

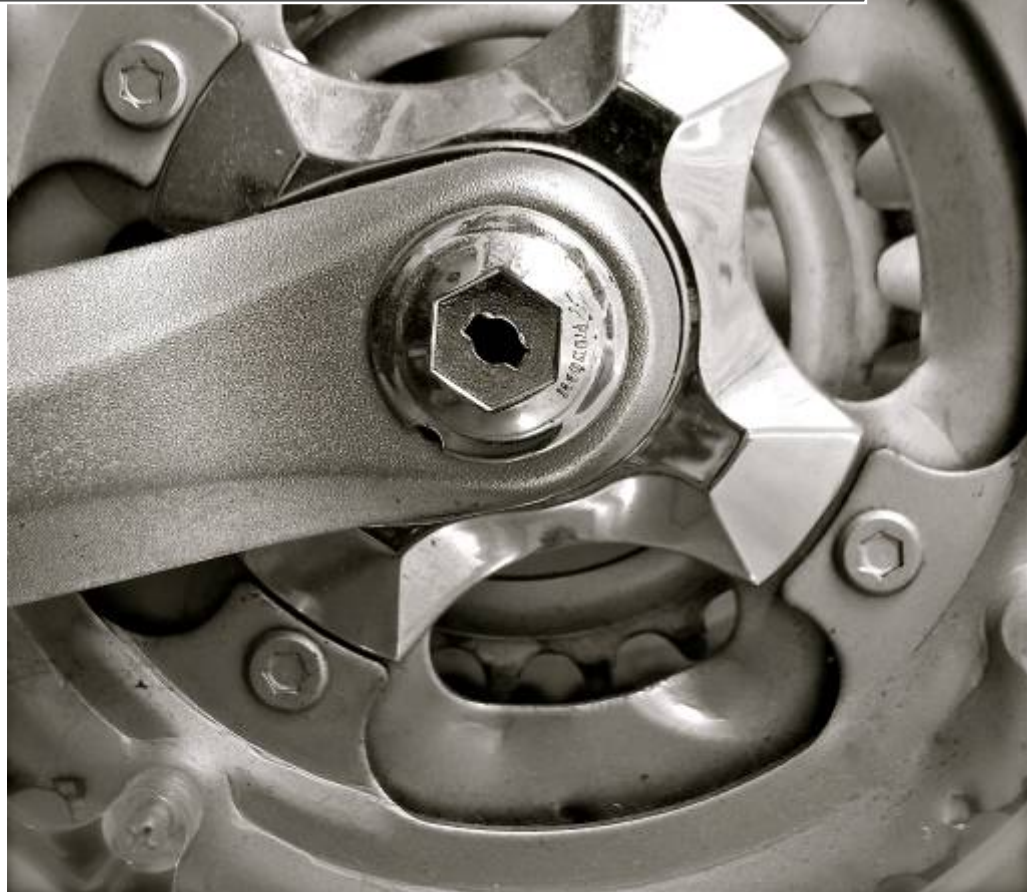


Australian Government

AusAID

AUSTRALIA-INDONESIA PARTNERSHIP FOR PRO-POOR POLICY:

THE KNOWLEDGE SECTOR INITIATIVE



**Australian
AID** 

DESIGN DOCUMENT | JULY 2012

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EXECUTIVE SUMMARY

Indonesia's underinvestment in research will constrain its ability to sustain strong economic growth and reduce poverty. Compared to both regional economic leaders such as China and Korea, and comparable middle income countries such as Brazil and Mexico, Indonesia's current investment in research is very low.

The proposed program will help Indonesia to develop its "knowledge sector" – the institutional landscape of government, private sector, and civil society organisations that provide research and analysis to support the development of public policy. The program design is underpinned by broad-based consultations and analysis, undertaken in close consultation with reformers in Indonesia's National Ministry for Development Planning. Stripped to its basics, the program's "knowledge-to-policy" model contains four interconnected pillars:

- a. Research organisations that produce knowledge and evidence that influence policies are referred to as the **Supply** side of knowledge production;
- b. Policy makers and organisations that demand and use evidence in formulating and shaping policies are defined as the **Demand** side;
- c. **Intermediary** functions and bodies include translation, packaging, and communication of knowledge to enhance its policy-relevance; and
- d. **The enabling environment** comprises the policies, regulations, and procedures that govern how the supply, intermediary and demand sides operate and interact

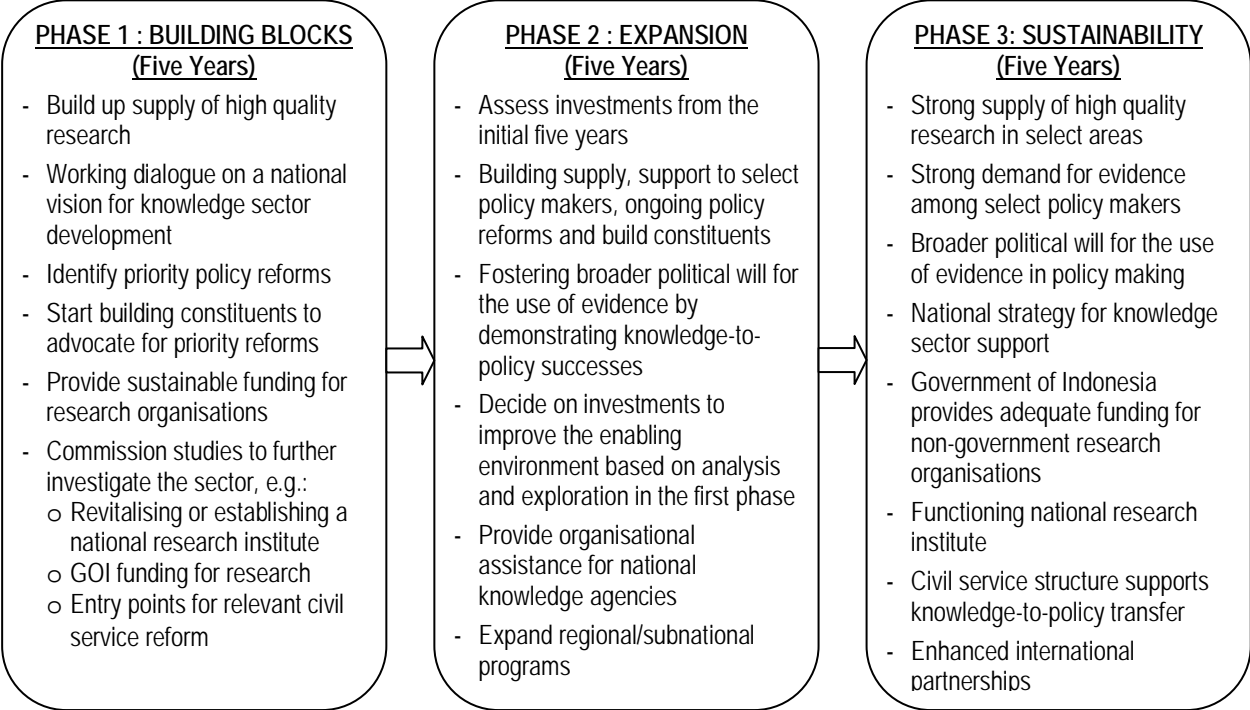
The Knowledge Sector Program will build capacity within all four pillars through a mix of dialogue, analysis and investments in each area. An overarching governance structure will help shape and calibrate the program to respond appropriately to changing appetites and opportunities for reform within each of the pillars.

The Knowledge Sector Program will not operate in isolation, but sit within a broader program of AusAID support to building policy capacity in Indonesia. The program will build on and strengthen existing sectoral investments, focusing initially on the areas of poverty reduction, decentralisation, education, health, and economic governance. Rather than defining specific policy areas within those sectors, the program will take an opportunistic approach to policy engagement. It will work closely with senior management in participating agencies to identify their capacity and demand to use evidence in existing policy processes. This approach will also consider the role of incentives and organisational culture in driving demand for evidence to inform the policy process.

The systemic reform this initiative seeks to achieve necessitates long term engagement. The program design articulates three distinct five-year phases, with funding for each phase contingent upon the success of the previous one. In the first five years, the Program will help establish the building blocks for a vibrant knowledge sector, including an increased supply of high-quality research; a model for evidence based policy applied by key policy-makers; managerial changes that promote evidence based policy making within Indonesian government agencies; and an avenue for diverse stakeholders to debate policies and advocate for fundamental changes.

In the second five year phase, the Program will expand its support based on lessons in the first phase, and invest more in the enabling environment based on an analysis of major issues in the first phase. The third five-year phase consolidates the Program with special emphasis on sustainability, a focus

on a national strategy for funding knowledge production and ‘on-budget’ funding support for knowledge institutions, as well as institutionalising changes wrought through the first two phases.



Chapter One: Understanding Indonesia's Knowledge Challenge

I. OVERVIEW OF THE PROGRAM

1. Indonesia's recent emergence as a low middle-income country carries with it significant implications for the country's overall development strategy and the kinds of development assistance that it is likely to need from foreign partners. Development aid as a share of the overall development budget will continue to shrink, which places an ever-growing premium on ensuring that Indonesian policy makers make informed choices about how best to spend national budgetary resources. Furthermore, Indonesia's ongoing democratization carries with it demands for informed public participation in which public policy can be accessed, understood, and debated by a broad range of stakeholders.
2. For a variety of reasons that will be discussed later in this design document, during the post-colonial and New Order years Indonesia did not develop the kind of domestic human resource infrastructure seen in other large developing countries such as China, India, Mexico, or Brazil. Instead, Indonesia has always relied heavily on international technical assistance to help develop policy options that could be presented to government decision makers. Nor has Indonesia made much progress on providing an incentive framework for the private sector and civil society to provide these services. However, with the country's growing wealth, the transition to democracy and the associated rise in importance of public debate over policies, as well as the increasing complexity of the choices facing government, this is no longer a viable strategy.
3. This provides AusAID a unique opportunity to help shape Indonesia's policy reform agenda to improve the lives of the poor. Better use of evidence in policy and practice could help to dramatically reduce poverty in Indonesia, promote democracy and improve the country's overall economic performance. Despite Indonesia's rapid economic growth over the past few years, around 30 million people still live below the poverty line,² 4 million children still suffer from malnutrition,³ and 228 out of every 100,000 mothers still die giving birth each year.⁴ Better application of research and analysis in formulating development policies will result in more effective ways to tackle these issues, and can go a long way to improve the quality of people's lives. Improving knowledge-to-policy linkages in Indonesia supports "partner agencies to strengthen their delivery of services to help them be more responsive and accountable to poor people."⁵
4. The objective of this design document is to describe a strategy and set of activities that will help Indonesia develop what for want of a better word shall be called the "knowledge sector". The knowledge sector means the overall institutional landscape of government, private sector, and

² ADB (2006). From Poverty to Prosperity: A Country Poverty Analysis for Indonesia. Retrieved 22/09/11 from <http://www.adb.org/>

³ Susanto, Cornelius E. (2010). "18 persen anak kekurangan gizi." Media Indonesia. 15 July 2010. Retrieved 22/09/11 from <http://www.mediaindonesia.com/>

⁴ The Indonesia Demographic Health Survey (IDHS 2007). Retrieved 22/09/2011 from <http://www.mdg5watch.org/>

⁵ See "An Effective Aid Program for Australia: Making a Real Difference – Delivering Real Results", pp. 37.

civil society organisations that provide knowledge to support the development of public policy. It includes think tanks, university institutes, specialized agencies, certain types of private sector contractors, and a range of non-governmental organisations. The objective of using the term is not to nail down with full precision the boundaries of the sector, but to focus attention on the overall landscape rather than any one organisation or area within it.

5. Treating “knowledge” as a sector carries with it certain implications that differ from how agencies typically think about more traditional projects. Sectors evolve rather than “end” the way projects do. Timeframes are long. Governance issues are usually more prominent within sectoral programs, particularly when, as is true for the knowledge sector, the key stakeholders cut across traditional boundaries of government, civil society, and private sector actors.
6. The Knowledge Sector Program (“the Program”) proposed for AusAID funding is being driven by both a broad-based program of consultation and analysis that has taken place across the two years of project preparation, and from a specific model of how to approach such a complex and challenging issue. Stripped to its basics, the Program’s “knowledge-to-policy” model contains four inter-connected pillars, each of which will be supported through this program:
 - (a) Research organisations that produce knowledge and evidence that influence policies – referred to here as the **Supply** side of knowledge production;
 - (b) Policy makers who demand and use evidence in formulating policies – generally referred to as the **Demand** side;
 - (c) **Intermediary** functions and bodies that translate, package, and communicate knowledge; and
 - (d) **The enabling environment** – the policies, regulations, and procedures that govern how the supply and demand sides operate and interact.
7. The Program will build capacity within all four pillars. However, the readiness and reform needs for the different pillars vary considerably. The Program design includes a mix of dialogue, analysis and investments within each of these program areas. An overarching governance structure will help programming respond appropriately to changing appetites and opportunities for reform.
8. The Program sits within a much broader program of donor and AusAID support to building policy capacity within a rapidly evolving Indonesia. In one direction, the Program is linked tightly to sectoral initiatives that will benefit from the Knowledge Sector Program reforms and which will themselves be the drivers for the practical application of the Program. In another direction, the Program is also situated within a landscape of Government of Indonesia (GOI) and donor programs for human capital development that includes scholarship support, tertiary education reform, programs to improve the quality and reliability of policy relevant data, and investments in science and technology development programs.
9. The Program aligns closely with the strategic directions for Australia’s aid program outlined in the Government’s response to the 2011 Aid Independent Review. It adopts a more sophisticated way of engaging with Indonesia as a middle income country, recognising that “strategic policy

advice on development issues will become an increasingly fundamental part of AusAID's mandate".⁶

10. Success criteria for the Knowledge Sector Program are primarily about improvements in Indonesia's overall ability to produce and use high-quality evidence for policy-making rather than on any clear policy outcome that can be attributed to the Program. Similarly, there is no single input to this program which will be the determining factor in whether it succeeds or fails. As will be explained in the text, it is the interaction between loosely articulated components that define the Program's progress. Nevertheless, the Knowledge Sector Program's evaluation criteria include a broad range of indicators to assess whether AusAID's contributions are effectively supporting appropriate reforms.
11. This design document is organized as follows. This first chapter analyses the state of Indonesia's knowledge sector – including its history, constraints and opportunities – and summarizes the analytical approach that guides the proposed program. Of particular interest in this discussion is the broad-based consensus that came from the consultations about the urgency of the knowledge sector reform agenda – and the frustration that so many Indonesian stakeholders feel about the difficulty of effecting change. The second chapter describes the Program's proposed interventions, including an assessment of program risks and an assessment of the measurements proposed for tracking the Program's progress and evaluating its results. The third chapter outlines the implementation arrangements of the Program.
12. Consultations and the involvement of stakeholders in the design of this program have been extensive. The full process is summarized in *Annex 2*. They include a working group of government, universities, and civil society representatives that met periodically over the course of preparation; briefings for GOI ministers and deputy ministers; Director General's and Directors; and workshops with other donors; and site visits to provincial universities, networks, and think tanks. This highly participatory approach will be continued throughout the Program's operation. While AusAID and this knowledge sector reform initiative can contribute technical inputs and resources, ultimately the drivers for reform in this area will be the coming generation of Indonesian graduates, researchers, and policy makers.

II. THE STATE OF THE KNOWLEDGE SECTOR IN INDONESIA

How does Indonesia's knowledge sector compare with other countries?

13. It is difficult to place a benchmark on the knowledge sector across countries. Nevertheless, several international comparisons indicate that Indonesia's knowledge generation is well below other countries with comparable economic standing. This section uses a selected set of common, accepted comparative indicators to give a sense of why GOI policy makers and others are concerned with knowledge sector reform.
14. According to SCImago Journal and Country Rank,⁷ during the period of 1996-2008 Indonesia produced only 9,194 published scientific documents, placing its scientific prolificacy over 13 years below that of Bangladesh, Kenya, Lithuania and Nigeria – and far below that of neighbouring Thailand, Malaysia and Singapore.

⁶ "An Effective Aid Program for Australia: Making a Real Difference – Delivering Real Results", pp. 26.

⁷ SCImago. (2007). SJR — SCImago Journal & Country Rank. Retrieved December 24, 2010, from <http://www.scimagojr.com>.

15. The Social Sciences Citation Index (SSCI) showed that in its international peer-reviewed journals, only about 12% of social science research publications on Indonesia is undertaken by authors based in the country, which is less than half of the figures for Thailand and Malaysia (see Diagram 1.1.).⁸

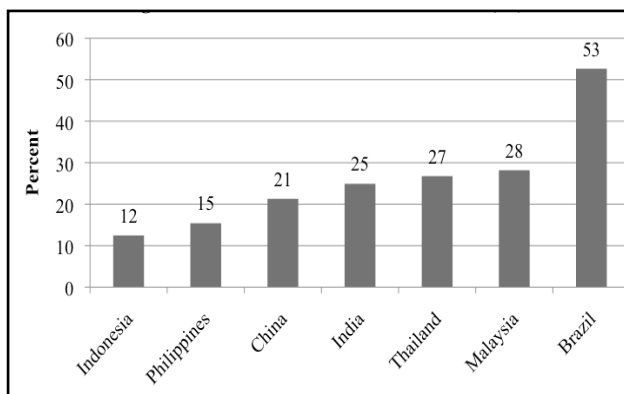


Diagram 1.1. Share of Domestic Research (%)
The numbers show the share of published research on a particular country done by researchers based in the country. Source: SSCI database, 1956 to 2011.

16. In terms of research intensity, although the number of Indonesia's international publications is growing, it has the lowest number of international publications per one million people (research intensity) compared to other Asian countries (see Diagram 1.2.). To a certain extent, research intensity correlates with per capita Gross Domestic Product (GDP) and Human Development Index (HDI). Economic growth should allow for increased investment in higher education and quality research. However, when compared against per capita GDP, Indonesia's research intensity is still low compared to Vietnam and the Philippines that have less per capita GDP than Indonesia (see Diagram 1.3.).

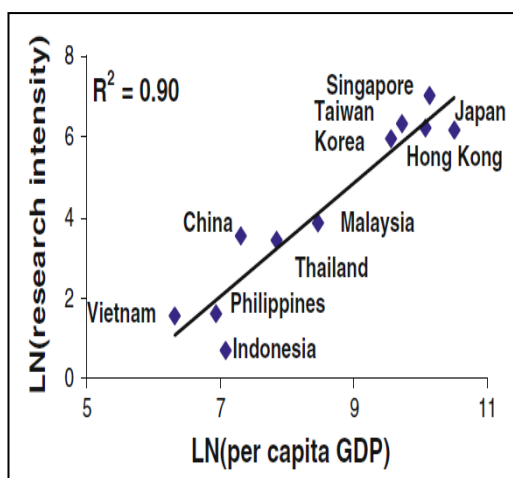


Diagram 1.3. Research Intensity against per capita GDP of Asian Countries
When compared against GDP, Indonesia's research intensity is still lowest compared to other Asian countries, including those with less GDP than Indonesia (Vietnam and the Philippines). Source: Hien (2010), data for 2004.

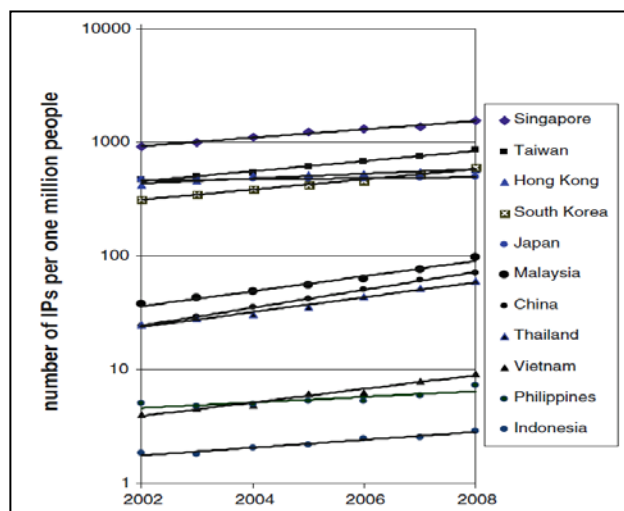


Diagram 1.2. Research Intensity of Asian Countries
Research intensity is defined as total international publications per one million people. Indonesia's research intensity is the lowest compared to other Asian countries. Source: Hien (2010)

17. Only one Indonesian think tank, the Centre for

⁸ Suryadarma, D., Pomeroy J., Tanuwidjaja S., *Economic Factors Underpinning Constraints in Indonesia's Knowledge Sector*, AusAID Knowledge Sector Diagnostic, 2011. SSCI indexes articles published in 2,474 social science journals across 50 disciplines. SSCI is owned by Thomson Reuters. For more information, see http://thomsonreuters.com/products_services/science/science_products/az/social_sciences_citation_index/

Strategic and International Studies (CSIS), made it to the top 25 think tanks in Asia according to the 2010 Global “Go-To Think Tanks” report.

18. Indonesia’s low research output compared to other developing countries is an indicator of the broader and systemic problems underlying its knowledge sector.
19. A comparative review of knowledge sector development in other developing countries prepared for this program confirms that there is no one “best” path along which all countries can be ranked.⁹ Histories, institutional cultures, and long-term socioeconomic trajectories all contribute to making some strategies for creating and using knowledge more attractive than others. Nevertheless, there are some shared general characteristics of successful knowledge sector strategies:

- *Policy makers need to think long term and aim for consistent policy, regulatory, budgetary frameworks that support domestic research and development institutions.*
- *Government is not the only source of demand, but its demand can underwrite domestic capacity to produce research.*

Box 1.1. Knowledge Sector Strategy in Mexico

The National Council for Science and Technology (CONACYT) is Mexico’s chief public institution for promoting and supporting science and technology activities. CONACYT was established in 1974 to promote education scholarships, but its role has expanded with changes in national policy such that it now administers an extensive system of Public Research Centres (PRC), various kinds of funds for research and research institutions, scholarships and a national system of additional incentives to Mexico’s most productive researchers.

Key features of Mexico’s national system for science and technology include:

- a national vision which is used to coordinate resources to promote education, research and training and the application of these to Mexican social and economic development;
- a specific line in the federal budget;
- decentralised support e.g., PRCs located throughout the country and mixed funds for use in promoting research aligned to regional development needs; support to human capacity for business, higher education institutions and government at the national and decentralised levels;
- promotion of inter-sectoral, national, and international linkages e.g, bilateral agreements with Latin America, US and Europe and international scholarships;
- domestic and international evaluation of performance by the Council for Evaluation of Social Development Programs, reporting to the OECD and UNESCO;
- programs to evaluate, acknowledge and reward high performing researchers, e.g. through the National Research System; and
- comprehensive statistics and reporting.

Source: G. Nielsen, “Synthesis of Comparative Experiences of Five Middle Income Countries”, AusAID Knowledge Sector Diagnostic. 2010.

- *Diversity of knowledge institutions is a sign of a healthy sector. The government does not have to be the sole supplier or financier of research, but it can (i) supplement expertise, (ii) foster human capacity and (iii) set conducive regulations.*
- *Countries should maximise opportunities to take advantage of international networks to raise local capacity.*

⁹ Nielsen, G., *Knowledge Sector Comparative Experiences of Five Middle Income Countries*, AusAID Knowledge Sector Diagnostic, 2010.

History: Why does Indonesia have a knowledge sector problem?

20. Indonesia's underdeveloped knowledge sector can be traced to the intellectual conformity imposed by its past regime, on top of a dismal education legacy from the colonial period. In 1930, there were only 174 Indonesian university graduates, which was 0.000 000 003% of the population at the time.¹⁰ After independence in 1945, Indonesia's budding knowledge sector was supported by national leaders such as Sutan Sjahrir and particularly the Indonesia Socialist Party (PSI).¹¹ The 1965 coup d'état saw General Suharto's rise to power and the dawn of the New Order regime. New Order authoritarianism suppressed critical thinking and shut down spaces for policy contestation, although it encouraged technocratic input to policies.
21. In the academic realm, the New Order established over 20 state universities across the archipelago, allowing greater access to higher education. However, its education policies subjected universities to rigid centralised control by the government that curtailed autonomy and academic freedom. The government had little interest in funding independent social research and deterred the undertaking of research that could be critical of government policies.
22. Understanding the mechanisms by which this control was achieved is crucial for developing the reform agenda that can reach down to the roots of today's constraints. As Pompe has shown for the problems currently faced in the justice sector, the New Order government operated less by direct repression than by using the machinery of public administration and finance to bring presumptively independent institutions into the orbit and control systems of the New Order bureaucracy.¹² Promotion criteria were based on the approval of bureaucratic superiors rather than on academic merit. Budget support was both highly centralized and extremely rigid, allowing civil servants to control allocations and apply punitive sanctions to institutions that allowed individual challenges to authority. Compressed salary structures gave further discretionary control to administrators and encouraged a working environment where researchers depended heavily on consulting contracts to complement grossly inadequate salaries.
23. A second explanatory factor behind today's knowledge sector challenge lies in the New Order's extreme centralisation. It is not only important to be able to produce high-quality, independent policy knowledge, it is equally important to have an audience that is able and willing to use it. In the New Order, the main development function of sub-national governments was to execute national policies, not to develop their own policies and programs based on local assessments. Compared to countries such as Colombia, India, or the Philippines, where local officials and administrations were sufficiently accountable for autonomous policy decisions that they promoted, and there were also tailored assessments and feasibility studies by universities, think tanks, and consulting groups, Indonesian legislators and administrators had little discretion and did not develop procedures for commissioning or reviewing high-quality, locally generated research. Nor, for the most part, did the New Order government encourage local participation and debate, as often happens in other centralized countries such as China. Lacking both demand

¹⁰ M. C. Ricklefs, *A history of modern Indonesia since c.1200* (2001), p. 203.

¹¹ See esp R Mrazek, *Sjahrir: Politics and Exile in Indonesia* (1994), esp. on Pendidikan Nasional; Knowledge Sector Concept Note.

¹² Pompe, Sebastiaan (2005). *The Indonesian Supreme Court: A Study of Institutional Collapse*. Ithaca, NY: Cornell Southeast Asia Program; also in Hadiz, Vedi R. & Dhakidae, Daniel (2005). *Social Science and Power in Indonesia*. Jakarta: Equinox Publishing (Asia) Pte. Ltd.

and accountability, there were few reasons for universities or independent institutes to develop systems for quality control, policy responsiveness, or applied research.

21. Finally, while it is difficult to quantify, there is little question that international technical assistance produced displacement effects that provided top-level decision makers with a viable source of policy knowledge without having to develop potentially threatening capacities within the country. Affirmative action programs that required local partnerships probably exacerbated the problem since, while there were unquestionable benefits for some younger Indonesians to work with global experts, such programs also created too many incentives for box-ticking on the donor side and *pro forma* low-quality work by overstretched academic consultants on the other, as described by Clifford Geertz in a 1974 review of the state of social science in Indonesia.¹³

New Opportunities for Reform

22. A number of factors suggest not just that this model is no longer sustainable, but that the ownership and commitment needed to drive a reform program are now present. First, the sheer size and complexity of the Indonesian economy means that the demand for high-quality policy analysis will rise. Decentralisation will accelerate this trend, and over time it will create demand for affordable local sources of analysis. Second, the lifting of New Order authoritarian controls has been accompanied by a big increase in the exposure of Indonesians to global media. The current generation of college graduates will be the first to have grown up in an environment of uncensored press, competitive elections, and a leadership role in global institutions. Professionally trained Indonesian analysts are not likely to accept passively career paths that are overly dependent on bureaucratic patronage and conformity. Third, with public policies now being openly and vigorously contested, the demand for evidence to back competing claims can only grow. Indonesia's House of Representatives (*Dewan Perwakilan Rakyat*) also recently passed a comprehensive Freedom of Information Act that if implemented, will provide a compelling mechanism to increase the release of government information into the public domain where its quality and accuracy can receive critical review.
23. There are also several encouraging signs at the more "micro" level. AusAID and GOI have both made large and still increasing investments in overseas scholarships. Studies prepared for this program show that returning scholarship students still face structural problems that deter them from careers in public policy, but the overall availability of potential contributors to policy reform is a necessary pre-condition for successful reform. Secondly, while the Supreme Court declared the omnibus tertiary education reform bill invalid, the reform push is still very much in play and follow-up actions are already being planned. Third, individual sectors are also undertaking knowledge-driven reform programs, such as *Bappenas'* (the National Development Planning Agency) masterplan to become a knowledge-based institution, the ongoing quality upgrade of Indonesia's National Statistics Bureau, or efforts by the Ministries of Health and Education to improve their research institutes (*Balitbangs*). Fourth, civil society institutes are both increasing in number and diversifying their activities, with many of the older and better-established groups now undertaking a much-needed program of revitalization and renewal. Finally, while the point is diffuse, it is nevertheless important: although the New Order government did not allow for the development of the formal apparatus of think tanks, universities, and policy institutes, Indonesia nevertheless benefits from a rich tradition of critical dialogue over national and local policy issues

¹³ Geertz, C., *Social Science Policy in a New State: a Programme for the Stimulation of the Social Sciences in Indonesia*, in: Minerva (London/UK etc.: International Council on the Future of the University, ed.), vol. 12 no. 3 (1974), pp. 365-381.

through its arts and cultural performances, social networks, and its religious institutions and organisations.

24. The “take-aways” from this discussion are that there is an important problem to solve; that the time for launching a reform program is propitious; and that there are positive contributions for AusAID to make given the nature of its commitments and comparative advantages.

III. HOW THIS PROGRAM WAS PREPARED

25. Recognizing that taking a sectoral approach to knowledge reform would require a broad range of consultations and analyses, AusAID adopted a highly participatory approach to preparing the proposed program. Following the Concept Note review of May 2009, the Program formed a joint Knowledge Sector Management Committee co-chaired by AusAID and *Bappenas* to oversee the consultations and studies. This management committee included representatives from public and private universities, independent NGOs, and independent researchers. Terms of Reference for the diagnostic studies and copies of all reports were approved by this committee.

