Chapter 4
Governance reforms in higher education:
A study of institutional autonomy in Indonesia

Nizam and Muh Nurdin

1: Introduction

Modern higher education institution in Indonesia started in 1851 when the Dutch colonial government established a school to train medical workers for indigenous people in Batavia, the present Jakarta. After its independence in 1945, Indonesian government established Universitas Gadjah Mada in Yogyakarta in 1949 through an amalgamation of several private institutes. This was followed by the establishment of Universitas Indonesia in 1950 in Jakarta and several public universities in the 1950s and 1960s. The oil-price boom in the late 1970s to early 1980’s fueled economic development leading to an expansion of higher education to meet the requirements of highly qualified human resources. The establishment of private higher education institutions helped expansion of the sector.

The system expanded rapidly, the student numbers increased from 200,000 to 2.5 million during the two decades ending in 1995. This expansion trend continued despite some setback during the economic crisis in the late 1990s. In 2010 the higher education sector enrolls more than 5.2 million students 3,100 higher education institutions spread across the country. The gross enrollment ratio increased from two per cent in 1975 to 26 per cent in 2010. This rapid expansion which was driven by economic growth transformed the elitist higher education system into a massified one. A major share of higher education institutions are private and they accounted for more than 55 per cent of enrolment in 2010 (Table 1).

Disparities in access to and quality in higher education remain major concerns. For example, in 2010 the GER is as high as 76 per cent in Jakarta, 74 per cent in Yogyakarta at 74 per cent and GER in Banten is as low as 10 per cent and it is below two per cent in the new province of Bangka-Belitung. In general, public higher education institutions take the lead in quality but cater for less than a quarter of the student population, while the private institutions take the bulk of the student population and have, in general, lower quality. Faced with increased awareness on quality, many of the private higher education institutions are now facing difficulties in attracting new students. In 2007 alone 60 private HEIs offering 113 study programs were closed down due to lack of students.

Table 1. Student enrolment in tertiary institutions in Indonesia

<table>
<thead>
<tr>
<th>Years</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<td>19-23 yrs</td>
<td>21,190,000</td>
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<td>21,174,900</td>
<td>21,171,200</td>
<td>21,170,300</td>
<td>21,184,000</td>
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<td>4,375,505</td>
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<td>4,657,547</td>
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<td>978,739</td>
<td>965,970</td>
<td>1,011,721</td>
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<td>1,030,403</td>
</tr>
<tr>
<td>Private</td>
<td>2,243,760</td>
<td>2,567,879</td>
<td>2,392,417</td>
<td>2,410,276</td>
<td>2,451,451</td>
<td>2,886,641</td>
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<tr>
<td>In-service</td>
<td>48,493</td>
<td>51,318</td>
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<td>47,253</td>
<td>66,535</td>
<td>92,971</td>
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<tr>
<td>Religious</td>
<td>508,545</td>
<td>518,901</td>
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<td>556,763</td>
<td>503,439</td>
<td>571,336</td>
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<tr>
<td>Open Univ</td>
<td>262,081</td>
<td>322,854</td>
<td>450,849</td>
<td>521,281</td>
<td>624,401</td>
<td>645,099</td>
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</table>

| GER | 18.26% | 20.23% | 20.66% | 21.26% | 22.00% | 24.67% | 26.34% |

Source: DGHE, various years. *Population data based on recent census result.

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2. A review of the governance reform and its implementation

Rationale behind the governance reform on autonomy

Managing higher education is a challenging task in a country such as Indonesia given its population size of more than 237 million spread over 3 time zones and live in 17,458 islands, with more than 300 ethnic groups. The political reforms in the past 12 years towards transforming Indonesia into democracy after 32 years of authoritarian regime has implications for reforms in higher education. At the same time, the system is expanding due to the need of the society in responding to the shift in economy from traditional agriculture-based to industry and service based in which higher qualifications, more knowledge and skills are needed in the labor market. Although the reforms to decentralize power from the center to provincial governments were introduced in basic education (primary and secondary educations), higher education institutions were under the control of the central authorities. All public universities were part of and controlled by the government. They had to comply with the rigid fiscal year bound line-item budget system and their staffs were part of civil service with standardized salaries and career system.

