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Providing the environment for evidence-based policy making in Indonesia

A CASE STUDY OF AUSAID'S SUPPORT TO THE NATIONAL TEAM FOR ACCELERATING POVERTY REDUCTION

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Cover image: An Indonesia man holds the JAMKESMAS card (Indonesia's health care program for the poor) of his son. This card allows the owner to receive treatments in any government-owned hospital without any cost. JAMKESMAS will use the Unified Database, developed by the National Team for Accelerating Poverty Reduction (TNP2K) and Indonesia's statistical agency with AusAID's support, to better target poor households. The Unified Database corrects the exclusion errors of previous beneficiary lists, giving all poor households in Indonesia a chance to be included in the program. Photo: Poverty Reduction Support Facility.

Office of Development Effectiveness

The Office of Development Effectiveness monitors the performance of the Australian aid program, evaluates its impact and contributes to the international evidence and debate about aid and development effectiveness.

Contents

A recipient of Indonesia's RASKIN program (rice for the poor). RASKIN is a focus of the National Team for Accelerating Poverty Reduction (TNP2K), which develops policy options to reduce poverty in Indonesia. With the support of AusAID's Poverty Reduction Support Facility, TNP2K is improving evidence about the impact of RASKIN through a randomised control trial evaluation, a social impact study, and a study to assess the effectiveness of the Unified Database on RASKIN. This evidence will be used to improve the effectiveness and targeting of RASKIN. Photo: Poverty Reduction Support Facility.

About this case study

This case study forms part of an evaluation of the Australian Agency for International Development's (AusAID's) approach to policy dialogue.

The case study was conducted by Peter Bazeley (Explication Ltd), Taylor Brown (theIDLgroup), Emily Rudland (the Office of Development Effectiveness) and Sofia Ericsson (AusAID-Indonesia program). It is based on a review of program documents, a political-economy analysis of policy making in Indonesia, and a one-week visit to Jakarta in October 2011. The evaluation team interviewed a wide range of stakeholders from the Government of Indonesia, Indonesian civil society, other development partners, the Poverty Reduction Support Facility Staff, and AusAID staff.

The full evaluation report, *Thinking and Working Politically: An evaluation of policy dialogue in AusAID*, is available from www.ode.ausaid.gov.au

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We also greatly appreciate the time and insights provided to the team by the TNP2K and Poverty Reduction Support Facility Staff, and AusAID's other partners in Indonesia.

Introduction

The National Team for Accelerating Poverty Reduction (TNP2K) is a Government of Indonesia (GoI) initiative that aims to analyse and set out policy options to improve the coherence and coverage of social protection programs. It is mandated to design and oversee new social assistance and poverty reduction programs as well as to consolidate and improve the efficiency of existing programs. TNP2K was established by Presidential decree in February 2010 and is housed within the Office of the Vice President.

This case study provides an example of policy dialogue in which AusAID is helping a partner government create the systems and space to develop evidence-based policies and programs. AusAID provides significant support to TPN2K through its **Poverty Reduction Support Facility** (PRSF). PRSF provides financial, technical and logistical support, helping to shape the process of evidence-based policy-making within GoI. AusAID's support for TPN2K through PRSF also gives it access to daily interaction and informal dialogue with the TNP2K staff.

This case study uses the Theory of Success framework[1] (Chapter 4) to explore the internal and external factors that contribute to the effectiveness of PRSF support to policy dialogue. It also identifies lessons PRSF and TNP2K might provide for AusAID staff engaged in policy dialogue in other contexts.

The Origins of TNP2K

Over the past decade, social protection has occupied an **increasingly prominent position in Indonesia's political agenda**. Successive governments have realised that a comprehensive and effective system of social protection can both reduce the number of households in poverty and contribute to the country's resilience to shocks. It can also contribute to political stability and electoral popularity.

A range of recent shocks have exposed Indonesia's vulnerability and demonstrated the importance of establishing a more comprehensive and effective set of social protection programs. These include:

- The **Asian financial crisis** of the late 1990s: This crisis hit Indonesia particularly hard and partially reversed several decades of significant progress on poverty reduction—pushing tens of millions of Indonesians back into poverty.
- The **2004 Tsunami** killed more than 167,000 Indonesians and displaced many more. This event highlighted the vulnerability of Indonesia to natural disasters and demonstrated the fundamental importance of a coordinated public response to shocks.
- The **2008 Finance, Fuel and Food Crisis**: While Indonesia escaped the worst of this crisis, it highlighted Indonesia's potential economic vulnerability and the need to ensure adequate policies and programs exist to buffer its citizens from external economic crises.

Partially in response to these crises, the Indonesian government, at a national and local level, launched a wide range of poverty reduction and social protection programs. These include community block grants, microfinance programs, scholarships, conditional and unconditional cash transfers, and rice subsidies. This proliferation of programs was largely unplanned and uncoordinated. However, they significantly broadened the coverage of social protection in Indonesia.

