



INDONESIA

MANAGING HIGHER EDUCATION FOR RELEVANCE AND EFFICIENCY

(IMHERE)

Sub-component B.2.c.
Performance-Based contract
Guidelines for proposal submission



Directorate General of Higher Education
Ministry of National Education

June 2008

TABLE OF CONTENTS

1.	Background	2
2.	Performance based contract (PBC)	2
3.	Objectives.....	3
4.	Eligibility.....	3
5.	Scope and coverage.....	4
6.	Project Implementation	4
7.	Format of the proposals.....	5
	<i>Book I: Current profile.....</i>	<i>5</i>
	<i>Book II: Development plan.....</i>	<i>6</i>
8.	Evaluation process	7
9.	Aspects to be evaluated.....	7
10.	Performance indicators.....	8
11.	Submission date	8
12.	Tentative Schedule	8
13.	Other essential information	9
	<i>Standardized cover sheet.....</i>	<i>9</i>
	<i>Signatory</i>	<i>10</i>
	<i>Table of Contents.....</i>	<i>10</i>
	<i>Language and standard format.....</i>	<i>10</i>
Table 1.	Source and Proposed Budget Composition.....	7

1. Background

In 2005 the Directorate General of Higher Education – Ministry of National Education launched the development project called Indonesia – Managing Higher Education for Relevance and Efficiency abbreviated as I-MHERE. This project comprises several sub-components, one of which is the Sub-Component B.2.c. called “*Performance-Based Contract*”. The sub-component B.2.c is the continuation of the B.2.b which helps the universities under the BHMN status to escalate their management quality ready to embark on a fully fledged autonomous operation. This sub-component is therefore launched at the later stage, where the successful implementation of the sub-component B.2.b is set as its prerequisite.

2. Performance based contract (PBC)

Performance based contracts (PBC) is a new DGHE funding scheme to be introduced. The following points characterize the new scheme,

- a) As any kind of contracts, a PBC is an agreement between two parties. Each party commits itself to delivering specific items described in the contract subject to the other party fulfilling its commitments. Since PBC are centered on the results demonstrated by the university’s commitment to improve its performances, it must have the liberty and margin to look for appropriate strategies, which are often quite elaborate. In order to provide freedom for universities to select the most appropriate means to fulfill their commitments, *no preset eligible expenditures* will be applied. However like in any contract, the paying party wants to assure itself that these means are likely to be successful. Therefore this proposal will be studied by the DGHE and negotiated with the institution until both parties are satisfied.
- b) It needs to be emphasized that PBC is a contract between I-MHERE project (on behalf of the DGHE) and institutions as grantees for a certain set of products or outputs. The fund is provided to “procure” the product, instead of procuring goods and services for the grantees. Therefore, the entire fund could be disbursed to the grantees whenever the products or outputs, which meet the agreed upon specifications, have been delivered.
- c) The PBC have been used in other countries when the State wanted to convey its preoccupations to highly autonomous Universities and make sure that they integrate these preoccupations in their strategic planning. They have proved to be efficient tools to lead universities to integrate social priorities to their own internal ones. As added benefit, they have also contributed to make more efficient the strategic planning of many Universities.
- d) Because of the nature of the PBC, it is essential that goals be precise and clear and that indicators be carefully selected and trusted by both parties. These indicators can be selected by the Ministry, in which case they must form part of those of the Universities, or by the institutions themselves.

UI, IPB, ITB, UGM, USU, UPI, and UNAIR have been legally converted into autonomous universities (BHMN or BHP). However they are still in transition for fully operating as autonomous institutions, and component B.2.b of the I-MHERE project has provided grant for them to go through the transition stage.

By achieving the performance targets set in component B.2.b, an institution is considered as well prepared to operate as a fully fledged autonomous university. The component B.2.c

provides a performance based contract for such institution in achieving the following objectives.