The organizational structure and management of universities were standardized despite the wide variation in institutional size and capacities. It was realized that under a uniform and rigid governance as well as budget structure, the (public) higher education institutions (HEI) were operating inefficiently and could not adapt to the dynamics of the system and local circumstances. Staff recruitment and career development had to be processed through and approved by the central government, HEI managers did not have full authority to hire and fire staff members and they needed permission from the Directorate General for Higher Education (DGHE) for the starting of a new academic program. Internal management of the institution was also weak and there existed a wide disparity in quality across higher education institutions.

To respond to the need and challenges, a wider autonomy is needed as an enabling environment for HEIs to improve their quality and relevance more efficient and effectively. For public HEIs, the autonomy can be granted by establishing the institution as an autonomous legal entity, separate from the government institution. The reform measure of granting a legal entity status to a university implied that the institution became autonomous with its own rights, responsibilities, and can legally act on its own behalf inside and outside of the court of justice. The legal entity for universities was limited to Civil Law, however under the existing Civil Law there was no suitable form of legal entities that fit the purpose of a university establishment. To overcome, a new nonprofit legal entity called Perguruan Tinggi Badan Hukum Milik Negara (PT-BHMN) to be translated as University as a Public Legal Entity was created. The piloted legal entity universities were established under the framework of Government Regulation No 61/1999 based on the Education Act UU 2/1989 and Civil Law Article 1653 by issuing a Government Regulation.

To implement the new policy, in 2000 the central government piloted four of the more mature universities (University of Indonesia, Gadjah Mada University, Bandung Institute of Technology, and Bogor Agricultural University) to become autonomous by establishing them as legal entity institutions. The autonomous universities started to enjoy more freedom to develop their management system as well as to manage their resources more efficiently. A more corporate like management was created by these autonomous universities. This
universities could select their rector, recruit their own staffs, develop new study programs, and mobilize resources. Although by law autonomous universities are not for profit organizations, as legal entities, they could establish and manage revenue generating activities such as academic related ventures as well as full commercial venture thereby diversifying and mobilizing other sources of income. Following the experiment with the four universities, many public HEIs submitted their proposals to transfer their status. By 2009, there are seven public universities that had been given legal entity status.

**HELTS 2003-2010 introduces the governance reform**

A recent set of reforms introduced in the system of HE in Indonesia is laid down in the Higher Education Long Term Strategy (HELTS) 2003-2010. In this HELTS, the three basic principles for the reform of higher education relate to the role of higher education in the nation’s competitiveness, autonomy, and organizational health.

First, with regard to the *nation's competitiveness*, the higher education system was given the responsibility to provide students with strong knowledge and understanding to be good citizens, and to lead meaningful lives. The higher education system is expected to contribute to the process of shaping a democratic, civilized, and inclusive society, maintaining national integration through its role as moral force, and act as the bearer of public conscience.

Second, with regard to *autonomy*, the main reform is decentralizing authority to HE institutions. A high degree of institutional autonomy was considered to be the best suited approach in managing the highly complex Indonesian higher education system. Each relevant aspect had to be adjusted following the policy shift, i.e. funding policy, personnel policy, governance, and quality assurance system. With regard to the autonomy objective, HELTS restated actually an earlier decision already taken in a resolution passed in 1999.

Third, organizational health refers to the general state of an organization allowing it to function fully as per its vision and mission. In an academic context, such a healthy organization is characterized by its ability to support academic freedom, value innovation and creativity, empower individuals to share knowledge, and to work for an organization’s success. Healthy organizations need an overall healthy system that should systematically encourage a management approach providing individuals with clear rights, responsibilities, and accountability. A healthy organization provides its members with the tools for adapting to complex and difficult situations. It gives them enough way and autonomy to deal with unusual demands and unforeseen circumstances. Finally, imbedded in a healthy organization is an internally driven quality assurance mechanism that rests on self-assessment and external evaluation.

**A new role for the central government**

At the heart of the governance reform was a redefinition of the relationship between government, institutions, and individuals. As a consequence of decentralization and autonomy, the role of the central government represented by the Directorate General of Higher Education (DGHE) was systematically shifted from controlling into steering the system. The government could still intervene through resource allocation and other means within the context of the national higher education system. It should not directly be involved in implementing policy directions but steer through various mechanism and peer
organizations such as the Board of National Education Standard (BSNP), Board of National Accreditation (BAN-PT), and the Board of Higher Education (DPT).