26. The preparation comprised three types of activities:

- **Stakeholder consultations** (*Annex 2*) – The Management Committee carried out structured consultations with three groups of relevant stakeholders: government officials, public and private universities, and NGOs. Consultations included both plenary workshops across the three groups, but each group also carried out working sessions to identify priority reforms that would be relevant to their particular interests. Consultations also included in-depth interviews with individuals.
- **Diagnostic surveys** (*Annex 3*) – Sixteen empirical studies were conducted over the course of preparation. These studies covered themes such as:
 - i. Economic and financing issues for knowledge sector institutions
 - ii. Policy reviews
 - iii. Institutional assessments
 - iv. National and sub-national demand assessments
 - v. Best practice case studies
 - vi. Historical and comparative reviews of knowledge sector initiatives
- **Action Learning program** (*Annex 4*) – The concept review concluded with a consensus that a key constraint on independent think tanks and research organisations was the lack of predictable core funding that would allow them the freedom to develop management plans. To see what proposals would emerge if this constraint were lifted, preparation included a large, participatory action learning program coordinated through the Asia Foundation. Eight independent think tanks were competitively selected to join a one year program of preparing (and sharing) strategic management plans for improving the quality and relevance of their research. These plans form the basis of this program’s first component. This was also an exercise in learning appropriate approaches to selection processes, support mechanisms and evaluation frameworks for institutions on supply side that will be supported in the Knowledge Sector Program.

27. Support and interest in the knowledge sector reform program continues to grow. Late in the preparation phase, AusAID was asked to present the design approach in a meeting chaired by the

Bappenas Minister and attended by Deputies for Human Resources and Culture, Economics, and Poverty, Manpower and Small Enterprises. The Minister welcomed the knowledge sector initiative and highlighted the links to Indonesia's own efforts to promote intellectual connectivity and improve human capital, as outlined in its masterplan for Acceleration and Expansion of Economic Growth. AusAID also convened a meeting with other donors working in linking research to policy options, where other major development partners such as the World Bank, USAID and CIDA expressed interest in joining an informal working group chaired by AusAID and *Bappenas* to coordinate a policy reform agenda and explore further complementarities of our programs.

IV. THE KNOWLEDGE-TO-POLICY CYCLE: AN OPERATIONAL FRAMEWORK FOR KNOWLEDGE SECTOR REFORM

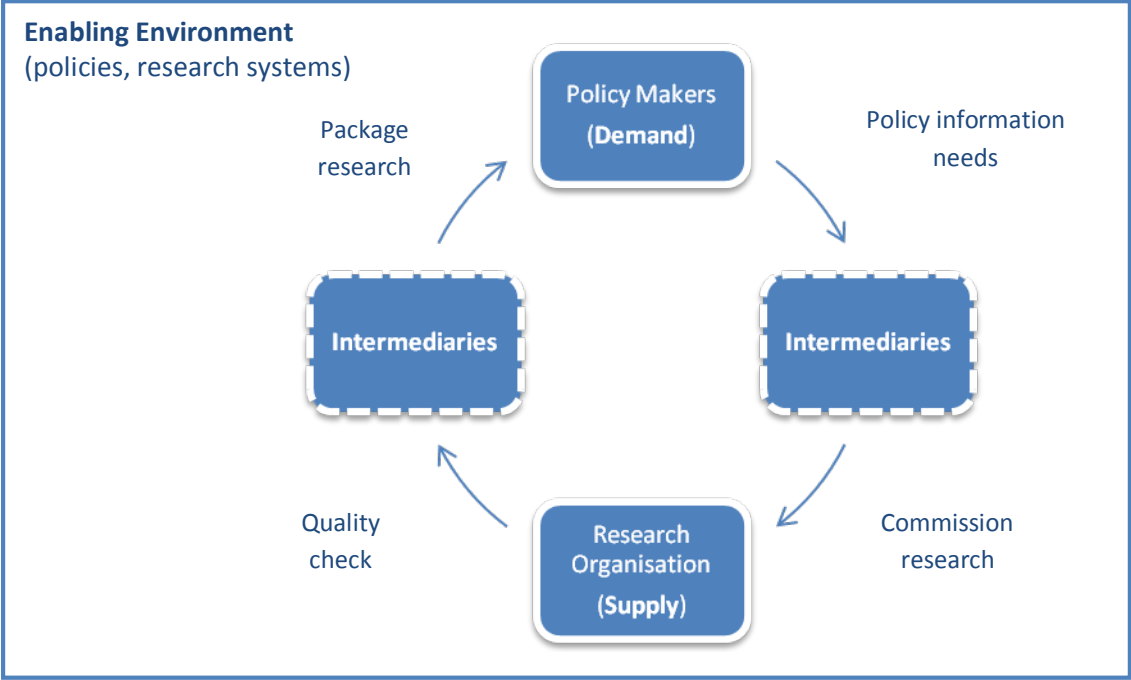
28. The availability of evidence is only one element in the complicated mix of factors and forces behind governmental policy decisions. Decision-making also depends on other considerations such as political feasibility assessments, negotiations among interest groups, imminent pressures for action, and so on. Nevertheless, the continuous production of research for policy purposes allows decision makers and civil society to have access to a ready supply of evidence-based options for timelier, well-targeted and more responsive policy decisions.¹⁴
29. One model for thinking about how high-quality knowledge is generated and then used by policy makers to make decisions comprises:
- the **research organisations** that produce knowledge and evidence which influence policies, which will be referred to here as the **Supply** side;
 - the **policy makers** who demand and use evidence in formulating policies – generally referred to as the **Demand** side;
 - the **intermediary** functions and bodies that communicate between policy-makers and research organisations; and
 - the **enabling environment** where policies govern how the supply and demand sides interact, and the research systems operate.
30. It should be noted that this is a model, not a rigid empirical description. Categories can be porous. Often, the intermediary function is carried out by the supply and the demand sides. For example research organisations can produce policy briefs to communicate their research findings to the government, while the government *Balitbang* can commission research to other organisations and collate the findings for use by policy makers.¹⁵ The intermediary can also be considered as part of the enabling environment; for example, a national research institute that communicates the government's research agenda. In other cases, the intermediary can stand alone as a separate entity. For example, civil society organisations that use evidence to advocate for policy change are intermediaries that neither produce research (not part of supply) nor make policies (not part of demand).

¹⁴ Carden, F., *Knowledge to Policy: Making the Most of Developmental Research* (2009).

¹⁵ *Balitbang* (*Badan Penelitian dan Pengembangan*) are the research and development divisions within technical ministries, such as the Ministry of National Education or the Ministry of Health.

- 31. These elements construct a **knowledge-to-policy cycle** (see Diagram 1.4.).¹⁶ By improving the elements and interactions within the knowledge-to-policy cycle, a healthier, more effective public policy-making process will be achieved.
- 32. The consultations and diagnostics during the design phase of this program provide an initial picture of the issues constraining Indonesia’s knowledge sector. This picture is still incomplete, and it will need to be continuously filled in as the program develops. These constraints will be discussed according to the framework described above: supply side, demand side, intermediaries and the enabling environment.

Diagram 1.4: A Functioning Knowledge-to-Policy Cycle



Issues on the Supply Side

33. In Indonesia, there are only a handful of research organisations that produce applied knowledge for policy development. This poses a problem of volume: there is not enough evidence generated to contest or inform policy makers at the national level, let alone the sub-national level. Lessons learned from the Action Learning program during the design phase found that research organisations commonly struggle with the following issues:¹⁷

- (a) **Inadequate core funding.** Adequate core funding allows organisations to set an independent research agenda and choose projects that fit with their core mandate. It also allows research institutes to funding to increase their capacity e.g. funding for administration and

¹⁶ It is important to emphasise that research is not only demanded by government and works in a cyclical linear fashion from research organisation to policy maker. Policy influence can also be achieved where policy makers don’t demand evidence but are confronted by research evidence.

¹⁷ The Asia Foundation, *Enhancing Knowledge on the Knowledge Sector: Report to AusAID*, 2011.

infrastructure. However, this is a luxury that most Indonesian organisations do not have. With limited core funding, the majority of contracts are short-term and do not always cover ongoing costs, overheads and institutional capacity building. Embarking on contract-based projects limits opportunities for staff to secure expertise in their core interest areas and leads to high turnover of short-term researchers.

(b) **Limited technical skills of research staff**, in:

- research methodologies, particularly in using statistical data and quantitative methods;
- research communication, e.g. packaging findings in a way that can suit different audiences;
- language, which poses a challenge in accessing global literature.

(c) **Inappropriate financing and remuneration.** Pay structures for organisations and individual researchers produce perverse incentives that dictate against the production of quality research. Individuals are usually contracted as consultants rather than contracting the institution. This means the full institutional costs of research are not funded e.g. inclusive of overheads to support administration, infrastructure, training fund etc. It also means individual identity and reputation is promoted over the institution, which is less sustainable as a good reputation is easily lost if an individual leaves. At the organisational level, most think tanks and research institutes are paid by the number of research projects that they undertake, leading to an over-reliance on short-term or undemanding contracts. At the level of individual researchers, remuneration systems drive researchers to become over-extended or to take on non-research activities.

(d) **Weak human resource management.** Examples of this include the absence of institutional mechanisms for mentoring and knowledge transfer from senior to junior researchers, lack of a clear career path for researchers, and absence of a clear merit-based remuneration system.

Box 1.2. How Reliance on Contract Work Affects Capacity Development within Indonesian Research Organisations

Project involvement does not necessarily improve the capacity for high quality qualitative research in university research centres. By engaging in short term donor projects, researchers improved project-relevant skills. The skills associated with self-generated basic qualitative research have tended to atrophy (e.g. methodological skills, keeping up with current developments in social theory, etc.). Moreover, given the orientation of researchers towards donor projects, researchers constantly need to adjust to donor priorities. As one junior researcher in PSKK (*Universitas Gadjah Mada's* Centre for the Study of Population and Policy) noted, she found herself constantly adjusting to donor led problem definitions, methodologies, and time lines. As a consequence, university researchers have lacked the opportunity to develop an independent research profile or trajectory.

Capable people tended to be over-committed to consultancy projects. This left little time for prolonged fieldwork, for reading widely in the literature, or for the type of reflection required for analytical work and high quality qualitative research. As one researcher at *Universitas Indonesia* noted, it took him two years to find the time to write an analytical essay contracted by a foreign research project. To avoid the problems of over-commitment, researchers with good reputations and in high demand often subcontract others to carry out donor commissioned research work. Senior university staff members tend to supervise work from their offices, at best going to the field for short periods of time. These practices can affect quality.

Source: J. McCarthy and R. Ibrahim, "Review of Social Science Capacity Building Support to Indonesia's Knowledge Sector", AusAID Knowledge Sector Diagnostic, 2010.

In some organisations, management is heavily dependent on individual leaders. This can be a constraint or opportunity, depending on the quality of leadership.

- (e) **Weak quality assurance mechanisms.** Most organisations do not have a Monitoring and Evaluation (M&E) mechanism in place for the organisation as a whole, although they carry out M&E for discrete donor projects. They do not always have a set of standards for quality or clear regulations regarding research ethics. Peer review is not an institutional mechanism and depends on individual preference and professionalism, and because there is little publication in peer reviewed journals, researchers do not benefit from other external quality research critique which improves their knowledge, skills and quality of work.

Box 1.3. How Remuneration Systems Drive Performance Incentives for Research

To understand the economic constraints that affect Indonesian knowledge organisations, a review commissioned by the Knowledge Sector Program interviewed representatives from 27 Indonesian knowledge organisations (20 suppliers and 7 users from the demand side). The review found two types of salary structure, each of which impedes the production of high-quality research. For most non-governmental researchers, salaries are **variable**. There is a high, positive correlation between salary variability and the number of concurrent research projects. Researchers thus gravitate towards taking on large numbers of short-term research projects.

Researchers with a **fixed** take home pay in government offices suffer from a very low pay rate – on average, just IDR4 million (approx. AUD440)/month. The result is that researchers will take on other jobs that generate money, and a review of their time allocation shows that this group spends a large share of its time in non-research related activities.

Source: Suryadarma, D., Pomeroy J., Tanuwidjaja S., "Economic Factors Underpinning Constraints in Indonesia's Knowledge Sector", AusAID Knowledge Sector Diagnostic, 2011.

- (f) **Insufficient investment in building linkages with potential users (policy makers and civil society).** Since fostering alliances takes time and significant effort, while resources are already spread too thin for other activities (e.g. looking for funding, implementing projects), many organisations give less priority to networking, although they consider it important.

Issues on the Demand Side

34. Several studies point out that one of the main problems in knowledge to policy transfer is actually **the absence or lack of policy makers' demand for quality evidence**.¹⁸ Policy makers' absence of demand for evidence can be traced back to the civil service culture inherited from the New Order. Although there are regulations that stipulate the use of evidence, policy makers often consider the commissioning of studies as a 'tick the box' exercise and do not assess or use the studies. For example, local governments often hire consultants to carry out studies as part of preparations for the local medium-term development plan (RPJMD) or sector strategies (*RENSTRA*). However, a review confirmed that it is common for consultants to re-use studies from other areas and simply change the name of the location to suit the particular contract.

¹⁸ Sutmuller, P. and Setiono I., "Diagnostic on Evidence-based Public Policy Formulation under Decentralisation", AusAID Knowledge Sector Diagnostic, 2011; Suryadarma et al, op. cit.

Box 1.4. Understanding Sub-national Government's Limited Demand for Knowledge

A survey of 21 regional governments, case studies in 11 local (city/ district or *Kabupaten*) governments, interviews with more than 200 people (representatives from the Executive and legislative branches of government, universities, business community, and civil society), and a review of more than 100 local public policy documents, resulted in the identification of the following core issues related to using knowledge to formulate local government's public policies:

- The uniformity and detail of prescriptive government directives reduces creativity and innovation by regional governments in formulating their local public policies;
- The discretionary funds (general grants) made available to regional governments are in most cases just enough to pay for the operations of local government, their own revenues from local taxes, fees and charges being too small. Most local governments, consequently, are dependent on conditional grants ("DAK") for their development that already prescribe the use of these funds, and only incidentally coincide with local needs and policy priorities;
- Local governments allocate a budget that allows hiring consultants to undertake research and prepare their long-term and medium-term policy plans. For sector strategies, annual plans, and budgets, however, local government allocate little or in most cases no budget, and they therefore formulate those policy plans in-house, without external support;
- There is no habit of involving stakeholders (practitioners, experts, universities, business community, civil society) and thus not accessing and benefitting from their knowledge in the policy formulation and policy decision-making process;
- Sector strategies tend to be copy-pasted from national sector strategies (mostly because of the dependence on sector funding), while regional annual plans and budgets tend to be copy-pasted from previous years plans and budgets, without evaluating the effectiveness of policy and plan implementation;

Source: *Sutmuller, P. and Setiono, I., "Diagnostic of Policy Formulation Under Decentralization", AusAID Knowledge Sector Diagnostic, 2011.*

35. The demand for evidence to inform policy processes is influenced by a combination of multiple internal motivational factors driving policy makers and the context of the policy making process itself. Among other contextual factors, policy makers are more likely to use evidence if the policy issue are driven by a higher order political mandate (e.g. responding to a Presidential instruction); if they are technically complex; if there is a need to legitimise approaches to addressing policy problems that had already been taken; or if it mitigates the effects of crises and acute social and political disorder. However, the lack of time, analytical capacity, and convening power needed to effectively utilise evidence in the policy formulation process often discourages policy makers from seeking evidence in the first place.¹⁹

36. **Balitbang.** In discussing policy makers' demand for evidence, it is important to mention the role of *Balitbang*, the divisions within sectoral ministries that are responsible for developing and executing research and development according to the needs of their respective agencies. While *Balitbang* appear to be in an ideal position to play an intermediary role; in reality, the *Balitbang* struggle to intermediate between research and policy making because of:

- a) lines of authority with other divisions responsible for developing policy options are disconnected;
- b) *Balitbang* staff attempt to do more of their own research rather than focus on intermediation;

¹⁹ Datta, A., Jones, H., Febriany, V., Harris, D., Dewi, R.K., Wild, L. and Young, J., "The political economy of policy-making in Indonesia: opportunities for improving the demand and use of knowledge", AusAID Knowledge Sector Diagnostic, 2011. See also *Annex 10* for factors influencing the uptake of knowledge in policy making.

- c) relevance of research to policy formation is not a criteria for advancement of research staff; and
- d) technical capacity of staff in core areas such as research methodology, reviewing research products, or developing policy briefs is inadequate.

37. In general, it is not unfair to say that across government agencies, the *Balitbangs* are marginal structures. As a result of the inability of the *Balitbangs* to produce timely, quality analysis, the directorates often commission their own research without coordinating with the *Balitbang*. This further undermines the role of *Balitbang* in government agencies.

38. Despite this general lack of demand, there is a growing number of champions among policy makers who demonstrate real interest in using evidence. Also, several changes introduced over the 2001-06 reform period pose opportunities to improve the demand for quality research.²⁰

- (a) *Competition among government agencies or local governments* – Policy makers are willing to use research if it can be used to demonstrate progress and results in an increased budget. Also, the Indonesian legislature’s (DPR) growing interest to use evidence pressures the executive bodies to take up research, and vice versa.

Box 1.5. Indicators of Low Demand for Policy Research within Sub-national Governments

Estimating government research budgets with any accuracy is extremely difficult given the budgetary fragmentation and lack of record-keeping. Nevertheless, interviews conducted with city officials of Pekalongan, a city of approximately 300,000 people, provide a sobering illustration of scale. The city spends a total of IDR50 million/year to fund four to five research projects of IDR10 million each (approx. AUD1,250). In proportional terms, the city’s research budget is 0.01 percent of government spending.

Source: Suryadarma, D., Pomeroy J., Tanuwidjaja S., Economic Factors Underpinning Constraints in Indonesia’s Knowledge Sector, AusAID Knowledge Sector Diagnostic, 2011.

- (b) *Pressure from civil society* – CSOs who have better access to data (e.g. budget and expenditures) may pressure the government (executive or DPR) for better policies. In turn, this requires policy makers to defend existing policies or make future policy choices using evidence.
- (c) *Introduction of Millennium Development Goals (MDGs)* – The central government’s introduction of MDGs as barometers for public policies obliged local governments to use MDG indicators, either as part of their situation analysis and targets or to picture the current situation, particularly in health and education.
- (d) *The need to demonstrate results* – Democratically elected heads of local governments generally want to improve their chances for re-election by showing results. There is a growing appetite to use evidence-based planning and budgeting techniques to improve performance and demonstrate success.

²⁰ Suttmuller and Setiono, op. cit.

Box 1.6. Accounting for Change

Preparation for this program included a review of how sub-national governments obtain and use research for making policy decisions. This question is of particular concern given the ongoing consolidation of decentralization. The review found that while a majority of the public policies may not have been based on research or evidence, some local governments or local government agencies do have research-based and/or evidence-based public policies. What triggered the eagerness for better public policies?

- (1) The health and education sector agencies have experience collecting and analyzing data and searching for evidence to improve their policies. These policies may not be perfect, but in general they are more research-based than the public policies of many of the other sectors;
- (2) An elected leader who is visionary and brave, willing to do things differently, and who encourages his or her staff to be creative and innovative, will result in sector agencies searching for the cause of problems and for more research-based solutions;
- (3) A capable head of a planning agency (the think tank for most public policies) is more likely to be interested and motivated to develop quality public policies, and, when the financial resources permit, to collect data and evidence for preparing future public policies;
- (4) Professional heads of sector agencies are more interested and feel far more responsible for their sector, than their non-professional colleagues and will search for the causes of problems to develop public policies to back up public policies with as much data and evidence as possible;
- (5) When better public policies provides better access to funding, local governments will allocate funds for better preparation of public policies; and when better performance of a civil servant is appreciated (performance-based incentives), more civil servants will put an extra effort into preparing research-based or evidence-based public policies.

Source: *Sutmuller, P. and Setiono, I., "Diagnostic of Policy Formulation Under Decentralization", AusAID Knowledge Sector Diagnostic, 2011.*

Issues with Intermediation

39. Intermediation is mainly communication between the research community and the policy makers.²¹ The intermediary can either a) collate and package research findings in a friendly format for policy makers, b) communicate the government's research needs to the research community (including commissioning research for policy purposes), or c) advocate for policy changes based on research findings. As such, this function can either stand alone or be embedded in the Supply side, the Demand side, or the Enabling Environment.
40. Differences in priorities, incentives and timeframes for policy makers and researchers are recognised internationally as problems for intermediation. Interviews and diagnostics carried out for this project pointed to a number of interesting reasons why the communication between policy makers and the research community does not meet either side's needs:
 - a) *Disincentives for government researchers to respond to policymakers' needs* – The oversight of advancement procedures for functional researchers by *LIPI* (Indonesian Institute of Sciences) reinforces the disconnect between civil service researchers and policy makers, as researchers adhere more to *LIPI*'s advancement procedure instead of internal feedback on the usefulness of their research products to their own institutions.

²¹ Evaluations of research for policy systems strengthening programs note that building intermediation is generally one of the core drivers of more use of research in decision making and growth in both demand and supply.

- b) *Civil society does not access information that explains the social and economic impacts of policy choices* – Civil society organisations (CSOs) are strong policy advocates that traditionally engage in direct political activism. Recently, CSOs have shown a growing appetite to engage in policy debates informed by analysis. However, they often lack access to such analysis or have limited capacity to utilise research for advocacy purposes.
- c) *Lack of multi-stakeholder policy journals and other media* – Compared to developing countries such as India, the Philippines, Mexico, or Brazil, Indonesia has very few journals where researchers and policy makers openly discuss and critique policy issues.
- d) *Poor communication skills and procedures* – Researchers everywhere produce long reports that will not be read by policy makers unless somebody else produces summaries that can extract the main points and assess their implications. This function is almost entirely absent in Indonesia. Government staff or research departments do not provide this service, and the number of think tanks and policy journals that can play this role is also extremely limited.
- e) *Limited Access to Reliable Information* – Researchers interviewed during preparation commented extensively on the difficulty that independent research groups have in gaining access to basic government data and planning documents. This problem even exists within the government, because information is often not shared across agencies and quality controls to correct for inconsistencies in data do not operate well.
- f) *Corruption* – Studies and diagnostics carried out during preparation pointed repeatedly to endemic problems of corruption and the problems that ensue from it. Several of the best research organisations simply refuse to take contracts from government offices. In other cases, unqualified organisations can repeatedly win contracts; poor quality research can be submitted without correction; qualified researchers can be replaced by unqualified consultants; and so on. Field interviews suggest that as much as 40 per cent of a government research contract gets misappropriated, with devastating effects on the quality of product.

Issues in the Enabling Environment: Systemic Barriers to Indonesia's Knowledge Sector

41. Many of the challenges that research organisations, policy makers and intermediaries face stem from systemic barriers in the knowledge sector's authorizing and enabling environment. Preparation studies indicate that these systemic barriers can be found in: the rigid and restrictive procurement regulations, the civil service structure and administrative procedures, and the roles and functions played by the National Institute of Sciences (*LIPi*).
42. These systemic barriers are among the most difficult to address and will take considerable time to change. But if these barriers are not lifted and the operating ground rules for knowledge development are not changed, then any effort to revitalise Indonesia's knowledge sector is unlikely to be sustainable. Recognizing the long-term nature of the reform agenda needed for the oversight environment, the Knowledge Sector Reform program concentrates in this first phase on diagnosing the constraints and building a constituency for reform.

Rigid and Restrictive Procurement Regulations

43. The main legislation that relates to knowledge procurement is the Procurement Law, Presidential Regulation (*Perpres*) No. 54/2010 that is based on a Presidential Decree issued in 2003 (*Keppres No. 80/2003*). The main intention of this decree was initially to safeguard against corruption in the GOI procurement process. This Procurement Law has been amended eight times since 2003,

yet many users still consider procurement processes and regulations to be complex, inconsistent and confusing. The Law is open to multiple interpretations and there is widespread perception that the Procurement Law prohibits GOI from directly purchasing research from not-for-profit institutions, which excludes most research organisations.

Box 1.7. Procurement Regulations Creates Disincentives for Partnerships

The Presidential Decree that provides the legal framework for procurement is not itself the prime cause of those problems, but the complexity and ambiguity of the Decree and the inconsistent way it is implemented by different government agencies is part of the explanation. The restrictive nature of regulations for tendering excludes universities and non-profit organisations from competing for contracts for the provision of intellectual services and research to government. This creates dilemmas for organisations that need to find avenues for funding, but at the same time want to protect their independence, avoid complex administrative procedures and not become associated with corrupt official practices. Universities often take alternative routes such as working through front consultancy companies, but this often produces poor quality research, diverts staff time and provides no career stability for young researchers. These gaps have for many years been bridged by foreign donor funding which has become a major element in the provision of policy-relevant research to government.

Source: Sherlock, S., "Knowledge for policy: Regulatory obstacles to the growth of a knowledge market in Indonesia," AusAID Knowledge Sector Diagnostic, 2010.

Civil Service Structure and Administrative Procedures

44. The civil service human resource structure does not support effective interaction between policy makers and researchers. Core issues with the current structure are:²²

- *The distinction between functional staff in research roles and structural staff in managerial positions* – This distinction creates a disconnect between the two types of staff, as demonstrated in the (weak) relationship between the *Balitbang* and other units. In other cases, this distinction does not reflect the reality of the work process when functional staff members work under structural staff who task them with non-technical assignments. Similarly, capable researchers in universities and government research institutes are often (sometimes against their will) appointed in managerial positions in their institutes or centres.
- *Rigid recruitment procedures* – The civil service only allows staff to enter at a base level with minimum working experience. It does not allow the recruitment of people from outside the civil service at the middle and senior level. Once a person enters the civil service, it is very hard to leave, let alone re-enter. This limits the option of recruiting high calibre individuals with extensive experience outside the civil service who can provide policy-relevant knowledge and expertise. These individuals can only be hired as contractors with no decision-making authority. Further, the hiring of short-term experts tends to be cumbersome, politicised, and not based on merit.

²² Sherlock, op. cit.

Box 1.8. Scholarships and the Knowledge Sector

The Australia-Indonesia Partnership program is making a large investment in human capital development through the provision of scholarships, with approximately 2,500 scholarships awarded for post-graduate study in Australia over the past seven years. Success rates from the program are high, and 95% of the returned alumni say that the skills they gained are directly relevant to their job. Scholarships have been provided to both knowledge sector supply-side organisations, with over 200 alumni returning to research organisations such as LIPI, BPPT and universities, as well as the demand-side organisations with over 70% of scholarships awarded to civil servants.

However, while alumni are keen to improve their organizations upon return, graduate surveys indicate without a supportive environment, alumni skills are often wasted. Problems include: alumni return to positions at the same level they occupied before they left for graduate study; promotion and salary increases are guided by inflexible rules and regulations; and organizational cultures do not provide adequate incentives or opportunities for alumni to develop and implement policy reforms.

In response to these challenges AusAID has been working over the past three years with a number of targeted organisations to support the utilisation of scholarships to meet their human resource constraints. This approach is designed to facilitate better identification, selection and reintegration of scholarships recipients to meet organisational demands, as well as enable organisations to consider the long-term planning required to effectively use scholarships.

Through knowledge sector reform, it is envisaged that this work can be further supported through a more rewarding, responsive environment for returning graduates within many of these targeted organisations, providing a complement to the investments being made in advance training for civil servants.

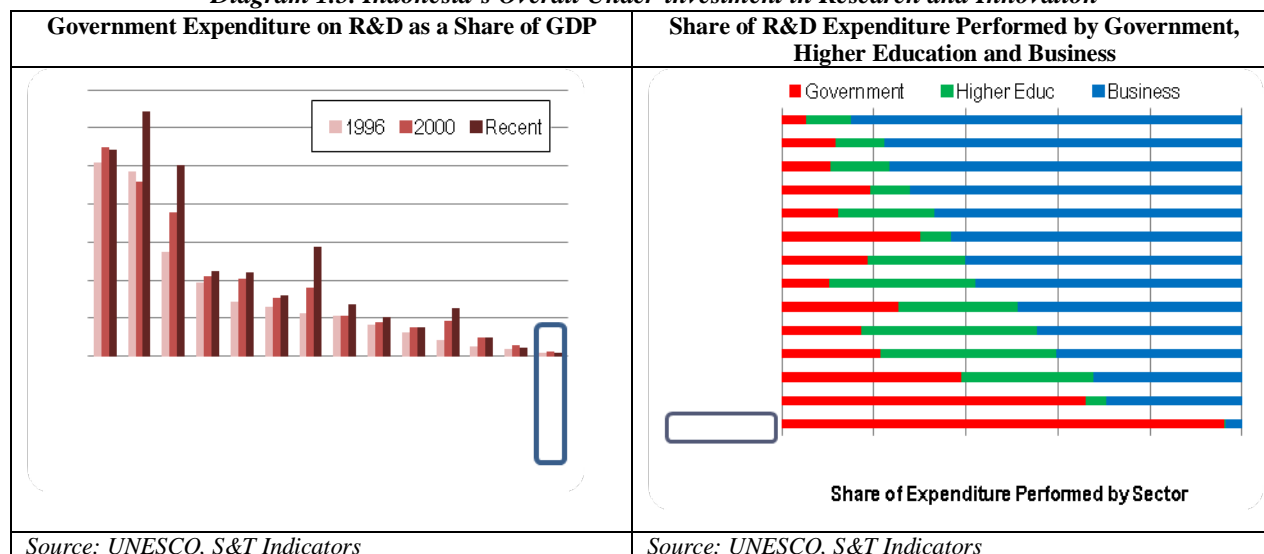
Source: Mollard L., "Scholarships and Alumni Diagnostic", AusAID Knowledge Sector Diagnostic, 2010.