1 Peter Bazeley et. al., *Theory of Policy Dialogue Success*, September 2011. Available from www.ode.ausaid.gov.au

These programs also proved to be vote winners. In the 2009 national elections, the ruling *Partai Demokrat* made expanding and improving social protection a key plank of their winning campaign strategy. A number of opposition parties, on the other hand, proposed cuts to popular programs. However, they were forced to reverse their positions as "polls showed that their standing plummeted each time they made such proposals".[2] Following his election victory, President Susilo Bambang Yudhoyono signed a Presidential decree to create TNP2K and delegated the Vice President to oversee the National Team. Shortly after, the Vice President approached AusAID to request its support to TNP2K.

Political economy factors shaping policy dialogue

A number of political economy factors fundamentally shape the ways in which policy-making and donor–government dialogue in Indonesia take place.

- Over the past decade Indonesia has been transformed from a highly centralised and authoritarian state to a democratic and decentralised one. These processes have transformed Indonesian politics, planning and service provision. This transformation has also led to multiple and often competing centres of authority at the national and local levels and has amplified interministry competition over resources and influence.
- Indonesian politics tends to be coalition based; the government is formed by an alliance of political parties based on the distribution of ministerial posts. While many ministries are headed by political appointees, some key economic portfolios (for example, Finance, Trade, Public Works) are assigned to technocratic appointees without formal political allegiances.
- Indonesian governments have historically been developmentalist—broadly commited to growth and poverty reduction. During the 1970s and 1980s government investments in agricultural support and infrastructure, in particular, contributed to a sharp drop in poverty levels. While these gains were reversed during the economic crisis of the late 1990s, successive governments have continued to prioritise equitable economic growth.
- Indonesia is now a middle income country and a member of the G20. This status puts GoI under pressure to perform on the international stage and puts Indonesia's progress towards poverty reduction and the MDGs under both domestic and international spotlights.
- Indonesia's Parliament (the DPR) plays an increasingly important role in drafting legislation and reviewing the national budget, particularly on social issues.
- Indonesia has little dependence on foreign aid; less than 1 per cent of its national budget is derived from foreign assistance. GoI is selective in its use of development assistance and in 2007 it disbanded the donor Consultative Group of Indonesia.
- Indonesia's proximity, size, population and economic potential make it one of Australia's most important neighbours. The Australian Government therefore views Indonesia as a key regional and global ally. One of Australia's principal foreign policy objectives is to build and maintain close working relationships with the Indonesian Government and be a 'donor of choice'.
- During the 2009 election, social protection was a key campaign theme. GoI's significant investment in cash transfer and other poverty-oriented programs, in the run up to the vote, was a key reason for the re-election of President Yudhoyono.

How TNP2K works

TNP2K is headed by the Deputy Vice President for Social Welfare and Poverty Alleviation in the Office of the Vice President. He is supported by a high-calibre team of advisers drawn from government, academia, and think tanks, as well as national and international consultants. The TNP2K acts as an internal think tank within GoI, with a **mandate of consolidating and**

2 AusAID (2010) *Poverty Reduction Support Facility: Design Document*.

improving Indonesia's social assistance and poverty reduction programs. Its ultimate goal is to extend the reach and effectiveness of these programs so as to reduce Indonesia's poverty rate to 8 per cent by 2014.

To achieve this goal, TNP2K generates ideas on how social protection programs can be improved and develops evidence to support policy proposals. It then shepherds these proposals through Cabinet and into implementation.

The work of the National Team is organised around three policy working groups:

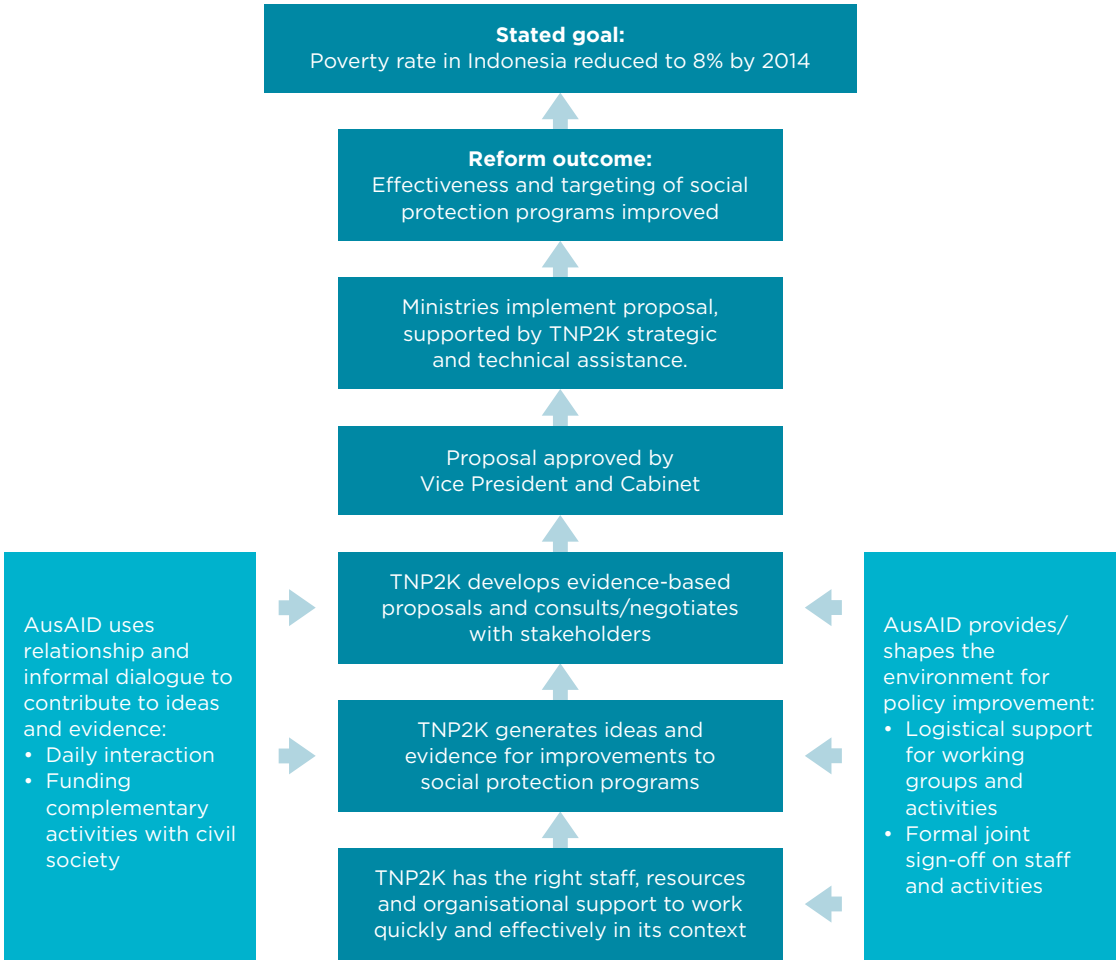
- Cluster 1—social assistance programs
- Cluster 2—community based programs, under the umbrella of the National Program for Community Empowerment (PNPM)
- Cluster 3—micro and small enterprise programs.

The working groups are led by TNP2K and draw members from an interministerial taskforce, development partners, business and civil society. AusAID, with the support of its managing contractor, leads on support for the Cluster 1 and 3 working groups, while Cluster 2 is led by the World Bank.

When a policy proposal is approved by the Vice President and the Cabinet, it then goes to an interministerial taskforce for implementation. TNP2K seeks to support this implementation through strategic and technical assistance.

The overall causal logic of TNP2K is set out in Figure 1.

Figure 1: Causal Logic of TNP2K



How AusAID contributes to TNP2K's work

AusAID launched the Interim PRSF in June 2010. It initially focused on rapidly establishing the TNP2K office and recruiting staff. The Facility started full operations, including funded activities, in July 2011. At the time of the evaluation fieldwork in October 2011, there were six activities underway. TNP2K had 40 staff funded through the Facility and 23 staff funded by GoI. AusAID's funding for PRSF was $3.5 million for the interim phase and $46 million for the full Facility (2011–2014).

AusAID appointed a managing contractor, GRM-International, to run PRSF. The contractor provides comprehensive support to enable TNP2K to meet its mandate. The Facility is designed as a multi-donor support structure into which other donors may contribute funds—although AusAID is the only donor to have contributed so far.

The Facility's activities include:

- office management, staff recruitment and human resource management
- support to working groups in designing and implementing activities (research, surveys, evaluations, pilot studies and conferences)
- management of ongoing activities, including the development of a national unified database and an integrated system for monitoring and evaluating social assistance programs.

The team leader also provides some support in stakeholder engagement where he has personal contacts (although this is not part of the scope of service).

Through PRSF, AusAID has been able to support evidence-based dialogue on fundamental development issues in Indonesia. AusAID contributes to this dialogue in two ways. First, its logistical and financial support for TNP2K **provides 'the environment' for evidence-based policy-making**. Through GRM's daily support work and AusAID's role on the PRSF Joint Standing Committee, AusAID contributes to the shape of TNP2K and its activities including recruitment, organisational structure and the terms of reference for the working groups. AusAID also has joint sign-off on TNP2K activities funded through PRSF. The value of this contribution alone is recognised by AusAID, with a staff member noting that "even if it was only a funding activity it would still be a good thing to do".

Second, the **skills and expertise of AusAID staff give them considerable influence over the substance of TNP2K's work**. The AusAID staff's technical knowledge of social protection ensures they are able to provide substantive analysis and advice to the TNP2K team members—with whom AusAID staff have almost daily interaction—as TNP2K develops its research, pilot programs and policy recommendations.

AusAID's work through PRSF is closely linked to its role in supporting PNPM, Indonesia's flagship poverty reduction program, which AusAID is providing with funding of $215 million (2009 and 2014). AusAID also directly finances and is engaged in the management of the PNPM Support Facility. Based in the World Bank, this facility aims to provide effective leadership and management to PNPM. From an AusAID perspective, support to PNPM, PRSF and TNP2K are mutually reinforcing: support to each of these programs coupled with AusAID technical expertise is a way to help each program build lessons on what works and compliment each other's approaches.