The accountability of HEIs covers not only financial audit and transparency, but also academic quality and service delivery. Academic accountability had been introduced since 1994 by the introduction of accreditation system by the National Accreditation Board for Higher Education (BAN-PT). The 20/2003 National Education System (NES) Act made it compulsory for any education program to be accredited. It also requires every HEIs to have an internal quality assurance system. Government provisions of public resources demand accountability from the HEIs. In addition to public auditing the HEIs, the DGHE became also responsible to periodically collect data related to performance indicators and present to the public. The data collected can then become a reliable source of information in evaluation institutional performance and develop system wide policies.

Under the new status, an autonomous university has a more direct accountability not only to the government but also to its stakeholders. A board of trustees represents the internal and external stakeholders. The internal stakeholders are represented by representative of the university senate, manager, academic staff, administrative staff, and students. The external stakeholders are represented by representatives from the Minister of National Education, the local Governor, and the public that is usually represented by the users/industry, alumni, and prominent figures in education.

**Funding reforms**

One of the major reasons for the governance reform was to increase the flexibility of HEIs in managing and mobilizing resources. Prior to the reforms all public HEIs had to follow the line item budgeting system and to revert back any revenue they generate to the government account before it can be used by submitting a budget proposal. The system is inflexible because any decision and changes of the budget has to go all the way to the central government. Also, any remaining financial resource at the end of fiscal year had to be returned to the government account. This lack of flexibility resulted in reduced effectiveness and efficiency in the use of resource.

The new paradigm in funding incentive was implemented gradually beginning with a competitive block grant mechanism for the development budget introduced in 1997. It was expected that most of the government investment budget would be disbursed in a block grant either based on a competitive mechanism, institutional development plans, or affirmative mechanisms. It was felt that Operational budget to autonomous universities should also be given as a block grant while investment budget can be based on government affirmation to address special objectives.

Under the legal entity system, universities can generate and use revenue so long as it is used and invested to serve the education objectives. However, it is mandatory for all autonomous institutions to have an internal control mechanism and an external audit for its financial management. The financial report includes a balance sheet, statement of changes in fund balance, statement of current revenues and expenditures, and statement of changes in net worth. A new accounting system is also required in accordance with the standard of accounting system for a legal entity such as chart of accounts, supporting documents, and procedures needed to handle revenue and expenditure transactions.
**Personnel reform**

The initial plan of the governance reform was to transform all staff (academic, support and administrative) from civil servant status to university employees. However, this did not happen except for new staff recruits in some of the autonomous universities. It was expected that a transition to university employ would make them directly accountable since they are hired and fired by the university authorities and that the universities could set their own remuneration system based on merit and performance. Such a system was expected to promote an efficient and effective use of resource and positively improved performance. However, experience has shown that performance evaluation by the internal quality assurance units and internal audit structures sometimes becomes a new nightmare for the staff. Obviously there is trade off in the extra efforts and time spent on monitoring and evaluation of staff, and all the audit and assessment system. Among the evaluation that has become common is staff evaluation by students.

**Reform of the governance structure**

Under the legal entity reform, the governance structure of the university should be adapted to corporate management style so that decisions could be taken more easily and the university could be better connected to its environment. A new management body, the board of trustees (BoT) as the top management structure was created. The BoT selects and appoints the rector, provides overall direction on policy and adopts the strategic plan. It approves the annual programme and budget plan from the university. The BoT also carries out daily supervision on behalf of the Ministry of National Education and Ministry of Finance. Major investment and changes in budget allocation have to go to the Board for approval. The Rector has to regularly report to the Board. The level of supervision and roles of the BoT varies from university to university. They also appoint the internal audit unit and accountant/external auditor to conduct external audits.

Increased autonomy at the universities has actually led to an integration of university management under one centralized corporate system. Before the granting of autonomy, the control of university leaders over the faculties and staff was relatively weak. Since most of the budget and its allocation were centrally managed, many faculties, departments, and research center had their own bank accounts to support their operational activities as well as to keep research and service contracts separate from a university consolidated financial system. The reason was not to channel the funds inappropriately, but to avoid the lengthy process of the government accounting system.