GOI Funding for Research

45. There is a lack of clarity on how much GOI actually invests in research, particularly in research that is relevant for development policies. GOI distributes its research funds through several channels, e.g. the Ministry of Research and Technology (*Menristek*), LIPI, the National Research Council (*Dewan Riset Nasional*), line ministries (*Balitbang* and policy units),²³ sub-national agencies, government research institutes, and state universities. These funds are channelled not only for research activities, but also for overhead and other costs. This makes it difficult to determine the level of investment in actual research activities. However, there is indication that Indonesia's investment in research is very low compared to other countries. For example, using common indicators, UNESCO found that Indonesia's total expenditure in research is the lowest compared to other similar economies, with very little contribution from the business sector (see Diagram 1.5).

²³ Some directorates within line ministries allocate funding in their budgets to procure research from their budget. Yet barriers posed by the procurement regulations may not allow them to procure knowledge effectively.

Diagram 1.5. Indonesia's Overall Under-investment in Research and Innovation



46. Also, there are very limited methods for GOI to fund non-government research organisations. There are only two known GOI competitive grants for research: by the Ministry of Research and Technology (*Menristek*) which focuses on the natural sciences; and by the Ministry of National Education which provides research grants for universities. There are no known avenues for GOI to channel funds for non-government research in social science and the humanities, let alone to provide core funding for independent research organisations.

GOI National Research System: Weak Intermediaries

Box 1.9. The Systematic Under-funding of Government Researchers

LIPI researchers are civil servants and thus remunerated at civil servants' levels. Without adjustment, the lowest basic salary for new recruits (rank IIIa) with zero years experience) is IDR1.7 million, or about AUD200 per month, and for the highest ranked researchers with 32 years of service (about to retire) only IDR3.6 million, or about AUD400 per month. In addition, researchers are eligible to receive supplements to complement their functional positions as follows: First Class Researchers receive IDR325,000 (about AUD36) per month rising to IDR1.4 million (AUD155) for Principal Researchers or Research Professors. Those holding structural positions also receive supplements, potentially doubling these meager salaries. Although exact calculations are impossible, in practice a typical centre head is likely to make at the most between IDR6-7 million a month or at the most still less than AUD800 per month.

Source: Oey-Gardiner, M., "The role of the Indonesian Institute of Science (LIPI) in bridging between research and development policy", AusAID Knowledge Sector Diagnostic, 2011.

47. While it is clear that GOI under-invests in research, there are a diverse number of GOI agencies and research institutions that set the research agenda and provide funding for research. However, these institutions are, in fact, often a key constraint to a functioning knowledge sector in Indonesia. These institutions have not provided incentives for policy-targeted research, as they do not provide a reliable funding scheme; do not prioritise social science research; do not have strong legal basis or funding to play an effective intermediary for GOI.

48. For example, the Ministry of Research and Technology (*MenRistek*) and the National Research Council (*DRN*) play a role in the national research arena. However, both these entities are heavily geared towards science and technology. This is reflected in Ristek's grants budget, where only a relatively small percentage of grants are related to development policy. The National Research Council (*Dewan Research Nasional, DRN*) has historically not played an important role in setting

the national research agenda. The DRN is currently tasked with publishing the National Research Agenda (*Agenda Riset Nasional*, ARN), which is supposed to align with the government's Medium Term Development Plans. However, recently, the Minister for Ristek took away its responsibility of implementing the ARN, which means that the DRN has no authority to ensure compliance with the ARN.²⁴

49. While the majority of GOI research institutions lack the financial resources, funding systems and mandates to be a key part albeit intermediary of the knowledge sector, the Indonesian Institute of Science (*LIPI*) still plays a potentially critical role for revitalising the knowledge sector in Indonesia. LIPI holds the responsibility to accredit researchers, not only over its own staff but also over government researchers stationed in *Balitbangs* and non-ministry agencies. This accreditation system is tedious and focused on inputs. It uses an intricate method of accumulating and reporting points for publications, training, seminar attendance, and so on. It has little regard for quality and outputs; for example, it calculates the same points for publications in any journal, either peer-reviewed or not, with more points for international publications than national ones. This quantitative system protects seniority, rather than merit. Further, LIPI's under-funding, coupled with disconcerting civil service regulations, constrain the institution from producing quality research. Nevertheless, LIPI is the only government institution with a long history of research (dating back to 1817), significant assets, and authority to determine advancement procedures for government researchers.²⁵

V. LESSONS LEARNED – EFFORTS TO IMPROVE POLICY KNOWLEDGE

49. Donor support in the knowledge sector has traditionally been led by foundations such as the Ford Foundation, the Rockefeller Foundation, and the Asia Foundation, or by a number of specialised engagements through international aid agencies. Most of this support has concentrated on the supply side. While these past efforts have seen the growth of several centres of research in universities or non-government research organisations, it was difficult to sustain progress because of constraints in the enabling environment and low demand from users. Nevertheless, drawing on their institutional experiences will be key to the success of the current effort.
50. However, if it were not for such independent funding sources, Indonesia would not have independent research institutes like SMERU. More recently, because of changes to their own funding bases, these international organisations that previously supported research organisations have moved away from providing long-term core support for policy institute; thus it is timely for Australia to engage in the knowledge sector.

²⁴ Oey-Gardiner, M., "The role of the Indonesian Institute of Science (LIPI) in bridging between research and development policy", AusAID Knowledge Sector Diagnostic, 2011.

²⁵ Note that it is LIPI's predecessor *Majelis Ilmu Pengetahuan Indonesia* (MIPI) that dates back to 1817. LIPI was a continuation of the *Natuurwetenschappelijke Raad van Nederlands Indie* (Council for the Natural Sciences in Indonesia), established in 1928 by the Netherlands Indies government.

Box 1.10. The SMERU Institute: A Knowledge Sector Success Story

First established in 1998 to track the social and economic progress during recovery from the 1998 financial crisis, today the SMERU Institute ranks among Indonesia's top centres for independent policy research and analysis. An assessment by its first director prepared for the Knowledge Sector program identified six factors that account for SMERU's success: (i) SMERU's commitment to a clear vision statement that could be made operational and measured; (ii) special attention to ensure consistent policies on recruitment, compensation, and training; (iii) high performance standards and consistent application of reviews and sanctions; (iv) building extended networks across multiple communities; (v) responding to demands from policymakers and donors; and (vi) sustained core funding.

Source: Sumarto, S., "The SMERU Research Institute: History and Lessons Learned", AusAID Knowledge Sector Diagnostic, 2011.

51. AusAID itself in the past has invested in some efforts to improve policy research. AusAID support to the knowledge sector is underpinned by Australia-Indonesia university-based research activities, the SMERU Research Institute, the Indonesia Project at the Australian National University, the Australia Indonesia Governance Research Partnership (AIGRP); and the Aceh Research Training Institute (ARTI). Equally important are AusAID scholarship and Fellowship programs and the Support Office for Eastern Indonesia, which develops networks of local researchers. Yet without changes to the macro-picture, Indonesia's knowledge sector will not be able to develop or create the number of institutions with the kind of autonomy and stability that a large middle income developing country needs.
52. What are the main lessons that have been learned over the past decade of support to knowledge sector development in Indonesia? In a general sense, five lessons abstracted from donor and recipient reports guide the formulation of AusAID's Knowledge Sector Program. These are the need for:
- (i) providing long-term commitments that can build up core capacities by providing predictable resources;
 - (ii) tackling the financial infrastructure of knowledge institutions and individuals;
 - (iii) introducing basic business management models for quality assurance, human resource management, and financial planning;
 - (iv) narrowing the gap between the producers and consumers of knowledge products; and
 - (v) building demand for high-quality knowledge products from Indonesian organisations, not just increasing the supply.

The next chapter discusses how this analytical framework and set of lessons learned can be translated into an operational design.

Chapter Two: Design of the Knowledge Sector Program

I. OVERVIEW

1. The **overall goal** of this Program is that Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs. The **operational design** of the Knowledge Sector Program is built from the knowledge-to-policy cycle described in the previous chapter. Each of the four pillars that make up a healthy knowledge sector translates into a program of analysis, engagement, and investments. Supporting this goal, AusAID's Knowledge Sector Support Program's **purpose** is that Indonesia's knowledge sector produces evidence to inform priority social development policies.²⁶
2. A high-level GOI-AusAID Steering Committee supported by a Technical Secretariat will provide overall policy guidance and periodically review progress across the four components. Program monitoring will track whether inputs are being provided properly, while a range of process and outcome evaluations provide feedback on how effective inputs have been and on how to modify the program as it moves through an evolving socio-political environment.
3. Revitalising the Indonesian knowledge sector is an enormous effort, well beyond the scope of any one agency or development partner. AusAID's objective in supporting this program is to catalyse reform efforts by providing its partners with a framework and some resources to drive a reform process. It does not do everything. Designing the program interventions required striking a balance between the need for a comprehensive approach to knowledge sector reform and realism about what can be achieved with limited capacities, resources, and timeframes. Nevertheless, the analysis of the previous chapter suggests that in Indonesia the time is ripe for launching this change.

II. DESIGN PRINCIPLES

4. Four linked operational principles have been fundamental to the design of this program. The first is recognition of the long time period that will be needed for the reform program to take root and produce results. Because of this long-term perspective, issues of how to sequence the program gain importance, but the design must also provide the "space" needed for reforms to take root and spread. The second principle is that rather than cover all forms of knowledge production in Indonesia, the Program will concentrate on the production and use of socio-economic development policies. Other donors and GOI agencies will be addressing related knowledge topics such as science and technology and industrial research.
5. The third principle is that the knowledge sector group will work in close partnership with a limited number of sectors that are of particular interest to GOI and to AusAID. These are Poverty, Decentralisation, Health, Education, and Economic Governance. Limiting the knowledge sector's

²⁶ Policies refer to the general decisions made by government and can encompass laws, regulations, decrees, instructions released by government agencies from the Presidential down to the village level.

operational program to sectors that have shown commitment and where AusAID already has significant involvement not only makes the overall task more manageable, but it also makes for functionally driven partnerships within the organisation. Similarly, it means policy windows on specific issues where evidence can play a role are more easily known and can then be best utilised to link research and policy. The Program's first purpose is to identify and remove constraints on knowledge production, not to specify what type of knowledge gets produced or how it gets used, which remain the domain of the responsible sectors. Finally, recognizing that Indonesian stakeholders must drive knowledge sector reform, the Program highlights support for multi-stakeholder involvement and promotes mechanisms that encourage dialogue and exchange through a diverse range of media and fora.

6. Given these starting design principles, a number of practical applications follow:
 - a) **The program's operational starting point is a whole-of-system approach.** The proposed design is built around four project components. While the Supply Component will build up the "factories" that produce and distribute high-quality knowledge, the Demand Component will support select government and non-governmental agencies to procure and use evidence for policy making. The third component, on Intermediaries, will strengthen the interaction between these agencies and research organisations, and under the Enabling Environment Component the Program will provide technical support for relevant policy reforms and build constituencies to support these reforms.
 - b) **The operational time frame for this program is approximately 15 years,** broken down into three phases that allow sufficient time to achieve results but still provide breakpoints that allow AusAID and GOI to step back and make major readjustments as needed. Long time frames provide participating institutions with predictability and allow for the careful sequencing of actions.
 - c) **The Program will work at both the national and sub-national levels,** but in sequence. It will begin by building upon existing capacities at the national level. It will then aim to incrementally work with select sub-national areas and scale them up over time, as capacities improve and funding sources diversify. Selection of sub-national areas will consider the degree of interest among policy makers and research organisations to be part of a functioning knowledge-to-policy cycle, and the likelihood of demonstrating success. It will take into account what can realistically be achieved in those areas within the resources and time available under the Program.
 - d) **The Program will build upon existing programs under the Australia Indonesia Partnership.** Other AusAID sectoral programs already have activities that are focused on improving policy recommendations and achieving key sectoral reforms. These programs have built close relationships with GOI counterparts, developed an understanding of the issues particular to the Ministry in question, and begun work to build demand for good policy processes. The Knowledge Sector Program can complement those programs by a) sharing technical resources to improve the performance of policy makers and their corresponding research organisations, and b) supporting advocacy to remove the systemic barriers in the knowledge-to-policy cycle.
 - e) **Governance of the knowledge sector partnership needs to be strategic.** A high level of government engagement is critical since a first goal of the program is to help GOI articulate a long-term vision for its knowledge sector needs and how it plans to supply them. At the same

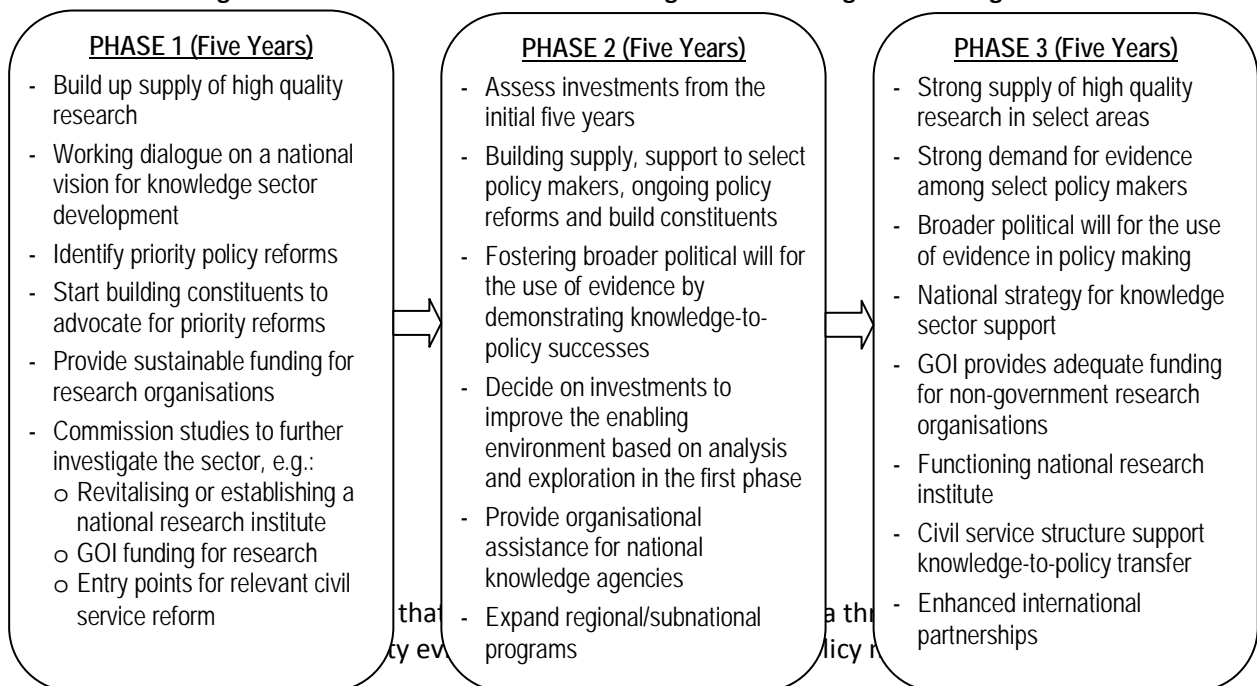
time, much of the program’s operational activities consist of undoing New Order legacies and encouraging independent, critical thinking and debate. The experience gained during preparation provides useful guidance. The Program’s governance will focus on strategic objectives, work plans, and diagnostics, and not engage in detailed review of individual proposals.

- f) **The program needs to be pragmatic and flexible.** The regulatory and organisational constraints facing Indonesia’s knowledge sector are formidable; furthermore, by now several anti-reform constituencies are embedded within the bureaucracy. At the same time, as awareness and support for the knowledge sector reform agenda grows, the program must have the capacity to respond quickly to new opportunities. The program will need mechanisms that allow it to adjust as doors close and open.
- g) **The program will adopt from the beginning a core policy of transparency,** which will include a philosophy of support for the free and open exchange of information. This policy will build on GOI’s Right to Information Act and Australian Government’s Freedom of Information (FOI) Act.

7. The remainder of this section presents the operational design that flows from these principles.

8. **Defining time frames and expectations.** Diagram 2.1 provides a schematic view of how the overall program unfolds over its 15-year timeframe. Within the first five years, the Program will help establish the building blocks for a vibrant knowledge sector, including an increased supply of high-quality research; a model for evidence-based policy applied by key policy-makers; managerial changes that promote evidence based policy making within government agencies; and an avenue for diverse stakeholders to debate policies and advocate for fundamental changes. In the second phase, the Program will expand its support, and invest more in the enabling environment based on an analysis of major issues in the first phase. The third phase consolidates the Program with special emphasis on sustainability and a particular focus on a national program for knowledge needs promotion and ‘on-budget’ funding support for knowledge institutions.

Diagram 2.1. Schematic Presentation of Long-term Knowledge Sector Program



There will be a wider pool of researchers and research organisations influencing public policy. The Government of Indonesia will have clear strategies for how to support the production of knowledge for its policy agenda including adequate resourcing. Building on this, the nature of policy making will change where policy makers draw on evidence to make decisions.

10. **Donor Partnerships.** AusAID will lead on behalf of donors a joint working group that includes GOI and several large donors who are also working on knowledge sector issues. This loose coordination allows for a general sharing of information and also some informal divisions of labour across interests and comparative advantages. Thus, for example, USAID is taking the lead on the work to develop a knowledge infrastructure within Indonesia’s national parliament (DPR), while the World Bank leads an analytical program on work in science and technology.

11. **What counts as success?** Defining outcome measurements for the overall program is not a simple exercise. The intent here is to improve the quality of the policy process and policy content by bringing high-quality, domestically generated evidence to the decision-making table. These can be measured with reasonably rigorous empirical measures. However, it must be acknowledged that access to high-quality evidence is only one part of the policy process.²⁷ Nevertheless, where policy makers and citizens have timely access to high-quality evidence there is more potential for policies to be effective and socially accountable. Thus, while the success of the Knowledge Sector Program will be defined largely in terms of improvements to the quality of analysis being produced, to some extent whether better knowledge from national resources leads to better policies must also be assessed (See ‘IX. Evaluating Results of the Program’ for more information).

III. SUMMARY OF PROGRAM COMPONENTS

GOAL	Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs.
PURPOSE	Indonesia’s knowledge sector produces evidence to inform priority social development policies.

²⁷ Datta, A., et al, op. cit.

COMPONENTS			
SUPPLY	DEMAND	INTERMEDIARY	ENABLING ENVIRONMENT
Selected organisations generate and communicate high-quality evidence to relevant policy makers	Selected government policy makers effectively demand and utilise high-quality evidence to inform social development policy	Selected organisations effectively translate the findings from research into policy options and policy options feed back into research	Important systemic and regulatory barriers to an effective knowledge sector are identified and mitigated

12. The Program consists of four components that correspond to the description of the knowledge-to-policy cycle:

A. Component 1: Supply

Component 1 Outcome: Selected organisations generate and communicate high-quality evidence to relevant policy makers.

B. Component 2: Demand

Component 2 Outcome: Selected government policy makers effectively demand and utilise high-quality evidence to inform social development policy.

C. Component 3: Intermediation

Component 3 Outcome: Selected organisations effectively translate the findings from research into policy options and policy options feed back into research.

D. Component 4: Enabling Environment

Component 4 Outcome: Important systemic and regulatory barriers to an effective knowledge sector are identified and mitigated.

IV. PROGRAM COMPONENTS DESCRIBED

13. This section will outline the contributing outcomes for each component of the Program and the corresponding activities to achieve those outcomes.²⁸

4.1. COMPONENT 1: SUPPLY

Component 1 Outcome: Selected organisations generate and communicate high-quality evidence to policy makers and to civil society organisations

14. Contributing outcomes under the Supply Component are:

- Selected research organisations develop and sustain quality research programs;
- Selected research organisations design, conduct and effectively communicate research findings to policy makers and users;

²⁸ The Knowledge Sector Program Logic behind the activities and how this links to program outcomes is described at *Annex 7*.

- Effective ways of integrating localised knowledge into social development policy are developed.

Activities under Component 1 (Supply)

15. To achieve the above outcomes, there will be two activities under the Supply component. They are:

- *Capacity building and core funding for selected research organisations* – The Program will provide capacity building and core funding, initially for 8 research organisations. It will then incrementally increase the number of research organisations to reach a total of up to 17 organisations. Participating research organisations will be able to develop and sustain quality research programs and communicate their research findings effectively to policy makers and other users. This program will also incorporate AusAID’s ongoing support to the SMERU Research Institute. The main focus of this activity is to build up independent research which may influence policy or help formulate ideas within societies and frame policy discussion over the longer term.
- *Small grants for innovative projects* – An average of \$1.5 million per year will be made available by the second year of the Program to support innovative projects exploring effective approaches in generating and communicating localised knowledge to influence policy. The aim of these small grants is to restore the organic link between practical discourse and social policy, both by providing resources but also by providing forums and legitimacy to non-traditional but very rich sources of social knowledge.

Description of Activity A: Building Capacity for Select Research Organisations

16. This activity is based on lessons learned from the Action Learning Program of the preparation phase (see *Annex 4*), an Asia Foundation-assisted pilot that worked over 18 months to improve the quality of business plans. Eligible research organisations can be university-based, independent think tanks, or civil society organisations that produce primary research.

Selection of Research Organisations

17. The participatory assessment tool adopted under the Action Learning Program (see *Annex 4*) was very useful in capturing institutional profile and select research organisations. Selection under the Supply component should also utilise this tool and broadly consider these criteria:²⁹

- a) commitment to reform and change;
- b) ability to develop knowledge;
- c) ability to engage government officials;
- d) ability to engage civil society;
- e) ability to maintain staff; and
- f) strength of organisation’s governance.

18. There will be three streams to select the research organisations under the Supply component:

- *Extension for organisations that were supported under the Action Learning Program during the preparation phase.* These 8 pilot organisations will be reviewed and those that pass the evaluation of the pilot phase will be given an extension for six months (considered as a transition period) until mid- late 2012. This transition is needed to build their absorptive

²⁹ The Asia Foundation, *Enhancing Knowledge on the Knowledge Sector: Report to AusAID*, 2011.

capacity and assess their suitability for the long-term program.³⁰ Their selection into the Program will be based on the progress they have made by the end of the extension.

- *Selection of 4-6 new research organisations at the national and sub-national level, using selection criteria refined from the Learning Program.*³¹ Research organisations at the sub-national level will compete with their peers from the same region.
- *Selection of 2-4 specialized research organisations with capacity or expertise relevant to the policy issues that AusAID supports under the Demand component* – this selection will use the issues-based approach (as at Annex 5).

19. There will be a balance between the three categories of independent research organisations: university-based, independent think tanks, and CSO research organisations. Commitments will be for five years of confirmed funding, with annual performance reviews and the possibility for continuation (based on continuing performance) into the follow-on phases of the program.

Capacity Building

20. Lessons from the Asia Foundation-assisted Learning Program showed that to produce quality research which can influence policies, research organisations need improvements across three general areas:

- *Technical (research) capacity* – broadly included under this are research methodologies, systematic reviews, peer review mechanisms, mentoring, and access to international literature.
- *Organisational capacity* – broadly included under this are human resource management,³² organisational planning, strategic leadership, project management, financial management, and administrative processes.
- *Advocacy capacity* (networking with users and other organisations) – broadly included under this are strengthening networks, communication skills, writing policy briefs or editorial pieces, and policy dialogue. This aspect of capacity building will strengthen the organisation's intermediary function.³³

21. The steps to implement capacity building for each of the organisations are:

- Establish a methodology for organisational assessment,³⁴ assessing the key factor or aspects of organisational performance that need to be addressed;
- Conduct an organisational assessment of selected organisations, including an assessment of the technical capacity of research staff and a network mapping exercise;

³⁰ The objective of the Learning Program was to *learn* what works (or not) in building the capacity of research organisations. As such, the organisations were not conditioned to expect long-term assistance. Their absorptive capacity was low since they are used to working on a limited budget and are cautious in harnessing ambitious thinking (e.g., choosing large value activities or increasing core staff) given the uncertainty of funding.

³¹ One of the main selection criteria under the Learning Program was capacity to contribute *learning value to the knowledge sector design*. Thus, the selection excluded several strong organisations since they were not representational of the general reality in Indonesia. However, this Program should allow the inclusion of research organisations that demonstrate excellence.

³² Part of human resource management is attracting and maintaining a skilled workforce, which is a common challenge faced by research organisations.

³³ 'Advocacy capacity' is often described in the research to policy literature as 'knowledge brokering' or 'knowledge translation capacity'.

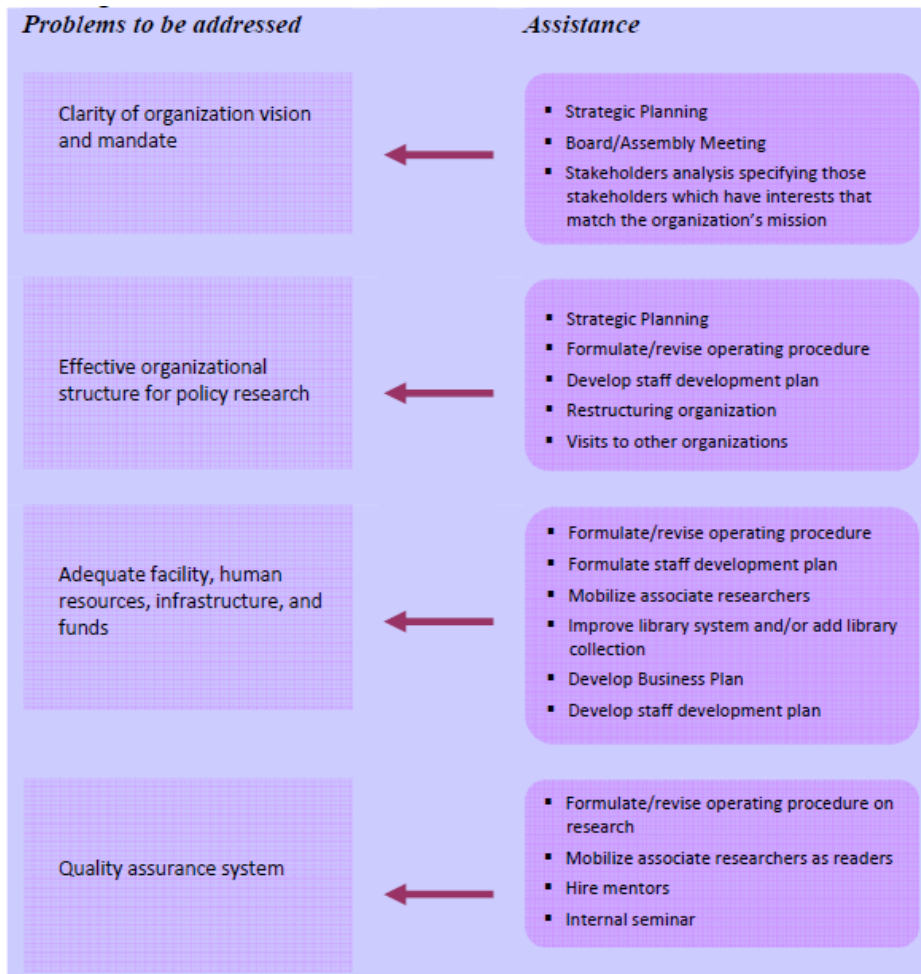
³⁴ For example, the International Development Research Centre (IDRC) has developed a methodology to assess research organisations. This methodology was adapted and used in the Learning Program.

- Develop a capacity building plan for each organisation – this plan will reflect an institutional change approach rather than a resource intensive, large training exercise;
- Implement specific activities, with strong monitoring and evaluation against the plan.

22. The specific activities will be tailored according to the organisation's business development plan. The plan will be largely self-determined – based on facilitated organisational assessments – with approval from AusAID and the Knowledge Sector Consultative Group.³⁵ However each organisation must have a fully-defined program of interventions that will, taken together, result in demonstrable performance improvements rather than employing a gap-filling or menu approach to capacity building.

³⁵ See 'V. Governance Arrangements', p.37.

Diagram 2.2. Example of Supply Side Improvement Plan



Source: *The Asia Foundation, Enhancing Knowledge on the Knowledge Sector, Report to AusAID, 2011.*

Core Funding

23. A main problem for research organisations is the scarcity of core funding. This limits the organisations' opportunities to develop an independent research agenda and to retain and develop top-quality research staff. To build strong research organisations, it is important for the Program to provide core funding while developing the capacity of the organisations to diversify their sources of income.
24. The Program will provide core funding to selected research organisations under the Supply component. The funding level will ensure that these organisations continue to pursue projects that will maintain their networks with users and can diversify their sources of funding. The funding level should be enough to allow these organisations to be selective and cultivate their research niche in the market; yet also allow them to decline projects that do not suit their mandate. The Program will develop a formula to determine the amount of core funding for each organisation based on lessons from the Learning Program and reflective of each organisation's absorptive capacity.
25. The Program will also build the capacity of organisations to diversify their sources of income. Conventional methods to do this include building capacity in proposal writing and applying for international research grants, or forging linkages with private philanthropies. Apart from

implementing conventional methods where relevant, the Program will also explore innovative ways for organisations to diversify their funding.

26. Over time there should be an inverse relationship between core funding and capacity. In later years, the Program will reduce the amount of core funding it provides to the organisations, with the expectation that they will be more competitive in securing other sources of funding (e.g. thorough international grants). A global rule of thumb is that dedicated, sustained core funding should stabilize in the 40%-60% range.