- a) Good governance: The commitment to continuously operate as BHMN should be demonstrated by applying and implementing various concepts of good governance, including establishing the necessary legal infrastructure and its institutional framework.
- b) Quality and Relevance: An autonomous institution should serve the community by carrying out activities that are in line with the government strategy, providing quality services benefiting the community, producing quality graduates relevant to the needs, and conducting quality research to solve problems faced by the community. The institution should also demonstrate its ability to generate revenue from non teaching academic activities.
- c) Efficiency: As an institution supported by public fund, through the government and student tuition, BHMN needs to be efficient in all of its operation.
- d) Social responsibility: As an elite institution selected to become BHMN, an autonomous institution shall commit itself to social responsibility, by developing and implementing preferential strategies to benefit the disadvantaged population group. The commitment to social responsibility should also be demonstrated by allocating a portion of the self generated revenue to support this program.

3. Objectives

As an integral part of the I-MHERE project, this sub-component seeks proposal from potential academic units for improving quality, relevance and efficiency of its educational programs, research and services and strengthening its social responsibility. As BHMNs have received grants under B.2.b to support its transition into autonomous institutions, they have the best potential to receive grants to be used in a more flexible way under component B.2.c of the I-MHERE project.

4. Eligibility

BHMN institutions receiving component B.2.b grant having satisfactory achievement of its previously set performance targets, are eligible. The acceptable progress toward achieving those targets will be determined by an independent review panel comprising national and international experts. In addition, in order to be eligible for this grant the proposing institution should demonstrate its compliance with the government policies, e.g. not conducting illegal or inappropriate programs. To enter component B.2.c the proposing institution should demonstrate its commitment to promote and implement good university governance principles, including the following requirements:

- a) Information system and database: valid data recorded in a database system (consistent and timely updated, computerized, integrated at the institution level), and information system covering all functional areas to support management in making policy and decision.
- b) Financial system: double entry accounting system, auditable financial report, financial statement of the proposed unit already consolidated with the university, and the Audit Board is functioning.

- c) *Human resource*: time-bound HRD plan, and legal/regulations for University Employment System (Decreed from Rector or BoT).
- d) *Physical facilities and other resources*: inventory and procurement system is established.

5. Scope and coverage

Component B.2.c provides a grant for eligible institutions to achieve the aforementioned objectives. Considering the limited fund available, eligible institutions are invited to nominate a maximum of 3 (three) academic units¹, based on its capacity in academic and management according to the institutional strategy, to be piloted. The principle to avoid “double funding” will be applied throughout.

The amount of fund proposed under this program should take into account the size of nominated units, the level of preparedness in the overall transition, and the capacity to carry out the planned transition. An overall ceiling of USD 3,000,000 per institution is applied for the entire grant to cover all activities proposed, and around 5 (five) grants is available. A counter-part fund of 8% will have to be committed by the grantees originated from the institution’s self generated revenue.

In general the contract doesn’t impose any specific expenditure components to be proposed. The proponent could propose to use the grant for any expenditure components suitable with its needs. However, the proposal will be evaluated and the review panel could reject any parts of the proposal that cannot be appropriately justified. Therefore proposing unjustified expenditure components could significantly weaken a proposal.

6. Project Implementation

At the central level, this project will be managed by a unit called DGHE-IU established by the Director General of Higher Education. All matters pertaining to the administration of the award will be carried out by the DGHE-IU.

At the institution level, the project will be managed by HEI-IU established by the Rector that should address of at least the following functions: financial, procurement, monitoring and evaluation, which should be embedded in the existing structure and should be clearly described in the proposal. I-MHERE doesn’t allow a separate organization structure to implement the project that an ad-hoc structure is not acceptable. The Rector will be responsible for the overall implementation of the project.

Under this performance based contract, the disbursement will be carried out in 4 tranches according the following schedule,

- 25% after contract signing
- 25% after progress review at the 12th month
- 25% after progress review at the 24th month
- 25% whenever the performance targets are achieved

Disbursements will be linked to the attainment of the agreed intermediate values of the indicators and to the results of the yearly review.

¹ Academic unit is Faculty or Department

7. Format of the proposals

The proposal should consist of two separate documents. The first book contains a self evaluation report based on which the proposed development plans are developed, and the second contains the proposed plan to improve quality, relevance, and to promote social responsibility in a full fledged BHMN environment. The second book will be the main basis for the contract. The following sections describe in details the standard contents of each document.

Book I: Current profile

Considering the level of maturity of BHMN, a more flexible format is applied in sub component B.2.c, with minimum guidance and maximum flexibility to come up with the best proposal. Proposal writers might have a better format that is more suitable for their needs.