With increased autonomy, the rector could act as a CEO and consolidates all sources of revenue under one single account. Since the span of control is now closer and the rector has more power to manage his/her institution, the university autonomy is often perceived as reduced freedom at the unit level. Theoretically, integrating the financial management system, will result in increased efficiency and more effective cross-subsidization. However this situation can also cause distrust between faculties. Some faculties feel that they are the revenue generator, while the others are perceived as spenders. Closer control and more direct accountability also means that every unit would be more closely monitored and evaluated. Internal audit units are conducted regular audit not only on financial matters but also on academic matters. Performance evaluation at all levels becomes an additional burden to smaller units in the university.
3. Recent change in the legal basis for the governance reform

In 2009, the long awaited Law on Education as a Legal Entity Law (UU Badan Hukum Pendidikan, UU-BHP) was passed by the Parliament to lay a firmer foundation to the establishment of the legal entity universities. To make the Law operational, the government issued a Government Regulation (PP 17) on the Governance and Management of Education establishment in January 2010. This regulation replaced earlier regulations such as PP 61/1999 that was used as the foundation for the establishment of the piloted legal entity universities. This Regulation was expected to provide the operational framework to implement the Law.

But the 2009 Law on Education as Legal Entity became a cause of public controversy since its inception. The public perceived the Law as a mean to liberalize and even commercialize the education sector. After a long battle, on the 1st of April 2010, the Constitutional Court revoked the Law on the ground that this law would deny the right of pluralism in education governance. There were also fierce critics mostly from private HEIs who feared the Law would reduce the control of private foundations to their HEIs. Since the Law was revoked, the legal entity institutions have lost their legal ground of existence and legal framework to operate. To overcome, the government had issued Government Regulation PP 66/2010 to augment and complement PP17/2010.

4. Autonomy and accountability in practice: Institutional level

*Introduction of Gadjah Mada University*

Gadjah Mada University (UGM) established in 1949 is the oldest and the largest public university in Indonesia and has taken a new status as a state-owned legal entity (Badan Hukum Milik Negara, BHMN) in 2000. As an autonomous university, UGM has experienced more freedom in developing its management system as well as in managing its resources more efficiently. It has 18 faculties and a graduate school that runs 73 undergraduate study programs, 28 diploma study programs, 67 master programs and 47 PhD programs. It enrolls 55,000 students with 884 international students. It has 2,164 academic staff and 2,240 non-academic staff. Up to now, the University has graduated more than 160,000 students, consisting of diploma, first degree, master degree, and PhD degree.

After it became an legal entity, the university introduced a corporate style management - in selecting the rector, in developing new study programmes, and in mobilizing resources. It can establish and manage revenue generating activities such as academic related ventures as well as commercial venture, as long as the income generated is reinvested to the improvement of academic service, thereby diversifying and mobilizing other sources of income. According to the University Strategic Plan 2008-2012, the University has a vision to become a World Class Research University which is inspired by Pancasila, the National ideology to promote excellence in research, teaching-learning and community service.

Since it became an autonomous entity, the University has improved its performance and its quality significantly; and it is indicated by its achievement in the recent years. In 2010, the University has been ranked 8 in the top ASEAN, 62 in the Asian, and 562 in the world university ranking system.
Changes in Academic Areas

Aware of the importance of developing an internal quality assurance system, the university established the Office of Quality Assurance (KJM, Kantor Jaminan Mutu). KJM developed quality standards in more than 176 areas, quality assessment instruments and an academic audit system. In 2011, all study programs and research units had implemented, although to varying degrees, an internal quality assurance system. The parameters and indicators for the internal quality assurance system were developed in line with the external quality assurance system via the National Accreditation Board for Higher Education (BAN-PT). It appears that the internal quality assurance system is one of the good achievements at UGM after the being transferred into legal entity status.

Another aspect of academic autonomy concerns the opening of new study programs. Indeed, the autonomy to establish a new study program without DGHE permission was given to UGM and some other BHMN (UI, ITB, IPB) through a Ministerial Decree. A dean of faculty can propose a new study program to the University Senate for evaluation. Once the program is approved by the Senate, it is then submitted to the Board of Trustees for final decision. Contrary to expectations, this new freedom did not lead to a proliferation of degree programs at UGM. In 2000, there were 68 regular undergraduate programmes and 12 extension programmes, 17 diploma programs, and 65 graduate programs (Master and PhD). Currently there were 68 undergraduate programs (no longer any extension program), 22 diploma programs, 88 Masters’ programs (including professional program), and 44 PhD programs. Although the number of undergraduate programs remains the same, there were changes in the nature of the programmes offered (some programmes have been merged and some new programs have emerged). The only significant increase is in the number of graduate programmes.

