

Technical and Vocational Education and Training System Reform (TSR 2.0)

Supporting the implementation of key elements of the Indonesian government's National TVET Strategy

Project name	TVET System Reform (TSR 2.0)
Commissioned by	Indonesian Government and German Federal Ministry for Economic Cooperation and Development (BMZ)
Project region	Indonesia
Lead executing agency	Coordinating Ministry for Economic Affairs (Kemenko Perekonomian)
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The challenge

Indonesia has entered the digital era: Artificial Intelligence (AI) and the digital transformation are important drivers for productivity increases and value creation. Furthermore, a green transformation of the economy is becoming increasingly important for sustainable economic growth. All this is leading to a paradigm shift in TVET, not only in producing a skilled workforce to meet the needs of the industry but also in the ability to independently adapt to the rapid and even disruptive evolution of the industry. The McKinsey report "Automation and the future of work in Indonesia" predicted in 2019 that 23 million jobs could be replaced by automation by 2030. On the other hand, 27-46 million new jobs could be created of which 10 million will be new types of occupations. Failing to meet the requirements of this development will have a severe negative impact on the labour market and weaken national economic development.

The Indonesian TVET system is designed to meet industry demand. However, the focus is heavily driven by the supply-side actors, in the governance roles of the TVET stakeholders, in the TVET delivery process, and in the regulatory framework. Besides the fragmented TVET governance, unharmonized regulatory framework and lack of up-to-date learning methodology and training equipment, a limited budget for TVET reform is available. These results in sluggish

improvement of the quality of TVET and prevents innovation by TVET institutes to redesign their programs to meet industry needs.

The impact of these shortcomings can be seen in skills mismatches and a lack of demanded skills in the labour market. These conditions have featured for decades in Indonesia, resulting in a high unemployment rate for TVET graduates, especially Technical High School (SMK) graduates.

The government has made many efforts to improve the quality of TVET. The Presidential Instruction (Inpres No. 9/2016) on the revitalization of SMKs addresses improvements in the quality of human resources and coordination between TVET stakeholders. However, a fragmented governance system is hindering its implementation. Success stories can be found in a small number of directly supported TVET institutions only. Demand-oriented approaches have not been scaled up systemically, as TVET governance remains supply-driven.

Progress & development

The project has supported the government in preparing the White Paper, National Strategy, and the TVET Indonesia Roadmap to reform the TVET system comprehensively, to drive for a demand-oriented TVET system and TVET governance. The establishment of the National TVET Committee (*Komite Nasional Vokasi/KNV*) will be confirmed by the Presidential Regulation (*Perpres*), which is still in preparation and expected to be issued around December 2021.

In this *Perpres*, the Indonesian Chamber of Commerce and Trade (*KADIN*) as the representative of the private sector will fully be integrated as a council member of the TVET governance in Indonesia to take an active role in the TVET development and implementation.



An In-Company Trainer is requisite in ensuring the effective transfer of skills and knowledge in various training programs at the workplace, such as internships, apprenticeships, and up-skilling. TVET System Reform Project supported the Training of In-Company Trainers



All TVET stakeholders in Indonesia closely cooperated in developing the National Strategy for TVET Development, starting with analyzing the challenges and overlaps of the current TVET system through the Chapeau Paper which was carried out jointly by the four main stakeholders of the TVET System Reform, i.e., CMEA, CMHDC, Bappenas, and KADIN.

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The Government Regulation on the Super Tax Deduction incentive (PP No. 45/2019) was followed by the Minister of Finance Regulation on the same (Kepmenkeu No. 128/PMK.010/2019). The Super Tax Deduction incentive aims to promote the involvement of the private sector in improving the quality of the workforce. Companies that provide work-based learning in cooperation with TVET institutes (including BLKs, SMKs, and Polytechnics) are entitled to apply for the tax incentive. Expenses incurred in the work-based learning process will be deducted by 200 % from the taxable income.

The TSR 2.0 project

The Indonesian Coordinating Ministry for Economic Affairs (CMEA) and the German Federal Ministry of Economic Cooperation and Development (BMZ) have set up the TVET System Reform Project (TSR 2.0) as a Technical Cooperation project for continuing to support the TVET reform process with GIZ as the implementing agency.

The project aims to assist in implementing key elements of the Indonesian Government's National TVET Strategy. These are: (i) effective coordination of TVET stakeholders in implementing the National TVET Strategy, (ii) creation of a mechanism to enable the active participation of the private sector, and (iii) alignment of the TVET system with future needs, including gender equality, digitalization and the green transformation of the economy. These key elements will be addressed by two interacting outputs:

Output 1 is to develop the capacities of the National TVET Committee (*Komite Nasional Vokasi*, KNV) in managing the implementation of the National TVET Strategy in close coordination with related private and public sector stakeholders at the national and provincial level. Activities include harmonizing divergent regulations, supporting the establishment of the KNV, and enabling the private sector to play an active role in the KNV and sectoral TVET councils.

Output 2 aims to step up private sector engagement in the nationwide implementation of the National TVET Strategy. KADIN and its sub-national level branches (KADINDA) will actively promulgate the mutual benefit of skills development delivered by companies and assist companies in conducting coordinated workplace learning, in integrating certified In-Company Trainers, and in taking full advantage of the Super Tax Deduction incentive.

Our approach

The project will support the Indonesian government through the KNV in creating a functional TVET ecosystem by implementing the National TVET Strategy in collaboration with all relevant national and sub-national public and private stakeholders, including social partners and international organizations.

- Support the institutional and organizational development of the newly established KNV and capacity development for the implementation of the national TVET strategy.
- Support the formation of sectoral councils under the KNV as a TVET development center involving all relevant stakeholders in the sector or issue to be addressed.
- Capacity development of KADIN and its sub-national level (KADINDA) to play their active role in the TVET ecosystem, especially in promoting collaborative dual TVET "In-Company Trainer", implementation of the tax incentive scheme "Super Tax Deduction" and partnership quality improvement "Propermi".
- Promote innovative training methods using Virtual Reality (VR) in content development and the use of VR equipment (VR goggles).

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