Achievements

AusAID's support to TNP2K is only in its second year. However GoI counterparts, AusAID staff and other donors view it as a significant and effective mechanism for policy dialogue. To date there have been several key achievements:

- Through PRSF, AusAID has helped to create and expand the **space for evidence-based policy dialogue on social protection** to occur within GoI and between GoI and policy experts. As a senior TNP2K official commented: "AusAID provides us with this environment, this possibility [to improve the social protection dialogue]".
- This policy dialogue has the potential to provide **a foundation for a more systematic and effective social protection** system in Indonesia. Given that Indonesia is the world's fourth most populous country with 120 million living on less than US$2 a day, this achievement would be of global, as well as national, significance.
- TNP2K sits at the **heart of government decision-making** processes (in the Vice President's Office) and its analysis is helping to shape cabinet-level discussions and decision-making on social protection.
- PFSF is supporting the creation of a **unified database** through which major social protection programs can improve their coverage and targeting of poor households.
- TNP2K is conducting evaluations of, and research into, a range of social protection programs aimed at improving coverage, targeting and coherence. These **reviews and their recommendations have helped to change regulations and guidelines** for major social protection programs to improve effectiveness and efficiency.
- TNP2K is in the process of developing a **White Paper** on social protection to present to Cabinet in 2012. This document will provide the basis for a revised and more coherent social assistance strategy for Indonesia.
- TNP2K is working with the Vice President to develop a strategy for how GoI can reduce and **replace the existing fuel subsidy** (which currently absorbs more of Indonesia's budget than health and education spending combined) with more targeted and pro-poor social protection programs.

Building blocks of policy dialogue on social protection

The Theory of Policy Dialogue Success outlines five building blocks that can shape the character of a policy dialogue:

- the extent to which it is clear what is to be achieved through dialogue—or **'clarity of intent'**
- the balance of power, knowledge and ownership, or **'negotiating capital'**
- the capabilities and **characteristics of the actors** (both group and individuals) involved
- the **fora used in dialogue**: the formal and informal spaces and opportunities to understand each other's values and interests
- **evidence**: the extent to which data and analysis inform dialogue, and who owns it.

The sections below examine each of these building blocks and their interaction in relation to AusAID's support to TNP2K.

Clarity of intent

The degree to which participants are clear about what they want to achieve through dialogue

From the start, both the Government of Indonesia and AusAID were clear about what they wanted to achieve through TNP2K.

On GoI's side, the **President and Vice President knew what they wanted from both TNP2K and from AusAID**. As highlighted above, GoI faces strong political incentives to expand and improve social protection in Indonesia. Social protection is seen as a vote winner and the lack of a coherent safety net is seen by the ruling coalition as a barrier to Indonesia's continued economic progress, stability and place on the regional and world stage. From a fiscal perspective, GoI is also keenly interested in exploring ways in which the fuel subsidy can be further reduced.

But while **Indonesia's leadership is clear on the need for a more coherent and effective system of social protection**, it is **unclear on what strategy is needed to achieve it**. As one well-placed observer noted: "In 2009, the new government came in and had clear goals (on poverty reduction), but not clear answers". This is partly because social protection is a relatively new field in Indonesia, which means that actors are still open to exploring new ways of doing things.

The Indonesian government was also clear on its desire to draw on internal and external expertise, evidence and analysis when exploring social protection policy options. GoI and particularly its more technocratic ministries have historically drawn on internal technocrats and international expertise (for example, the World Bank) to help develop policies and programs.[3] The current Vice President is also a long-standing technocrat who is open to more evidence-based approaches to policy formation. This has helped to open up space for the analytical and evidence-based approach of TNP2K.

GoI counterparts were also clear that TNP2K needed to have a donor partner if it were to be responsive and flexible. Current government procurement rules (tightened after the corruption

3 Datta, A. (2011) *The political economy of policy-making in Indonesia: Opportunities for improving the demand and use of knowledge*, Overseas Development Institute and SMERU: London and Jakarta.

of the Suharto era) make it difficult and slow for government to use external consultancy and research services. This has created an incentive for GoI to look for outside support to ensure that it could swiftly procure the expertise and equipment needed to make progress within TNP2K's short (three-year) time frame.

Government ministries tend to be siloed and factional. This poses difficulties for cross-government communication and for the convening power of line ministers. With this in mind, the President and Vice President were clear that any efforts to reform social protection policies and programs would have to be housed at higher levels of government and not in a particular sectoral ministry. This led to TNP2K being housed in the Vice President's Office.

AusAID was also relatively clear about what it was aiming to achieve through support to TNP2K. At a corporate level, AusAID has increased its focus and resources devoted to social protection, while AusAID Indonesia was not just focused on investing in social protection, but also had developed the internal capacity to respond. This clarity of intent ensured that AusAID was able to respond swiftly and effectively to GoI's request for support.