Network Building

27. Apart from building the individual capacity of select organisations, the Program will also forge a network among these research organisations. This network will allow for knowledge sharing and for building collective efforts to initiate or advocate for reform. Some areas of activity already identified by the group of pilot organisations during preparation include: developing a peer review system among participating organisations, create an ethics standard, and build in-country trainers and mentors. Where feasible and relevant, the network will expand to include policy makers and CSOs (who intermediate between the policy makers and the research organisations).
28. The Program will use an *International Partnerships and Exchanges Fund* to provide opportunities for research organisations to establish partnerships with similar research organisations overseas. The aim is to connect policy analysts and experts to promote global peer cooperation in analysis, produce comparative policy solutions, and to develop long term partnerships with overseas research organisations. Those organisations under the Supply Component will be encouraged to apply; however, the Fund will also be open for organisations outside of the core group. The focus will be on comparative research topics that demonstrate shared learning from lessons overseas and the ability for ongoing exchange of information. Beginning in Year-2, these partnerships will be initially for a year; but be open to extension for 3 years pending a review of the effectiveness of the exchange at the end of the first year.

Box 2.1. Knowledge Sector Cooperation with Australia Awards Scholarships

The Australia Awards program provides long-term scholarships and short-term training and professional opportunities to build individual capacity and in turn benefiting organisations. AusAID's Australia Awards will support the Supply or Demand components of the knowledge sector program in two key ways:

1. To build the capacity of individuals within targeted organisations, through dedicated human resource (business) development plans which identify the study or training needs and articulate how the returnees will contribute to their organisation's development. The type of Australia Award used by targeted organisations will depend on identified need; however, options such as split-site degrees and joint research supervision will have the added benefit of strengthening relationships between Australian and Indonesia organisations, as well as improve quality assurance and capacity of Indonesian research organisations; and
2. To work with existing Australia Award alumni (see Box 1.8) to improve the utilisation of the capacity already built in knowledge sector priorities areas through the provision of short courses, fellowships and a specifically dedicated "Alumni research grant" scheme.

This cooperation can bring several benefits:

- a more attractive environment for scholarship returnees and greater certainty they will stay in their respective organisations after their studies,
- more opportunities to strengthen cooperation between Supply and Demand actors through joint short courses, and
- opportunities the scholarships program offers to assess the impact of individual capacity building on the organisation as a whole.

29. Under the networking component, the Program will also provide *Collective Learning Grants* to strengthen the human resources of Indonesian organisations. This will allow institutions/networks outside the core grouping under the Supply Component to apply for capacity development tailored to their needs. The impetus is on the application to organise their improvement program. The staff training grants will be available to professional groups from institutions, NGOs, government organisations, associations, partnerships, educational organisations, consortia and functional networks, networks of organisations operating in the same field, or journalist organisations. Training needs can consist of existing academic courses, short courses or tailor-made programmes to suit the need of the organisation. Priority institutions/networks will be those whose work program aligns with the 5 sectoral programs under the demand side of the Program – Education, Health, Poverty Reduction, Economic Governance and Decentralisation.

Description of Activity B: Small Grants for Innovative Projects

30. The Program will also provide an ‘innovations fund’ that is made up of a *localised knowledge scheme* and an *Open Competition for Innovation*. Localised knowledge refers to knowledge generated by local communities to inform decisions at the local level. Localised knowledge can be a powerful knowledge base that informs effective practices in the local context. However, throughout much of the New Order period, traditional forms of knowledge were marginalised despite the fact that both the issues and the vocabulary of localised knowledge were where policy discourse was taking place. The objective of this activity is to restore the organic link between practical discourse and social policy, both by providing resources but also by providing forums and legitimacy to non-traditional but very rich sources of social knowledge.

Box 2.2. Supporting Localised Knowledge through the Knowledge Sector

The analytic framework for the knowledge sector work recognizes that not all policy-relevant knowledge is produced by formal knowledge institutions such as universities or think tanks. A big, diverse country such as Indonesia has a lively tradition of non-formal intellectual discourse and knowledge institutions such as alternative schools, cultural performers, and traditional literature. Many of Indonesia’s most prominent figures have emerged from these traditions. Donor efforts in the past have often drawn overly sharp lines between formal and traditional knowledge, lines that for many Indonesians still have little meaning. To avoid over emphasis on such boundaries and to explore opportunities to further stimulate exchange, the knowledge sector design includes a small grants facility that supports localised knowledge practitioners and institutions.

The risk with small grant funds is that they can involve large amounts of management time for small impacts that do not add up to significant results. At the same time, too strong a focus on mainstream programming risks excluding innovative ideas and local solutions to problems. To address these challenges, the innovations fund will be limited to activities with clear ties to the five thematic sectors. Semi-fictional examples of the types of activities that would be eligible might include support for:

- The *adat* leaders working group in NTT that is discussing how *adat* can accommodate women political leaders (decentralization);
- Bringing community natural resource mapping into local government’s poverty reduction guidelines (poverty)
- Intellectual property rights for indigenous medicines (health)
- Business planning for non-accredited schools in marginal communities (education)
- Aligning common property management systems with national resource management guidelines (economic governance)

A simple, clear format used to approve these grants would require an explicit explanation of their relevance to public policy and the means by which their results will be documented and shared.

Small grants

31. By the second year of the Program, a modest fund will be made available to support innovative projects that explore effective approaches for generating and communicating localised knowledge to influence policy. The grants will be distributed competitively and selection criteria for the projects will need to reflect this purpose. These activity proposals would need to show how they expect to identify, synthesise and communicate localised forms of knowledge to policy makers. The Program will evaluate these activities so that it can showcase a) relevant types of localised knowledge to social development content; and, b) effective approaches to bring localised knowledge to the policy process.

Technical assistance

32. Apart from providing small grants, the Program will also identify and provide relevant technical assistance for successful applicants. This technical assistance would generally provide support in two areas. First, it will conduct workshops on how to design the activities so they contribute to the outcome of the Program, and how to monitor and evaluate the activities so that the Program will have evidence to highlight the role of IK in informing policies. Second, it will conduct workshops with combined groups of activity teams to discuss experiences and lessons together to stimulate cross-activity learning.

Innovation Fund

33. To expand the scope of the program to include “unexpected players” in the knowledge to policy cycle, the Program will also include an open competition ‘Innovation Fund’ for knowledge-based experiments and innovations. These ‘once-off’ grants will be used to encourage partnerships between domestic research groups and provide the funds to inspire sharing of ideas. For example, between the Science & Technology groups, social organisations (looking at impact of Science & Technology) and policy makers. The open competition will be made available to private sector, universities, individuals, community based groups, mass-based organisations, with priority given to those groups that have a clear focus on new ideas and creative solutions for feeding research and evidence into policy.

4.2. COMPONENT 2: DEMAND

Component 2 Outcome: Selected government policy makers effectively demand and utilise high-quality evidence to inform social development policy

34. Contributing outcomes under the Demand component are:

- Selected government policy makers increased demand for high-quality evidence
- Selected government policy makers procure high-quality evidence
- Selected government policy makers utilise evidence in the policy-making process

35. There will be only one activity under the Demand component which will work with 3-5 government agencies to address all three of the contributing outcomes above.

Description of Activity: Work with select government agencies within determined priority issues

Selection of government agencies

36. Selection under the Demand component will use the issues-based approach (*see Annex 5*). *Bappenas* and AusAID will determine priority issues where the knowledge-to-policy cycle can be

effectively modelled.³⁶ Then, the Program will do a mapping of stakeholders in those priority issues. Based on this mapping, the Program will choose government agencies that:

- play a strong role within the priority issue; and
- demonstrate strong interest in using evidence for policy making.

37. The Program will initially work with 3-5 government agencies. Examples might include parliamentary commissions, reformist Director Generals within relevant ministries, or some of the high-level special commissions. Depending on the scope of the priority issue or the identification of new issues, the Program can incrementally add government agencies under the Demand component.

Approach

38. In the first phase of the Program, building on other AusAID sectoral programs, the priority issues will be poverty alleviation, decentralisation, health, education, and economic governance. The Program will thus work with other AusAID program in those sectors, e.g. the Poverty Reduction Support Facility (TNP2K), the Decentralisation partnership (AIPD), the Health Systems Strengthening Program (HSSP), the *Litbang* in Ministry of Education (*Diknas*), and the Fiscal Policy Office of the Ministry of Finance (MOF). These organisations will define their knowledge needs, map potential sources of supply, and work with the program to improve the efficiency and quality of their interactions with knowledge providers. While funds may go to the apex organisations themselves, in general they are already well-funded; but are often not able to access the appropriate knowledge resources to support effective applied-research for policy purposes.

39. The Program will take an opportunistic approach to policy engagement with senior management from participating agencies, by indentifying where there is capacity and demand for support. It will ensure continuous dialogue with the senior management to work through existing policy processes to utilise evidence. This approach will also consider the role of incentives and organisational culture in harnessing demand for evidence in the policy process.

Technical activities

40. Together with the agencies' senior management, the Program will determine activities to enable the modelling of a knowledge-to-policy cycle. These activities will broadly address the ability of policy makers to:

- recognise the value of evidence in the policy process;
- create a research agenda;
- clearly articulate their needs for evidence clearly to the research community;
- be transparent in commissioning research;
- assess the quality of research products;
- access and process evidence generated by research organisations; and
- use evidence to inform policy.

41. The type of activities can vary from technical assistance, workshops, short courses, and twinning programs with Australian government agencies as per the need of each individual agency. It is important to ensure that each agency has a fully-defined program of interventions that will, taken together, result in demonstrable outcomes.

³⁶ Factors shaping the use of knowledge in policy making as outlined in *Annex 10* will be considered in determining these priority issues.

42. These activities are not intended to provide capacity building for an entire organisation or agency, but will use the issues-based approach to ensure the relevance and targeting of interventions within the agencies.

Funding for government departments to procure research

43. To model the knowledge-to-policy cycle, the Program will make funding available for participating government agencies to procure research related to the selected priority issue. This will be part of the Program's assistance in building the capacity of policy makers in the areas outlined above and in supporting their interaction with research organisations. In later years, it is expected that the government agency will match the research funding made available by the Program and eventually use its own budget to commission all research.

Management review

44. In some cases, the day-to-day management within government agency units hampers procurement and use of evidence in policy-making. For example, an agency lacks adequate IT equipment to manage data and records; or centralised decision-making within the unit significantly adds to the paperwork, and time required to commission research and check its quality. Therefore, where demanded and relevant, the Program will assist the GOI unit to carry out a management review and implement a management change plan accordingly.

K2P (Knowledge to Policy) Pilots

45. Decentralisation has provided opportunities for policy makers at the local level to trial innovative approaches at using evidence to inform policies. In Year-2, the Program will support two localised K2P (knowledge to policy) pilots, to experiment with systematic changes in the knowledge to policy cycle. The approach here will largely be the same under the broader Demand Component; work through AusAID sectoral programs at the sub-national level to trial innovative approaches to evidence-informed policy making.

Box 2.3. SEDIA: An Example of a K2P Pilot at the Subnational Level

AusAID's Support for Education Development in Aceh program (SEDIA) assisted provincial education authorities to use evidence in the 2009 Aceh Education Development Report to influence education policy. The 2009 report challenged the long-held assumption of government, schools and communities that Aceh has a severe undersupply of teachers. The report recommended districts reduce the number of teachers to reallocate education funding for other needs.

The Provincial Coordinating Team for the Development of Education in Aceh (TK-PPA) took the Aceh Education Progress Report on a roadshow to Aceh's 23 districts, socialising teacher deployment data, the province's teacher efficiency strategies, and 'how to' case studies. As a result, nine districts have placed a moratorium on recruitment of new civil servants (of which teachers are the largest component) for 2011. This triggered Aceh Besar and Banda Aceh to trial new teacher efficiency strategies including zero recruitment of new teachers, teacher redistribution and ending the service of school-hired teachers. The Governor of Aceh, Irwandi Yusuf, announced his intention to issue instructions to provincial and district authorities for the equitable distribution of teachers at the 2010 Aceh Congress of Teachers. Aceh also shared their experience with the Ministry of National Education at Education Sector Working Group (ESWG) and Thematic Education Dialogue (TED) meetings in late 2010.

The public debate facilitated by the Annual Education Progress Report and the report's roadshow also led to the Aceh government prioritising improved data management. A province-funded program for capacity building provincial and district personnel in data handling commenced in September 2010. All districts collected and validated school data sets and uploaded them to the national PadatiWeb database in a period of five months between September 2010 and January 2011.

4.3. COMPONENT 3: INTERMEDIARIES

Component 3 Outcome: Select organisations effectively translate the findings from research into policy options and policy options feed back into research.

46. Contributing Outcomes under the Intermediary Component are:

- Networks of civil society use quality evidence in their advocacy work;
- An operational Policy Analysis Team (PAT) within Bappenas;
- Number and quality of online Indonesian journals increases.

Description of Activity A: Networks of civil society use quality evidence in their advocacy work

47. This intervention will start in the second year of the Program. The social network mapping carried out by the Program's partners under the Supply and Demand components will guide the selection of CSOs which will be included under this activity.

Selection of civil society organisations (CSOs)

48. After the Program selects the initial batch of partner organisations under Components 1 and 2, it will then select several CSOs to be given support on utilising evidence for advocacy. It will initially select 5-7 CSOs and incrementally add to that number to support a total of 15-20 high performing CSOs.³⁷ The CSOs will be selected based on:

- the extent of their existing networks with policy makers and research organisations;
- the strength of their advocacy work and their organisational capacity;
- their relevance of their work to the priority issues (Poverty Reduction, Decentralization, Health, Education, Economic Governance).

Building technical skills

49. The purpose of the activity is for CSOs to have the technical capacity to bring quality research to the attention of policy makers in a form that policy makers can understand and respond to. The Program will stimulate wider recognition of the role of evidence in effective advocacy work. It will carry out a range of activities that will enable CSOs to have the skills to, for example, conduct systematic review of research to inform an issue, identify what research meets basic research standards to be considered as credible evidence, and develop advocacy strategies based on evidence to communicate effectively with policy makers and constituents.

Network building

50. A suitable entry point for raising awareness and demand for change is through relevant CSO networks. The Program will support networks linking CSOs and research organisations, or fora to increase recognition of research value and to develop strategies that influence policy. The networks can facilitate workshops specifically designed to a) bring about the role of quality evidence in advocacy, and b) develop strategies to build the capacity of participating CSOs to identify, process and use available evidence.

³⁷ Note that the aim here is not to create new networks from scratch; but to support established networks or 'network hubs' that are advocating for policy reforms. As such the number of CSOs to be supported under this activity will depend on existing networks and these figures are provided as a guide rather than a strict figure to be adhered to.

Description of Activity B: Support for the Policy and Analytical Unit within *Bappenas*³⁸

51. The *Bappenas* Policy Analysis Team (PAT) is a potential driver for the modelling of the knowledge-to-policy cycle. Formed during project preparation, the PAT reports to the Minister and the Vice Minister. Its role is to help *Bappenas* develop and communicate a resourced research agenda, procure and supervise research activities, assess the quality of research product and translate research products into a format suitable for decision-makers. It will also conduct systematic reviews of the literature to inform policy processes and content. In short, the PAT is potentially the test case for a within-government knowledge intermediary.
52. The Minister for Development Planning has requested assistance from AusAID for the PAT, which AusAID has responded to on an interim basis by funding for the staffing and equipping of the PAT. In addition to this core support, AusAID will provide further support for PAT to model the knowledge-to-policy cycle based on the PAT's work plan. The work plan will include the PAT's research agenda, resource needs, and organisational management.

Description of Activity C: Support for Journals

53. Preparation diagnostics identified lack of access to well-edited journals and other shared media where policy makers and researchers can exchange information. This activity will support improvements to the quality and usage of policy journals, based on specific requests by qualified organisations. This activity will serve as a model for quality journal development. It will support best practices in conducting peer review, upholding ethics, and improving quality.
54. Options to support the development of quality journals include editorial assistance, bilingual translation, subscriptions, internships, and, in rare cases, assistance for start-ups. This activity can also support the linkages between the home organisation that manages the content with publishers who can print and distribute the journals widely. It will also look into the possibility of developing high-quality web-based journals that can reach a broader audience.

4.4. COMPONENT 4: ENABLING ENVIRONMENT

Component 4 Outcome: Important systemic barriers to an effective knowledge sector are identified and mitigated.

55. To achieve the above outcome, there will only be one activity under the Enabling Environment component, which is to advocate for the introduction or review of policies that support knowledge-to-policy transfer.

Description of Activity: Policy assistance to identify and mitigate systemic barriers to the knowledge sector

56. Based on the diagnostics and consultations during the design phase, these are potential areas for support under the Enabling Environment:
 - Exploring ways for GOI to channel competitive research grants to non-government research organisations, particularly those focusing in socio-economic science and humanities;

³⁸ See also *Annex 9* for a more detailed description of proposed support to the *Bappenas* Policy Analysis Team

- Clarification of Procurement Law, which currently inhibits GOI from procuring research from non-commercial organisations;
- Exploring ways to mitigate the 10% value-added tax which applies to research projects;
- Mitigating barriers to research in the tertiary education sector (in cooperation with AusAID's upcoming tertiary education program);
- Exploring the possibility of a national research foundation focused on socio-economic science and humanities; and
- Identifying entry points for reform of the legal and regulatory framework for the civil service (human resources), targeted on a limited number of changes that would allow for a better alignment of researcher and policy user incentives.

Approach

57. The specifics of what the Program will finance under this component will be decided on a rolling basis – depending on the availability of opportunities, the strength of constituents and the political climate. As such, the policy assistance for each reform will not be provided on an ongoing basis but is expected to be for the duration of time it takes for each reform. Efforts in addressing the issues above will progress at different speeds.
58. The Program will take an opportunistic approach in supporting efforts for reform. The issues listed above are initial findings from preparation diagnostics. Changing the Enabling Environment is highly political since it involves sensitive policy reform and system changes. Opportunities may arise from interest shown by newly appointed high level government officials or from changes derived by political pressures. The Program should seize such opportunities as they arise. Correspondingly, the Program will develop a robust M&E framework that can identify whether traction and progress are being made in addressing those barriers limiting knowledge to policy cycles.
59. The Program will continue to explore the lay of the sector to more accurately identify opportunities and barriers. The Program will mobilise constituents throughout all its components to advocate for reform where feasible. Building constituents is imperative to push for changes in the system. As such the Program will link the technical policy experts with constituents from those organisations supported under each of the other components of the Program and those as part of the Consultations Arm. Also, the Program will identify where there is a paucity of knowledge and commission analytical diagnostics accordingly. This includes critical areas where there are mixed understandings (for example, GOI funding flows for research) where high level clarifications can resolve bottlenecks without requiring any further reforms.

Policy Assistance

60. Due to the complexity and nature of the issues involved, assistance under the Enabling Environment will require a high degree of GOI ownership and a long-term time horizon. Some changes might only happen after the lifetime of the Program.
61. The Program will establish several issues-based taskforces as the need arises. For the life of the Program, these taskforces will be engaged on retainer to explore the reforms full time in close consultation with GOI. These taskforces will be made up of national and international experts with expertise in the technical areas of reform as well as expertise in policy assistance. These taskforces may draft the clarifications of laws required, develop a road map for each of the policy reforms and be responsible for taking these reforms forward with relevant GOI entities.

62. These taskforces will be required to support relevant champions to develop a long term policy assistance strategy. Policy assistance can be provided at different stages in the policy process: policy agenda, policy formulation, or policy implementation. For some policies, getting reforms on the policy agenda would be considered adequate progress. The focus of work at the early stages would be getting access to leadership, increasing awareness of emerging policy issues, enhancing networks to stimulate debate and introducing new ideas into the policy debate. Where there is stronger recognition for the need for reform, assistance would be directed at the policy formulation stage. Here assistance would focus on proposing specific policy options based on experiences studied under this Program, increasing awareness of successful policy options, and preparing policy content with relevant partners. At the policy implementation stage, work could involve addressing the budget required to implement an existing policy, developing supportive regulations to existing laws, or creating demand to ensure organisational structures and procedures align with existing policies and regulations.
63. Policy assistance under the Enabling Environment component will use lessons learned from the Demand and Supply components. It will also mobilise the constituents engaged in the other components to push for policy reforms. The taskforce will be supported by the Knowledge Sector Consultative Groups and the AusAID knowledge sector team, which will have a corresponding representation strategy.³⁹ The taskforce together with the AusAID knowledge sector team will a) have a broad engagement approach (build constituents as needed), b) put forward opportunistic dialogs, c) generate relevant discussion papers, d) establish a forum to advocate for reform, e) systematically use evidence to advocate for reform, and e) trial approaches for advocacy.

Public Research Expenditure Review

64. Starting in the first year, the Program will carry out a Public Research Expenditure Review, which will investigate where GOI research funding is channelled and how much is actually allocated for policy research.⁴⁰ It will also investigate the barriers in GOI budget for research, for example the low billing rates and reimbursable budget for researchers. This study is expected to take more than 12 months because of the complexities of GOI funding flows. It will suggest what a fixed system would look like. This study will be used to advocate for specific changes to improve the effectiveness of GOI investment in policy research.

Donor Advocacy

65. Donor coordination will be particularly important for any success within the knowledge sector. This will be important not just in terms of coordinating donor activities; but to promote discussion about donor policies and practices that support procurement and provision of knowledge from local suppliers and demand actors. Knowledge sector issues are not black or white, and successfully transforming unhelpful donor practices will happen only if there is a forum where donors' legitimate concerns can be raised and addressed.

Decision on Future Support to LIPI

66. LIPI (*Lembaga Ilmu Pengetahuan Indonesia*) is the Indonesian Institute of Science. Dating back to 1817, it has the authority to accredit researchers, promote research, and advise the national government on the country's knowledge needs. It can therefore potentially play a strong role in changing the enabling environment. Unfortunately, LIPI today faces a large number of legacy and structural challenges that cloud its future suitability as a driver for this dimension of the

³⁹ See Governance Arrangement section, p.37 (for KS consultative groups) and p. 63 (for AusAID KS team).

⁴⁰ See Analysis section, Chapter 1.

knowledge sector agenda. Despite perceived challenges, it is important to engage with LIPI, particularly in the initial phase of the Program.

67. Initial engagement with LIPI could possibly include a management review to assess constraints within LIPI and identify relevant assistance. The Program can also provide competitive funding for LIPI staff to carry out policy relevant research. This funding will allow LIPI researchers to decline consultancy projects and instead carry out research which will be relevant to their own portfolio and GOI needs. A periodic review of the Program’s support to LIPI will be used to determine the level of assistance in the following year.
68. This initial engagement will ensure the inclusion of LIPI as an important constituent in the knowledge sector while assessing its amenability to change. Specifics of this engagement will be jointly determined by LIPI, GOI, and AusAID. Based on engagement in the first phase, the Program will make decisions on further investments in LIPI during the second phase.

‘Marketplace of Ideas’ Conference

69. The Program will also bring together all the stakeholders under the Knowledge Sector Program and from further afield annually to discuss issues related to the Knowledge Sector. The *‘Marketplace of Ideas Annual Conference’* will aim to continue to build support for actors across the program provide an opportunity for networking amongst stakeholder and a forum to discuss issues being faced in the sector.

Table 2.1. Summary of Knowledge Sector Project Interventions	
Component	Activity
1. Improving Supply	16 competitively selected organisations produce capacity development business plans and provided core funding
	Small grant innovations fund
2. Increasing Demand in 5 main sectors	Management reviews of selected government agencies
	Technical activities to strengthen research utilisation for policy purposes
	Funding to procure research
3. Intermediaries	Support to Policy and Analysis Unit (PAT)
	Strengthening of civil society advocacy networks
	Improving journals and other media
4. Enabling environment	Working groups on policy specific issues
	Public Expenditure Review
	Technical assistance to prepare roadmaps
	Civil service working group
	Donor dialogue
	Management review of LIPI and provision of technical assistance
	“Marketplace of Ideas” annual conference

V. GOVERNANCE ARRANGEMENTS

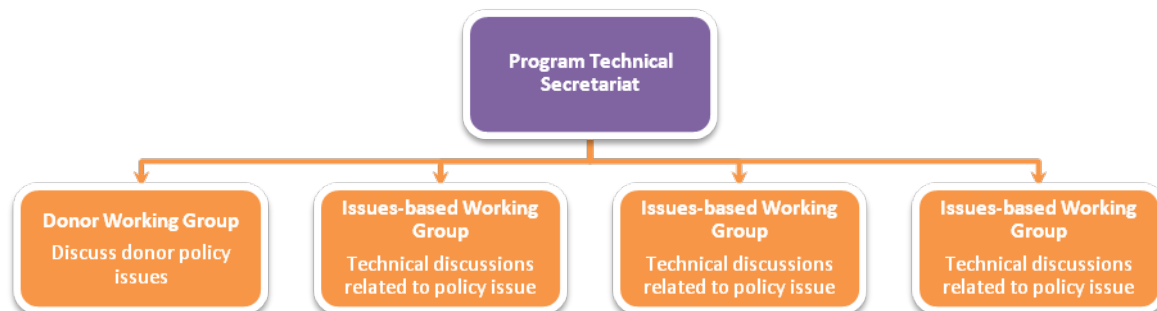
70. The Program’s governance will be divided into two parts; a Governance and decision-making Steering Committee; and a Consultations Arm. The main policy decision-making body for the Program will be the Program Steering Committee. It will be supported by the Program Technical Secretariat. The consultation arm of the program will be led by the Program Technical Secretariat which will consult with donors and partner organisations from civil society, government agencies identified through the issues-based approach.

DIAGRAM 2.2 and 2.3: SUMMARY OF GOVERNANCE ARRANGEMENTS

Diagram 2.3 Decision-Making Body



Diagram 2.4 Program Consultation Arm



The Program Steering Committee

71. The Knowledge Sector Steering Committee membership will be finalised prior to mobilisation of the Program, but its core membership is expected to comprise senior (Echelon 1) officials from:

- *Bappenas*;
- Central policy making agencies such as the Ministry of Finance;
- Other agencies responsible for policy relevant to the knowledge sector;
- Two to three senior, well regarded representatives of Indonesian knowledge institutions; and
- AusAID (Senior AusAID representation).

72. Core members must be influential within their respective spheres. Their roles must not be solely focused on the coordination of externally funded activities – but on the substantive issues within the GOI context. The active engagement of the Committee will be an important factor in the success of the Program, and central to the development and maintenance of GOI ownership.

73. The Committee will also have temporary members. These will be Echelon 1 representatives of agencies that are active under the Program’s issue-based approach under the demand component. They will remain members for as long as their agencies are involved in the Program.

74. The role of the Committee will be to:

- Approve Annual Plans, including approving the selection of organisations to receive core funding and other support under the Program;⁴¹
- Review six monthly progress reports and identify any corrective action required;
- Monitor the policy context of the Program; including identifying areas of opportunity for the Program. Such opportunities would include potential support under the demand component’s issues-based approach; and
- Advocate for the strengthening of the knowledge sector amongst other senior Government and non-Government stakeholders, including through communicating concrete successes achieved under the demand component (in relation to specific policy issues). Wherever possible, the Steering Committee will also play an active role in advocating for action on matters related to the enabling environment.

75. The Committee will meet every six months. Where necessary, out-of-session approvals will be sought in order to respond quickly to opportunities that may arise.⁴²

The Program Technical Secretariat

76. The Program Technical Secretariat will comprise of *Bappenas*, AusAID, representatives from think tanks, universities and relevant development organisations. Members of the Management Committee under the design phase will form the basis of this group. The Secretariat will be chaired by the *Bappenas* Director coordinating the inter-deputy team, and co-chaired by the AusAID Counsellor for Education, Scholarships and Knowledge.

⁴¹ The Steering Committee will only discuss PAT matters in relevance to the knowledge sector, i.e. activities to build research communication, improve technical capacity of PAT and targeted *Bappenas* staff, operational support and technical assistance, as well as funding for procuring research.

⁴² The Steering Committee and Technical Secretariat will not make decisions on individual funding for organisations. Selection of funding beneficiaries will be carried out by the implementation team, while the Committee will provide strategic directions for the program.

77. The intent is to keep the governance arrangements as simple as possible to ensure clear accountability, and simple decision-making processes. The role of the Secretariat will be to:⁴³

- Make recommendations to the Steering Committee regarding the approval of Annual Plans and other matters regarding the strategic direction of the Program;
- Advise the Committee on any significant matters affecting Program progress;
- Review six-monthly reports prior to their submission to the Program Steering Committee; and
- Oversee the implementation of the Program by the Contractor.

78. The Secretariat will meet quarterly. The Secretariat members will discuss and agree upon a Terms of Reference that will outline the roles and responsibilities of the Secretariat. The Contractor will attend meetings of the Secretariat in a support capacity.

Consultations

79. The Program will also have a Consultation Arm to build on the extensive consultations undertaken to design the program. AusAID will invest in developing a consultations arm as appropriate for each issue. This will need to build on GOI processes and structures taking particular lead from *Bappenas*. This body is designed not to be a decision making body; but to provide a mechanism for public accountability for the Program and for technical inputs from various stakeholders from *Bappenas* and AusAID partner organisations (from the donor community, technical specialists, civil society and GOI).

80. It is possible that Bappenas will establish and chair a Donor Working Group, with AusAID acting as co-chair. The role of this body would be to coordinate donor initiatives in the sector, and provide a forum for discussion about policy issues related to the knowledge sector.

81. At this stage, the knowledge sector Donor Working Group is not a governance body; but functions as a forum for discussion. However, if as the Program evolves there is a need for more robust coordination (such as in relation to pooled funds), the body may take on more formal responsibilities.

82. Similarly, the Program will establish issues-based working groups with groups focusing on a) the policy issues identified in the demand side component and b) the regulatory constraints in the Enabling Environment.⁴⁴ These consultative sessions are designed to strengthen the program and to ensure there is a public accountability mechanism to allow various stakeholders to liaise directly with the Program Technical Secretariat. Similarly, it will allow the technical specialists working with government and civil society to garner support needed to bring about reforms in the enabling environment. The issues-based working groups will be made up of temporary members and formed on the basis of perceived need. These will be representatives of AusAID's sectoral teams, GOI agencies, technical specialists, civil society and other stakeholders who are active under the Program's issue-based approach under the demand component.

