Independent Review of the Knowledge Sector Supply Side Pilot
MANAGEMENT RESPONSE

Prepared by: Ben Davis, Senior Program Manager, Tertiary Education & Knowledge Sector

Approved by: Jean-Bernard Carrasco, Minister Counsellor (Development Cooperation)

Aid Activity Summary

Aid Activity Name	Australia Indonesia Partnership for Pro-Poor Policy (AIP4)
AidWorks initiative number	INI787 and INK640
Commencement and end dates	March 2010 to September 2013
Total Australian $	$4.1 million – Management of Action Learning Program (KS Pilot)
Total other $	NA
Delivery organisation(s)	The Asia Foundation
Implementing Partner(s)	The Asia Foundation
Country/Region	Indonesia
Primary Sector	Education

Aid Activity Objective:

The Knowledge Sector (KS) Pilot was designed as a 'living diagnostic' to determine what types of capacity development interventions were the most effective in improving research and organisational effectiveness of supply side organisations. This pilot, implemented by The Asia Foundation, began in March 2010. It had a budget till May 2013 of around $AUD4 million to support selection and support for supply side organisations through a mix of core funding and capacity development interventions. It used an action learning approach with partner organisations largely self-determining their capacity strengthening issues, needs and potential solutions.

Independent Evaluation Summary

Evaluation Objective:

With the first phase of the Knowledge Sector Initiative (KSI) beginning in mid-2013, AusAID commissioned an independent learning review of the knowledge sector pilot. The objective of this review was to conduct a 'health check' of the pilot program for the purpose of learning for the first phase of KSI (2013-2017). In other words, the report was intended as a tool to encourage debate and discussion about how AusAID would take forward this support in the longer term program. The intent was to assess the approach and implementation strategy of each of the pilot in order to:

- determine what has and has not worked, and the major challenges in strengthening organisational capacity within the Indonesian context;
- how the pilot compared with lessons learned and contemporary good practice of supply and intermediary programs, both internationally and within Indonesia; and
- how the pilot and the future supply side programs in the Knowledge Sector Initiative (KSI) might be strengthened and improved.

Evaluation Completion Date:

19 June 2013

Evaluation Team:

- Julie Hind – team leader and evaluation specialist
- Gatot Widayanto – organisational development specialist
- Euan Hind – researcher officer
- Edy Priyono – a public policy expert with specialist knowledge of Indonesian public policy
- Lalan Susanti – interpreter
- Dea Arsitasari – administration officer
- Judith Woodland – an evaluation expert in monitoring and evaluation providing peer review
- Enrique Mendizabal – an international expert in think tanks who coordinated a series of think pieces to inform the review process

Key Messages

Key messages of the evaluations' findings, recommendations, and lessons include:

a) The Pilot Empowered partners
- The Pilot used a facilitated learning process to help partners grow and learn how to effectively use 'core funding'. The flexible funding, facilitated learning process coupled with close engagement made the pilot partners – the 8 policy research institutes – feel empowered.
- Policy research institutes must be willing to reform their organisations, if organisational change efforts are to be successful.
- As confirmed in the current thinking and international literature on support to policy research institutes, the pilot program allowed partners to self-assess and determine their priorities, make decisions about the types of interventions best suited, procure and use services and core funding, in line with their needs.

b) Effective use of resources
- The approach and methods used to manage the pilot program are resource intensive. All partners appreciated the advice and intense engagement of mentors and 'critical friends'. This level of engagement requires proper resourcing to allow ongoing engagement throughout all phases of planning, implementation and monitoring. The financial and time investment was considered appropriate for the scale of the program.
- Going forward, policy research organisations would benefit from stronger guidance in areas that are identified as common weaknesses across policy research organisations in Indonesia, for example, in quality assurance, cost allocation, policy advocacy, research methodologies, and monitoring and evaluation.
- The close facilitation of partner learning with the core funding mechanism meant that unlike experiences elsewhere, KS pilot partners used core funds for targeted development needs rather than bolstering institutional costs.
- The program going forward should gradually wean partners off the core funding and develop appropriate financial mechanism to gain full cost recovery of institutional costs through research projects.

c) Significant Change Evident
- The pilot has brought about significant organisational and technical capacity changes:
- Technical capacity: there have been increases in the skills and number of researchers and specialist communication staff. Partners have become aware of the importance of investing in communications and policy advocacy. All organisations increased the range of knowledge products and services on offer and conduct independent policy relevant research. The review found, however, that the program could enhance the way it helps partners grow in terms of their policy advocacy skill.
- Organisational capacity: capacity building efforts have meant that partners are all guided by strategic plans and a research agenda. The pilot has enabled many management and governance issues to be resolved. Majority of partners increased the number of management and administrative staff to support more dedicated research efforts and improving research quality. More attention could be

paid to strengthening partner's political competencies, especially managing funder relationships, improving peer review, and engaging with policy makers. The program can build on opportunities for mutual learning, facilitate and develop collaborative links with international institutes, further assist partners to measure their own performance, and explore a common set of standards for the research-to-policy cycle in Indonesia.

