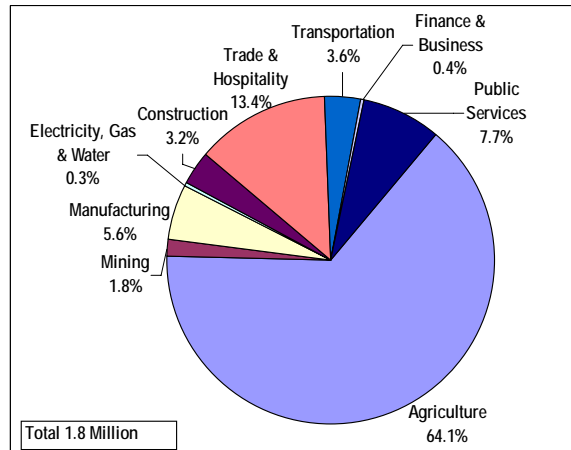
West Kalimantan has a GDP of Rp. 34 trillion and a GDP per capita of Rp. 7.7 million (ranked eighth out of nine). The major industry sectors by GDP are: agriculture (27%), trade/hospitality (23%) and manufacturing (19%) with 64% of the workforce being employed in agriculture.

West Kalimantan Economic Activity



Source : BPS – Catalogue No. 9203

West Kalimantan Employment by Sector



Source : Population of Indonesia, BPS (Catalogue No. 2117.35)

13.3 Business Links

The province has large natural resources and is a significant producer of agricultural, forestry and fishery products.

In 2006, West Kalimantan experienced a surplus trade of US\$533 million on exports of US\$5,786 million. Total domestic investment in West Kalimantan also increased by 11.3% to Rp 4.1 trillion in 2005.

13.4 Education Sector

Table 14. No. of Schools, Teachers and Students in West Kalimantan Province, 2004-05

West Kalimantan Province	Primary	Junior High	Senior High	Vocational	University State	University Private	Total
Schools	4,134	661	230	101	2	29	5,157
Teachers	30,709	10,230	4,429	2,408	984	552	49,312
Students	626,396	150,554	54,557	27,927	3,810	13,740	876,984

Source: Ministry of National Education (Statistic Indonesia 2005)

List of National Plus Schools in West Kalimantan;

Sekolah Tunas Bangsa

Source: <http://www.globalcertificate.com>

Other schools in West Kalimantan with the potential for closer international links with Australia are SMA St. Paulus, SMA St. Petrus, and SMA Gembala Baik.

There are 115 Muslim schools in West Kalimantan; 52 are senior high schools and 63 are vocational schools.

Case Study – Senior High Schools

Six senior high schools (of various sizes) were visited for this research project. About 80% of Year 12 students go to university with about 10% choosing an overseas university.

Many students go to Malaysia (40%) with 30% choosing Australia and 15% choosing Singapore. Malaysia is chosen because of its close proximity to Pontianak; the cost is less; it is well known by students; and there are twinning programmes in Malaysia with Australian universities.

The Singapore Tourism Board and the Malaysian Education Institutes fund visits by school principals to look at their education systems. Singapore also provides scholarships to attract students.

According to a teacher interviewed for this research, one option being considered by some students will be to study English for one year in Jakarta, then, upon completion, go to Malaysia for their first year of university study before continuing their studies in Australia. This is done as a means of saving money.

13.5 Australia's education position in West Kalimantan

In 2006, 128 students from West Kalimantan commenced their studies in Australia (according to AEC data); the seventh largest source of Indonesian students going to Australia.

As in other provinces word-of-mouth as well as the reputation of agents and knowledge of overseas universities is important for students in making a decision of where to study.

Case Study – Agents

According to one agent, about 60% of their students who decide to study overseas chose Malaysia, then Singapore (20%) and Australia (15%) while the remainder will go to the USA or UK.

Most of the students that go to Malaysia go to Sarawak as it is close to Pontianak (on the same island).

There are about 200 to 250 students from this province that go overseas to study each year, according to the agent interviewed.

Case Study – Students

One student interviewed for this research preferred to go to the USA to continue his studies instead of Australia but his parents considered that USA was too far away. Therefore, he will go to Australia for undergraduate study and then plans to do his postgraduate study in the USA. His parents have some input into his study choices.

Australia, especially Melbourne, is relatively well positioned in the world, according to listings of international education institutes on various websites. The ranking of a university is important to some students in choosing where to study.

Some students will undertake a foundation year in Jakarta in order to enter a university in Australia. Australia is considered a good choice because it is accessible, not only to students but also to parents who find it much easier to go to Australia compared to going to the USA; it is safe; and it has a high quality of education.

13.6 Issues and Opportunities for Australia

West Kalimantan is a significant province in Indonesia and over the last three years it has had the biggest growth in student numbers to Australia. This is a market that offers good opportunities for attracting students to Australia, however there is increased competition from Malaysia and Singapore.

West Kalimantan has a large Christian and Chinese community who tend to have a relatively positive attitude toward sending their children to study overseas.

Business opportunities exist in the agriculture and manufacturing sectors.