⁴³ The Technical Secretariat will only discuss PAT matters in relevance to the knowledge sector, i.e. activities to build research communication, improve technical capacity of PAT and targeted Bappenas staff, operational support and technical assistance, as well as funding for procuring research.

⁴⁴ Note the issues-based approach mentioned here is focused on the issues or challenges associated with the enabling environment (within the regulatory environment), and as such differs with the issues-based approach as outlined at *Annex 5* for the demand Side component of the program.

VI. RISKS AND RISK MANAGEMENT STRATEGY

83. Embarking on a new program in a new sector is never going to be easy. The objective of this program is very ambitious; to improve the systems and policies that underpin GOI policy making. This requires AusAID to work in new ways. The consultations, diagnostics and pilot program identified a number of potential risks:

- **Research organisations do not change their mindset to ‘think big’ and focus on their future sustainability:** While AusAID has a long track record of working with supply side organisations, these have been short term, project-based contracts with specific outputs. To add to this, the majority of government/donor contracts will continue to be short-term and there will continue to be lack of focus on the quality of research output. High-potential research organizations may choose to cater to this type of demand as opposed to embarking on a presumably more difficult path that the program demands. This program seeks to provide longer term engagement with supply-side organisations, with more flexibility for these organisations to develop their capacity to conduct research tailored to policy makers needs. These organisations lack financial support from the private sector. To absorb increased funds and attract future funding from GOI and the private sector, the program will require a change in the mindset of these organisations and the internal systems to support this;
- **Lack of GOI policy maker support for reform agenda:** The GOI may not opt for a full-fledged reform agenda, which would necessarily include developing sustainable financing for knowledge sector work from its budget. At present Indonesia benefits from high levels of grant support for world-class policy advisers channelled through multilateral development agencies. The key indicator over the long term will be commitment to allocating a proportion of the national budget to developing the knowledge sector. Similarly, a risk for the Program is that there will be no entry points to influence policy beyond the key ministries engaging in the reforms under this program (*Bappenas*, MOF etc);
- **Research agenda captured by adversarial elites:** In the post-Suharto era, there has been a reconfiguration of power by New Order elites, which means that often those adversarial to research to policy links from the New Order may still occupy positions of power within the bureaucracy. Program governance remains a significant risk that will be difficult to mitigate. The problem lies in striking a balance between high-level GOI ownership and the risk of capture by the same incumbents who currently constrain knowledge sector reform. Addressing this risk over the long term will require sufficiently high level engagement to identify a sustainable long-term location (possibly the Ministry of Education, *Bappenas*, or even the Vice Presidential Office), and a dynamic, high level anchor within government. A change of government that does not support the Program’s reform agenda at the 2014 Presidential and General Elections may also inhibit the longer term success of the program;
- **No institutional home for the program:** As the program has yet to identify a clear home for the program, this could lead to problems of coordination in GOI and with donors;
- **Overall quality of tertiary education lacking:** The root problem of the knowledge sector may lie in the overall quality of tertiary education. That is, the supply of highly qualified researchers and policy analysts may be limited and already fully taken up by government,

private sector, and international organisations. This risk is considered to be high, but variable given the ongoing changes in the quality of higher level education;

- **Program perceived to infringe upon national sovereignty:** As the Program will work at high level policy reforms, claims might arise that Australia is meddling in Indonesia's affairs;
- **The long term aims are overlooked by short term gains:** A challenge for the Program will be to maintain a longer term focus on institutional strengthening and regulatory reform versus ever changing short-term policy needs. Including a component that will finance pilot programs generates a risk that short-term interest in receiving funds for the pilot swamps the bigger and more challenging objective. This risk will be monitored carefully;
- **GOI Research financing systems do not support knowledge to policy links:** longer term sustainability of the Program will depend on GOI financial support. There is some uncertainty around the ability of GOI research funding systems to promote the knowledge sector. In the initial first phase of the program (five years), AusAID will assess to assess the fiduciary risk of working through GOI research financing systems;
- **Lack of Australian support for the Program:** Australian universities lose interest as the focus of AusAID grant resources moves to Indonesian institutions. This risk will be addressed by close engagement with individual "Indonesianists" within the university system as well as dialogue with whole of government counterparts to find alternative sources of income for Australian universities' Indonesia programs.

84. While the overall level of risk for this program is measured to be *Medium to High*, there are a number of ways the Program will manage these risks. The Risk Management process for the Program has four stages: 1) Identify Risks; 2) Assess Risks; 3) Identify Risk Treatment; and 4) Review Risk Profile. The Risk Management Strategy (see *Annex 6*) analyses these major risks to Program success and will be used to treat these risks.

VII. CROSS-CUTTING POLICY ISSUES

85. Implementation of the Knowledge Sector Program will be informed by a number of overarching Government of Australia (GOA) policies that will ensure the Program's effectiveness. The overarching policies that guide the program's implementation include:

- Sustainability
- Capacity development
- Working in Partner Systems
- Gender
- Environment and Disaster Risk Reduction
- Anticorruption
- Disability

Sustainability

86. The ability of the Program to sustain its results beyond the period of funding is central to its success. There are at least five strategies built into the Program design that will help to ensure the sustainability of results.

87. Fundamentally, the design of the Program is built around the objective of sustainability through its system-wide approach. Failure to address critical shortcomings in any one area (supply, demand, or the enabling environment) will mean that positive achievements in the other areas will not be sustainable.
88. These arguments have been discussed at length elsewhere, and will not be repeated here. However, there are some other specific operational strategies that will also enhance the likelihood of sustainability.
89. First is the focus on capacity development. Capacity is a driver of sustainability, and capacity development will be a key theme in the support that is provided to all organisations. Likely approaches to capacity development are discussed under the following heading.
90. Second, on the supply side there is the strategy for providing core funding to selected supply side organisations. If the funds are managed effectively, providing core funding can work against sustainability. However, the Program's strategy involves providing an appropriate level of core funding that will enable recipients to focus on long term strategic positioning and capacity development issues, without short term concerns about funding. At the same time, funding will not be significant enough for recipients to withdraw from the market altogether.
91. Funding will be progressively reduced over the funding period so that, as research organisations move into a position to implement new strategies effectively, they are required to operate more independently. This will provide an incentive to make the best use of the funding and other support while it is available.
92. Third is the focus on facilitating interaction and building linkages amongst stakeholders. This focuses on the relationships between the key players in the knowledge to policy cycle – including research organisations, CSOs (in their role as policy advocates), other intermediaries, and policy making bodies.
93. Improved relationships between these bodies will provide the basis for a better understanding among policy makers of the potential support that research organisations can provide; and a better understanding among research organisations of policy maker's needs and expectations (and of the policy process more broadly). This will provide a better understanding of mutual benefits, and thus a greater incentive to engage in an effective knowledge to policy cycle. Incentives such as these are crucial to sustainability.
94. Fourth is the strategy of building ownership of and buy-in to the principles of reform. If policy makers, in particular, see the benefits of an effective knowledge sector, this provides the basis for continued pressure for reform, for addressing constraints in the enabling environment, and for insisting on a rigorous, evidence-informed policy process.
95. The nature of the policy process itself is a critical determinant of the long term role of the knowledge sector. The Program cannot expect to 'change' the policy process as a whole. However, it does expect to *demonstrate* how knowledge can inform better policy. Thus the Program will need to focus clearly on the task of *advocacy* to demonstrate success and build appetite for reform.

Capacity Development

96. As noted above, capacity development is a central strategy of the Program. Capacity development activities will be undertaken in both government agencies (in Components 1 and to an extent Component 3), and CSOs and research organisations (in Component 2). The Program will take into account the following points in developing a capacity development strategy.
97. As described in the Program Description, all capacity development activity must be informed by a thorough institutional analysis, with subsequent capacity development plans tailored to the organisation's needs. The analysis should look broadly at all the factors that influence organisational performance – not *only* capacity. It is important to understand all of these factors before implementing any capacity development activities, to ensure that support is relevant and feasible. (In other words, not all *performance* problems have *capacity development* solutions.)
98. Where capacity development is provided to government agencies, it will not be feasible (or appropriate) to conduct an institutional analysis of the entire organisation. However, there should still be enough analysis undertaken to properly understand the functions and capacity of the relevant unit within their institutional context.
99. A clear definition of 'capacity' is required for each institution, focusing not only on skills, but on procedures, policies and structures as well. Capacity development strategies should then be as broad as they need to be to ensure success. They should take a long term view, recognising that in most cases; significantly improving any organisation's performance (sustainably) requires a long term effort. Full advantage should be taken of the Program's fifteen-year timeframe.
100. The capacity development strategy should also include a framework for assessing capacity and performance improvements, linked to the M&E Plan.

Working in Partner Systems

101. It is premature to consider any implementation through Partner systems as it is the government systems themselves that are the major constraint. Governance of the Program will be led by GOI, and Program M&E and reporting will support any relevant GOI reporting requirements. The implementation of the issues-based approach will provide support to GOI policy processes.

Gender

102. Gender is an important cross cutting issue for the Knowledge Sector Program. The extent to which the knowledge sector delivers equitable policies for both men and women will determine the success of the Knowledge Sector Program. The diagnostic on gender and policy making in Indonesia, carried out for this program, informs the interventions, and there are a range of women's organisations and women and men in research and policy institutions who will implement the Knowledge Sector Program. Similarly, the Asia Foundation's support to supply-side organisations during preparation included the Women Research Institute, and additional help will be provided to allow gender-focused institutions to join competitive selection processes. Where possible, the knowledge sector will seek to identify opportunities to adopt gender sensitive or gender equity policies as identified in the issues-based approach.

Environment and Disaster Risk Reduction

103. One of the likely areas of future support under the Knowledge Sector Program is the environment and disaster risk reduction. GOA's disaster risk reduction policy, *Investing in a Safer Future*, outlines the importance of considering disasters in development programs. Where appropriate, the Knowledge Sector Program will consider the impacts of different environmental

and disaster-related risks. The Program will consider natural hazards where appropriate during the assessments of each policy issues cycle.

Anticorruption

104. The Program recognises the negative impact corruption has on the knowledge to policy cycle in Indonesia, increasing transaction costs in procuring research and preventing and serious CSO-government engagement on research. Where possible, the Program will aim to strengthen the systems in the enabling environment to ensure that research funding can be used effectively. In the first year of the program AusAID will carry out a public expenditure review with the World Bank to assess the core systems and institutions involved in the knowledge sector.

105. The Knowledge Sector Program will adopt a formal anti-corruption policy and statement of principles that will apply to all of its contractors and grantees.

Disability

106. AusAID's *Inclusive Development* strategy guides AusAID's integration efforts for disability. The Knowledge Sector Program will identify here there are policies that might disadvantage the disabled and impaired. Where opportunities exist to support knowledge-to-policy transfer, the Program will focus on policies that support inclusive development.

IX. EVALUATING RESULTS OF THE PROGRAM

107. Given AusAID's new engagement in the sector wide intervention into the knowledge sector; this Program will be difficult to measure. A change in policy may be due to many factors and a change in development outcome from the result of this policy change may be even harder to measure. At this early stage, the Program will however need to set broad parameters for measuring the overall success of components and some hypotheses for measuring program success. The table below provides some broad indicators that will form the basis of a more sophisticated M&E framework to be developed and used to measure Program success. This will require the Knowledge Sector Unit to spend time in the early phase of implementation working with the contractor to develop a more robust M&E tool, and the key indicators and tools to monitor both service delivery and research to policy improvements.

108. The Program will use a research approach to performance assessment. This will have two dimensions:

- At the Impact level, establishing and testing a basic hypothesis.
- At the Outcome and Output levels, measuring key hypotheses.

109. At the impact level, the basic hypothesis is that targeted support to knowledge to policy cycles will improve Indonesia's overall ability to produce and use high-quality evidence for policy-making. An important role of the Monitoring and Evaluation Framework program will therefore be to determine if this hypothesis is correct, including whether or not research is able to produce better research to inform policy making.

110. It will be crucial to test this hypothesis once the Program is well into its implementation after a few years. The measurement on whether improvements to production of high-quality policy advice will be conducted in year 3-4 of program implementation. The testing of this hypothesis will be done through independent evaluation studies over the life of the Program.

111. The Component level hypotheses will help determine if the Program is effective. The indicators in Table 2.4 below will be used to guide measurement from established baselines assessed in the design phase of the program. These will be refined further subject to the Evaluability Assessment.⁴⁵

Table 2.3. Proxies for How to Measure Change at the Sectoral Level			
Component	Hypothesis	Major Indicator	How measured?
Supply	Quality of Indonesian knowledge institutions rises	Global ranking	Survey
		Quantity and quality of output	Tabulated
Demand	Interest in research by policy makers rises	Number of studies commissioned	Tabulated
		Budget for studies rises	Tabulated
		Self-reporting	Survey
Intermediaries	Research findings are exchanged with policy makers	Number of briefs produced	Tabulated
		Number of public forums held	Tabulated
		Website hits	Tabulated
Enabling environment	Regulatory constraints are lifted	Better instructions are issued	Tabulated
		Supply and demand sides report improvements	Survey
		Policy makers commission studies using APBN	Qualitative survey

⁴⁵ See Chapter 3 Section 5.2, Page 55.

Chapter Three: Implementation Arrangements

I. INTRODUCTION

1. The implementation arrangements for the Program reflect the complex nature of the knowledge sector. To ensure effective knowledge-to-policy cycles, the Program's approach and management structure is flexible to changing demands for knowledge and evolving situations; allows for facilitation between players from across the knowledge to policy cycle; and is tailored to suit policy cycle issues.
2. This chapter sets out implementation arrangements for the Program: the approach, operating principles, governance arrangements, and the responsibilities of the various stakeholders involved in implementing the Program. It also summarises risk management and Monitoring and Evaluation issues and concludes with a discussion of overarching policy issues.

II. AID APPROACH AND TYPE OF AID

2.1. AID APPROACH⁴⁶

3. In the first years, the Knowledge Sector Program will have its own, time-bound objectives and will be delivered through a stand-alone mechanism with its own management arrangements, rather than through any GOI systems or programs. However, it will attempt to improve the Indonesian research systems for financial management, monitoring and evaluation. The Program will be a rolling program of activities whose work plans are developed progressively, in support of predetermined objectives.
4. While it may be possible over time to work through GOI systems, the diagnostics demonstrated that the preconditions for such approaches have not been met (i.e. a single comprehensive program and budget framework; a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement). Specifically, there is no single GOI program or budget framework through which donor support can be provided. Further, the design and consultations have not identified a single institutional 'home' for the activity within GOI.
5. At this early stage in the development of Indonesia's knowledge sector, budget support is not appropriate, as the funding mechanisms and incentives to allocate funding through this mechanism do not allow for efficient allocation of resources. When these systems are assessed to have improved, only then could budget support be considered.
6. This initial approach of not working through GOI systems has various strengths and weaknesses. Its strengths are that it allows for:

⁴⁶ An 'aid approach' is the overall method of engaging in development cooperation.

- *Necessary innovation.* The Program provides a new way of working for selected agencies and research institutions that prioritises knowledge provision based on policy demands. Existing GOI systems do not provide a structure through which to provide for such innovation. Indeed, the current structures within the knowledge sector are, as noted above, the fundamental constraint that the Program will address.
 - *A robust approach to risk management.* An ambitious program like this inevitably involves risk. This delivery method provides arguably the best mechanism for managing risk as it will ensure AusAID retains a close oversight function, supported by *Bappenas*, with direct control over the development and approval of work plans, and close involvement in monitoring Program progress.
 - *Flexibility in implementation.* As described above, the Program is being implemented in an extremely complex knowledge-to-policy environment that will require a flexible approach to implementation. This model provides a strong basis for reviewing progress and adjusting direction as necessary, with relative ease.
 - *Support to organisations inside and outside the public sector.* As explained in the previous chapter, the Program involves support to a wide range of stakeholders inside and outside government. Approaches such as SWAps⁴⁷ are typically more appropriate to the government context. A key to the success of this Program will be its ability to engage quickly and easily with both sectors, and to facilitate better interaction between them.
 - *Use of a range of different strategies under a single mechanism.* The Program will use a range of strategies, from providing technical assistance to government agencies to providing core funding to research organisations. All of these strategies can be easily accommodated through a tailored, standalone mechanism.
7. Typically, standalone approaches face challenges in ensuring adequate ownership, alignment, and harmonisation. Each is discussed briefly below.
 8. Effective *ownership* requires that GOI demonstrates leadership of the Program. GOI will fulfil this role through the membership of various GOI agencies on the Program Steering Committee, which will determine the strategic direction for the Program. The role of this body is discussed below in Section 4.
 9. Another key element of the design that will maximise ownership is the *issues-based approach*. This approach will target assistance to GOI policy issues and align the provision of that support with the GOI policy process. This will not only help to ensure the ownership of initiatives in the short term, but will also seek to develop buy-in for reform of the knowledge sector over the longer term. Ownership is also discussed further under the risk section below.
 10. *Alignment* is about ensuring consistency with GOI national development policies and processes. The issues-based approach ensures the Knowledge Sector Program will align with GOI policy priorities and the *Agenda Riset Nasional* ('National Research Agenda') as set by *MenRISTEK*.
 11. It will be the role of the Program Steering Committee to ensure that this alignment is maintained throughout the Program. The issues-based approach will also ensure that the Program is focused

⁴⁷ SWAps: Sector Wide Approaches

on specific GOI policy priorities, within the context of the poverty reduction objectives of the Australian aid program (as reflected through the Australia Indonesia Partnership).

12. *Harmonisation* is about ensuring the transparency and coordination of Donor activities. Bappenas will lead this process, including through the possible establishment of a Donor Working Group. More detail is provided on the details of coordination in Section 4.3 below.
13. This Program will be the largest external investment in the sector, and the only one that takes a 'system-wide' approach, working across supply, demand, and the enabling environment. Over time, it is anticipated that the Program may involve some pooling of donor funds, and this will require fairly sophisticated approaches.
14. It is important to acknowledge that, although it is standalone in the formal sense, the Program is a long-term commitment that is looking to support structural change in the sector. As these changes emerge (particularly in the enabling environment), it may start to become possible to embed the Program more into GOI systems. However, this is a long term goal.

2.2. TYPE OF AID⁴⁸

15. A Contractor will be engaged through a competitive process to manage the Program. Within this mechanism, various forms of assistance will be provided, including:
 - *Capacity development*: policy advice and technical assistance for selected demand and supply side organisations (including CSOs), as well as the enabling environment;
 - *Funding for selected demand side organisations*. This is likely to include funding for research activities, possibly to be implemented through GOI systems (not in the immediate term).
 - *Core funding for selected supply side organisations*. As outlined in Chapter 2, this may include core funding for overhead and running costs of research organisations.
 - *Partnership / twinning* with Australian institutions. These could be for either supply or demand organisations.
 - *Policy dialogue*. This would be a relatively small area, but will be focused on advocacy related to reform of the enabling environment.
 - *Provision of grants* in relation to localised knowledge production.

Why a Contractor?

16. There were three procurement approaches identified through the design process; an in-house approach with AusAID procuring all services; a single contractor model; and a multiple contractor model. There are advantages and disadvantages with each approach. The following section demonstrates why using a single contractor will be beneficial for this program.
17. For the first procurement approach, where AusAID manages all procurement of services, AusAID would be able to have direct oversight and build strong relationships with actors in the Knowledge Sector. However, this would not be the most suitable approach as it would require a high degree of human resources. AusAID does not possess the in-house skills and capacity to

⁴⁸ The 'type of aid' is the specific method through which funds are channelled. These terms and concepts are set out in the Guidelines "Choosing Approaches and Types of Aid for Working in Partner Systems". The Guidelines are in turn based on standard definitions used by the OECD/DAC.

manage the many individual contracts program components and stay on top of strategic management of the overall program as would be required in this approach.

18. Instead, AusAID will engage a Managing Contractor to manage the program. There are three reasons why a Contractor will be engaged:
19. First, the Program requires a sophisticated set of program management functions to be performed. These functions require their own specialisation, which are unlikely to be performed to a high standard by sector stakeholders, as they do not possess the required skills to complete these tasks. They include:
 - Planning a complex, interconnected work program in consultation with stakeholders;
 - Administering and overseeing implementation through the full variety of strategies described above;
 - Coordinating a work program across three components, and maximising integration between the three;
 - Managing complex physical, human, and financial resources on a large scale, to the standards required by an international donor; and
 - Bringing together a diverse range of expertise and experience (both local and international), working with a wide range of government and non-government stakeholders.
20. Second, a Contractor also offers the advantage that it sits outside the supply or demand side of the knowledge sector. This places it in a good position to act as a facilitator between the two, without any inherent (institutionalised) bias in how it perceives the knowledge-to-policy cycle, and can offer oversight of policy cycles informed by international practice.
21. Third, as outlined in Section V of Chapter 2, AusAID and Bappenas will continue to have strong oversight over the program and build strong relationships with actors in the Knowledge Sector through the Consultations Arm of the Program. The Knowledge Sector Unit will also have separate funding for research activities and have a position dedicated to consultations and stakeholder management. AusAID will provide sufficient internal resources to ensure that it maintains strong direct relationships with sector stakeholders throughout the evolution of the Program.

Why a Single Contractor?

22. Given the scale of the three components (and their different areas of focus from a technical perspective), one possibility is to divide the Program into three separate contracts (or the 'multiple contractor model').
23. This involves a trade-off between three organisations operating with a specialised focus and targeted work plan; versus one organisation operating to integrate the three components into a coherent whole. On balance, the latter is the priority, given the Program's success relies heavily on effective links between each program component (through the issues-based approach). A single contract will also incur lower transaction costs, including for coordination and oversight by AusAID.
24. There may be some risk management advantages in separate contracts (for example the whole program need not be held up in the event of a Contractor performance difficulty). However, a

rigorous selection process and appropriate management arrangement will ensure the benefits outweigh the risks.

25. Similarly, the Program's effectiveness depends largely on its engagement with the demand side stakeholders, the ability to demonstrate the success of the Program, and the value of a well-functioning knowledge sector. This strategy would be very difficult to deliver through a Program delivered through three contracts.
26. Through stakeholder mapping of possible implementing partners, AusAID recognises that program implementation will require a mix of three skills - capacity development, policy advocacy and program management skills. No one contractor will possess all the skills required to perform all of these roles across the three components of the Program. Consequently, it is expected that the Contractor may form a consortia based on existing relationships and associations with different implementing partners including domestic research institutions and civil society organisations.

III. OPERATING PRINCIPLES

27. While the previous chapter set out what the Program aims to achieve, it is important to highlight themes, or principles, that cut across all areas of Program delivery. They provide guidance to all stakeholders involved in the Program – in particular the Contractor – in implementing the Program. To ensure that these principles are operationalised effectively, strategies for assessing their effectiveness will be included in the Program's M&E Plan.
28. *A system-wide approach.* While individual interventions can only target individual elements of the system,⁴⁹ it will be essential to maintain a whole-of-Program view and a whole-of-system view at the same time. This provides significant challenges for the strategic coordination of activities, and for the planning and M&E systems. The M&E plan must include provision for careful, ongoing monitoring of the system as a whole to monitor any changes – including as a result of the Program (whether intended or unintended).
29. *Flexible and responsive.* Flexibility will be essential given the complexity of the sector, the importance of responding to changing knowledge demands, and the system wide nature of the challenges. It is not possible to predict all the cause-and-effect chains from the outset.
30. An important part of flexibility will be the ability to build on success through incremental engagement. The Program must be able to identify, demonstrate, and build on success. This is particularly important given the goal of the Program to *revitalise* the knowledge sector. To become engaged in that process of revitalisation, stakeholders will need to see its success. The Program must be able to take this into account as the work evolves.
31. This flexibility will also involve an opportunistic approach: identifying opportunities and moving quickly to exploit them. The design already allows for this through the 'issues-based' strategy for Component 2. While the design sets out some parameters in terms of the number of organisations that will receive this form of support, it will be an important to be flexible in this area so as not to let significant opportunities pass by.

⁴⁹ Even the enabling environment itself is just an element of the system.

32. *Advocacy and building ownership.* Demonstrating success, and using it to build support amongst policy makers (in general) and those responsible for the different aspects of the enabling environment (in particular) will be essential, and will require rigorous methodology and appropriate resourcing.
33. Unlike many sectors (in particular 'service delivery' sectors such as health or education), the knowledge sector has no clear institutional home within GOI. As such, the Program will require robust approaches to ensuring ownership, alignment, and harmonisation.

IV. REPORTING

Inception Reporting

34. The Contractor will submit four documents at the conclusion of the Program's inception period: an Implementation Strategy, Operations Manual, Initial Work Plan, and Monitoring and Evaluation Plan. Each of these documents will be prepared through a collaborative process. Further details on each are provided in Section 5.1 below.

Regular Reporting

35. The Contractor will prepare three regular reports to support Program decision-making and accountability.
36. *Annual Plans* will be the main planning documents for the Program. They will provide analysis of sectoral issues, and propose a fully costed program of activity for the coming twelve months.
37. In addition to the above, Annual Plans will incorporate the content of the Six-Monthly Report into the narrative, and include a Quarterly Report as an annex. Plans will be based on the Australian financial year.
38. *Six-monthly Performance Reports* will provide an *analytical* review of progress and achievements over the previous six months of Program implementation. They will allow for an assessment to be made about the adequacy of progress.
39. *Quarterly Activity Reports* will provide a *descriptive* implementation update. They will focus on Program on the progress of *activities* against the work plan. These reports would preferably be prepared in a table format. Where necessary, they will highlight any implementation issues requiring action.
40. The Monitoring and Evaluation Plan will provide further details on the format and content of each of these reports.
41. Any urgent issues requiring immediate action that is outside the scope of the Contractor's decision-making authority will be highlighted to AusAID and/or the Technical Secretariat immediately.
42. All reports will be submitted to the Program Technical Secretariat. Annual Plans and Six-monthly reports will be forwarded to the Steering Committee, along with recommendations regarding their adoption.

V. PROGRAM IMPLEMENTATION

43. As outlined in Chapter 2, the Knowledge Sector Program will be implemented over a long time frame (15 years), divided into three phases. The decision to split the program into phases will allow AusAID and Bappenas the flexibility to review the program at certain intervals and adjust the program as required to meet the demands of the knowledge sector post-2014 elections with a new government and as other opportunities present themselves.

3.1. STAKEHOLDER RESPONSIBILITIES

AusAID

44. AusAID will have responsibilities that fall broadly into two categories; management and representation.

Management

- Manage the contract for Program delivery with the Contractor.
- Fulfil its responsibilities as a member of the Program Technical Secretariat and Program Steering Committee. This will include reviewing and providing feedback on Program reports.
- Fulfil its responsibilities under the approved Monitoring and Evaluation Plan. These will be identified during the inception period, but can be expected to include monitoring the performance of the Contractor, providing input into strategic-level M&E activities, and managing any independent reviews of the Program.
- Participate, in consultation with Bappenas, in any Donor coordination and dialogue (including on substantive Program matters to do with how donor activities impact the knowledge sector).
- Identifying areas for collaboration with other areas of the AusAID Program, for example in relation to the issues-based approach under Component 2.
- Conduct or commission analytical pieces to further understand the sector. The analytical pieces will either identify barriers and opportunities in the sector, suggest ways of moving forward, or draw lessons from international experience. These pieces will be distributed, where possible, in the public domain for knowledge sharing purposes. They will also be used to review and modify interventions under the Program components.

Representation

45. The focus of this work is on building constituencies for reform. This will involve:

- Policy dialogue with GOI, for example to identify opportunities for support through issues-based approach, and identifying opportunities for influencing the enabling environment.
- Showcasing or reinforcing learning and successes from the Program.
- Facilitating dialogue between technical specialists and GOI partners, where necessary. This may include ensuring access to senior GOI stakeholders for the Program.
- Liaising with other donors to advocate for a consistent approach to the knowledge sector. This should be done in coordination with Bappenas.

46. How AusAID manages these responsibilities and what resources are required are elaborated in the section on *Knowledge Sector Management – AusAID* within this chapter.

47. This program will require a great deal of collaboration between the Knowledge Sector Unit and Sectoral Programs identified under the issues-based approach. AusAID with Bappenas will identify priority 2-4 priority issues. AusAID sectoral teams managing these issues (e.g. Decentralisation Unit) will provide key insights into entry points for the Program.

48. It is important to emphasise the representation function is not a public affairs or public relations function. It is an essential part of Program *delivery*, without which the Program will not be able to build the constituencies for reform that are essential for the Program's success.

Bappenas

49. Bappenas will:

- Fulfil its responsibilities as a member of the Program Technical Secretariat and Program Steering Committee. This will include reviewing and providing feedback on Program reports.
- Coordinate with GOI agencies regarding their involvement (or potential involvement) in the Program.
- Contribute to the development of strategic direction, including through identifying potential areas of support through the issues-based approach in Component 2.
- Develop a structured approach to coordinating donor assistance in the knowledge sector, including establishing any formal bodies required to give effect to that approach.
- Provide advice on relevant GOI process for aid coordination, where necessary.

Contractor

Inception Phase

50. In addition to establishing its Program office and operations during the inception phase, the Contractor will develop Program strategies and systems. The inception phase will cover the first four months of the Program.

51. The Contractor will develop an Implementation Strategy, which will include:

- A capacity development framework;
- Stakeholder engagement strategy (to assist with work planning and monitoring of sectoral developments);
- A strategy for operationalising the principles outlined in Section 3 of this chapter;
- Criteria for the selection of supply organisations to receive capacity development, core funding and other support,
- An approach to identifying issues for inclusion in the issues-based approach in Component 2. (Note that the Contractor will not be solely responsible for identifying issues – it will be a joint responsibility of all Steering Committee members);
- An advocacy strategy that outlines how the Program will demonstrate its success amongst key stakeholders, and promote the objectives of knowledge sector reform, including of reform to the enabling environment.