AusAID's interest, investment and capacity in social protection have increased significantly over the past several years. Social Protection has recently moved up AusAID's corporate agenda and is now seen as a priority means through which AusAID can contribute to sustainable economic development and the overall goal of helping people overcome poverty. AusAID has also invested in improving analytical and human resources related to social protection. It has increased its financial investment in social protection with, for instance, a $120 million commitment "to strengthen and/or expand social protection programs" across Asia and the Pacific.[4]

In many ways, AusAID Indonesia has been at the forefront of these developments. It has prioritised social protection as one of its key priorities and has put in place a strong team of social protection specialists. This team's work on social protection has helped to influence AusAID's approaches to social protection overall.

This combination of improved organisational commitment to and expertise in social protection ensured that AusAID was clear about the need to engage with GoI on social protection issues. When the Vice President approached AusAID for its support, AusAID was able to respond swiftly and with high-level technical engagement in a way that would not have been possible even a few years ago. AusAID did so in recognition that its engagement was high risk, but also high reward in that it could potentially contribute to improved social protection for Indonesia's 120 million poorest citizens.

AusAID's clarity of intent in Indonesia has also been strengthened by a **whole of Australian Government approach**. The Ambassador and other Foreign Affairs staff regularly reinforce AusAID's position on social protection in their discussions with Indonesian officials. They see AusAID's work in social protection as a means through which Australia's bilateral relationship can be strengthened as well as a means through which Australia can contribute to a more stable and prosperous Indonesia. While the Ambassador acknowledges the risks associated with AusAID's support to TNP2K, he views these risks as worth taking.

AusAID has been clear on its intent to help improve the coverage and effectiveness of social protection in Indonesia, but it has **not sought to be prescriptive** about how this might be achieved. Instead it has sought to engage in balanced and informed dialogue with government and other donor counterparts. This open approach has been welcomed broadly by most Indonesian government counterparts interviewed: "AusAID doesn't usually tell us what to do … AusAID brings flexibility". Key government counterparts appear to appreciate that, like themselves, AusAID is interested in improving social protection in Indonesia, but is willing to let specific reforms emerge through a process of analysis and debate.

4 http://www.ausaid.gov.au

Negotiating capital

The balance of power, knowledge and ownership between dialogue participants

Negotiating capital is broadly balanced between AusAID and the Government of Indonesia. Unlike many contexts in which AusAID works, **GoI is a strong partner with the financial, human and technical resources** to tackle its own poverty reduction challenges. The Indonesian Government has **little dependence on donor funds**: OECD donors provide less than 1 per cent of the Indonesian government's budget. In this context, donor resources are useful, but not essential to government policies and programs and GoI is able to pick and choose what support it believes will add to its development objectives.

TNP2K itself is a powerful organisation with high technical capability. This gives it the confidence to interact with its development partners as equals: "we can take support from donors without it being seen as interference". One TNP2K staff member described the process of interaction with donors as 'shopping for ideas'.

AusAID currently gives $558.1 million in aid to Indonesia (2011–12 estimate), making Indonesia Australia's largest country partner. This amount is expected to continue to increase over the next few years. Despite this spend, AusAID's engagement in substantive policy dialogue has been relatively low key until recently. In the past several years, however, AusAID has built a strong international and national team of social protection specialists (see next section). This in-house capacity has helped to boost AusAID's negotiating capital and its overall legitimacy and capability to work with both GoI and other key donors on social protection.

AusAID's dialogue with the Indonesian Government on social protection has been enhanced by the fact that it is viewed by key state officials as an alternative partner to the World Bank. The World Bank's Indonesia office is its largest outside of Washington DC. Since the fall of Suharto in 1998, the Bank has been a significant source of external policy advice to GoI. While GoI appreciates these inputs, one of the reasons that it was keen to work with AusAID on TNP2K is that AusAID provides an alternative voice to the World Bank on policy options for social protection, and a means through which it can build its own domestic policy analysis capacity.

The **speed and flexibility with which AusAID responded** to the request for support to TNP2K has helped to **deepen its relationship with key Indonesian government counterparts**. It took AusAID only six weeks from the Vice President's request for assistance for it to establish and staff the interim PRSF program. The Facility has also been able to respond quickly (often within a few days) to specific government requests for support through PRSF. This responsiveness, along with technical capability and the personal relationships of key AusAID staff with government counterparts, has helped to foster trust and a collaborative approach to policy dialogue around social protection.

Actors and their characteristics

The capabilities and characteristics of the individuals engaged in policy dialogue

The **interests, capabilities and commitment of key GoI, AusAID and other actors have been crucial to initiating and sustaining policy dialogue** around social protection in Indonesia.

AusAID has built a small but effective team, the Poverty Reduction Unit, to work on social protection in Indonesia. Post has recruited internally and externally to ensure that international **staff have strong comparative expertise on social protection as well as in-depth knowledge of the Indonesian policy-making landscape**. Key members of the unit not only have technical

capacity and expertise, they also have deep and long-term working relations with Indonesian government counterparts and other donors. This has ensured that the AusAID unit had both technical credibility and strong relationships from the start. As one observer explained: "AusAID [may be] the new kid on the block, but they are using old hands".