d) Several mutually reinforcing factors have been the key to success

- The experience of partners confirms that it is not enough to focus on strengthening technical capacity or providing core funding; for policy research institutes to make organisational changes requires the 'full package' of flexible financial support, the empowering and action learning approach, a 'critical friend' and mentor, shared learning, and technical assistance.
- A more formal approach to action learning between AusAID and the managing contractor is needed to learn more about how this model can be improved and determining what works at the group level. The review recommends formally trialling and testing hypotheses to achieve this.

e) Need for improved monitoring and evaluation (M&E)

- While The Asia Foundation has built a good stock of information about partners, their interventions, the successes and issues, the program needs to focus on improving the way it learns and documents change. This extends to helping partners develop their own robust M&E systems.
- Going forward, more attention needs to be paid to program theory, outcomes, and measures to capture success, trends and changes in partner organisations to be communicated to AusAID.

Management Response

The Independent Learning Review of the Knowledge Sector Supply Side Pilot was very well received by AusAID and **agrees fully with nearly all the recommendations** in the report. The main 'take-away' message AusAID gained from the report was that the broader parameters of this part of the KSI – support to supply side partners – are about right; but there are some areas in which the program can improve as the pilot transitions into full-scale implementation. As a relative niche area in international development programming and literature, the review confirms that the design and implementation of the pilot has largely followed international best practice for supporting policy research institutes. The report shows that support was very well received by partners – it allowed them to focus the work of their organisation, improve the way their organisation works, and ultimately fulfil their organisational mandates. However, as much as this confirms much of what is considered best practice in the international literature and donor thinking, much of the knowledge on this subject is evolving as think tanks and donors learn and trial new approaches.

The report overlays the analysis of the pilot with think pieces and a comparative analysis of other similar international programs to identify key approaches and methods to be maintained going forward – the core funding model and tailored support to partners, for example. But it also identifies areas for improvement – M&E, increased focus on policy advocacy, a more planned approach to learning, enhanced support for partners so they can manage their own financial and political context better.

The KSI Implementation Team – made up of AusAID and RTI senior managers – have discussed the report's findings and found it useful in designing the first phase of support for the supply side component of KSI. Given the changing program settings for the program – with an increased number of partners, an expansion to the full scale program with all components – it is likely that these recommendations will also require further analysis to ensure they are relevant and implementable with the changed parameters of KSI.

Recommendation One: Retain methods and approaches that empower partners

Recommendation: That the new KSI managing contractor implements action learning methods and approaches of support that empower partners to take responsibility for: determining needs and priorities; both the delivery and the outcomes of interventions; reflecting on practice; and adapting the model and interventions to address any issues.

Response: AusAID **agrees** with this recommendation.

Actions: AusAID agrees that it is crucial to retain this approach to ensure continued learning by partners and the implementation team about what works. The KSI Implementing team will continue to adopt this approach going forward. AusAID will pay close attention to how the evolving context and shift to full scale implementation allows or hinders a continuation of this approach.

Recommendation Two: Improve monitoring and evaluation

Recommendation: That each partner develops and implements a simple but effective organisation-wide monitoring and evaluation system that will allow it to measure organisational performance, provide relevant project data, and improve practice. To facilitate this, each partner should negotiate support from the KSI managing contractor to put in place on-the-job technical assistance and coaching in order for it to develop the necessary monitoring and evaluation capacities.

Response: AusAID **agrees** with this recommendation.

Actions: The KSI Implementation Team have made sure to properly resourced M&E in KSI, with two international M&E experts overseeing the design of the system for the overall program, and a dedicated M&E Manager and two M&E Support Officers to administer the system. One of the priorities for the supply side component is assisting partners to develop simple M&E systems beginning with a self-organisational assessment in the first year of the program. Improving M&E is also a priority for KSI more broadly – the KSI Implementation Team is developing its Technical Support Pool which will also include M&E experts.

Recommendation Three: Support partners to improve knowledge products and services

Recommendation: That the KSI managing contractor actively guides each partner to identify and implement appropriate interventions that will continue to strengthen the quality of their knowledge products and services.

Response: AusAID **agrees** with this recommendation.

Actions: In the first year, KSI will achieve this through individual mentoring of partners as they develop their research products. This will also be enhanced through a series of research methodology workshops aimed to strengthen their research quality. The importance of improving quality assurance systems will also be a particular focus of the planning for Year-One (FY2013-2014); however, the exact shape of support for this objective is still to be determined as part of the design process.

