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Increasing the Impact and Effectiveness of Foundation and Donor Funding

IFC Conference: 2006 International Investment Forum For Private Higher Education
February 2006



Current state on Indonesia education: overall picture

Education Opportunity

Many school aged students are not enjoying opportunity to access education. As little as 16.7% complete High School and 3.39% are tertiary graduates

Education Quality

School quality is still far from expectation due to lack of teaching skill, teaching content and infrastructure. From 187,000 high school teacher nation-wide, there are 46.6% teacher unqualified to teach in high school

State Budget

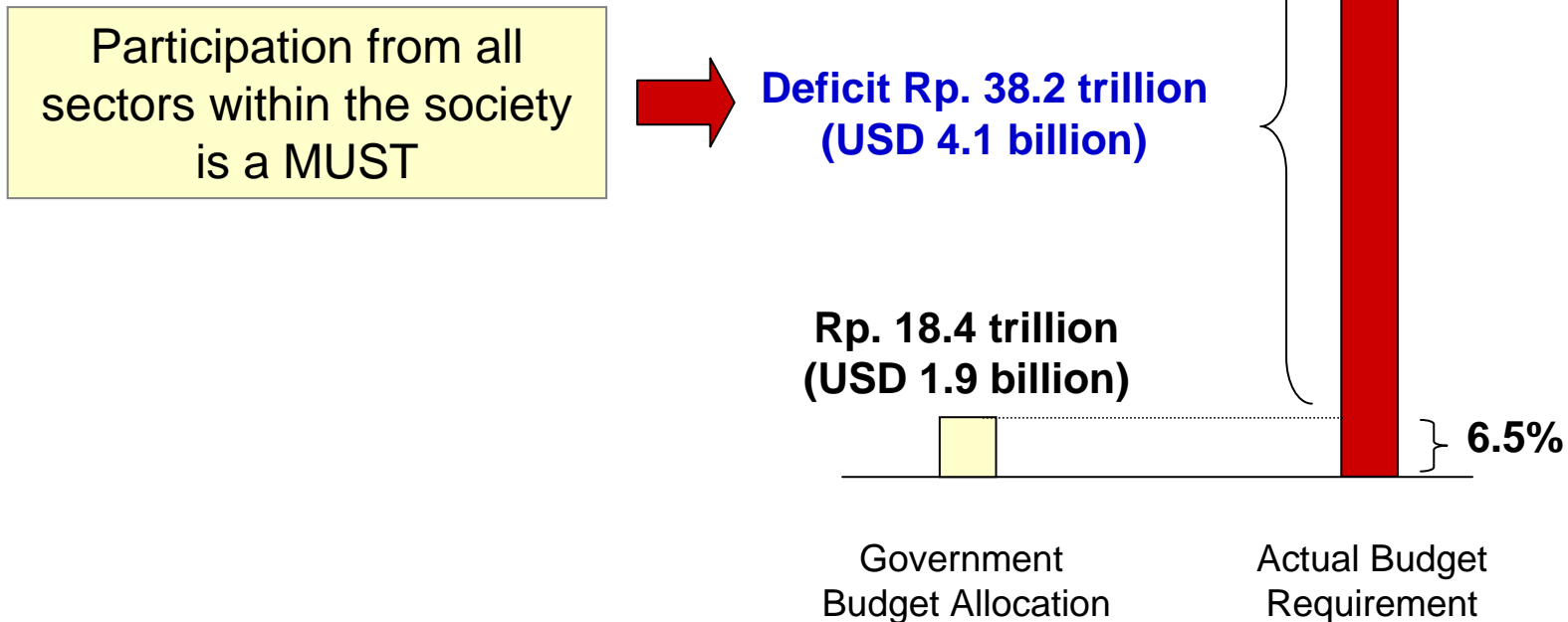
Government still struggling to finance school infrastructure (building, content, teacher, book, etc.) to support quality education. For budget 2004, the government only able to cover 6.5% out of USD 6 billion needed for education

Government of Indonesia budget on education: who would help?