52. The Implementation Strategy will be updated as necessary in subsequent Annual Plans.

53. The Contractor will also prepare:

- *A Program Operations Manual*. This will define the detailed operational procedures for the Contractor's implementation of the Program. This will include procedures for administering core funding and the provision of grants (both for government agencies to procure research in Component 2,⁵⁰ and for the implementation of small grants schemes in Component 1).
- *Initial work plan*. This will outline the work to be undertaken during the period between the conclusion of the inception period and the submission of the first full Annual Plan.
- *Monitoring and Evaluation Plan*. This will be a comprehensive approach to the monitoring and evaluation of the Program. Importantly, it will include information about how information

⁵⁰ Although research will be procured outside GOI systems, the process must be led by GOI agencies to ensure that the capacity development and awareness raising objectives of this strategy are achieved.

derived from M&E activities will be used to advocate for knowledge sector reform. Further details on monitoring and evaluation are provided in section 5.2 below.

54. All of the above strategies and plans will be submitted to the Program Technical Secretariat, who will recommend their approval to the Steering Committee.
55. The Contractor will also establish the Technical Support Network. This will be a pool of experts on which the Contractor will draw for the implementation of Program activities and the provision of expert advice. Further details are provided in section 5.3 below.

Program Planning

56. The Contractor will conduct Program planning and analysis, including through the development of Annual Plans. All planning activity will be based on broad and rigorous consultation with stakeholders. Planning activities will include the selection of organisations for involvement in the Program, using the agreed selection criteria in close consultation with the Program Steering Committee and other stakeholders as necessary.
57. Annual work plans will be submitted to the Technical Secretariat, who will consider them prior to forwarding to the Steering Committee for approval. Six monthly reports will recommend any necessary variations to the work plans.

Program Delivery

58. The Contractor will:
 - Manage delivery of technical assistance and capacity development across all components. This will include the development of detailed activity designs, preparation of Terms of Reference for advisers and other staff, recruitment and deployment of experts, oversight of implementation, all with regular liaison with counterparts;
 - Administer and oversee the provision of grants, including core funding to approved organisations;
 - Coordinate activity across Program components.

Program Monitoring and Liaison

59. The Contractor will:
 - Implement the approved Monitoring and Evaluation Plan;
 - Liaise broadly and regularly with relevant stakeholders to ensure an appropriate understanding of developments and opportunities in the sector;
 - Promote the Program within the sector, including actively using Program achievements as a basis for advocacy for knowledge sector reform. These activities should be undertaken in close coordination with the Program Steering Committee;
 - Conduct ongoing risk analysis and implement risk management activities as appropriate.
 - Submit quarterly, six-monthly reports and annual plans to the Program Technical Secretariat; and
 - Advise AusAID immediately of any critical issues affecting Program progress.

General Management Responsibilities

60. The Contractor will:
 - Administer the Program (including financial management) in compliance with contractual and corporate policy requirements from AusAID;
 - Provide administrative support to the Program Steering Committee and Technical Secretariat as tasked by AusAID; and
 - Ensure remuneration for advisers is consistent with AusAID's Adviser Remuneration Framework.

Counterpart Organisations

61. Counterpart organisations include all organisations that receive support under all components of the Program.
62. They will:
- Ensure that counterpart staff are available for activity implementation, and for general dialogue about progress of the specific activity as well as general issues within the sector;
 - Participate in monitoring and evaluation of activities, and where relevant, provide advice on how the Program can use Indonesian monitoring and evaluation systems;
 - Provide any specific materials agreed in relation to individual Program activities (e.g. office space, documents etc);
 - Work collaboratively with advisers or other staff provided by the Program with a view to maximising the value of the support provided; and
 - Provide feedback to the Contractor (and Program Technical Secretariat as necessary) regarding effectiveness of support.
63. Organisations that receive core funding through the organisation will comply with any conditions on which the provision of funding is approved.

3.2. MONITORING AND EVALUATION APPROACH FOR THE CONTRACTOR

64. The Contractor will develop a comprehensive Monitoring and Evaluation Plan within the first four months of the Program. This Plan must be able to be operationalised. The Contractor is given a degree of flexibility for the content and format of the Plan, but the Contractor should consider the following key aspects at a minimum.

Evaluability Assessment

65. The Contractor will conduct an Evaluability Assessment (EA) of the Program, with full stakeholder participation. The Senior M&E Specialist will be expected to lead this process. An EA includes, at a minimum:
- Consultation with stakeholders to confirm a shared interpretation of the expected long-term and end of Program outcomes;
 - A review of the program logic and description of the extent to which it is able to be evaluated including clarity of expression of end-of-initiative outcomes in the documentation;
 - An examination of proposed/potential data sources (including partner systems) to ensure that data is of sufficient quality; is collected and analysed as expected; and will be available within the required reporting cycles;
 - An assessment of the capacity of the implementation team and partners to participate in the design and/or conduct of M&E activities;
 - A review of the budget/resources available for M&E activities;
 - Identification of reporting requirements for key stakeholders. This includes progress reporting as outlined in this design document, Quality at Implementation Reporting, and Annual Program Performance Reporting. There should be a clear recognition of how the M&E plan is expected to provide evidence for reporting against the Country Program Performance Assessment Framework.
 - Identify key evaluation questions of interest to stakeholders;
 - A review of cross-cutting policy areas that will need to be included in the M&E Plan;
 - Clear identification of issues and/or constraints that will affect the design and implementation of the M&E Plan.

Framework for Analysing Results

66. The design defines program and component outcomes. It is expected that these will provide an adequate basis for developing a robust M&E Plan. The M&E Plan will develop robust approaches to assessing the extent to which these have been achieved.
67. An important part of the M&E Plan will be assessing the capacity and effectiveness of Program counterparts, in particular the 16 supply side organisations that the Program will support.⁵¹ As outlined in Chapter 2 of the design, the Program will undertake institutional assessments of these organisations. The methodology used for these assessments should be consistent with the approach to be used to assess their progress. Wherever possible, the assessments should be used to establish baseline information.
68. Demonstrating impact on the policy process and on policy outcomes will be a particular challenge for M&E on this Program. Demonstrating such impact provides significant methodological challenges, and these should be carefully considered during the evaluability assessment. The development of analytical frameworks for assessing the effectiveness of the Program should draw on relevant literature regarding knowledge to policy issues.⁵²
69. The M&E Plan should also include an approach to assessing the effectiveness of the operating principles identified earlier in this chapter: the system-wide approach, flexibility and responsiveness, and building ownership. Including these factors in the M&E Plan will help to ensure that they are operationalised effectively. The M&E Plan should monitor the extent to which *all* stakeholders – including the Program Steering Committee and Program Technical Secretariat – operate in a manner consistent with those principles.

Context

70. The M&E Plan will include specific approaches to monitoring the implementation context. As outlined elsewhere in this design, an important part of the Program's success will be its ability to respond to opportunities that arise, in particular in relation to the issues-based approach to work with demand side agencies, and in relation to the regulatory.
71. Being positioned to respond to such opportunities requires a strong understanding of context, including the stakeholder environment. The Program should have a robust approach to maintaining this understanding. The approach should be informed by a thorough understanding of the stakeholder environment and policy climate (and the specific factors that affect the policy climate).
72. Effective monitoring of the context will also be an important risk management tool for the Program.

Cross Cutting Issues

73. The M&E Plan should identify how relevant outcomes from AusAID's cross-cutting themes should be analysed:
- *Gender*: At a minimum all relevant data should be sex disaggregated. Where partner systems do not allow reporting in this way, and where feasible, identify approaches to enable partners to report using sex disaggregated data.

⁵¹ Note that following its submission to AusAID, this will be subject to internal AusAID peer review.

⁵² For example, *Knowledge to Policy* by Fred Carden of IDRC, *Bridging Research and Policy* by Julius Court and John Young of ODI, and *Influencing Policy Processes* by the FAO.

- *Partnerships*; and
- *Anti-Corruption*.

Methodology

74. All evaluation questions and indicators will be supported by a sound methodology, and means of verification should be fully designed. Means of verification are not reports, but actual methods required to collect the primary data. Secondary data sources are also to be used where appropriate. All tools required to collect data must be designed and included in the annexes of the M&E Plan (for practical reasons a small number of tools may not be able to be developed during the development of the initial M&E Plan).
75. Where special evaluation studies are to be conducted, the full design should be described in the M&E Plan with a description of the methods for data collection and analysis elaborated and tools developed. Special evaluation studies may be particularly useful in Component 2, with a focus on the extent to which research influenced the policy process, and the extent to which the Program contributed to a change in the relevant knowledge to policy cycle.

Output Delivery

76. The achievement and quality of outputs or deliverables must be addressed. A number of output indicators are required to be reported on routinely. This could include the development of a “Fact Sheet” where key project outputs are reported against in a concise form that allows efficient monitoring and reporting of the Program by AusAID staff (this is in addition to routine reporting requirements).
77. The M&E Plan must provide for an approach to reporting on the *scope* and *quality* of output delivery.

Communication and Advocacy

78. The Plan must identify how the findings of the monitoring and evaluation activities will be disseminated and utilised. This does not refer to a reporting frequency table, but rather to what mechanisms are in place to ensure that findings are disseminated to all relevant stakeholders and that findings are likely to be responded to or utilised.
79. This is an important function of the Program as a whole – not just the M&E Plan. Consistent with the need to build ownership, to advocate for a robust knowledge sector and policy process, it will be essential that the successes of the Program are effectively communicated.
80. There are two distinct elements to this. First, is the development of robust information regarding the influence of knowledge over policy. Second is the ability to communicate that information in a simple, clear way that meets the needs of influential stakeholders. Although this analysis may be complex, it must be communicated in a succinct way to demonstrate the value of both the Program and the knowledge sector more broadly.

Implementation Schedule

81. A full implementation schedule should be included that shows when all key M&E activities will be carried out. Identification of M&E activity responsibilities (that are matched to individuals’ capacities and resources to meet them) should be included in this plan.
82. There should be a complete costing (budget) of the M&E Plan for both personnel requirements and the costs of conducting monitoring and evaluation activities.

83. The Contractor is expected to meet international standards of monitoring and evaluation, and current expectations emerging from the Office of Development Effectiveness. Contractors are expected to be conversant with these standards or requirements.

3.3. RESOURCES

Program Expenditure

84. The Revitalising the Knowledge Sector for Development Policy Program will run for 15 years and be divided into three five-year phases. This reflects the long term engagement required to bring about policy reforms and the production of high-quality research.

85. The first phase will be delivered through a Managing Contractor, chosen through a competitive process. It will be made up of an initial five year period. There will be an Independent Progress Report completed in Year 4 to analyse the future directions of the Program. This will provide AusAID the option of extending the funding support for the second phase to the Contractor or pursuing alternative arrangements.

86. Near the end of the first 5-year phase (year 4) AusAID will carry out an Independent Review to determine longer term support (including aid approaches). This will involve revisiting the market and ensuring continuing competition for best performance. This independent review should also include an operational review of the Program's implementation arrangements to assess its effectiveness and its suitability for the next phase of the Program.

87. Funding for the Knowledge Sector Program will be used to support the work of the knowledge to policy systems, and the overall management of the Program. The proposed overall Program Budget for the first 5-year phase is approximately **AUD100 million**.

Indicative Contractor Team Structure

88. The Program Implementation Team will be responsible for implementation of the Program, working closely alongside the Program Technical Secretariat. The Program Implementation Team will work under the direction of an Operations Manager who will be supported by a Lead Technical Adviser who will lead the technical and policy direction of the Program (whose role is explained in the following section).

89. The Contractor should propose a suitable structure for the Implementation Team, but the following are indicative full time positions to be supplied by the Contractor:

- *Operations Manager.* The Operations Manager will be responsible to AusAID for the overall performance of the contractor. He/she will provide strategic direction for the contractor team and will lead all liaison with AusAID and other Program stakeholders, lead program planning and all reporting and analysis. The Operations Manager will ensure the coherence of the program, including operationalising the system-wide approach.)
- *Lead Technical Adviser.* Will provide high level technical support to the Operations Manager, including providing overall strategic direction for the program. The Lead Technical Adviser will use international best practice to advise on technical issues related to all components, taking the lead on engagement in the enabling environment.

- *Supply Component Leader.* Will manage the delivery of the supply component, including planning details of assistance to supply side organisations, and overseeing all forms of support that are provided to them.
- *Demand Component Leader.* Will manage the delivery of the demand component, including planning all assistance through the issues-based approach, and ensuring that support is feasible and appropriately targeted. Will oversee all relevant technical activities.
- *Intermediary Component Leader.* Will manage the delivery of the intermediary component, including oversight of support to the BAPPENAS Policy Analysis Team and other relevant technical activities under this component.
- *M&E Manager.* Will manage the delivery of all operational aspects of the Monitoring and Evaluation Plan in close coordination with both the Lead Technical Adviser and Senior Monitoring and Evaluation Specialist.
- *Finance Manager.* Will oversee all Program finances, including establishing and managing systems for disbursing grants.
- *Program Coordinators.* Will manage the detailed aspects of Program delivery, such as managing subcontracts, liaising with counterpart organisations, arranging logistics etc.
- *Administrative support staff.*

90. The team will also include a *Senior Monitoring and Evaluation Specialist* who will provide regular short term inputs of approximately three months per year. The Specialist will design the Program Monitoring and Evaluation Plan during the inception period.

91. The Contractor will establish a pool of technical advisers who will provide a variety of inputs. These will include (but not be limited to):

- Policy experts to provide support to Government agencies under the issues-based approach.
- Policy experts to provide advice on issues related to the enabling environment.
- Knowledge-to-policy experts to provide advice on a range of matters related to either supply or demand side organisations.
- Research experts to provide support and advice to research organisations.
- Management and organisational development experts to provide support under either the supply or demand components.
- Trainers to provide support under either the supply or demand components.
- Evaluation experts to provide in-depth studies of specific Program activities.

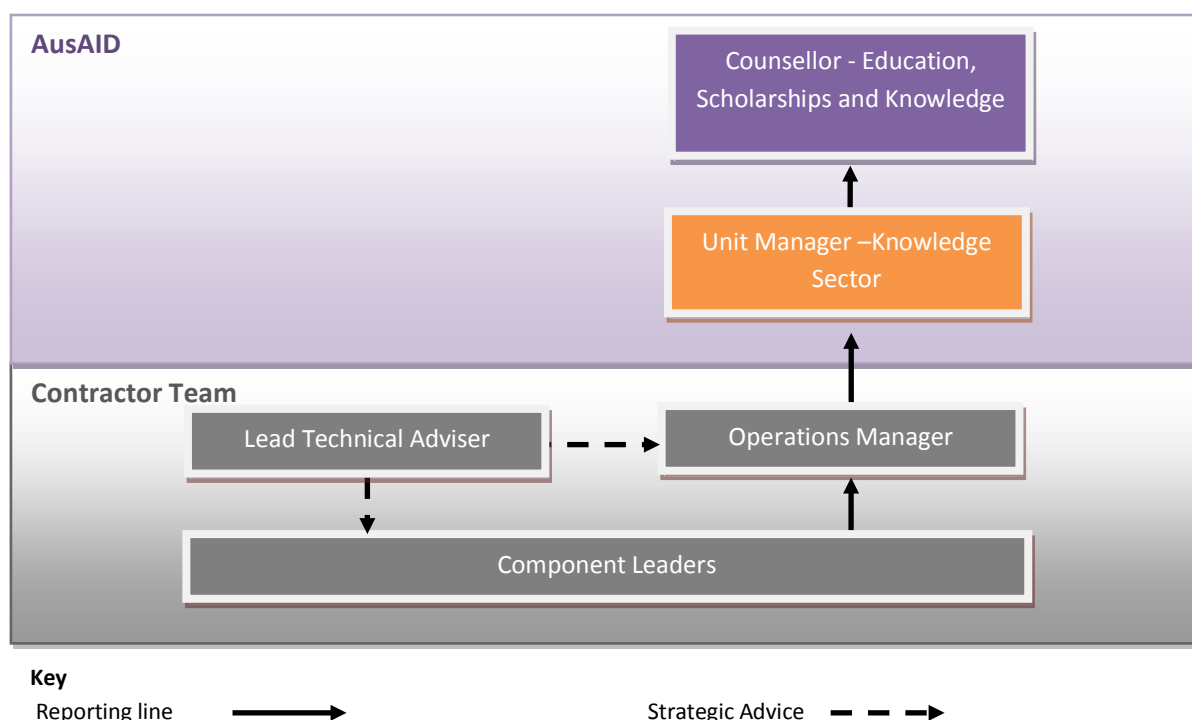
92. The pool will be established during the Program's inception period. Once established, advisers can be engaged by the Contractor for any approved activities. Where necessary, the Contractor can engage advisers from outside the pool, subject to approval by the Program Technical Secretariat.

Knowledge Sector Management – AusAID

93. The Knowledge Sector Program is unique in that it does not have a defined sectoral focus like most programs. This will require the sectors to identify the important issues and actors within the sector, whereas the knowledge sector team will provide guidance on how to ensure a functioning knowledge to policy cycle. In order for the issues-based approach to work, resources from the Knowledge Sector Unit will need to be dedicated to maintain continuous coordination with sectoral programs to make sure that activities are in sync.

94. Through the design process, AusAID already has developed in-house expertise in knowledge sector in designing the program. It will be important for the Knowledge Sector Unit to maintain corporate knowledge and relationships with GOI and other stakeholders. To do this, the AusAID Knowledge Sector Unit needs to maintain substantial involvement in the program, in addition providing contractual oversight.

Diagram 3.2: Program Implementation Team Indicative Structure



95. AusAID’s responsibilities towards the program have been outlined in paragraphs 44-48 of this document. These will be met using resources currently available in the Unit: one OB7 (Unit Manager); two APS6/OB6 (Senior Program Managers); one OB5 (Program Manager); and one OB3 (Program Officer). The general division of work will be as follows:

- *Unit Manager*. Responsible for managing the Knowledge Sector Unit, leading the Knowledge Sector program implementation, providing strategic program direction, maintaining policy dialogue with the Government of Indonesia and other development partners, and ensuring the quality of deliverables from both the unit and the Knowledge Sector Program.
- *Senior Program Manager – Knowledge Sector Analyst*. Responsible for conducting or commissioning analytical pieces to further understand the sector, synthesising the program’s monitoring and evaluation reports, and using these pieces of analysis to provide policy options that inform the program’s strategic direction. This SPM will coordinate closely with the program’s Monitoring and Evaluation Specialist, as well as with its component leaders.
- *Senior Program Manager – Knowledge Sector External Relations*. Responsible for liaising with other AusAID sector programs and identifying areas for collaboration,⁵³ showcasing the program’s learning and successes to wider audiences, and facilitating dialogue with program stakeholders (building upon the intensive consultations work conducted during the design process). This SPM will also be responsible for liaising with AusAID’s scholarships program to link capacity building efforts for targeted organisations.

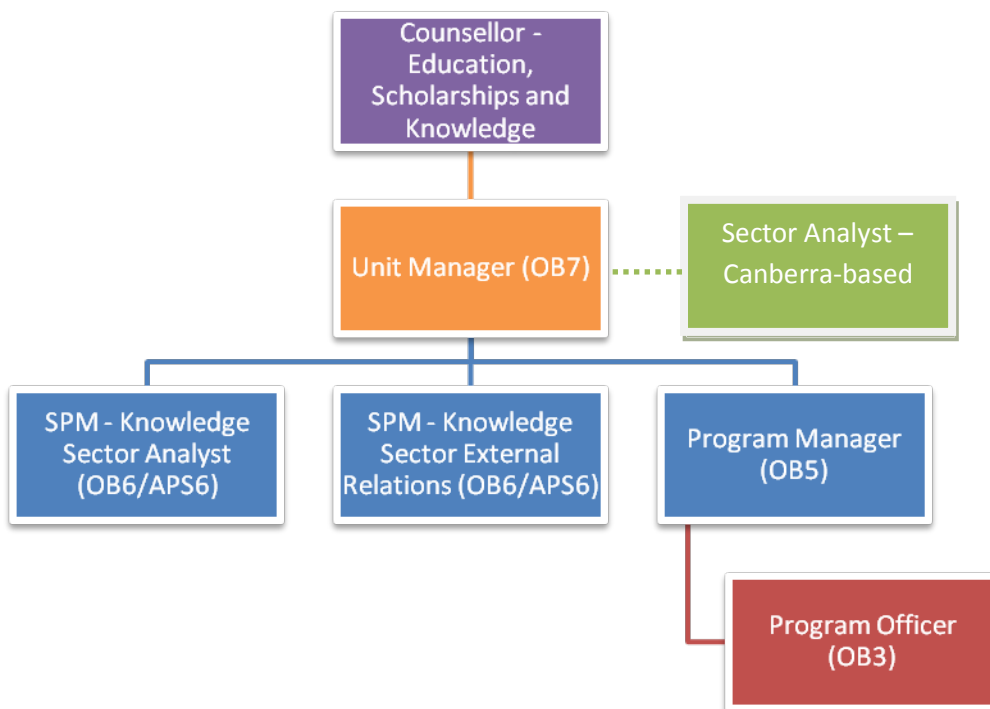
⁵³ See Chapter 2, Sections II and IV (*Demand, Approach*) for elaboration on the issues-approach to selection of government agencies that the Program will work with, and *Annex 5* for examples on the complementarities with other AusAID programs.

- *Program Manager* – Responsible for contractual oversight of the program to ensure successful delivery; this includes commissioning reviews of program implementation. The Program Manager will coordinate closely with the program’s Operations Manager.
- *Program Officer* – Responsible for overall program support to the unit, including compliance with AusAID corporate requirements.

96. In addition to the above personnel at Post, the Program will also require the part-time inputs of a *Canberra-based Sector Analyst* from the Indonesia Desk. This person will be responsible for corporately documenting Program lessons to be accessible to other country programs, ensuring the Program is up-to-date with AusAID broader strategic policies, as well as liaising with Australian universities and other AusAID-funded research initiatives that might have relevance to the Program. A key part of their role will be filtering-up information to AusAID Senior Management in Canberra the Program’s success and experiences. Communications to the broader Whole of Government Canberra audience will be absolutely critical over the life of 15 years; hence this person’s role is indispensable to the success of the Program.

97. An indicative structure for AusAID’s management of the Program is depicted as follows:

Diagram 3.3: AusAID Management Structure for Knowledge Sector



Annex 1: Consultations and summary of input

During the design period, the Knowledge Sector team carried out extensive consultations with GOI, CSOs, universities, think tanks, and other donors. Some consultations were carried out through the formal Consultative arrangement, which consists of a Steering Committee, a Management Committee and four Working Groups (CSOs/think tanks, university-based research organisations, policy makers, and donors). Others were carried out by meeting the relevant stakeholders separately.

TABLE 1: SUMMARY OF INPUT FROM CONSULTATIONS

WHO	INPUT	RESPONSE
Fasli Djalal Vice Minister of Education (then DG for Higher Education), University Working Groups, Prof. Hal Hill (ANU)	Reforming higher education is a very important part of revitalising the knowledge sector. Without reforming Indonesian higher education, the human capital who can carry out quality research will not improve.	a) Inclusion of higher education reform on research issues under the Enabling Environment component. b) AusAID will design and implement a separate Higher Education (HE) program, which will be closely related to the Knowledge Sector program. This HE program originated from discussions under the Knowledge Sector design.
Armida Alisjahbana, Minister of National Planning Agency (Bappenas)	Welcomed the initiative, particularly because it is long term. Policy Analysis Team will be a means to mainstream knowledge to policy. The program will need focus on what it will reach.	Issues based approach to focus the program (limit its scope). Sequencing of the activities, based on priorities and what can be feasibly achieved.
Management Committee workshop	The importance of choosing development issues to limit the scope of the Program and capitalise on potential successes, where there is already a strong demand for evidence.	The Program's issues-based approach to select policy makers under the Demand component and link them with potential Supply research organisations and Intermediary CSOs. The issues will be selected by AusAID and Bappenas based on GOI and AusAID priorities, consultations and scoping study.
	Should Intermediary be a separate Component or a function embedded in the other components?	Although there will be a separate Intermediary component, the activities under Supply, Demand and Enabling Environment will also improve

		intermediary functions.
	Should the Program specifically include <i>Balitbang</i> ?	Where relevant, depending on the issues selected, the Program will work with <i>Balitbang</i> . The focus will be on strengthening the <i>Balitbang</i> 's role as an intermediary which links between the research community and the policy makers (e.g. commissioning research, packaging research products in policy briefs, etc).
	How do we increase demand for knowledge among policy makers?	a) Work from their target of achievements as entry point for evidence. b) Competition among local governments can increase demand.
Working Group meetings	Suggested list of constraints in the knowledge sector and possible solutions.	These inputs were incorporated in the design document.
Concept Peer Review	The Program needs AusAID's long term commitment in the sector	Incorporated in design, which spells out approximately 15 years, broken down into three phases (first phase for six years).
	The tertiary education review should be parallel to the knowledge sector design process	AusAID will start a separate tertiary education program with review starting in parallel with knowledge sector design
	The Program needs to have strong GOI ownership	GOI (through Bappenas) chairs the Management Committee of the design and is actively involved in shaping the program. Consultations on program approach included Bappenas Minister and deputies as well as GOI working group from various agencies.
	Strengthening demand would need to be carried out in selected areas, where AusAID already has a heavy involvement	Demand component will be carried out in close cooperation with AusAID sectoral programs. The first years will include these 5 sectors: Poverty Alleviation, Health, Decentralisation, Education, and Economic Governance.

Annex 2: Diagnostics

	Diagnostic Study	Summary
1	Comparative Analysis of Middle Income Countries' Knowledge Sector Investments (Greta Nielsen)	Compares the institutional landscape of Indonesia's knowledge sector to five other middle income countries: Brazil, Mexico, Philippines, Singapore and Malaysia. Assists Indonesian stakeholders to consider other middle income countries experiences.
2	Regulatory Constraints and Procurement Laws (<i>"Regulatory obstacles to the growth of a knowledge market in Indonesia"</i>) (Stephen Sherlock)	Analyses the features of the Government of Indonesia human resources management and procurement regulations that restrict the flow of knowledge to government from outside sources.
3	Economic Incentives study (Daniel Suryadarma, Jackie Pomeroy, and Sunny Tanuwidjaja)	Investigates the role economic incentives and disincentives play in explaining the low quality of Indonesian policy research.
4	Review of Social Science Capacity Building Support to Indonesia's Knowledge Sector (John McCarthy and Rustam Ibrahim)	Identifies the major factors limiting the development of qualitative social science research; discusses approaches and solutions that donors have already tried; considers new directions of support
5	The SMERU Research Institute: history and Lessons Learned (Sudarno Sumarto)	Provides an overview of the history of SMERU and lessons for other research organisations operating in the sector and identifies the practices that enable indigenous think tanks and research suppliers to do useful social policy research for policy makers.
6	LIPI and DRN Review (Mayling Oey-Gardener)	Reviews LIPI and the National Research Council's (DRN) role in bridging research to development policy in Indonesia; including a) detailing the strengths and weaknesses of LIPI; and b) determining whether AusAID's program in this area should include support to LIPI in implementing required institutional reforms and any risks associated with this; and c) detailing the reforms/needed to become an effective institution in Indonesia's knowledge

		sector
7	Gender Institutions in the Knowledge Sector (Ruth Eveline)	Reviews the production and demand of gender-focused research, including the challenges for producing research on gender issues; the construction of gender in public policies. It also provides recommendations on how AusAID can strengthen the knowledge to policy cycle focusing on gender issues.
8	Decentralisation study: Knowledge Needs at the local government level (Paul M Suttmuller and Ivo Setiono)	Provides an overview of evidence-based public policy formulation under decentralisation.
9	Assessment on the roles, functions and performance of Litbangs (Hetty Cislowski)	Reviews Balitbang (Research and Development Centres) in bridging research to development policy in Indonesia.
10	The Political Economy of Policy Making in Indonesia (ODI and SMERU)	Reviews the policy making process in Indonesia, outlining the realities of how policies are made in practice and any entry-points for this program for building capacity on the demand and utilisation side of evidence-based policy making process.
12	Overview of the Indonesian Knowledge Sector (Petrarca Karetji)	Provides an overview of the institutional landscape, policies and nature of the knowledge sector in Indonesia. Provides an overarching framework and strategy map for the program and some recommendations for future program options.
13	Scholarships and Alumni Assessment (Lisa Mollard/AusAID Scholarships Unit)	Examines the potential role of scholarships in supporting the Knowledge Sector Program and trends in returning Alumni.

Annex 3: Lessons from the Asia Foundation Action Learning Program

From March 2010 - December 2011 AusAID designed and funded a pilot program together with the Asia Foundation (TAF) for building the capacity of selected supply side organisations. The objective of the pilot program was to derive lessons learned on how best to build the capacity of supply side research organisations (this included three streams: research organisations, university research centres and research networks). The pilot program worked in a collaborative manner with eight organisations to develop a tailor made workplan for the 18 month period, based on their individual needs. Institutions largely self-determined their reform program through a supported process of problem identification. The pilot program focused on three activities: technical, organisational and advocacy capacity.

1. Problems Identified by Partners at Baseline

Each partner institution mapped their strengths and weaknesses as knowledge producing organizations, and reflected on problems of being (organizational and agenda-creation issues), problems of doing (technical capacity) and problems of relating (capacity to relate to stakeholders). An overview of problems identified at the start of the program follows.

A. Organizational Problems

The major organizational problems identified related to clarity of organization vision and mandate; agenda creation issues; the creation of an effective organizational structure for policy research; adequate human resources, facilities, infrastructure and funds; and quality assurance systems. Although most institutions already had a clearly defined organizational vision and mandate, many were forced to engage in programs that did not directly support their vision. This was primarily because of availability of funds, with donors tending to drive the type of research projects undertaken. Most organizations expressed deficiencies in organizational structure for policy research. The majority of partners had standard operating procedures and codes of conduct, but they were only loosely followed, or did not have the acceptance of all staff. While monitoring and evaluation activities were conducted for donor-driven projects, no partners had implemented such procedures for their organizations as a whole.

