

Mergers & Acquisitions

Jakarta

Client Alert

February 2020

For More Information:

Mita Djajadiredja Senior Partner +62 21 2960 8689 mita.djajadiredja @bakermckenzie.com

Cahyani Endahayu Partner +62 21 2960 8515 cahyani.endahayu @bakermckenzie.com

Kristi Tomasouw Associate +62 21 2960 8637 kristi.tomasouw @bakermckenzie.com

Draft Omnibus Law: New Hope For Foreign Stakeholders in Education Sector

In September 2019, several news outlets reported that the government of the Republic of Indonesia was preparing a new law that would regulate several provisions in various industry sectors in one law, with a view to strengthening the Indonesian economy, increasing competitiveness and creating jobs. This is the first time that the government has initiated this type of law, known as an omnibus law. The omnibus law addresses various issues, which we discuss in another client alert here.

This client alert covers specific proposed key changes and implications in education sector set out in the draft of the job creation law ("**Draft**").

Implications for education sector

The Draft proposes to amend several laws in education and cultural sectors, as follows:

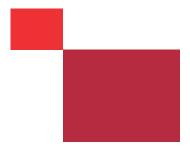
- a) Law No. 20 of 2003 on the National Education System
- b) Law No. 12 of 2012 on Higher Education
- c) Law No. 14 of 2005 on Teachers and Lecturers
- d) Law No. 20 of 2013 on Doctors Education
- e) Law No. 4 of 2019 on Midwifery
- f) Law No. 33 of 2009 on Films

In this client alert, we limit our discussion to the laws on the national education system, higher education, and teachers and lecturers.

What the Draft says

Some notable provisions under the Draft are as follows:

 Profit oriented business: The current regulations only allow non-profit based organizations in the form of yayasan (foundation) to operate schools. The Draft indicates that profit-based legal entities will also be allowed to operate formal and non-formal education businesses. It remains to be seen whether the government will open this field for foreign investors. A government regulation will set out more details on this matter.





- Centrally issued licenses: The Draft provides that the central government will issue licenses for formal and non-formal education institutions. Currently, local government issues licenses for education institutions in their jurisdictions.
- More room for foreign education institutions: Since 2014, foreign education institutions have not been allowed to directly establish schools in Indonesia. The current provisions provide that foreign educational institutions (that have been accredited in their origin countries) can enter the Indonesian market by cooperating with Indonesian schools with an A-grade accreditation. While the intention is to protect Indonesian schools, the structure is not appealing for foreign business players. The Draft indicates that foreign educational institutions will be able to operate in Indonesia without any cooperation. Foreign teachers will also be more welcome.
- Leniency for foreign university operators: The Draft shows the
 government's intention to relax the provisions for foreign university
 operators to allow the world's reputable universities to operate in
 Indonesia. A newspaper highlighted the debate on this leniency as
 local universities are demanding a level playing field.
- Simplified certification process for teachers and lecturers: The
 current law seems to make it difficult for teachers and lecturers to
 find jobs because the requirements to obtain certification are
 burdensome (such as minimum years of teaching experience). The
 Draft indicates that the qualifications will be simplified to make it
 easier for teachers and lecturers to get employment, and to fulfill
 national education purposes.

www.hhp.co.id

HHP Law Firm Pacific Century Place, Level 35 Sudirman Central Business District Lot. 10 Jl. Jenderal Sudirman Kav. 52-53 Jakarta 12190 Indonesia

Tel: +62 21 2960 8888 Fax: +62 21 2960 8999

©2020. Hadiputranto, Hadinoto & Partners is a member firm of Baker & McKenzie International, a global law firm with member law firms around the world. In accordance with the common terminology used in professional service organizations, reference to a "partner" means a person who is a partner or equivalent in such a law firm. Similarly, reference to an "office" means an office of any such law firm