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2004 Education State Budget



Note: all figures from Ministry of Finance, 2004

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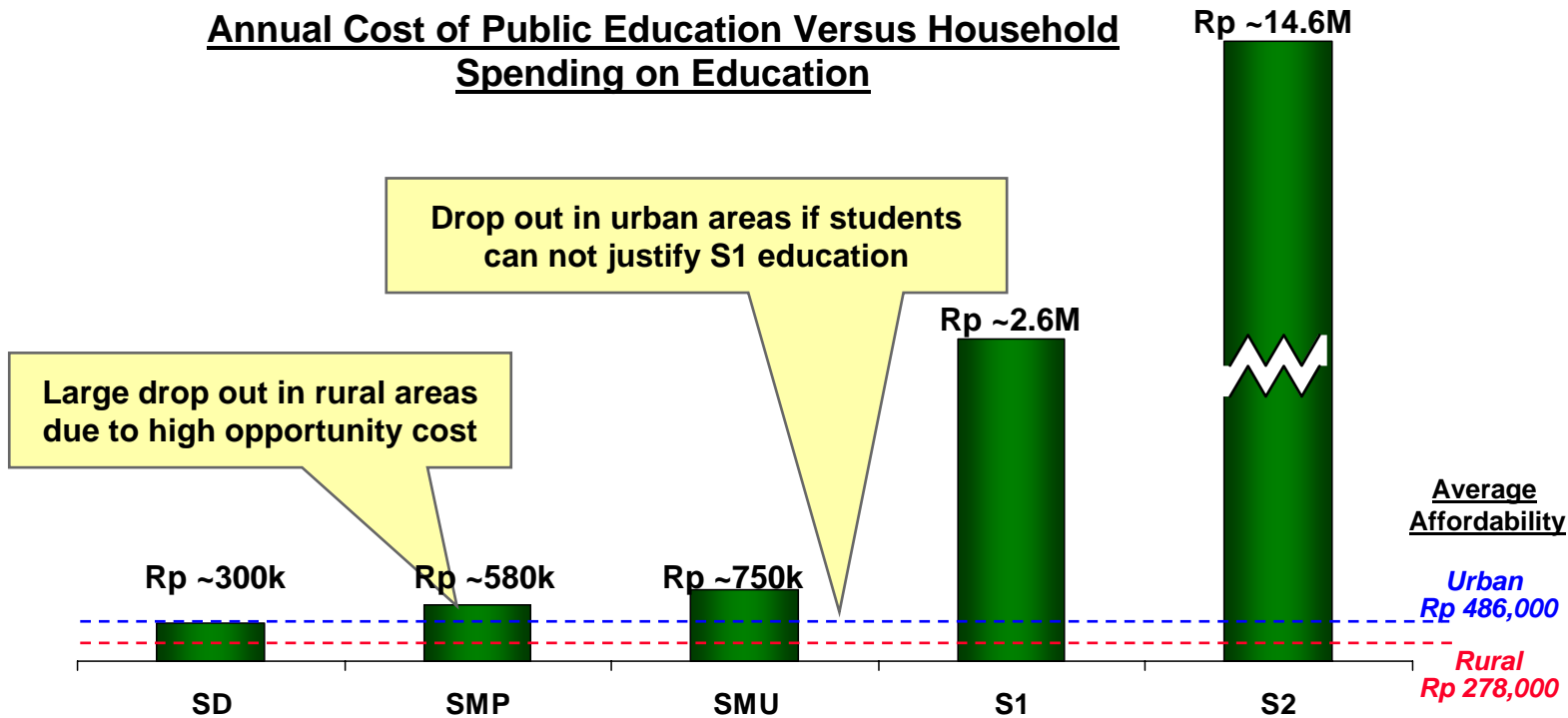
Page 3

Current state on Indonesia education: on education opportunity



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Annual Cost of Public Education Versus Household Spending on Education



Key Facts

- 28.6 million out of 220 million still lives below the poverty line, many more living just above it and vulnerable to economic downturn
- ~50% discontinue schooling after junior high school completion
- Sampoerna Foundation plays an active role to provide scholarship opportunities to disadvantage students from elementary to graduate degree.