All organizations expressed concerns with regards to human resources, facilities, infrastructure or funds. In most cases, the relationship between institutions and their boards was loose, with inputs from board members often seen as mere formalities. A few organizations, however, demonstrated a healthy relationship with their boards. Three organizations were led by, and relatively dependent on, their founders – considered both an enabling factor and a possible hindrance to organizational success. Deficiencies in staff management were common findings. Most organizations did not have a clear merit-based remuneration system or provide career paths for researchers. In some organizations staff turnover was high, due to reasons of limited financial capacity or the fact that researchers were recruited for short-term projects.

Most organizations had enough funds to survive for two to four more years if new funding were to become unavailable. Funds for non-program facilities, such as libraries and database systems, were limited. A significant challenge identified was that most organizations had a limited ability to write

funding proposals – in most cases research initiatives were initiated by donors. Language barriers were also identified as a major challenge to accessing international literature.

Most partners did not have formal quality assurance mechanisms in place for research, with standards largely determined by individual researchers. Collaboration with other researchers was also based predominantly on personal connections, with such networks yet to be formalized by the organizations. Relationships between senior and junior researchers were mostly unstructured, with few organizations possessing institutionalized mentoring programs. No difference was noted between organizations in the type of quality assurance mechanisms utilized.

B. Technical Capacity Problems

The major challenges to technical capacity related to research methodologies; analysis; data processing and writing research results; access to policy makers; and capacity to conduct advocacy. Most partners were confident with their abilities in qualitative research methods, although expressed limitations with regards to skill in quantitative research or the manipulation of statistical data (one partner, whose work has mostly been conducting quantitative research, identified the need to strengthen their capacity to use qualitative methods). Most also acknowledged that they had experienced difficulty in developing a comprehensive research agenda and advocacy plan that was consistent with their mandate. Opportunities to develop the technical skills of staff members in their areas of interest were restricted by issues such as the donor- or project-driven nature of research. In some cases, the analysis of the data obtained was weak, needed a stronger grounding in theory, or a greater connection to its implications for policy.

Limitations of capacity, funds and time also meant that partners rarely had the opportunity to evaluate the effectiveness of their work. If conducted, monitoring and evaluation was done on a project basis. Most organizations also revealed that they had difficulty crafting and packaging data and key messages in a way that was suitable for different audiences. Few researchers had knowledge of how to effectively use the media to present their findings. Most partner organizations believed they had positive relationships with policy makers. A few even had a sufficiently close relationship that their input was actively sought by government officials. In terms of advocacy capacity, most partners recognized that creating alliances and promoting cooperation were essential for effective advocacy. Yet fostering such collaborations often proved difficult, and was not prioritized. A further limitation related to the data used for advocacy. As funding for research was limited, policy inputs were often developed using anecdotal data.

2. The Design of Capacity Building Interventions

The pilot program assisted partners to formulate a capacity building program to address these major technical capacity challenges and constraints. Activities were tailored to the needs of each partner, although activities were designed as presented in the following page. Given that strengthening organizational capacity and technical capacity are closely related – consider, for example, that the rigor of research could be improved both through organizational governance (SOPs on quality assurance processes) or through technical assistance (improving methodological skills)— assistance was directed towards both sides concurrently.

To design the capacity building approach, a solution box approach was used, which is a form of a logical framework that records what there ought to be (facilitating factors), in order to achieve an outcome or solution to a problem. The solution box was a useful tool for program planning, as it helped partners to deconstruct outcomes and solutions into facilitating factors and activities that

needed to be done for these facilitating factors to exist. It was also useful for determining the baseline in an organization by providing an inventory of the institution's root problems.

Strategic planning and problem analysis sessions using a solution box form helped partners to identify their needs (what) and the assistance provider (who). Organizations planned and procured their own assistance, identifying consultants with the assistance of TAF when needed. Partners actively took initiatives to contact capacity building providers and, in some cases, invited other Knowledge Sector program organizations to participate in joint capacity-building activities. A flexible financial management scheme was also important to allow partners being responsive to the opportunities for capacity building. For example, many conferences and exchange opportunities emerged during the program and partners were able to access these opportunities due to this flexibility in program planning and financial management. Several partners also offered exchanges and training courses for other Knowledge Sector organizations during the pilot program. The solution box approach also encouraged partners to think about and justify any proposed activity. If partners suggested they wanted to attend an international conference, for example, they were pressed to explain what problem such an activity was trying to address. However, with such a short program, finding solutions to the root causes was very challenging.

3. What Capacity Building Interventions Worked

An award of up to IDR900 million (AUD100,500) was provided per organization, for 18 months of program implementation. Up to 25% of the award could be use to support personnel and institutional costs. The grant agreement was structured to enable organizations to utilize their funding flexibly. An indicative annual workplan was agreed on, with quarterly revisions submitted to TAF for review. This enabled partners to respond to emerging opportunities, and make changes should some activities not work out as planned. At the outset partners' absorptive capacity was low, for the most part because capacity building initiatives were not considered urgent albeit important. As such, capacity building initiatives tended to be prioritized and implemented only when partners had lulls in other project funding – and most all of the partner organizations hardly ever had such lulls. Understanding this trend, partners were supported to re-design capacity building initiatives to better suit the rhythm of their organization. The following section provides evidence of what capacity building interventions worked during the pilot program.

A. Organizational capacity

Despite the diverse nature of the partner organizations (universities, think-tanks and advocacy groups), all eight partners faced similar issues with regards to clarity of organizational direction, mandate, structure, and financial management. Organizational problems identified included: lack of clarity in organizational vision and mandate; problems with agenda creation; lack of an effective organizational structure for policy research; inadequate facilities, human resources, infrastructure, funds; and weak quality assurance systems. While all identified themselves as knowledge institutions, most struggled with balancing their role executing projects with their broader mandate for producing knowledge.

Broadly, assistance provided through the program has included strategic planning, Board strengthening, stakeholder analysis, revision of Standard Operating Procedures (SOPs), organizational restructuring, learning visits to other organizations, formulation of staff development plans, improved data management and library systems, fund raising and business development planning, and improving quality assurance through mentors, seminars and mobilization of associate researchers. Interventions that worked best were as follows:

1. Strategic Planning

All partners, to varying degrees, found that the strategic planning session arranged at the start of the program was useful for tackling these organizational issues. Some partners felt they only needed to finalize their strategic plans, as they already had a plan in place before the Knowledge Sector program. Others used the planning session to gain momentum for adjusting the overall direction of their organizations. All partners noted that strategic planning provided evidence and the rationale for the senior management and Board to endorse organizational reform.

Partners used the strategic planning session to revisit basic organizational issues, and to develop their strategy to improve both their organizational and technical capacity. Strategic planning process assisted partners to contemplate their *problems of being*, and develop an action plan to address *problems of doing and relating*. Partners universally mentioned that strategic planning was among the most important components of the program because it forced them to “pause and reflect” on what they wanted to be and where they wanted to go as organizations.

Although most partners used strategic planning as a medium for formulating a strategy for change and transformation, the magnitude of change achieved varied among the partners. Some only achieved procedural changes, while others underwent major changes such as regeneration of the organization’s management, revisions to the organizational structure, renewal of the vision-mission statement, and improvements in the remuneration system.

2. Improvement of Standard Operating Procedures

All partners identified the need to improve their basic Standard Operating Procedures (SOPs), including policies and procedures related to organizational management as well as knowledge production (i.e., quality control). Considering that this need was common to all partners, the pilot program facilitated a meeting between partners with SMERU and CSIS, which are recognized as having better-established, formalized SOPs tailored to their needs of knowledge sector institutions. All partners reported that the examples from CSIS and SMERU were useful to improving their own SOPs, however the approach to finalizing SOPs thereafter varied.

Almost all partner organizations revised their SOPs for core business processes, particularly for financial management. Broadly, these type of SOPs were seen as improving organizational management and performance. However, SOPs designed to promote quality assurance in the research process didn’t have as noticeable results, because the standards among research staff conducting quality assurance varied, and were difficult to standardize and institutionalize. SOPs also remained largely undeveloped with regards to publishing and communicating research results.

3. Human Resource Development

The emphasis on human resource development was motivated primary by serious concerns among seven of eight partners about their ability to retain staff. While staff turnover was low at baseline for most partners, organizations were keenly aware that investments in staff development and training could be lost if those staff left the organization. Most organizations which made investments in staff development were successful in retaining their core teams throughout the pilot program, with the exception of one organization which continued to have high staff turnover. Partners reported that interventions deemed effective to develop and retain staff include the following:

- Continuing education: Support included scholarships and attendance at local and international conferences, and local and overseas training. One partner developed a system linking continuing education to staff retention, which required staff who the organization funded to further their studies to be bound to a “2N+1” employment contract, which extends the individual’s commitment post-graduation for a period of double the study period plus one year.
- Strengthened human resource policies: The program assisted partners to expand their HR policies to better articulate processes to recruit, select, place, and assess the performance of staff, as well as eligibility for training and staff development, and incentives and non-monetary rewards for staff who perform well. Some of the more effective HR activities included the following:
 - Improving the organizational culture to increase staff participation and communication in management. As part of their HR policies, some organizations provided staff with a forum to express their opinions freely and openly, fostering an environment where staff felt they could put forward their ideas, and feel free to criticize or question policies. This improved broader staff commitment to continuous organizational improvement, and started transforming the organizational culture from one where founders/leaders saw themselves as “owners” of the organization, and staff as merely their employees.
 - Instituting systems to help managers identify and foster staff talents and skills. Through activities that assisted managers to assess their staff members’ capacities, talents and interests, staff were able to contribute in ways that exceeded their job description. Overall, this improved staff motivation.
 - Increasing staff participation in local, national and international forums. This assisted emerging researchers to expand their professional networks, which benefitted both the individual and the organization.

4. Exchange Visits

Exchange visits were considered an effective way for partners to increase their capacity in management (one partner made visits to university-based research centres in Singapore and the Philippines) and governance (e.g., follow-up visits to SMERU). A key factor affecting the success of exchange visits was the advance preparation of clear and structured terms of reference for the visit.

B. Technical Capacity

The technical capacity assisted through the program included capacity in research methodologies; analysis, data processing and writing research results; access to policy makers; and capacity to conduct advocacy. At baseline, most partners expressed more confidence in qualitative as opposed to quantitative research methods (with the exception of one partner), and all expressed difficulty developing a research agenda and advocacy plan consistent with their organizational mandate. Challenges with analysis, packaging data and key messages, and utilizing the media were also identified at the beginning of the program.

Most organizations perceived they had a positive relationship with policy makers, but that working in coalition to advocate remain challenging. Partners also identified a problem that their policy inputs were often developed using anecdotal data, due to lack of funding to conduct research, despite their core mandate as research organizations.

A variety of methods used by partners to develop the technical capacity of their researchers were effective, as outlined below. Overall, it was evident that those organizations which developed longer-term staff development strategies as part of their organizational capacity plan were better able to effectively and efficiently implement capacity building for staff that addressed technical problems. . Interventions that worked best were as follows:

1. Structured Training

All partners utilized training, to varying degrees and intensities, to increase the skills of their staff to conduct research, analyze data and write research reports. One partner organized a series of data analysis trainings for its junior researchers using their existing data sets (in-house training). They also utilized external trainers to train their staff in qualitative methods, which they had not utilized before. Another partner brought in experts to train their staff in quantitative methodologies. Others used structured training modules, as would be expected from a lecture-based program.

Following research training activities, a number of partners used pre-planned mentoring to consolidate the new skills through the practice of methods through small-scale independent research funded by the program. Overall, methodological practice under the oversight of an expert was seen as being key to training activities. Other partners took other training approaches, such as training conducted over time in a series of sessions, “on and off” technical assistance from experts while undertaking research, and joint (tandem) research by senior and junior researchers. Training was most effective when participants were trained through opportunities from their actual everyday work – for example, training on analysis using data that had already been collected for a specific research project. Post-training support in the form of practice assignments or on-the-job assistance was as important as the training itself.

Most partner organizations used the program to build the capacity of their own staff, thus training participants were largely the organizations’ own researchers. However, at least three organizations also opened training sessions to associate researchers who may work with their organizations on a contract basis. One organization offered two training workshops on feminist methodologies which were specifically designed for researchers from other organizations.

2. Mentorships

Mentorship were an effective way to build technical capacity, and were used both as part of training programs and outside of other training. Participants who had been trained applied what they had learned under the supervision of a mentor who provided ongoing support and feedback. However, several partners found that identifying a mentor both who suited to the organization’s needs, as well as had the time to provide support, was a significant challenge. Mentorships is more effective to increase skills that needs a lot of practice and such as writing policy brief and research reports. While for skills in conducting research, on the job training and tandem senior-junior were considered more effective.

Two organizations used their own senior researchers or board members as mentors for junior researchers. Junior researchers reported that this internal mentorship system was effective, and offered them their first opportunity to function as “lead researchers.” Using mentors from within the organization also meant that feedback and support was provided more frequently and quickly than with outside mentors. In addition to individual mentorships, some partners used individuals from their network organizations as “mentors,” sending their staff to intern on research projects in other organizations.

C. Activities to Improve the Ability for Policy Advocacy

In the beginning of program, all partners felt their ability to develop policy advice was limited, even though they regularly produced policy briefs. However, compared with other capacity building activities, few partners prioritized initiatives to develop advocacy ability – indicating that this problem was seen as less urgent and varied across partners. Partners who play primarily a research role and are new to policy making needed a basic introduction to policy making and an orientation on how to best package their research findings for “intermediary” advocacy institutions. Organizations that are often called on by policy makers to provide research-based policy inputs directly to decision makers needed skills building in translating research into policy recommendations. Partners which began as an advocacy institution, their main need was to improve the quality of their data, how data is packaged, as well as communication techniques.

Across partners, an effective intervention to improve advocacy capacity was an opportunity to learn from two reputable knowledge institutions – CSIS and SMERU – about how they effectively influence policy makers. The pilot program arranged for all partners to meet with senior managers of these two organizations, and it was considered highly effective to increase partners’ understanding of the reality of the interface between research and policy. Partners reported that peer learning was more compelling than the provision of advocacy training.

As part of strategic planning, each organization was encouraged to formulate an advocacy strategy that reflected their institutional conditions and needs. With the exception of one organization, all partners mapped their stakeholders in order to identify which policy makers were most important and strategic on their core research issues, as well as strategize on how to influence them directly or through partners. Some research organizations found they had difficulty advocating to policy makers because they don’t understand the “politics” of policy making. For some organizations, expanding networks with advocacy organizations emerged as the best way to address this problem – instead of teaching their researchers how to advocate, organizations offered their research results to advocacy groups.

1. Building networks with other knowledge institutions

At baseline, all partners – particularly university-based researchers – were keenly aware of the value of being part of a community of “knowledge suppliers.” Many reported that participating in the Action Learning program was of benefit because it expanded their networks and facilitated peer learning. While it was envisioned that joint research would be supported by the program, yet collaboration to produce knowledge was limited. Partners say they find it easier to cooperate with other organizations on advocacy as compared to research. Joint research is often constrained administratively (i.e., the research was project-based, and implemented according to a donor contract). Even if the research is not project-based, collaboration would entail sharing budgets, which most knowledge institutions were reluctant to do. Two of the partners collaborated on an analysis of the Indonesian labor sector, although the collaboration entailed each organization analyzing their own data, and collaborating to compile a joint report.

2. Increasing engagement with policy makers

All partners realized that improving relations with policy makers, as users of knowledge, was essential. Yet on completing strategic planning and stakeholder mapping, most partners felt that unable to package knowledge directly as inputs for policy makers, and preferred to pursue a role of

providing research to an intermediary organization. Some partners recognized that they performed two functions, acting as both knowledge producers and as intermediary advocates. Still others often serve as consultants to policy makers, occupying a strategic position in which they provide direct input. Their constraint is that as consultants they become “part” of the government, limiting their freedom to take a critical stance on government policies.

The main strategy found effective to improve relations with policy makers was to keep them – mostly government officials – informed about their research plans and progress. Outreach to policy makers was encouraged by the fact that most donors “require” partners to engage with the government. A number of partners hold regular meetings with government officials to discuss policy. Others regularly visit government counterparts to give progress reports on their research, up to the conclusions and recommendations stage. Partners also engaged policy makers through regular meetings or conferences, such as the Annual Health Insurance (*Jamkesda*) meeting, and the Eastern Indonesia Symposium. All partners reported that efforts to build informal relationships with policy makers was more effective than using formal methods such as “audiences” with policy makers, or inviting officials to their workshops and meetings.

Partners noted that engaging policy makers through success stories, rather than policy briefs or a concept papers, was most effective. Documenting how policy change was made, and what effect it had, seemed very important to policy makers, who prefer to “replicate” success rather than “innovate” new approaches. One partner used success stories from advocacy in Yogyakarta, Balikpapan, and Purbalingga to engage officials from Serang, and followed with facilitating a visit from Serang to model districts.

4. Factors that Affected the Success of Capacity Building Interventions

A Thorough evaluation system enabled the Asia Foundation to analyze factors which affected the success of capacity building, and explain why some inputs produced results in certain organizations, but failed to have an effect in another organization. Broadly, the factors that affected the success of capacity building fall into two categories: (1) internal factors (characteristics of organizations) that influenced the ability of capacity building to produce results, and (2) the management approach offered in the pilot program. These are overviewed herein.

A. Internal Factors

All partner organizations, whether they were NGOs, think tanks, or university research centers, identified similar capacity building priorities, and the activities they implemented didn’t vary greatly. Nevertheless, organizational characteristics had a significant impact on how capacity building was offered, and what effect it had. The approach used by organizations that employ full-time researchers, for example, differed from that of organizations whose researchers work on a part-time basis. That said, prerequisites for capacity building having an impact were (1) the organization having a clear, long-term vision and (2) the management being committed to resolving fundamental organizational problems. In this regard, leadership was a critical enabling factor to capacity building, particularly for assistance that aimed to produce organizational change.

a) Commitment of Leaders to Reform

Leadership was the most important enabling factor for improving organizational capacity. The limited results of one organization’s attempts to strengthen organizational capacity could be directly attributed to its leadership’s resistance to change.

b) Organizational Vision and Mandate Understood by all Staff

Partners that had resolved their *problems of being* through the participatory development of a clear organizational vision and mandate had more success in increasing their capacity. A solid and shared understanding of organizational issues among staff built broader commitment to reform, and ensured sustained and effective investments in organizational and technical capacity. By contrast, in organizations that failed to involve their staff in identifying and resolving their *problems of being*, staff viewed institutional issues as problems of individual leaders, not of the overall organization itself. Such organizations experienced difficulties in promoting the fundamental changes needed to reform and transform.

c) Organizational Structure

Organizational structure affected the design of capacity building assistance, as well as its effect. Interventions offered by organizations which employed full-time researchers necessarily differed from activities undertaken in organizations whose researchers worked part-time. The pilot program also demonstrated that revisions to the organizational structure could lead to more effective business processes, for example by creating efficiencies in management that freed up senior managers' time to focus on important issues like mentoring and quality control.

d) Organizational Governance

An effective capacity building program was strongly associated with good organizational governance, including transparency of opportunities available, and strong commitment to addressing organizational capacity. At baseline, most organizations said that staff development and organizational capacity building were vulnerable to neglect, given that management tends to prioritize finishing projects with deadlines instead of making time for organizational strengthening activities. Partners who integrated capacity building activities with their organization's ongoing work, and dedicated staff time to capacity building, had greater success. The capacity of partners to absorb funds was also strongly influenced by governance, in particular, the ability of management to realistically plan and prioritize capacity building activities. Organizations with a strong culture of learning and reflection benefitted more from the program, while organizations whose approach involves strict compliance with planning tended to develop more slowly and garner fewer lessons.

d) Manageable staff turn over

Partners that saw results from their capacity building activities were those who had a manageable or relatively low turnover in staff. Factors contributing to staff retention included a consistent focus on research, clear staff development opportunities and plans, continuing education opportunities, and a system of pairing less-experienced researchers with senior researchers. A visionary leader was also seen as being key to retaining staff. One partner ended up offering their technical capacity building package to researchers from other organizations due to their difficulties in retaining staff. Thus, the organization practically transformed from a research organization (supplier of knowledge) to a training facilitator (technical capacity building for researchers).

e) Effective networking

Partners who actively reached out to network other knowledge-producing organizations had more success with their capacity building programs. This type of networking helped organizations establish

supportive relationships with their peers, and overcome the persistent challenge of finding the “right” mentor. Mentoring and coaching were considered far more rewarding than in-class or formal training, and those organizations that had effective networks were more successful identifying appropriate, capable and available mentors who were good matches for their capacity building needs.

Similarly, organizations which worked in closer partnership with their donors – with donors who recognized their organizational development and technical capacity needs – had more success. Organizations that were funded by donors which only focused on their results, tended to meet donor expectations by hiring short-term experts and occasionally even used KS funds to meet those demands instead of investing in their own human capital.

B. Management Approach

Below are reflections of the management approaches considered to be instrumental in the positive developments of the pilot program:

a) Close engagement with partners and flexible grants

The pilot program regularly engaged in dialogue with partners, attended their activities, provided technical assistance, and gave them honest feedback to accelerate their growth and learning. The trust developed gave partners the courage to talk very openly about their challenges and facilitated the implementation of the flexible grant scheme.

Setting up systems that enabled flexible and responsive assistance was challenging on both sides, as projects with strict timelines and deliverables are more of the norm, particularly for research organizations. The “solution box” approach in work planning helped define and measure issues that became the baseline for monitoring and evaluation. Partners were encouraged to seek creative solutions to address the constraints they had identified, and to remain flexible when new opportunities arose, or when some activities didn’t produce the results that were hoped for. The need for changes to the workplan often surfaced when the partner had incorrectly made assumptions surrounding the activities rang false, or because partners were not capable or persistent in their efforts. A quarterly workplan submitted to pilot program became the basis of fund disbursement, and this process allowed for changes in activities along the way while retaining a high level of financial compliance.

b) Enabling partners to place themselves in the knowledge sector landscape

The Knowledge Sector program is unique in that it takes a sector-wide approach to diagnosing and “fixing” evidence-based policy making from many angles. A critical early component was helping partners understand the role that knowledge producers play in this broader landscape, as well as the vision for improvements in policy making and the diagnosis of the constraints. While the overall rationale of the Knowledge Sector program was quickly understood by all partners, it took time for partners to understand the tremendous opportunity the assistance offered them. A key challenge was facilitating partners to break away from the conventional project-based mode of donor funding. The pilot program sought to promote and nurture partners’ creativity in thinking broadly and innovatively about how their organizational capacity could be strengthened.

c) Focus on Process evaluation

The emphasis on process evaluation in order to be able to answer “what works” was essential to the learning process. Information was fed back to partners in the spirit of continuous quality improvement. However, process evaluation on this level was challenging and resource intensive. In each organization, up to 20 varied activities were being documented, which proved time consuming. Evaluation activities were not budgeted by most partners, either in terms of time or financial resources, i.e., no partner identified a specific person to be responsible for evaluation activities. In some cases, partners misunderstood the purpose of process evaluation, and were inclined to collect information for “proving” rather than “improving” purposes. Change stories did not turn out to be an effective method because the exercise usually ended up collecting information at too low of a level. Using periodic group discussions to document the most significant change story is certain to be more effective; review and reflection meetings have been the most useful method for collecting program learning.

Annex 4: Issues-based Approach in Action

4.1 COLLABORATION WITH THE POVERTY REDUCTION TEAM

1. A key feature of the knowledge sector reform proposal is its plan to cooperate with five sectoral programs: poverty, decentralization, health, education, and economic governance. But how the knowledge sector will cooperate with AusAID's sectoral programs is not immediately obvious. While none of the five sectors has a fully developed cooperation program yet, a summary of the state of play between the Knowledge Sector Program and AusAID's support for poverty reduction in Indonesia will illustrate the general framework being proposed for cooperation with the other four sectoral programs.
2. Shortly after the 2008 election, the Indonesian government announced an ambitious plan to lower poverty rates from 14% to 8% by the close of the SBY administration in 2014. To get there, the government planned to increase its funding for targeted programs from 2% to 5% of GDP, or roughly to nearly AUD\$20 billion. Financing for this massive commitment would come from a mix of general revenue, savings from reductions in subsidies, and international aid.
3. Twenty billion dollars is a lot of money. The government realized that it would make no sense to simply scale up its current portfolio of poverty programs, few of which could have absorbed such amounts without collapsing. Furthermore, the political mix of poverty programs meant that their current portfolio was highly fragmented among a large number of ministries. Little data existed on basic issues of cost-effectiveness, targeting efficiencies, poverty trajectories and the like, nor was there a good system for linking poor people's needs back into the policy process that would be assessing, consolidating, and designing new programs.
4. To address these issues, the vice-president formed a national poverty commission ("TNP2K"), which is supported through an AusAID grant facility. The purpose of this facility is to carry out the analysis of options and trade-offs that can be presented to the Cabinet for political decisions about what portfolio of poverty programs can best meet the needs of the poor. TNP2K is a high consumer of evidence for policy making. To prepare policy options, TNP2K feeds on a steady diet of surveys, evaluations, reviews, and policy assessments. Many of these are commissioned from Indonesian universities and research institutes, but to date the most influential policy group remains the World Bank's poverty team, which has a cooperative program of support to TNP2K that is also supported by AusAID. Thus, while TNP2K is a high profile, highly capable apex policy making group, even TNP2K finds itself relying on either the AusAID Facility or the World Bank poverty team to procure and manage the reviews and studies that it needs.
5. Both TNP2K and the World Bank poverty group strongly support the Knowledge Sector Program: both groups observe repeatedly the gap between their wish to build a big program of applied research executed through national institutions, and the problems of quality and interpretation they face with the supply. Diagnostics of the universities and think-tanks revealed both examples of good practice and a general trend of improving quality, but even the best institutions would report a litany of constraints that limited their quality and effectiveness.
6. The Knowledge Sector Program will work with TNP2K to strengthen each pillar of the knowledge-to-policy cycle. Specific activities that will strengthen the **Supply Side** include:

- a five year partnership agreement between the MIT-based Jameel Poverty Action Lab and the University of Indonesia that will train Indonesian economists in high-quality experimental evaluations of poverty reducing interventions, including support for them to design and manage their own free-standing programs;
 - Training for qualitative research in poverty issues so that graduate researchers can meet the quality standards of the National Team;
 - Core support for SMERU and SurveyMeter, two of Indonesia’s premier survey research and analysis institutes
7. On the **Intermediary** function, the Program will complement the work of the Facility by providing technical assistance for TNP2K’s partners to develop policy briefs and to design research communication strategies so that their findings can be shared within government and with civil society at large. This way, policy makers will be able to understand and benefit from the analytical studies. The Program will also support public access to research through publications, public events, and support to intermediary NGOs that can summarize for a national audience what are the poverty issues being discussed and how they can contribute to the discussions. As demand develops, the Knowledge Sector Program will provide training and management support to the DPR Commission XI and newly formed provincial level poverty reduction planning groups (“TKPK-d”), whose job is to feed local diagnostics and evaluations into budget formulation.
 8. On the **Demand** side, the Program will provide technical assistance to build the capacity of relevant line ministry staff to utilise the analytical pieces produced by TNP2K. The Program can assist partner line ministries to formulate their own poverty research agenda and to developing research questions, which either they themselves or the Facility can then use to commission targeted research. The knowledge program’s support for the Bappenas Policy and Analytical Unit will further help translate the poverty work into operational programs and feedback requests for information from line ministries and sub-national governments.
 9. As noted, at present TNP2K and Bappenas both face major barriers to procuring their own research, which is why they rely so heavily on an AusAID and the World Bank infrastructure. Nor could TNP2K recruit or retain top Indonesian economists if foreign donors were not paying their salaries. Part of the PAT’s explicit mandate is to help Bappenas (which chairs the national procurement regulatory body) clarify the procurement law so that government ministries can in the future use their own budgets to procure research. The Knowledge Sector Program will hold awareness raising discussions with line ministries such as Depsos, Jamkesmas, and DepDagri, which oversee national poverty programs, to provide their financial and procurement offices with up-to-date guidelines and training so that they can respond to internal requests for planning studies and evaluations.
 10. While the governance arrangements for the knowledge sector’s poverty work would be that described in the text of this project design, the operational program would coordinate closely with TNP2K through mechanisms such as a presentation of its semi-annual work plan and joint events with relevant participants in the Knowledge Sector Program.
 11. The knowledge sector would not be commissioning any studies of its own to analyse poverty itself. Its field would be the business plans and manage reforms that would improve the quality and enhance the performance of institutional stakeholders working on poverty. All substantive work would be the responsibility of the AusAID poverty unit manager and her counterparts.

12. By 2014, the close link between the Knowledge Sector Program and the Poverty Reduction Support Facility is expected to have already produced a number of positive results. First, there will be more lively and active discussions among the government, civil society and academia on social assistance and poverty issues. This will be demonstrated by the increased number and quality of editorials in public media, or articles in national and international journals by Indonesian authors on poverty issues. Second, scholarship returnees or top university graduates will have the option of becoming policy analysts with competitive salaries in international and Indonesian research organisations. Third, government agencies will procure research and do M&E of poverty programs using their own budget.