The autonomy to open new study programs has been criticized by private universities. They fear this will allow public universities to grab potential students that would have entered private universities. However, as can be seen in the number of programs, actually the number of undergraduate programs remains more or less the same, even the extension programs that were heavily criticized by private universities have been phased out.

Another change in the academic domain relates to the recruitment of new students. Prior to the establishment of legal entity universities, there had been two modes of student recruitment: a National Entrance Examination and local selection through talent scouting. The latter usually makes up between 10% to 20% of the total student intake. In 2003 UGM introduced its own selection procedure by conducting an entrance test in many provinces ahead of the National Entrance Examination. Gradually, the proportion of student intake through this mechanism has increased from around 40% to more than 80% in 2010. The new student recruitment had been criticized by many public and private HEIs, but this approach improved the quality of student intake in term of academic quality, socio-economic proportion, as well as regional distribution.

Changes in Financial management

The status as legal entity restructured the financial management. A new accounting system was developed to assure sound and prudent financial management of the university. This system requires the university to introduce a double entry system to handle revenue and expenditure transactions. An Internal Audit Unit has been established under the Board of
Trustees that regularly conducts financial audits to all units under the university and reports to the Board. By Law UGM also has to be externally audited by an independent public auditor as well as government auditors since it also received financial resource from the government. Multi-layered auditing is necessary to assure accountability and transparency of financial management. UGM has been the first autonomous university to be given unqualified certification by an independent auditor since 2007.

Another interesting features is the resource mobilization from commercial ventures. Many of the legal entity universities have developed commercial ventures, ranging from hotels, plantation, and other forms of investment. In 2001 UGM had established Gama Multi Usaha Mandiri (GMUM) as a holding company to manage commercial ventures. Up till now the contribution from the commercial venture is still very small compared to the university budget. There are three kinds of revenue generating activities (RGA). They are academic related ventures such as the commercialization of intellectual property rights, trainings, consultancies, book store, student dormitory, sports center, etc. There are also auxiliary ventures such as the guest house, room leasing for office and functions, and other commercial investments. UGM also established an endowment fund with the support from philanthropy as well as the proceeds from the RGA.

All these efforts have led to an increase in the university budget. In 2000 the total budget was around 180 billion rupiah and in 2009 the total annual budget increased by more than 8 times to reach 1,453 billion rupiahs. It needs to be noted that the contribution by the government continuously increased over the years, and more so than the inflation rate. This also has contributed to the larger university budgets.

**Changes in human resources**

In traditional Indonesian public universities, most of the staffs are civil servants that are appointed and paid centrally. The blueprint of university autonomy expected to shift from the civil servants status to university employees within 10 to 15 years. As a first step towards this end, the government froze new staff recruitment in the autonomous universities and almost all BHMN recruited new staff members as university employees under contract or tenure. The block grant for the operational budget has not yet materialized, as planned. As of now, the staff salary for civil servants still come directly from the central government, while salaries of university staff are provided by the university. The absence of a block grant system also hampers any initiative to improve staff efficiency.

Due to the decreasing number of academic staff caused by retirements, in 2006 UGM requested the government to recruit additional civil servants and for the transfer of university staff to become civil servants. Unlike what was planned, the number of administrative staff has increased (from 2,401 in 1999 to around 3,200 in 2011). This increase is due to the additional staff under contract and paid by the university to provide a more professional service, while the former staffs that are civil servant are still being paid by central government.

Despite current uncertainty about university staffs, within the context of financial autonomy of the university, several schemes of incentive system have been developed by the university. The amount of the incentives provided depends on the financial capacity of the university. The incentive system that is based on performance has improved the academic atmosphere. Absenteeism among staffs has significantly decreased. Delays in the announcement of
examination results have decreased, as well. The presence of staff on campus has markedly improved. Students’ evaluation of staff as well as staff performance assessment have been created. One of the main aspects of academic audit is on the academic performance of staffs in each department which covers teaching, research, community services, as well as administrative duties. This is in line with the more transparent and accountable management and the quality assurance system being implemented. Currently, the evaluation of staff performance has not been linked to incentive for performers.