Source: Harian Kompas 29 October 2004, SUSENAS (2002), Average Monthly Household Income, Education Expenditure as a Proportion of Household Expenditure, BCG analysis

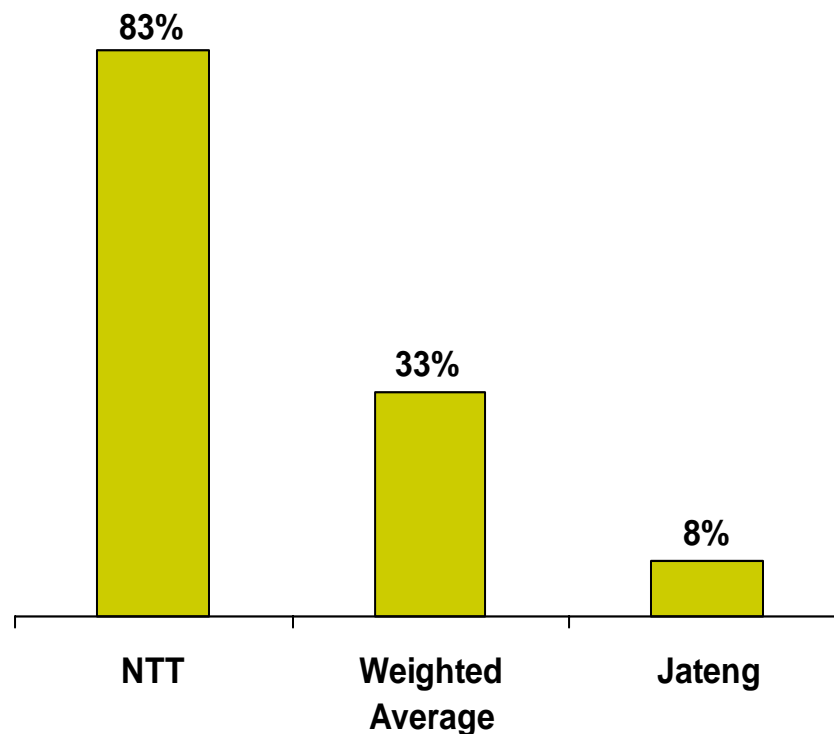


Current state on Indonesia education: on education quality

Key Facts

- Failure rate for 2005 national exam reached 30% or 400,000 out of 1.9 million senior and vocational school student. Some high school has 0% passing rate.
- Indonesian children education rank consistently at or near bottom compared to other countries in the region. Only Vietnam, Myanmar, Papua New Guinea and Timor Leste lower than Indonesia
- There are 87,133 or 46.6% senior high school teachers from a total of 187,000 teachers who are under qualified (not bachelor degree holder) (source: Ministry of Education)
- Quality education in Indonesia still has a long way to go. One way to improve the quality of the student is to improve the teacher quality.

Percent of Public SMUs With Average Failing Grade⁽¹⁾



Sampoerna Foundation develops program to **improve teacher quality** through its Teacher Education Institute program as well as adopting an **Indonesian's School of Business** and Management so it **can compete regionally**

(1) Based on Ebtanas 2001

Note: Jakarta and East Kalimantan province are excluded

Source: Indonesia Ministry of Education, BCG analysis



Sampoerna Foundation: the vision

- Sampoerna Foundation was established on March 1, 2001 in Jakarta by Bapak Putera Sampoerna and PT. HM Sampoerna Tbk Shareholders
- With the Vision:

“To maintain a robust scholarship program that will provide financially deserving young Indonesians with access to a meaningful education and make a meaningful material contribution to the betterment of Indonesia's future through improvement of the country's educational system”