> "Not all policy advisers in donor agencies have the knowledge and expertise to add value … but AusAID has expertise to offer not only in terms of programming, but also in terms of technical expertise."
>
> *Senior Government of Indonesia official*

Post has also recruited and retained talented Indonesians to work in the unit and given them the authority and incentives to develop and manage programs, and to deepen relationships with GoI and other actors. The Social Policy Adviser and Unit Manager for Social Protection also support the continued professional development of national staff.

The Poverty Reduction Unit has also been able to draw on the broader capacity of AusAID in Jakarta and Canberra to support its work in social protection. Where relevant, the Unit Manager has drafted in relevant support from other teams at Post (for example, in health and education). She has also been able to bring in key expertise from AusAID's other country offices to bolster the unit's work.

> "AusAID has built much more technical capacity on social protection. It has lots of intellectual capital. It is now almost like a think tank."
>
> *Civil society partner*

The skills and expertise of the unit ensure that AusAID has the credibility to engage successfully with GoI. They also ensure that AusAID is making a direct contribution to the substance of social protection reform. AusAID staff have been instrumental in key debates on, and policy innovation in, social protection. They have done this through, for example, the use of unconditional transfers and the piloting of special programs for elderly and disabled.

The AusAID team is committed and capable. It is also **entrepreneurial**—working to make the most of existing systems and resources, and offering solutions to policy challenges. Team members are networkers, who have invested significant amounts of time and energy in developing relationships with government counterparts, donors and Indonesian civil society. They have worked proactively to stimulate policy debates, create awareness of the thinking on social protection and provide timely and appropriate advice not just to AusAID, but to government, non-state actors and other donors. Senior AusAID managers have also given the team the time and space to operate differently from many AusAID teams. As a result, the adviser and unit manager are able to devote most of their time to networking, analysis and policy-level discussions rather than internal administration.

The skills and attitudes of AusAID staff have helped them to build **strong working relationships with GoI counterparts based on mutual trust, respect and collegiality**. This has contributed as much to AusAID's influence on Indonesia's social protection dialogue as its funding has.

Key AusAID staff also have an in-depth **knowledge of Indonesia's political economy and its policy-making processes**, and the personal networks that make them trusted and credible partners. This has helped AusAID to work effectively and constructively with government counterparts and systems, to recognise policy openings and to support the development of key coalitions for change within and outside of government.

On the Indonesian side, **key GoI counterparts** working on social protection and in TNP2K have also been **committed, capable and entrepreneurial**. At the highest levels of government, the President has given the Vice President a strong mandate to oversee TNP2K and to improve the implementation and coverage of social protection policies and programs. The Vice President

has a strong technocratic background and regularly pushes TNP2K to ensure that its policy recommendations are based on sound analysis and debate.

TNP2K staff include experienced and skilled analysts and policy entrepreneurs. TNP2K's head brings both a strong technical and strong management background to his post. He is also a policy and political entrepreneur with close ties to the Vice President. His authority, networks and persuasive skills enable him to work across different line ministries and levels of government to build support for policies and programs. TNP2K's head is also skilled at coordinating donors to ensure their resources and technical support are in line with government priorities.

The rest of the TNP2K team is a mix of government appointments and Indonesian and international researchers and experts. The National Team includes some of the more talented and respected analysts of social protection and poverty reduction in Indonesia. This enhances TNP2K's credibility within government and with civil society and other non-state actors.

A range of other actors contributes to dialogue around social protection in Indonesia. As mentioned, the World Bank is a central player in policy analysis. AusAID and TNP2K have worked to keep the Bank and other donors (for example, *Deutsche Gesellschaft fur Internationale Zusammenarbeit* (GIZ) and the Asian Development Bank) engaged in TNP2K process. The relatively small donor field involved in social protection has worked in AusAID's favour, making entry to the field and coordination of the activities within it easier. While some analysts from Indonesian think tanks are working with TNP2K, there is not much direct engagement between the National Team and civil society. AusAID, however, has worked to act as a bridge between these non-state actors and TNP2K.

Dialogue fora

The formal and informal spaces and opportunities to understand each other's values and interests

AusAID's team and TNP2K staff use **both formal and less formal means** to build and sustain dialogue on social protection.

AusAID's support to TNP2K has helped to **create a formal forum for dialogue around social protection at the heart of the Indonesian Government**. In developing this policy advice, TNP2K and the Policy Working Groups commission and manage policy-relevant analysis, and they provide the space for evidence-based discussion and debate between national and international policy researchers and analysts. This analysis and debate, and the policy options they generate are then presented to the Vice President, and then onward to Cabinet.

TNP2K staff, and particularly the Executive Secretary of the Taskforce, are also **skilled at utilising less formal means to strengthen analysis and to build support for policy advice**. The TNP2K office sits across the street from the Vice President's office and the Taskforce head has an office in both places. Since the Executive Secretary is also the Deputy Vice President for Social Welfare and Poverty Alleviation, he is in almost daily contact with the Vice President. This allows him to provide a running update on TNP2K's progress.