Changes in governance and management

As in other legal entity universities, UGM created a Board of Trustees (BoT) whose members are selected by the Senate and appointed by the Minister of National Education. The role of the Board is to provide general policy directives to the university, select a Rector, appoint the head of the Senate, approve university strategic development plans, approve university bylaws, approve annual budget plan, regularly supervise and control university activity, evaluate the performance of university leaders, regularly report to the Minister of National Education, and give approval on the establishment of a new study program and major investment. To oversee financial management of the university, the Board of Trustees appoints a Board of Auditors that is in charge of auditing the financial health of the university.

The role of the Academic Senate has changed as well. The new Senate concentrates more on academic program development. Its members are university leaders, faculty deans, representative of professor and non-professor staffs from each department in the university, librarian, and others. Care is taken to include external staff, usually returning PhDs from overseas who bring new ideas and experiences to the university.

The Senate, however, no longer includes all academic staff. This change had caused resentment by many of the professors who no longer become members. For this reason, the university established a new body, the so-called Professor Council, whose role is to preserve the idealism and to guard the moral ethics of the entire academic staff. Over time, the Council has started to evaluate the appointment of new academic staff.

The university Rector is selected and appointed by the Board of Trustee to lead the University for a 5-year term. The role of the Rector is not only to act as an academic leader but also as a chief executive officer of the university. The organization structure of UGM after being transformed into a legal entity is as follows.

Figure 1. Organization structure of UGM BHMN
5. Effects and impacts of reforms

*Effect, impact and perceptions of reforms at national level*

In general, there has been a lot of change in Indonesian higher education since the introduction of the reform. There were many handicaps in the legal framework, especially regulations from outside the Ministry of National Education. Most notable is the resistance from the Ministry of Finance in giving a block grant funding to the autonomous universities.

One of the main concerns of the MoF is that public funding to public institution has to follow the Government Treasury Law. Since this law did not foresee the new modalities to be adopted by the legal entity universities, a new financial management system called Public Service Unit Financial Management (PK-BLU, *Pengelolaan Keuangan Badan Layanan Umum*) was introduced. This system gives a university some flexibility to directly use any revenue it has generated and report later to the MoF. However, the determination of tariffs, salaries and other spending items, have to follow the standard set by MoF or else be negotiated with MoF. Currently, an amendment to the regulation is being developed to give a wider flexibility on setting of tariffs.

The MoF was also reluctant in transferring the ownership and managerial responsibility over the assets to autonomous universities. Out of the seven autonomous university, only Bogor Agriculture University (IPB, Institut Pertanian Bogor) managed to obtain a transfer of the asset.

Similarly, the transformation of civil servants to university staffs had been hindered by uncertainty in the block grant funding allocation system as well as the regulation from the Ministry of Civil Servants. In particular, the situation for the autonomous universities became complicated when the government introduced a policy of zero civil servant growth for the autonomous universities. Since the block grant appropriation was not in place, to fill
vacancies, these universities, could only recruit new staff from their own budget. However, UGM, in 2006, proposed to government the recruitment of new Civil Servants which was granted, and other autonomous universities followed the same path.

Another national policy on human resource had significantly affected the human resource management of autonomous universities. The new Law on Teachers and Lecturers had recognized teaching as a profession and therefore requires certification. Every academic staff has to be certified as a professional lecturer or professor. For those who are certified will receive a significant increase in salary in the form of incentive. In fact, the government had tripled the salary of a civil servant university professor. This policy obviously hampered the transfer of the status of civil servant to university staff because the staff of the autonomous universities became increasingly reluctant to this policy.

The private foundations and non-government organizations became increasingly opposed to the reform since they perceived it as a further attempt by government to liberalize higher education and giving in to market pressure especially since some of the autonomous universities tended to increase their tuition fees. Some of these criticisms are based on misconceptions. The criticisms on reduction of government funding of (higher) education is not true since it has been always on the increase. Further the law stipulates that the amount of tuition should not be more than a third of the operating cost of the higher education program and that at least 20 per cent of the seats in public universities to be allocated to students from poor families who should be provided with scholarships.

It should also be mentioned that many of the autonomous universities have cross subsidy policies to ensure access of the poor. For example, in UGM, the percentage of students coming from poor families has increased after it became a BHMN.

6. Effects, impact and perceptions of reforms at institutional level

6.1 Effects in the academic domain

At the institutional level, the effect of the reform in the academic areas can be observed most markedly by the consistent improvement in students’ academic achievement as can be seen from students’ GPA and time to complete their study as shown in Table 2 and Table 3.