Recommendation Four: Take a more planned and targeted approach to learning what works

Recommendation: That AusAID and the new KSI managing contractor, together, identify the hypotheses they wish to test during this next stage of the program and develop appropriate methods to test them and learn what makes a difference.

Response: AusAID **agrees** with this recommendation.

Actions: The KSI Implementation Team will continue to treat the support for policy research institutes as a 'living diagnostic' for the first phase of KSI. As part of the design of supply side support and M&E systems in the inception phase of the initiative, the KSI Implementation Team will develop a series of hypotheses about methods to be tested for the first phase of KSI.

Recommendation Five: Strengthen policy advocacy

Recommendation: That partners, individually and collectively, continue to explore conceptually and practically what advocacy means for their respective organisations to determine the most appropriate channels and means of communicating with decision makers.

Response: AusAID **agrees** with this recommendation.

Actions: Partners, individually and collectively, will continue to focus on how they can improve their policy advocacy skills as part of a self-organisational assessment in the first year of the program. This will be a direct follow-on from the strategic planning conducted in the pilot program. AusAID will also discuss this with the managing contractor how particular attention outside of the existing program modality that this might be a part of the supply side support. For example, helping partners develop a policy influencing plan could be an activity that is chosen to help strengthen their ability to have their research informing policy decisions.

Recommendation Six: Support partners to strengthen ability to manage context and relationships

Recommendation: That the KSI managing contractor actively guides partners to identify relevant and appropriate interventions specific to them to strengthen their understanding of, and ability to, manage their contexts and relationships with key actors.

Response AusAID **agrees** with the recommendation.

Actions: Partners, individually and collectively, will continue to focus on how they can better manage financial and other important relationship management skills as part of a self-capacity assessment in the first year of the program. AusAID will also discuss this with the managing contractor how particular attention outside of the existing program modalities that this might be a part of the supply side support.

Recommendation Seven: Facilitate gradual move to full cost recovery

Recommendation: That, over an agreed period of time, each KSI partner:

- moves to a full cost recovery model for its knowledge production activities with a commensurate scaling down of access to core funds for institutional costs; and

- seeks support, if needed, from the KSI managing contractor to develop and implement a relevant financial management strategy and develop costing tools to enable this change.

Response: AusAID **agrees in principle** with the recommendation.

AusAID recognises that continuing to provide core funding can potentially lead to creating poor incentives for partners to diversify their funding streams and to avoid setting-up systems to be more sustainable; however, this will be contingent on an assessment made by the KSI Implementation team on the external funding environment in Indonesia and whether it necessarily is conducive to allowing research institutes to raise funds from other sources.

Actions: The KSI Implementation Team will discuss this issue as part of developing new funding agreements for partners. It is most likely, however, that a full cost recovery strategy for knowledge products is not likely in the first phase of KSI. This needs to be developed hand-in-hand with changes to the external funding environment in which they operate. As there is more competition amongst the policy research institutes, however, it is expected that partners may be required to charge less for their products. It is also expected that as partners improve the quality of their products partners will be able to be increase the amount they charge for their products. This will also depend on the demand for their products from government agencies and donors, and on recognition by donors and governments of the full costs of research.. As such, the program will work with partners to develop better cost-allocation systems and to focus on different ways to raise funds from other sources. AusAID will also work with other donors to build awareness about the negative influence of bad donor approaches to contracting research by these institutes. In the final year of the first phase of KSI, an assessment informed by developments in the first phase of KSI will determine if the funding environment for public policy research institutes has changed to make it more conducive to weaning off of core funding for partners.

Recommendation Eight: Make gradual changes to the core funding

Recommendation: That AusAID oversees a gradual phase-out of institutional costs as an allowable component of the KSI core funds.

Response: AusAID **partially agrees** with this recommendation.

As above, the decision to phase-out institutional costs from core funds will be subject to ongoing assessments of the funding environment for research organisations in Indonesia.

Actions: The KSI Implementation Team will consider how to administer core funding in the inception phase. The team will continue to allow institutional costs as part of core funds until there are indications that the external funding environment for public policy has improved and there are increased demands from both donors and government agencies for the products that local policy research institutes produce.

Recommendation Nine: Support partners to improve performance

Recommendation: That AusAID leads a collaborative process to explore a range of strategies that continue to promote intrinsic drivers of performance.

Response: AusAID **agrees** with the recommendation.

Actions: AusAID has discussed this with the new managing contractor. The KSI Implementation Team decided that the program needs to enhance M&E at the program, component and the individual organisation level. Drivers for performance such as scholarships, volunteers, and other professional development opportunities are just one way we can enhance performance. KSI will also work intensively with partners on

developing M&E systems to assist partners grow and increase performance. Developing other mechanisms will be an important part of the design of the supply side support in the inception phase.

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Business Process Owner: Director, Performance Systems and Support

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