The TNP2K team engages in a great deal of legwork to pave the way for its analysis and policy advice. Given that the National Team sits outside of normal government channels and lacks direct convening power, this informal access and legwork is particularly important. The National Team's strategy varies from issue to issue but, overall, they work to build support for analysis and recommendations from the bottom up as well as top down. Staff engage relevant line Minsters, Directors General, Echelon One (senior) administrators, lower level staff and interested

parliamentarians. They work particularly to identify and talk to potential 'doubters' in BAPPENAS (the National Development Planning Agency) and line ministries such as People's Welfare about forthcoming analysis and policy options. They also hold closed-door workshops with relevant officials to clarify proposals and, where possible, iron out contentious points before formal meetings take place.

> "Opinions get formed before formal meetings take place [so] building consensus beforehand is crucial."
>
> *TNP2K team member*

As the secretariat for an internal government task force, TNP2K does not provide a mechanism through which AusAID (or other donors) engages in direct policy dialogue with Indonesian authorities. However, as AusAID and DFAT staff repeatedly stressed in interviews, Australian support to the TNP2K provides AusAID 'with a seat at the table' when it comes to policies and programs related to social protection and poverty reduction. The AusAID team's technical expertise, the trust generated by its non-prescriptive approach, and its swift and generous responses have ensured that AusAID not only has a seat at the table, but that it has something of substance to contribute once seated. The analysis and opinions of AusAID's Social Policy Adviser, in particular, are valued by GoI, non-state actors and other donors.

AusAID also **performs an important bridging function** in the overall policy dialogue about social protection. Its social protection team has built strong relations not just with TNP2K and the Vice President's Office; it has also built strong relations with BAPPENAS, other donors working on social protection and Indonesian civil society. In particular, AusAID staff help TNP2K build linkages to complementary AusAID programs such as the Knowledge Sector Program. AusAID-funded NGOs like Women Headed Household Empowerment (PEKKA) provide an avenue for civil society to feed their knowledge on poverty to TNP2K. Similarly, AusAID also helps to facilitate other donors (UNICEF, World Bank, GIZ) so they can contribute their expertise and analysis to TNP2K's work. The AusAID team's ability to bring actors together and be a conduit for analysis has contributed to improved communication and coordination around social protection.

Over the past year or so, the Director of Social Protection and Welfare in BAPPENAS has also helped to improve coordination between donor actors working in social protection by holding periodic informal coffee meetings in which he facilitates both broad discussions and an informal division of labour.

Evidence

The extent to which data, research and analysis inform policy dialogue, and who owns it

AusAID's support to TNP2K is **fundamentally about improving the quality of evidence available to Indonesia's policy makers**. PRSF is responsible for financing, commissioning and managing research, surveys and evaluations on behalf of the TNP2K. As highlighted above, AusAID's support makes it possible for this analysis to be commissioned and conducted quickly. So far, the Facility has overseen a range of policy-relevant studies including an evaluation of the implementation of the Raskin (rice assistance) program, a study of grievance mechanisms for social assistance programs, and a study of the effects of migration and remittances on poor households. TNP2K will also draft a White Paper on Social Protection. In some cases, this commissioned analysis has led to a swift and high-level policy discussion and policy response. An evaluation of a conditional cash transfer program (the *Program Keluarga Harapan*), for instance, revealed significant targeting problems in this and in a number of other programs. This analysis made a strong case for the development of a unified database for social protection programs and

led Cabinet to approve changes to key government regulations and the Targeting Guidelines of *Program Keluarga Harapan* and other programs.

The most significant piece of TNP2K analysis commissioned so far is the creation of a unified database for social protection. Currently, most significant social protection programs use different data and incompatible targeting and monitoring and evaluation systems. The new database will provide a shared benchmark for at least four of Indonesia's larger social protection programs through which they can improve their coverage and targeting of poor households. The database will be housed and maintained in TNP2K and will be based on a survey of 45 per cent of Indonesia's population.

As noted, AusAID staff have contributed directly to the design and delivery of TNP2K evidence. AusAID's Unit Manager for Social Protection and its Social Policy Adviser regularly undertake field visits with TNP2K staff and have contributed to specific pieces of analysis.

The ways in which evidence is **packaged, tailored and disseminated** is as important as the quality of the analysis in the first place. The TNP2K team therefore invests in how it presents its analysis and opinions to others in government. As a senior official notes, team members work to present their ideas in a "language that appeals to bureaucrats" and attempt "to make analysis and presentations as good as they can be" so that they can "sell their ideas in cabinet meetings".