The profile should not exceed 30 (thirty) pages, excluding appendices. Since all the necessary data must be comprehensively presented and thoroughly analyzed in the report, it could be presented as appendices. Specific aspects to be included are;

Institutional strategy

This chapter describes the mission statement, vision, and summarized strategic plan at the institution level as well as the nominated units. The main focus of this chapter should be in the rationale of nominating the selected units to be piloted in the performance based contract. It should clearly present the link of the decision to the institutional strategy, the criteria used, the process implemented in the selection, and the expected outcome after the 3 year project is implemented.

Management

In addition to the result achieved after component B.2.b was concluded at the institutional level (report to date should be attached), more specific description on its implementation at the nominated units should be clearly presented. It should focus its presentation on all aspects of management required to carry out performance based contract.

Existing resources

Although this chapter should focus on the nominated units, a brief description of the existing institutional resources should also be included. Service level and adequacy of the existing major resources are to be described in this chapter, including staff (academic and administrative), physical facilities (land, building, and major equipment), students (time series for the last 3 years), and funding (time series for the last 3 years).

Academic programs

All educational programs offered by the nominated units (regular, non regular, undergraduate, as well as graduate) should be well described in detail. Research activities and services should also be thoroughly evaluated and discussed in the report. Revenue generating activities pertinent to academic programs should also be discussed in the report.

Social responsibility

This chapter describes the existing services and treatments provide to the underprivileged population group, and response to the community needs. Relevant institutional policies should be presented in this chapter, and the implementation at the unit level should be included.

Problems and opportunities identified

A summary of the problems and opportunities identified at the analysis stage should be clearly presented in this chapter. It is deemed important to clearly present the link between the facts and the root causes. The problems and opportunities identification should represent the conclusion drawn from the in-depth analysis. The solutions developed to remedy problems and actions to capitalize the opportunities, should be presented in the plan.

Book II: Development plan

Book II provides an opportunity for the nominated units to present its proposed development plan to carry out the performance based contract under a fully fledged BHMN environment. Each institution might have different priorities that not all chapters are required in this book. Chapters 1, 2, N+1, and N+2 are mandatory, whereas chapters 3 through N are to be presented according to its needs and priorities. The necessary tables should be presented in the appendices.

Chapter 1: Summary of identified problems and/or opportunities (not more than 2 pages)

This chapter presents a summary of problems and opportunities identified as explained in Book I of the proposal.

Chapter 2: Organization of project implementation (not more than 3 pages)

This chapter describes the organization and management to implement the project. A comprehensive framework for financial, procurement and resource management should be briefly and clearly described in this chapter. Further elaboration such as appointment of the Task Force at the institutional level to carry out the project and joint commitment statement from the Board of Trustee could be attached in the annex.

Chapter 3 to Chapter N: Proposed Plans (not more than 30 pages)

The development plan designed for the nominated units should be described in these chapters. The number of chapters and format is flexible and should suit the individual needs in describing the plan. Since the proposal will be treated as an institutional proposal instead of a collection of individual plan proposed by units, it is deemed important to maintain the coherence by linking the individual plan with the institutional strategy.

Each activity proposed should include explanation of the background, rationale, objectives, mechanism and design, resource requirement, schedule, performance indicators, and person in charge. A clear presentation is needed on how each activity will remedy the problems identified in chapter 1 and how it fits within the institutional strategic plan.

Chapter N+1: Performance Targets

This chapter describes the overall target to achieve at the institution level upon the completion of the project. The indicators as well as targets will be subject for negotiation during the review of the proposal.

Chapter N+2: Proposed budget

The proposed budget should not exceed USD 3,000,000, excluding counter part fund. The level of self-generated funding **to be committed is at least 8%** of the total proposed budget. The proponent should be aware that the level of *Institutional Matching Fund* is not negotiable thus an internal agreement within the university should be reached prior to proposal submission. The total Proposed Budget should, therefore, take into account its capacity to generate revenue. The source and proposed budget composition is shown in Table 1. The Institutional Matching Fund should be budgeted and well presented in detail in the proposal.