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Source: Directorate of Academic Administration, UGM (various years)

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</table>

Source: Directorate of Academic Administration, UGM (various years)

Improvement in academic quality can also be seen in the introduction of innovative teaching method as well as the use of ICT in blended learning. UGM started to use a teaching method known as the student-teacher role sharing model. Innovation in teaching and learning can be observed not only at university level but also at department level. The Rector’s policy to
“decentralize” academic program planning had given the academic community more room for creativity.

UGM also developed an e-learning tool called ELISA that has been used to enhance the teaching and learning process. The improvement in the use of ICT can be reflected in part by the improved rank in the Webometrics, the world rank on the academic web sites. Although still limited, there is also an observable trend toward internationalization of the programs. At UGM, there are four international programs with 848 international students.

**Table 4. Development in the Webometrics ranks of Indonesian universities (up to world rank 1,000)**

<table>
<thead>
<tr>
<th>University</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>UGM</td>
<td>1076</td>
<td>939</td>
<td>734</td>
<td>623</td>
<td>562</td>
<td>583</td>
</tr>
<tr>
<td>UI</td>
<td>3024</td>
<td>1966</td>
<td>1998</td>
<td>906</td>
<td>815</td>
<td>599</td>
</tr>
<tr>
<td>ITB</td>
<td>927</td>
<td>1046</td>
<td>844</td>
<td>676</td>
<td>661</td>
<td>770</td>
</tr>
<tr>
<td>UNAIR</td>
<td>4959</td>
<td>4407</td>
<td>3544</td>
<td>2672</td>
<td>1628</td>
<td>1000</td>
</tr>
</tbody>
</table>

*Source: webometrics, various years.*

Most respondents agree that one of the main changes after the introduction of autonomy is in the recruitment of new students. Even though UGM had always been among the top three universities in attracting students via the national entrance examination, most respondents perceived that the new system which allowed the university to organize its own entry test, resulted in a better intake of student. However, staff and managers at department level felt that they were not being much involved in (undergraduate) student selection.

Flexibility in program development is also another aspect of autonomy that benefitted the academic community greatly. Interviews with academic as well as administrative staffs conducted in this study showed that the reform improved the academic atmosphere and academic freedom. The autonomy had brought more awareness down to academic staff level on academic quality and academic program planning. In particular, they are more aware on the cost of quality and tend to be more efficient in the use of resources. Resource sharing is another aspect that was mentioned by academic staff.

### 6.2 Effects on finance and financial management

All respondents of an opinion survey felt positively about the new bottom up approach used for budget planning. Every faculty can now set its own priorities and plan its budget accordingly. The annual budget does thus better represent the needs of the units and has become more responsive to the changing demand of the stakeholders. Decision making has become much faster and more efficient.

The autonomy to mobilize resources has resulted in more revenue being generated by the university. In the past four years the revenue of the university had increased by more than 120 per cent. Compared to 2000 when the status of the university was transferred, the annual budget has increased more than 8 times (Table 5).

Interview with staffs who are involved in the management at university, faculty, and department levels indicated that financial management is at the top list of change experienced with the new university status. Before the autonomy, many of the units at UGM had their own account to administer contracts and revenues they generate from services they provided. The accounts were usually created to overcome the rigid government accounting system.
There were of course prejudice and misperception, when the university management instructed all units to consolidate their resources under one centrally administered account by the Rector.

Centralizing all administrative matters while decentralizing academic programs is the policy adopted by the Rector, called SADA (*Sentralisasi Administrasi Desentralisasi Akademik*). In the interviews conducted with administrative as well as academic staffs from the central administration office, 4 faculties, and 3 research centers, the feeling was expressed that the transparency demanded by the central management worked only in one way. A more accountable and transparent system was not necessarily perceived as positive by internal stakeholders. A great number of staff questions the transparency in the use of resources made by university management.

### Table 5. Development in annual revenue of UGM (in million Rp)

<table>
<thead>
<tr>
<th>Source</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government appropriation</td>
<td>171,250</td>
<td>179,710</td>
<td>243,493</td>
<td>510,789</td>
</tr>
<tr>
<td>Private revenue (tuition &amp; others)</td>
<td>420,034</td>
<td>473,347</td>
<td>676,006</td>
<td>881,782</td>
</tr>
<tr>
<td>Foreign funding</td>
<td>69,626</td>
<td>92,327</td>
<td>20,886</td>
<td>60,946</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>660,910</td>
<td>745,384</td>
<td>940,386</td>
<td>1,453,517</td>
</tr>
</tbody>
</table>

*Source: UGM, 2011*

The significant increase in government appropriation is due to the mandatory increase in the national budget. In 2009, it was decided that 20 per cent of the national budget need to be allocated to education. This increase has led to an increase in the percentage of government appropriation from 26 per cent to 35 per cent.