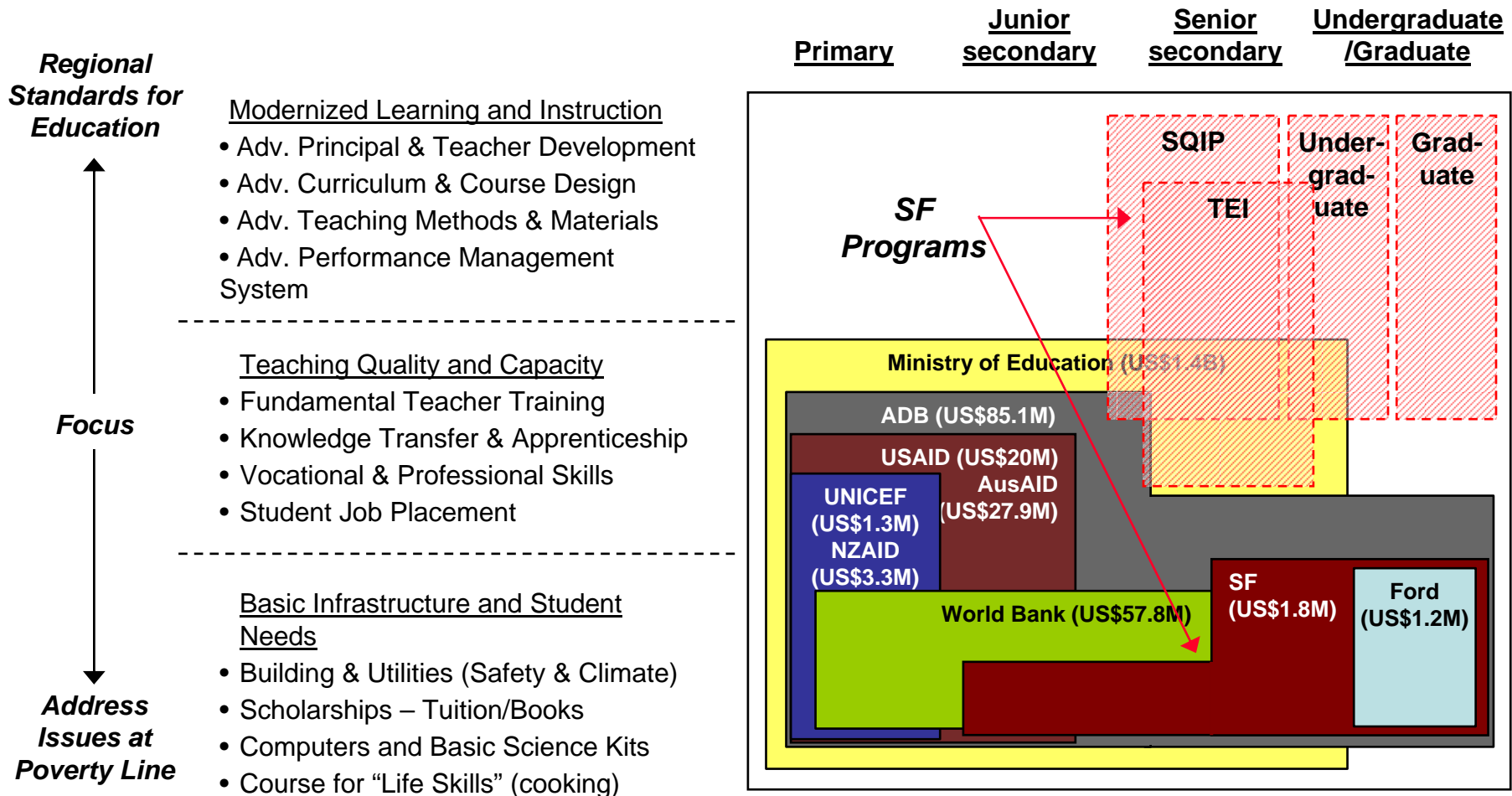
“Taking an active role in stimulating and leading broader private sector interest in improving Indonesia's educational system”

- Right now, Sampoerna Foundation has grown into a professionally managed organization that focus on innovative education programs, complementary partnership, accountability and transparency.