LIST OF ACRONYMS

ACIAR	Australian Centre for International Agriculture Research
ADB	Asian Development Bank
AEC	Australian Education Centre
AEI	Australian Education International
AusAID	Australian Agency for International Development
BAPPEDA	Local Government for Planning and Development
BAPPENAS	National Development Planning Agency
BI	Bank of Indonesia
BPS	The Indonesian Bureau of Statistics
DEST	Department of Education, Science and Training
ELICOS	English Language Intensive Course for Overseas Students
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
IABC	Indonesia Australia Business Council
IKAMA	Australian Alumni Association
KADIN	Indonesian Chamber of Commerce
KADINDA	Provincial Chamber of Commerce
OECD	Organisation for Economic Co-operation and Development
RP	Indonesian Currency (Rupiah)
SMA	Senior High School
SME	Small to Medium Enterprise
SMK	Vocational School
SMP	Junior High School
SNBI	National Schools using International Curricula
TAFE	Technical and Further Education
UK	United Kingdom
UN	United Nations
UNFPA	United Nations for Population Fund
USA	United States of America
VET	Vocational and Education Training
WB	World Bank

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APPENDICES

Appendix One - Indonesia's Education Sector

Government's Priorities

Government expenditure on education has been a priority in Indonesia since 1945; however in reality only small budgets have been allocated by Government to education.

Indonesia's law (since 1945) requires that the government should spend at least 20% of its central and regional budgets on education, not including teacher salaries (an amendment that was included in 2003). But according to a World Bank Education report⁷, Indonesia has spent comparatively less in education over the last 20 years, resulting in a deterioration of infrastructure (school buildings) and low learning outcomes by students.

However, Indonesia has now increased public expenditure on education. In 2005 and in 2006, the central government allocated 10% of its budget to education; the second largest expenditure function after "general public services". Indonesian expenditure on education has increased from 2.5% of GDP in 2001 to 3.5% of GDP in 2006. The majority of education expenditure is spent at the district level (64%) and for primary education (56%).

Structure of the Education System

The Department of National Education is responsible for delivery of education and training and looks after about 187,000 education institutions catering for 42 million students supported by almost 2.3 million teachers in 2004/05 (See table below)

Table 15. Total numbers of Schools, Teachers and Students

	No. Schools	No. Students	No. Teachers	Islamic Schools	Polytechnic	International School	Private National Plus
In Primary	147,793	25,997,445	1,189,041	22,799	-	-	-
In Junior High	22,274	7,553,086	502,351	10,792	-	-	-
In Senior High	8,899	3,402,615	224,839	3,777	-	-	-
In Vocational	5,665	2,164,068	176,261	-	-	-	-
University	2,472	2,790,391	168,236	511	-	-	-
TOTAL	187,103	41,907,605	2,260,728	37,879	166	56	47

Source: Ministry of National Education, Universitas Islam Source From "www.dipertais.net"

Islamic School in Primary, Junior, Senior source from "www.humasdepag.or.id, Polytechnic source from "www.depdknas.go.id

There are three types of schools under coordination of the Ministry of Education in Indonesia: international schools, regular schools, and national-plus schools.

The international schools are provided by international institutions using international curriculum. The national-plus schools, both public and private schools, are registered as

⁷ World Bank (January 2007), Investing in Indonesia's Education, page 8

regular schools but may adapt other curriculum as needed by schools and approved by the Ministry of Education.

There are 56 international schools in Indonesia enrolling more than 7,500 students. There are also 47 “national plus” private schools that deliver Indonesian curriculum complemented with international curriculum.

The Department of Religious Affairs is responsible for the private Islamic education system which has almost 38,000 education institutes.

Vocational education and training is undertaken through vocational high schools, polytechnics or through institutions run by the Department of Manpower. In 2005, more than 5,000 training centres provided vocational skills training, mostly short and informal courses. There are also 166 polytechnics mostly in engineering and business under the coordination of the Ministry of Education.

Role of Education Agents

There are many education agents operating throughout Indonesia. About two-thirds of Indonesia’s provinces are now covered by an education agent. The main locations for education agents are: Jakarta (34%), Surabaya (9%), Semarang (9%), Yogyakarta (7%) and Malang (7%). However, education agents are now expanding and investing in other regions including Kalimantan and Sulawesi.

Education agents have a key role in promoting international education. There are many education agents operating throughout Indonesia representing many different universities and schools. Agents provide information on their education suppliers, process applications etc. and are paid a commission for these services, which may vary from country to country or between education providers.

Australia is only one of many countries that education agents represent. Some agents operate nationally while others are provincial focused and / or country focused.

Education agents are responsible for managing the students’ application to a designated university or school for a fee. The agents’ task is made a lot easier when it receives quick action from the international education institutes.

Many education agents organise exhibitions and invite their education providers to participate. Australia is considered to be supportive of its agents by sending lots of information (brochures), conducting seminars and participating in selective exhibitions. However, exhibitions are considered to be a busy time and not the right time to build long term relationships with the market. There is some concern that education providers only come to Indonesia during exhibitions, resulting in only limited engagement.

The counsellors at education agents are the “front line” in communicating with prospective students about overseas study. The information provided by counsellors depends on their knowledge of the country and education institutes.