Table 1. Sources of Budget

I-MHERE Project ²	92 %
Institutional Matching Fund	≥ 8 %
T o t a l	100 %

8. Evaluation process

The evaluation process will be carried out rigorously by a panel of experts, and at least 1 (one) international reviewer will be assigned as panel member. The evaluation will comprise desk and on-site evaluation. Although quantitative performance indicators are important, review will avoid mechanistic evaluation. The qualitative review is equally important, and even more important in some aspects.

The review panel could recommend the written proposal to be improved and revised before the visit is conducted. During the visit, the panel will negotiate the terms and conditions to be included in the contract. Aspects negotiated include, scope and coverage, proposed budget, and performance indicators as well as the targets.

Since the review process involves international reviewers, site visits will have to be scheduled early in the process. Visits will be conducted in a 3 (three) month cycle. Therefore, a proposal that fails to reach agreement during negotiation has to wait for the next cycle to be revisited, which is around 3 month period. The review process will be carried out based on "First In First Served", until the available fund is fully allocated.

9. Aspects to be evaluated

The evaluation process will rely on qualitative assessment of the proposal. A visit to the institution will be conducted after the written proposal is considered acceptable by the review panel. Although an evaluation process will be conducted, this program is not a competition that weights are not assigned for the following aspects.

- a) Relevance and efficiency: demonstrating the contribution of the nominated units toward achieving government strategy, providing services benefiting the community, using public fund efficiently, producing graduates relevant to the needs, and conducting research to solve problems faced by the community.
- b) Social responsibility: demonstrating the institution and units' commitment to develop and implement preferential strategy to benefit the underprivileged population group, and provide financial support for this program.
- c) Proposed performance target: quality and quantity of performance target based on past performances and programs developed under the given capacity of the unit proposed.
- d) Feasibility of the plan: feasibility within the given resources and time frame.

However, the proposer is obliged to demonstrate that it is fully committed to continuously maintain, even improve, the implementation of good governance.

² Should not exceed USD 3 million

10. Performance indicators

The performance indicators will of course depend on the focus of the programs proposed by the institution. Nevertheless, the following primary indicators should be used and be targeted:

A. Quality

- a. Increasing revenue generated from research collaboration and contribution from stakeholders³
- b. Students' selectivity, particularly in graduate program
- c. Increasing quality of research outputs
 - publication,
 - citation (as appropriate),
 - production of research based S2 and S3

B. Relevance

- a. Increasing number of intellectual property right produced,
- b. Increasing number of patent produced,
- c. Improving employability of S1 graduates

C. Efficiency

Cost per graduate

- B. **Social Responsibility**: support for students from underprivileged population group, e.g. full scholarship

In addition, proposing institution is required to propose auxiliary indicators to complement the above-mentioned primary indicators as necessary.

11. Submission date

There is no specific deadline for submission. Proposers could submit their proposals whenever considered ready between 1 August 2008 and 30 March 2009, to the following address:

DGHE-IU I-MHERE
Direktorat Jenderal Pendidikan Tinggi - Depdiknas
Gedung D, lantai XI
Jalan Pintu I, Senayan
Jakarta Selatan

12. Tentative Schedule

Invitation for proposal	15 July 2008
Briefing	15 July 2008
Proposal submission	1 August 2008 – 30 March 2009

³ Tuition and other form of parent's contributions are not considered as stakeholders' contribution.

13. Other essential information

Standardized cover sheet

The Book I (blue) and Book II (yellow) shall use the following standardized cover sheet:

**IMPROVING RELEVANCE AND EFFICIENCY
INDONESIA – Managing Higher Education for Relevance and Efficiency
(IMHERE) Project
Performance-Based Contract**

BOOK I: Profile

Name of institution: _____



**Directorate General of Higher Education
Ministry of National Education**

**IMPROVING RELEVANCE AND EFFICIENCY
INDONESIA – Managing Higher Education for Relevance and
Efficiency (IMHERE) Project
Performance-Based Contract**

BOOK II: Development Plan

Name of institution: _____



**Directorate General of Higher Education
Ministry of National Education**

Signatory

Both documents shall be submitted by the Rector of the institution, and a cover letter signed by him/her shall be in the first page of each document. Contact address (physical, e-mail, and telephone) should be clearly presented on this page.

Table of Contents

The table of content of each document shall be presented right after the cover letter.

Language and standard format

The proposal shall be written in English on A4 paper using single spaced 12 point of font.