Why focus on education: focused on areas not addressed by others



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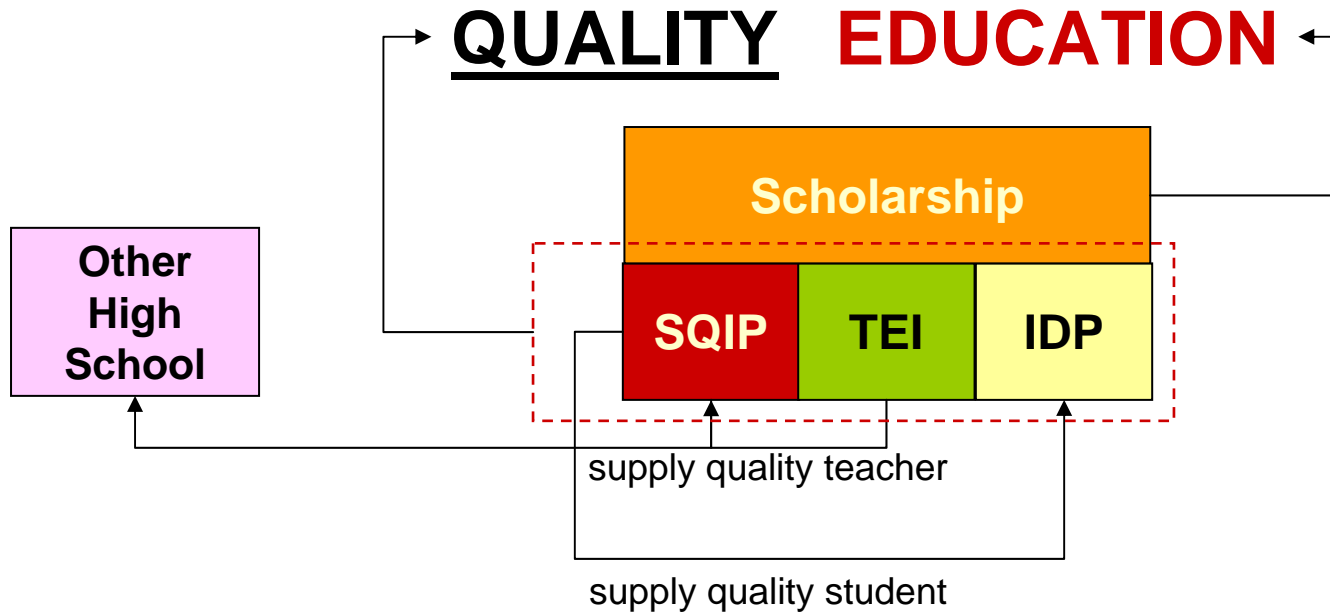
Source: BCG analysis

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Sampoerna Foundation's program: today and tomorrow



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Reasoning:

- Scholarship programs does not ensure recipients to have the quality education as public schools still face with lack of quality teachers and infrastructure
- We believe by strengthening the skills and effectiveness of Indonesia's secondary educators, we will have more positive and direct impact to the quality of Indonesia's future leaders



Today program: scholarship program

Primary & Secondary Education Level Scholarships:

- Scholarships for Elementary School (SD) students
- Scholarships for Junior High School (SMP) students
- Scholarships for Senior High School (SMA) students
- Special program partnership such as with:
 - United World Colleges on overseas scholarship for Senior High School (SMA)
 - Freeman Foundation for Aceh
 - Bank Indonesia Golf Tournament on Scholarship for Senior High School in East Java
 - Rancamaya Golf on Scholarship for Senior High School in West Java

Tertiary Education Level Scholarships:

- National Undergraduate Scholarship Program
- National Graduate Scholarship Program
- Teacher Scholarship Program
- International MBA Scholarship Program (Australia, France, UK, US)
- Fulbright-Sampoerna Foundation MBA in the US Scholarship Program
- AEI – Sampoerna Foundation MBA in Australia Scholarship
- British Council - Sampoerna Foundation MBA in UK Scholarship
- Ambassade de France en Indonésie - Sampoerna Foundation MBA in France Scholarship
- Sampoerna Foundation New Zealand Scholarship for Undergraduate



Scholarship program: scholarship values

- Through our scholarship programs, we envision creating leaders, such as top managers, entrepreneurs and business managers, who **can compete** in the international arena and **move our country forward** in creating a competitive economy.
- However, in seeking to create leaders, we also **cannot forget the basic values of life**: integrity, kindness, honesty, self-confidence and social responsibility.
- To achieve this Sampoerna Foundation scholar is mandatory to:
 - Internship
 - Social Activities
 - Annual Gathering
 - Personal Development Program
 - Become a member of Alumni Association
- To communicate with the scholars, Sampoerna Foundation has published quarterly publication: SISWA for secondary level and AJAR for tertiary level.