### 6.3 Effects on human resource management

There is, no doubt, an improvement in staff performance. The reasons can be the new incentive system introduced or the significant increase in the regular salary, as a result of lecturer certification and new benefits introduced for professors. Further, the internal quality assurance and audit led to the introduction of staff evaluation. With all its limitations, the staff evaluation has improved significantly the academic atmosphere, reduced absenteeism, and led to enhanced punctuality.

Administrative staff performance has also improved significantly. A sense of corporate identity can be observed in many offices from the central office down to the department. Some of the departments have implemented ISO 2000 series for service organizations thereby improving significantly service delivery to the students.

The new recruitment policy that gives freedom to the departments to select their own staff is also perceived as a positive change. Departments that have adequate sources of revenue can easily have additional contract staff. The allocation to each faculty/department is proportional to the amount they generate. There are cross-subsidies among departments, but they are less than the funding which each unit can generate on its own.

In conclusion, although the plan to transfer civil servant staff to university staff could not materialize, autonomy has led to improved human resource management and performance. With the current absence of legal framework, staff that has been recruited as university staffs face however great uncertainty at present.
7. Conclusions and way forward

Ten years have passed since the four initial universities were piloted for the reform. Despite the long transition and a lot of efforts conducted at national as well as institutional level, the reform scenario of giving wider autonomy to the university combined with more direct accountability could not be fully implemented. One reason for this lies in the fact that MoF did not pass a treasury law that could have accommodated the financing of an autonomous institution through a block grant. The transfer of assets to the autonomous universities did not materialize either, except for IPB. The financial management and accounting systems also had to struggle with the lack of legal framework for a non-profit public legal entity.

Another aspect that did not materialize was the transfer of civil servants to become university staff. Some of the BHMNs fully froze recruitment of civil servants and recruited university staff to replace the attrition of staff and fill vacancies. Those institutions that were consistent with their plan had been put at risk due to lack of legal backing and assurance of public funding. The new remuneration system for certified academic staff and professors had taken aback the roadmap of human resource development in the autonomous universities.

The reform was not communicated adequately to the public. This led to major resistance and resulted in the revoke of the long awaited and controversial Law of Education as a Legal Entity (UU BHP). Although most of the criticisms addressed to the autonomous universities can be rationally explained, both central government and the institutions failed to convince the public on the benefits of autonomy for the society. There has been a growing public stigma that autonomy is identical to liberalization and commercialization of education. This bitter lesson needs to be taken seriously for the future development of higher education. With more financial resource available at the government purse, pro-poor policy that is in-line with giving a wider autonomy and more direct accountability can be developed.

At the institutional level, the reform had a very positive effect both in academic as well as in management aspects. Even though the plan had not been fully implemented due to various circumstances, there is improved quality and relevance of the academic programmes, increased efficiency as well as improved transparency and accountability. Considering the challenges ahead, providing wider autonomy and accountability to universities is inevitable.

To ensure the success of future reform, the roadmap of the reform needs to be better prepared and consistently followed. Some lessons can be drawn from the first phase of implementation.

First, consistency of policy is a must in the implementation process. A reform needs full commitment from the government in its totality. It has to be supported across ministries with necessary regulations in place.

Second, an adequate communication of a reform to the public is key to its success. Management of public opinion was not well prepared in the reform. To ensure public support, the government as well as the universities have to work hard. Communicating policy to the public and demonstrating that the policy is for the benefit of the society and the nation is a must. It is ironic, that the autonomy and accountability that should have brought university closer and more directly accountable to the public had resulted in the opposite outcome.

Third, a clear policy on the protection of equitable access to higher education is a fundamental requirement of reform when access to higher education is still a luxury to many.
To safeguard future reform, it is highly recommended that a strategic plan for the reform relies on a national consensus and that equitable access is one of its major principles.

Fourth, engaging internal stakeholders needs to be given priority in developing policy and implementing the autonomy into practice. As in any reform, the role of leadership is very instrumental in determining the success of the reform.

References