Shortcomings and sustainability

This case study provides an insightful example of a policy dialogue that has the potential to make a significant contribution to poverty reduction in Indonesia. However, AusAID's support to TNP2K is not without its limitations and risks:

- To a great extent TNP2K is **still in its honeymoon period**. The National Team has been fully operational only since mid-2011. While it has achieved notable progress during this time and during its interim phase, TNP2K is only now beginning to confront some of the more challenging and politically sensitive social protection issues (for example, what to do to reduce fuel subsidies and what to do with less effective programs).
- Similarly, TNP2K is likely to face **significant implementation barriers as it seeks to turn its analysis into action**. The multiple centres of power and siloed character of the Indonesian bureaucracy are likely to hamper the execution of even the most well-designed programs and reforms. Capacity constraints are also likely to bog down reforms.
- As a Presidentially mandated commission, TNP2K lies outside of normal government structures. While this provides the National Team with a cross cutting mandate, it can **generate unease and resistance among officials in other parts of GoI** who believe they should lead on the social protection agenda. They may also believe that they, and not an ad hoc team, should receive the technical assistance and resources available to TNP2K. Staff in BAPPENAS and line ministries managing existing social protection programs may be particularly wary of TNP2K.
- Running hybrid organisations like TNP2K is not easy. TNP2K systems and staff are drawn from government, non-government and private sectors. This can create a range of **management challenges related to performance**, quality of staffing and quality of outputs.
- As highlighted above, much of AusAID's effectiveness has hinged on the experience, technical knowledge and entrepreneurial approach of its staff. However, maintaining this skill set within the unit will be difficult. AusAID's wider corporate capacity in social protection remains relatively shallow and there are few ready replacements for key team members as they rotate through normal posting cycles. **Ensuring that the unit's continuity is maintained and its capacity is enhanced will be essential** if AusAID is to continue to play its current influential role in social protection dialogue in Indonesia.
- TNP2K's work is time-bound; the National Team is expected to complete its work before the next Presidential election in 2014. As the election approaches and government commitments to reduce poverty become a campaign issue, the National Team will be likely to be under increasing **pressure to deliver results**. The ruling coalition will also be likely to be tempted to look for populist (vote winning) programs in the run up to the election. These programs may or may not derive from TNP2K's evidence-driven approach to policy-making and reform. A risk for AusAID is that the poverty reduction goal is achieved at the expense of not targeting the chronically poor.

Conclusion and insights

Through its support to TNP2K, AusAID has been able to play a catalytic role in the development of an evidence-based policy dialogue on social protection. TNP2K has provided a systematic and technically strong mechanism through which the Indonesian government can analyse, develop and implement social protection reforms. TNP2K has the potential to deliver significant improvements to policies and programs that can make a fundamental contribution to sustainable poverty reduction in Indonesia.

The context—and the exceptional circumstances—in which TNP2K has developed is specific to Indonesia. The approach taken by AusAID-Indonesia is therefore not directly replicable in other country contexts. There are, however, a number of factors that have contributed to TNP2K 'success' overall, which may provide lessons for other AusAID Posts and programs. These include:

- **Be fleet and flexible:** AusAID was swift in its response to GoI's request for assistance: AusAID was able to commit within days of the Vice President's request and to move through its approval processes more quickly than usual to get the interim facility set up within six weeks. One observer remarked: "I have never seen such a complex organisation set up so quickly". PRSF has also been swift to respond to specific requests from TNP2K's head and the Vice President.
- **Invest in future value**: The reason AusAID was able to respond quickly and effectively was not just that Post had available financial resources (although this was obviously important) it was that it had already laid the foundation for engagement well before the request came. In other words, AusAID had invested in future value, by ensuring they had the staff and systems in place to be able to respond when and if significant opportunities for policy dialogue around social protection arose.
- **Be willing to take calculated risks**: Support to TNP2K entails a number of risks that more conventional development assistance does not. Its high profile approach, political sensitivities and reliance on government counterparts to deliver reform makes the program relatively risky. However, AusAID's support is also potentially high reward in that improvements to the targeting, coverage and efficiency of social protection programs could contribute to significant poverty reduction in a way that project approaches seldom can.
- **Build relationships and trust**: In Indonesia, as elsewhere, personal relationships matter. AusAID's team members fundamentally recognise this and have invested in developing and sustaining relationships with key government counterparts, other donors and non-state actors. These relationships have helped to build the trust necessary for substantive and on-going dialogue. Team members with long track records and strong personal and professional networks in Indonesia have been particularly valuable.
- **Put the right people in**: Developing and maintaining the right mix of staff has been a crucial component of AusAID's approach to social protection policy dialogue. AusAID-Indonesia's Poverty Reduction Unit includes both international and Indonesian social protection expertise as well as efficient project managers. Crucially, team members are entrepreneurial and have worked to develop and deepen relationships with key counterparts. They are also able to draw on local and international expertise to supplement in-house skills and experience. This has enabled AusAID to play an informed role in government and donor dialogue around the subject, helping to integrate populist and evidence-based policy-making.

- **Be non-prescriptive:** Through its support to TNP2K, AusAID has invested in supporting the process of evidence-based policy-making rather than promoting preferred policy options. This non-prescriptive approach has helped foster a more collaborative relationship between AusAID and its counterparts and has helped to differentiate AusAID from other donors.
- **Know the context and acknowledge it is political:** AusAID's approach to policy dialogue builds on a rich and ongoing understanding of the political economy, and drivers and constraints shaping the social protection agenda in Indonesia. Its ability to read this context and to recognise openings and opportunities, as well as potential threats, has been central to their ability to work effectively.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