Today program:

School Quality Improvement Program (SQIP)



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The program objectives

- Improve state high school quality to match national plus standard in term of facilities, curriculum and teacher quality
- Become the model for other institutions in the region.

- Adopting 33 schools across Indonesia for next ten year through collaboration and support from local government and industry.
- Local government will enhance school infrastructure and the Foundation will provide additional funding for the **soft skills improvement for the teachers**.
- This program will focus on **developing modern teaching skills, enriching the teachers' understanding** of the subject taught and comprehension of the student psyche, thus ensuring they are an effective ally in helping students achieve their potential.
- Design a program that **can be replicable** in other schools
- The three schools that being adopted this year: Depok (West Java), Balikpapan (East Kalimantan) and Sekayu (South Sumatra).
- Next year, three more schools are adopted: Bukit Tinggi (West Sumatra), Bandung (West Java), Denpasar (Bali).



Next program: Institute Development Program (IDP)

The program objectives

- To improve an Indonesian business school's quality to at least at par with regional business schools
- Produce highly qualified graduates that are able to compete in global market.
- Enable the business school to share its best practice to other Indonesian business school

- Sampoerna Foundation will select the most suitable business school, based on several areas such as:
 - quality and clarity of their business and improvement proposal
 - understanding the needs to be number one
 - readiness to implement changes
 - faculty quality and commitment
 - structure of organization
 - capacity to grow
 - financial sustainability and other key factors.
- It is expected these activities will **help spurring specific improvements and reforms** within the Indonesian business school educational infrastructure.
- The Foundation already selected ITB – School of Business and Management to be part of the IDP program based on rigorous selection process.



Next program: Teacher Education Institute (TEI)

The program objectives

- Improving teaching quality of public high school teacher to match standard of national plus school
- Enable them to have teaching impact on students.
- Increase the number of quality teachers for public high school.

- Provides teaching certification for **(non-teaching) bachelor degree holder who want to become a teacher.**
- Provide short courses – in service training to existing teacher (**professional development**) to improve the teaching quality.
- Partnership with National Institute of Education (NIE) of Singapore to provide the teaching system for TEI
- Each participant will attend a series of training courses, which will address **Subject Knowledge** (competency), **Pedagogy skills** or Teaching Methodology (such as how to attend to diverse students' needs) and **Education Psychology**.
- Graduates will be continually monitored and periodically assessed to ensure they apply the acquired knowledge, skills and tools.



Next program: Student Financing Facility (SFF)

The program objectives

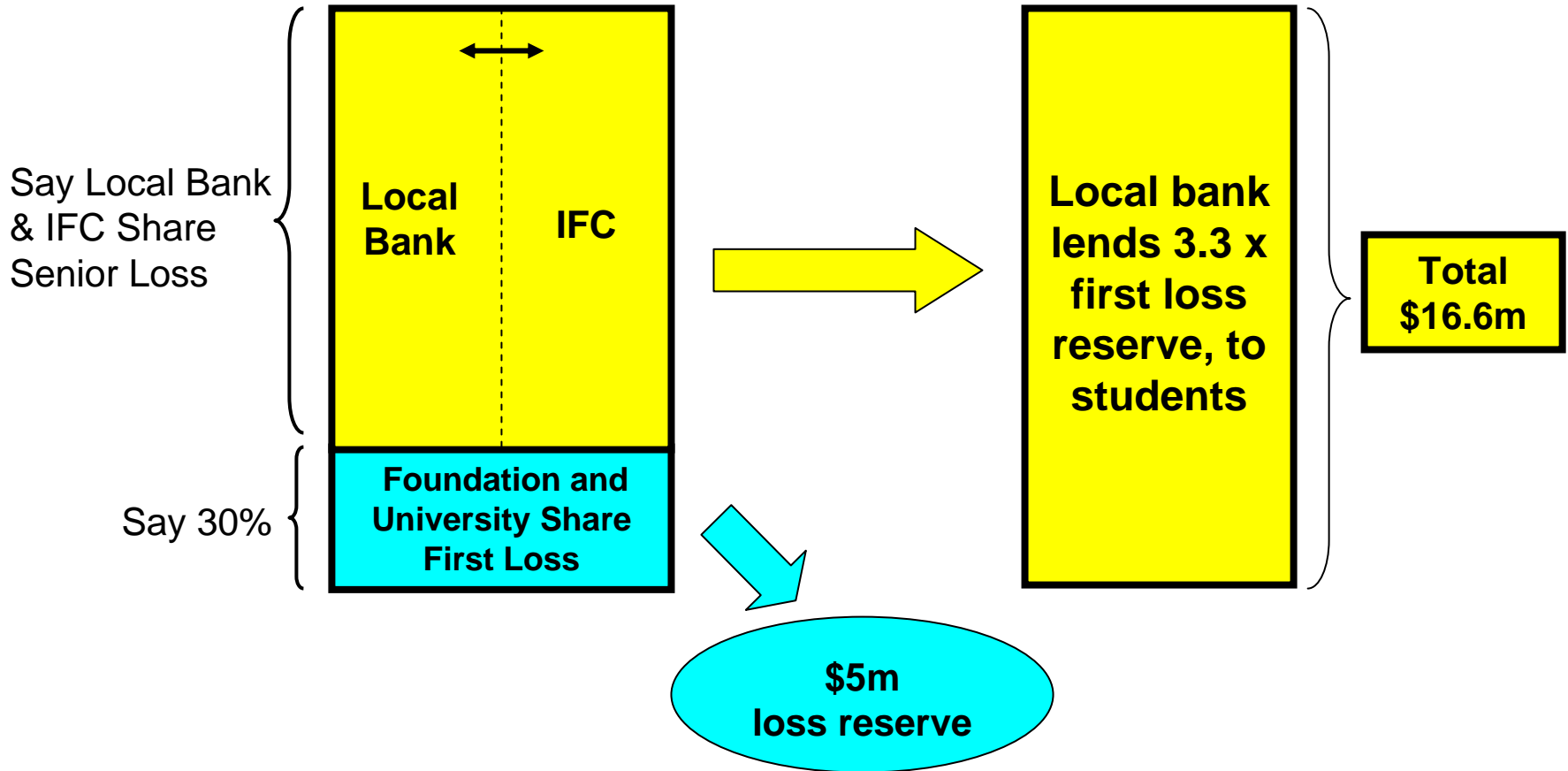
- To give the opportunity of financially disadvantage students to have access to education through commercial mean (student loan).
 - Introduce a workable student loan program in Indonesia to entice other financial institutions to introduce similar student loan products.
- From dollar value, the student loan program can help more financially disadvantage students compare with scholarship program.
 - The Facility will extend loans to the families of students who have difficulty affording the tuition fees for their children's education and/or their registration fees for University studies.
 - Loan disbursements would be made directly to the educational institution (and not the students or the families), and loan monies would not be used for living or other expenses.
 - Repayments of the loans will be made by the family of the student from regular monthly earnings to reduce risk of loan default.
 - Challenges:
 - To develop an attractive financial structure for all parties involved (IFC, SF, bank, universities, students)
 - Find the right loan disbursement mechanism to reduce loan default rate.

Next program: Student Financing Facility (SFF)

Illustration



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Program for Aceh: the activities

- The first Sampoerna Foundation emergency schools was up and running two days before Government's official back-to-school program
- Sampoerna Foundation emergency schools were the only schools open in Calang, the capital city of Aceh Jaya district completely wiped out by giant tsunami – more than 120 school tents has been deployed in eight different districts in Aceh
- More than 10 big organizations including GE Asia, Tetra Pak and Netherlands Community, channeled their in-kind donation through Sampoerna Foundation emergency schools
- More than 1,500 Banda Aceh high school students join Sampoerna Foundation National Examination Preparation Program.
- Freeman Foundation (through IEEF Jakarta) donated USD 1 million for Aceh education rehabilitation program. Sampoerna Foundation is appointed to manage the fund disbursement for scholarship, free books and schools rehabilitation.
- USINDO (United States Indonesian Society) is donating USD 500,000 to build a lab school in a plot of land that belong to University Syah Kuala – Banda Aceh. Sampoerna Foundation is appointed to manage the project on behalf of USINDO.

Program for Aceh: at glance



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