Table 1. Illustration of Knowledge Sector Support to Poverty Reduction	
<i>Supply</i>	<ul style="list-style-type: none"> • International twinning partnership with University of Indonesia to improve training of poverty research economists • Executing management plans of top national survey analysis institutes • Training in high-quality ethnographic research
<i>Demand</i>	<ul style="list-style-type: none"> • Support to line agency planning units to request and use poverty research • NGOs develop cooperative research and dissemination agenda on poverty. • Building capacity for public budgeting and expenditure analysis on poverty
<i>Intermediary</i>	<ul style="list-style-type: none"> • Production of policy briefs • Support for public engagement on policy • Training for parliamentary commissions and sub-national governments on how to analyse government analysis and policy advice • TNP2K and BAPPENAS Policy Analysis Team synthesizes poverty research for Bappenas Minister and Deputies
<i>Enabling environment</i>	<ul style="list-style-type: none"> • Piloting direct procurement of poverty research by government • Lifting fee and service restrictions on donor support for Indonesian poverty researchers

4.2 KNOWLEDGE SECTOR COLLABORATION WITH AUSAID HEALTH SECTOR PROGRAM

1. High economic growth has contributed to gains in key health indicators in Indonesia over the past 40 years. Though government health spending has increased over the past 10 years, Indonesia still has drastically low investment in the health of its people compared with other South East Asian countries. GOI's commitment to expand MDG performance will inevitably require increased financing and system-wide improvements. AusAID's health sector delivery strategy is built around support for these reforms.
2. Health system and financing reforms are known to need context and issue specific evidence; national capacity to generate and use such evidence; and effective translation of this evidence into policy design and resource allocation decisions.
3. In the context of challenges facing Indonesia, some of the core research and analysis needed will require local capacities in:
 - geographical and socioeconomic equity in health financing and access including longitudinal data analysis from household surveys;
 - benefit incidence analysis including to assess current levels and possibilities for expansion of social health insurance coverage of the informally employed; and
 - costing and economic evaluation of health services for progressing achievement of the MDGs, particularly in reducing maternal mortality, and for addressing the large and increasing burden of non-communicable diseases.
4. In decentralised systems, clarity in roles and functions of central versus decentralised levels in health financing and planning is essential in progressing toward universal coverage. Quick access of local decision makers to relevant evidence is needed. To achieve this, it will be necessary to enhance the research capacity of regional organisations and to support greater linkage between these and higher capacity institutions in Java.
5. Some existing datasets in health provide an important base for further analysis of health resourcing in Indonesia. Unfortunately, to date, although there has been some exploitation of this data for research by Indonesian health policy researchers, most research and publication from these datasets has been produced by international researchers. Longitudinal datasets like this provide prime opportunity for health policy guidance, monitoring, and evaluation, and whilst there is some reference by Government of Indonesia Departments to national surveys such as the demographic and health surveys, there is little evidence of results of any detailed survey analysis being used to guide specific health policy design or resource allocation at central or decentralised levels.

Clear linkages between health sector program and Knowledge Sector Program in AusAID Indonesia

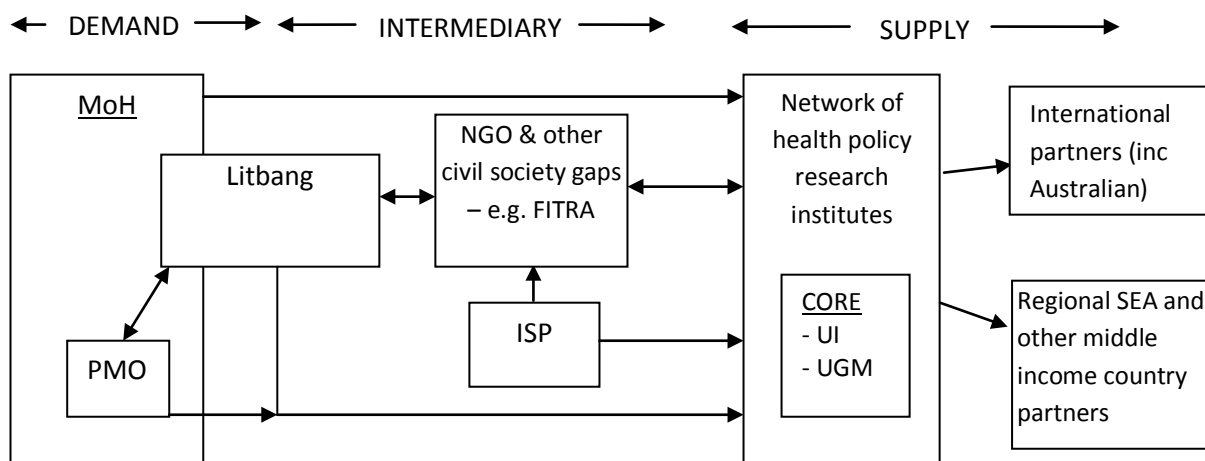
6. Two outputs within the new AusAID Health Systems Strengthening support program with the Indonesian Ministry of Health are align well with the objectives of the Knowledge Sector Program and will benefit from collaboration between these programs.

Output 1: Ministry of Health using up to date data and information for national level health financing and human resources policy decision making in order to improve access and quality to primary health care for the poor and near poor

Output 5: Universities, research institutes and civil society organisations are able to deliver evidence based data and advocate to central and local policy makers on health financing and

human resourcing issues and provide technical assistance and training to districts and *Puskesmas* to increase health access for the poor and near poor in Indonesia.

7. To enable cross program coordination across the health and knowledge sector support programs, it is suggested that the Health Policy Network proposed in the HSS design and the health sector's Civil Society Challenge fund not start from a zero base, but instead build on institutions and management structures already supported through the knowledge sector pilot. The health insurance and financing institute "PPSP-MAK" at the University of Gadjah Mada is one of the pilot institutions receiving core support from the Knowledge Sector Program. It has relevant expertise for the health systems strengthening and other AusAID health sector support programs. Survey Meter, another institution receiving core support from the Knowledge Sector Program, has useful skills in survey data collection, consolidation and management that will be essential for longitudinal monitoring and evaluation of health system and financing policy changes. Health sector demands on both institutions are likely to be high.
8. The HSS PMO's location within the Ministry of Health (but outside of the Litbang) will provide an opportunity to test different incentives and collaboration arrangements for producing greater alignment between policy and technical staff within the Ministry of Health. It will also allow the piloting of direct procurement for needed research from the PMO located in the Ministry with the PMO (including the technical adviser) working with the Litbang to articulate research questions from policy questions



Specific activities to support the evidence for policy systems in health - demand, supply, intermediary and enabling environment

9. Table 1 below summarises the types of approaches the Knowledge Sector Program can take to help the health program build evidence-informed decision making for health policy that will benefit the poor and near poor in Indonesia.
10. At a national level, the Litbang in the Ministry of Health is utilised (particularly its head) as a go-to place for analysis and evidence by the Minister for Health. In turn the Litbang has relationships with key individuals in the University of Indonesia as well as University Gadjah Mada. If possible, an institutional profile of the Ministry of Health Litbang should be undertaken under the knowledge sector rather than health program.

11. On the **demand side**, the Knowledge Sector Program will work with the PMO for the Health Systems Strengthening program. This office, being based in the Ministry of Health, is an important unit that will work together with the Litbang and other units within the Ministry to assess and articulate research questions from policy needs and write terms of reference for the commissioning of these to domestic research institutes (see link with supply below).
 12. A number of Ministries have an expressed need for good evaluation to demonstrate the effectiveness of current and planned programs as a means for gaining budget increases from the Ministry of Finance. Under the Knowledge Sector Program, key units within the Ministry of Health will be provided with assistance on understanding and using costing and economic evaluation for demonstrating value from health investments and to advocate for greater budgets on this basis.
 13. At a decentralised level, local decision makers in the 20 focus districts of the HSS program will be supported to better define and prioritise evidence needs for local health resource allocation decisions, procure the research and effectively use it in decision making.
 14. A focus on the **intermediary function** of linking research to policy will include
 - building on existing use by the Minister for Health of the Litbang, and the established health policy unit within it by providing support to its role as an intermediary through training in evidence synthesis and writing for policy
 - core support to key NGOs to undertake evidence based advocacy in the health sector including FITRA (where exchange visits to key influential budget analysis NGO's in other countries will be supported) and specific support for training in key techniques to undertake evidence based advocacy on such as benefit incidence analysis.
1. On **the supply side** the Knowledge Sector Program will
 - undertake a mapping of relevant health policy research providers in Indonesia. Initial mapping of providers with greatest capacity in health systems, financing and policy research show research institutes within the Faculty of Medicine at University of Gadjah and the University of Indonesia - Faculty of Public Health to have the greatest output on policy research, consultancy and advocacy in health systems and financing issues (UI for health economics and financing and UGM for human resources for health and health systems). Mapping will be continued to look at the relationships within these institutions and between them, government and other regional groups in provinces outside Java.
 - Provide core support to key public health, health policy and financing research institutions such as UGM PPSP-MAK.
 - Whilst the knowledge sector will not itself be commissioning any studies itself to contribute to health sector planning, (which will be done AusAID's health sector program), principles and partners of the Knowledge Sector Program will be used by the health program to commission early pieces of analytical work. This will include joint definition of questions with Ministry of Health and collaboration between higher capacity institutions locally, regionally and potentially internationally with local lower capacity groups. Where possible these will build on existing collaborations of strength (such as that between UGM and the University of Edinburgh on human resources for health and University of Indonesia with the International Health Policy Program in Thailand and institutions in the UK such as Brunel University).

Table 2 : Illustration of Knowledge Sector Support to Health Systems and Financing in Indonesia

<i>Supply</i>	<ul style="list-style-type: none"> • Broaden Indonesian involvement in international and regional health financing and economics research networks and partnerships building on existing linkages • Institutional capacity strengthened of key health policy research institutions such as UGM through core support from KS program • Strengthen networks of regional institutions with UGM and UI on health research • Training in household survey analysis for equity health and health financing, costing and economic evaluation of health and health care interventions • Support to exchange visits by health policy research groups to high performing health policy research groups in other countries in the region such as the Institute for Health Policy in Sri Lanka
<i>Demand</i>	<ul style="list-style-type: none"> • Support to MoH planning and policy units to request and use health systems, policy and financing research including understanding of cost effectiveness analysis, benefit incidence analysis and framing policy questions from National Health Accounts data • build capacity in writing terms of reference for commissioning research within Litbang
<i>Intermediary</i>	<ul style="list-style-type: none"> • Support to the Litbang for the synthesis of health research and production of policy briefs • Exchange visits for Litbang staff to key high performing government intermediaries in the region such as the International Health Program in Thailand • Work with key NGO's in evidence based advocacy in the health sector including FITRA on equity analysis and advocacy on health budget
<i>Enabling environment</i>	<ul style="list-style-type: none"> • Build greater alignment between Litbang staff and those within other parts of Ministry of Health • Testing different approaches to direct procurement of health research through the PMO in the MoH • Lifting fee and service restrictions on donor support for Indonesian health researchers

Annex 5: Risk Matrix

Risk Event	Program Impacts	L	C	R	Risk Management	Responsibility
Research organisations do not change their mindset to ‘think big’ and focus on their future sustainability	The organisations will not survive or be able to provide high-quality and policy-targeted research after AusAID funding ceases.	4	4	H	Longer term engagement and provision of core funds matched with capacity development. Explore possibilities of endowment funds in the fifth year for strong organisations.	Managing Contractor AusAID
Lack of GOI policy maker support for reform agenda	There will be no entry points to influence policy beyond the key ministries engaging in the reforms under this program (Bappenas, MOF etc).	4	3	H	Identify and support champions within GOI who have authority and interest to bring about change in policy.	Program Technical Secretariat Program Steering Committee

Research agenda captured by adversarial elites (e.g. change in government)	Ineffective knowledge to policy cycles.	4	5	H	The program adopts an issues-based approach and stakeholder mapping of demand side, which will identify where there is appetite. The program will reassess and identify champions after change in GOI personnel.	Managing Contractor
No institutional home for the program	Difficult to coordinate reforms across GOI. Donors continue to fund piecemeal interventions in supply side.	3	3	M	Initially, through the PAT, advocate for reforms in GOI. Identify options for an institutional home in first phase.	Bappenas and AusAID
Overall quality of tertiary education lacking	Lack of quality researchers and decision makers graduating from higher education institutions.	4	4	H	A separate program of support to higher education is being designed.	AusAID
Program perceived to infringe upon national sovereignty	Lack of support from program stakeholders.	2	4	M	The program will follow GOI's lead.	Program Technical Secretariat Program Steering Committee

The long term aims are overlooked by short term gains	Short-term interest in receiving funds for the pilot swamps the bigger and more challenging objective of tackling reforms to the enabling environment.	3	3	M	Recognising the importance of high level reforms to the enabling environment, AusAID will maintain policy dialogue with key agents for reform, with the technical support of the managing contractor.	Managing Contractor and AusAID
GOI Research financing systems do not support knowledge to policy links	Any long term funding will be absorbed effectively to support evidence informed policy making.	4	5	H	AusAID will assess the fiduciary risk of working through GOI research financing systems in the first phase of the program.	AusAID
Lack of Australian support for the Program	Australian universities lose interest in the program, as the focus of AusAID grant resources moves to Indonesian institutions.	2	3	M	Continued close engagement with individual “Indonesianists” within the university system as well as dialogue with whole of government counterparts to find alternative sources of income for Australian universities’ Indonesia programs.	AusAID

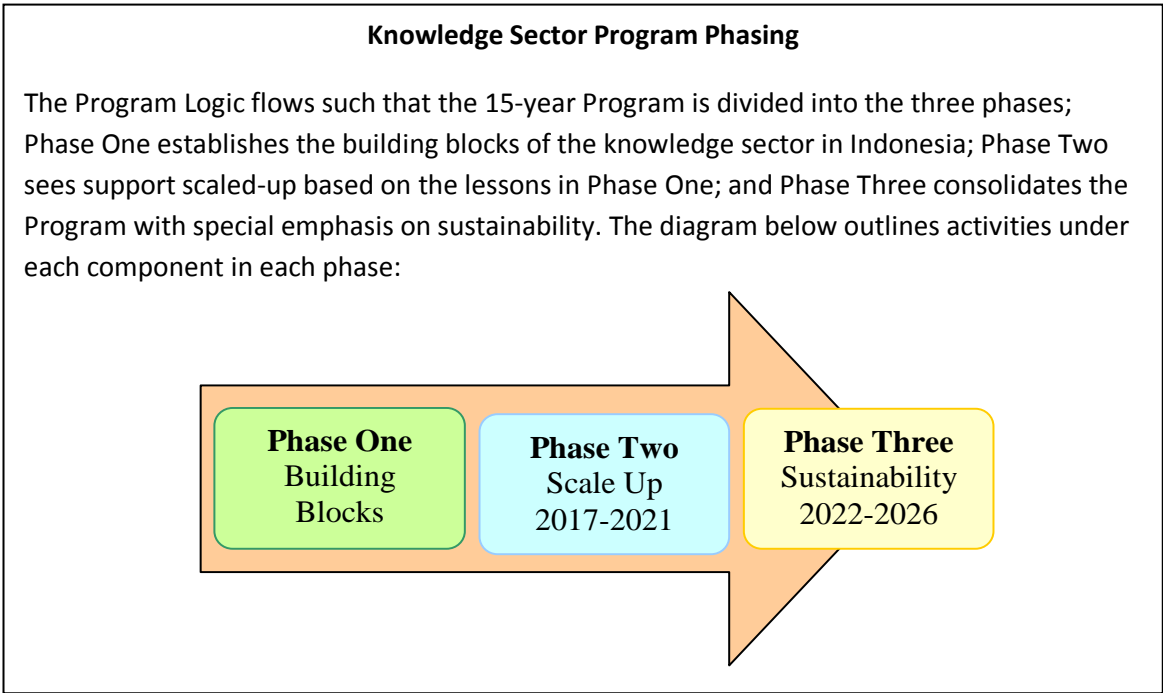
Legend:

L = Likelihood (5= Almost certain, 4= Likely, 3= Possible, 2= Unlikely, 1= Rare)
C = Consequence (5= Severe, 4= Major, 3= Moderate, 2 = Minor, 1= Negligible)
R = Risk level (E= Extreme, H= High, M= Medium, L= Low)

Annex 6: Theory of Change (ToC)

Approach

1. There are three main assumptions underlying how the Theory of Change (ToC) was prepared for this Program:
 - a. **The Knowledge Sector Program is inherently complex.** It is expected that the program will produce diverse and emergent outcomes and have numerous organisational layers with many actors. In addition, as with any program aiming to influence policy, the influence of research on policy will play out in very different ways depending on whether the government happens to have an interest in the issue, or capacity to respond.
 - b. For complex settings and problems, **the ‘causal chain’ model often applied in service delivery programs is too linear and simplistic for understanding policy influence.** These models limit innovation and responsiveness to changing program and contextual factors and they also may force M&E efforts to focus on outcomes that do not reflect the dynamics of the specific context.
 - c. **The long time period that will be needed for the reform program to take root and produce results.** Because of this long-term perspective, issues of how to sequence the program gain importance, but the Program must also provide the “space” needed for reforms to take root and spread.



2. With these in mind, the focus of the ToC here is not on highly detailed model; but on trying to provide a realistic and intuitive model that clearly sets out assumptions and how the program will bring about change:
 - a. **The ToCs clearly articulates expected End of Program Outcomes,** to balance the needs of good design for innovation and complexity with the risks of strategic drift during implementation. This allows some flexibility in the interventions that will achieve these outcomes.

- b. **The ToC will guide the implementation team to develop a robust monitoring and evaluation system.** This will be useful to determine what the most cost-effective approaches are to achieve desirable outcomes. This is necessary to avoid wastage of resources, and evidence for effective interventions can be systematically fed into policy reform or the development of knowledge-to-policy cycles that may be replicated.
- c. **End-of-Program outcomes have been pitched at a high level.** This is to give clarity to the overall intention, but for each actor (policy maker, research organisations, policy reform issue, or civil service organisation) the starting points will vary significantly.

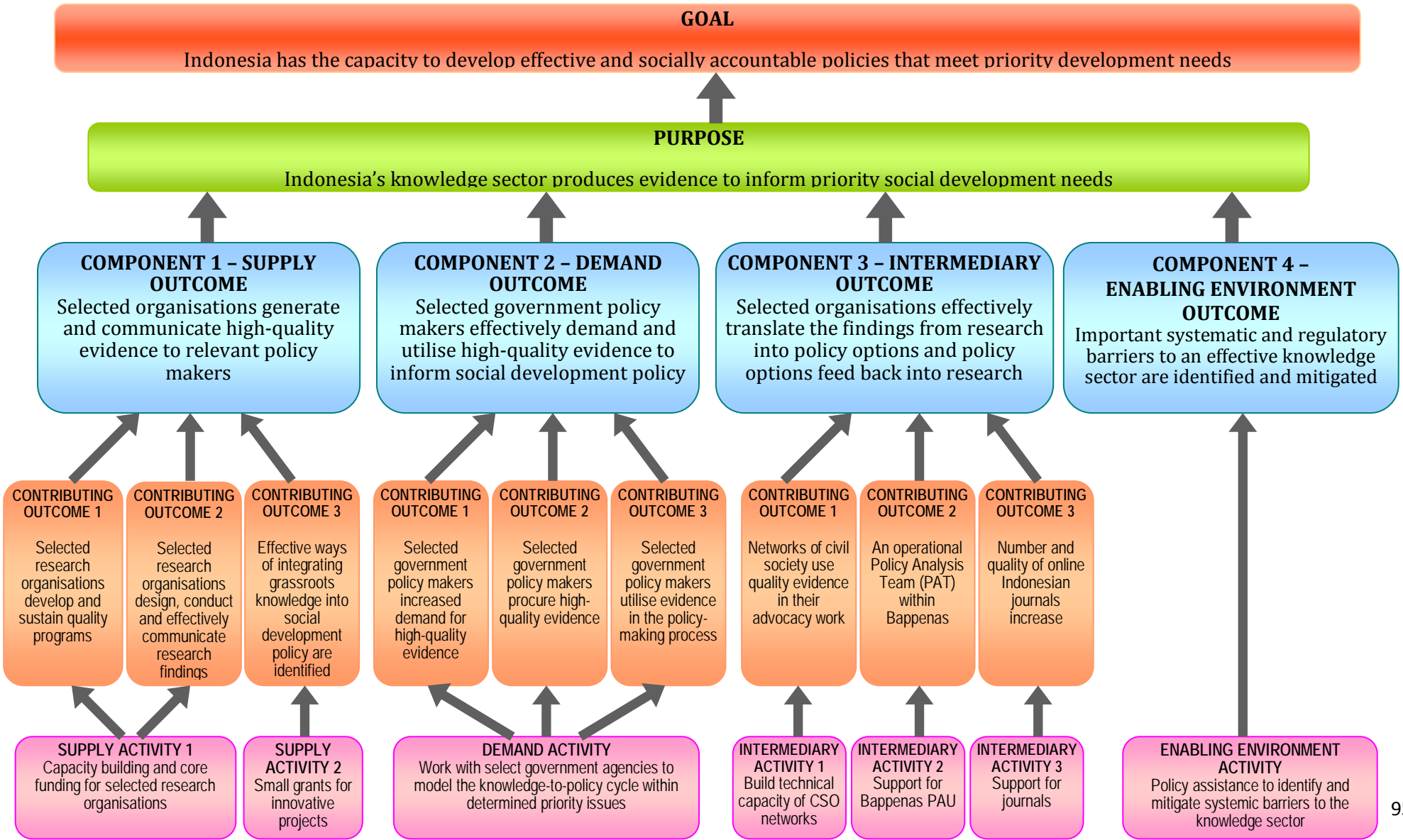
Knowledge Sector Program Phasing (Detail)

	PHASE 1: BUILDING BLOCKS	PHASE 2: EXPANSION/SCALE UP	PHASE 3: SUSTAINABILITY
SUPPLY	Strengthening select organizations through core support and TA Open competition for innovative approach/partnerships	Lessons learned from 1 st Phase 2 nd round of open competition [renewed based on lessons + new policy breakthroughs]	Achievements + lessons learned from 2 nd Phase Sustainability of resources for long-term
DEMAND	TA for government agencies Pilots on system-wide approach: select Kabupaten, sectors, gender	Lessons learned from 1 st Phase Public discourse on evidence-based & participatory policy making Expansion/scale up + new pilots based on lessons + policy breakthroughs [local/national/sectoral]	Achievements + lessons learned from 2 nd Phase New pilots on sustainability
INTERMEDIARY	Support for policy journals, special issues/inserts in mass media, multi/social media, annual conferences on policy issues [marketplace of ideas]	Diversification of policy issues addressed Creation of multiple centres across nation	Institutionalization
ENABLING ENVIRONMENT	Strategic research on KS, pilot national mechanism for KS, advocacy for first-level KS policy reform	First-level policy changes achieved & implemented Public discussion on health of KS: watch initiatives	Advanced-level policy changes: national, local, sectoral

Knowledge Sector Theory of Change

1. The theory of change for this Program itself is based on a number of assumptions. At an overall program level the assumption is that Indonesia will be able to respond to development challenges effectively if more high quality research is conducted in Indonesia, by Indonesian researchers; and the research findings are effectively fed into policy.
2. The Program adopts a systems approach as pictured through the knowledge-to-policy cycle; made up of four components supply, demand, intermediary and enabling environment. The diagram below depicts how each activity contributes to the program outcomes and the overall purpose and goal of the Program. For research findings to influence policy, the Program aims to strengthen each part of the knowledge to policy cycle; but also ensure that these actors are linked and the processes of linking research to policy are effective.
3. The Program's Supply Component increases the quality and quantity of research institutions that provide good quality evidence for policy makers; providing them with the funding to build up their own capacity to provide good quality research. However, these supply side interventions will not be effective unless they can be successfully fed into policy. Within this cycle policy changes are made possible by working with those with power to make decisions or influence decision making. Thus the program aims to strengthen the agencies within government that will feed this into policy.
4. Similarly, recognising the dynamic nature of policy making and the many influences on policy making the Program uses an approach at working with 'windows of opportunities'. Policies can be changed during 'windows of opportunity' when two parts of the knowledge to policy cycle are successfully connected. A window of opportunity may occur when there are policy makers keen to use evidence (policy makers that can actually make decisions); researchers or research institutions able to provide quality evidence and effective mechanism to link the research findings with the policy issue.
5. However, in situations where policy makers do not feed research findings into policy due to political or other reasons, the Program recognises that policy change can occur through coordinated activity among a range of individuals with the same core policy beliefs. As a result, the Program provides space for researchers to interact with other researchers and policy makers. The program supports network building under each component; and support for advocacy networks in the Intermediary Component allows a group of organisations to use research to advocate for changes from government.
6. Finally, there are a number of systematic factors in the enabling environment that may impinge on the uptake of research findings or the production of good quality research, including regulatory constraints for research organisations or incentive structures for actors within the knowledge to policy cycle. As a result, the Program will also aim to build domestic support for changes to these regulatory constraints and provide technical assistance to government agencies to overcome these barriers in the enabling environment.

Program Logic Diagram



Annex 7: TORs Senior M&E Adviser

Terms of Reference

Monitoring and Evaluation Specialist – Knowledge Sector Program

1. Background – Australia- Indonesia Partnership for Pro-Poor Policy: The Knowledge Sector Initiative

Despite Indonesia 's rapid economic growth over the past few years, around 30 million people live below the poverty line, 4 million children suffer from malnutrition, and 228 out of every 100,000 mothers still die giving birth each year. Better application of research and analysis in formulating development policies can result in more effective ways to tackle these issues, and can go a long way to improve the quality of people's lives.

AusAID, in collaboration with the Indonesian National Planning and Development Agency (BAPPENAS) and other civil society stakeholders, have completed the design of a 15-year program to revitalise Indonesia's knowledge sector for development policy. The "knowledge sector" refers to the overall landscape of government, private sector and civil society organisations that provide knowledge to support the development of public policy. The overarching goal of this program is that Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs, and AusAID's objective in supporting this program is to catalyse reform efforts by providing its partners with a framework and resources to drive a reform process, as well as providing the intellectual space for the interaction of various actors related to the supply and demand of policy-relevant knowledge.

The delivery of program activities will be done through a separately contracted implementation team; however, AusAID will maintain direct control of the program's strategic direction. The Senior M&E Specialist will be responsible in the inception phase for developing the overall Monitoring and Evaluation (M&E) system for the program (including M&E plan, framework, resources) that meets the expectations of AusAID and international standards of practice in M &E; and be responsible for ensuring ongoing quality implementation of the M&E Framework with support by the M&E Manager.

2. Job Description

The Senior M&E Specialist's primary responsibility is to independently design and oversee implementation and review of the monitoring and evaluation system for the program. This includes designing the M& system for the program; collecting baseline data for a baseline assessment; ongoing assessment of whether the system effectively captures the results and lessons learned from the program for future programming purposes; independently collect evidence to assess the progress of the program and whether it is moving towards its intended goal, as well as providing suggestions to improve program implementation in general.

The idea is to ensure that the M&E system is appropriate for a program that places a strong emphasis on policy reform, institutional building and supporting an enabling environment. The progress in these areas will be difficult to measure and quantify. For example, a change in policy may be due to many factors and a change in development outcome from the result of this policy change may be even harder to measure. Although quantitative measurements will still be a crucial part of the M&E system, the system has to include strategies to capture the intangible results or progress of the program.

The M & E Specialist will provide advisory services to AusAID knowledge sector team on intermittent periods, as required by the team.

Specifically, the M & E Specialist will:

- a) Conduct an Evaluability Assessment (EA) at a time when the implementation team and partners are ready and able to clearly articulate the outcomes and interventions of the initiatives. It should include assessing the strength of GOI systems, partner capacity, performance indicators and sources of data used to report on program performance. The M&E Specialist is expected to be familiar with this form of assessment.
- b) Using a participatory approach, design a monitoring and evaluation plan that meets the expectation of AusAID and international standards of practice in M&E. AusAID standards are available from Program Managers, while international standards could include the DAC Evaluation Quality Standards, or the Joint Committee Standards.
- c) Assess whether the implementation team has the appropriate capacity to carry out robust monitoring and evaluation, including whether responsibilities are allocated to individuals with suitable qualifications, experience, and time within their other work demands. Where a capacity gap is identified, the Specialist should provide advice to address this issue.
- d) Develop baseline data for the program. The baseline data should be relevant to the program objectives and capture the starting point prior to the implementation of the program, rather than being a broad needs analysis.
- e) Provide suggestions to improve the on-going design of M&E activities; the on-going design of M&E activities; ensure the high quality of M&E activities; and providing technical advice for the analysis and interpretation of data.
- f) Supervise the compilation of initiative progress reports that meet the requirements of AusAID and other primary users of the findings and conclusions. An evidence-based, timely contribution to the Quality at Implementation Reports and Activity Completion Reports should be prepared. Reports must reflect an analytical contribution where: a) the findings are described; b) the factors accounting for the findings explored; c) the implications of findings are clearly stated; and d) the management responses already taken are described or recommendations made for future action.
- g) Prepare relevant information in advance of any review team missions; and where required participate as a team member on periodic reviews.
- h) Contribute to the intellectual development of the initiative during implementation. Working as a facilitator, support the implementation team and other relevant stakeholders to interpret and respond to M&E findings over the life of the initiative.
- i) In consultation with AusAID and the contractor, develop the methodology for the collection and analysis of data on the contractor performance indicators where relevant.

In carrying out her/his assessment, the M&E Specialist will consider the following issues⁵⁴:

- a) Mechanism for monitoring and evaluation: Have appropriate M&E mechanisms been set up? Is the M&E system robust enough to capture both the tangible and intangible
- b) Strategic direction: Given the above, are the program's strategic directions correct and on course?
- c) Program performance: Using process indicators, are input, activity, and output targets being met? Are expected goals being met? Are outputs matching planned expectations? Are there measurable indicators of the impacts of the program?
- d) Institutional structures of the program: Are governance and management arrangements in place and functioning as planned?
- e) Resource mobilization: Have the needed resources been mobilized for governance, management, and M&E needs, and is there a strategy for growth to support a growing portfolio?
- f) Capacity building: Are steps being taken to close the gaps in the capacity of national or local institutions, as applicable? Are national institutions being strengthened? Are skills and knowledge being transferred?
- g) (For more mature stages of the program) Sustainability: What measures have been taken to ensure the sustainability of the program with regard to financial, institutional, and other resources? What arrangements have been made for the planned transfer of implementation responsibilities or withdrawal of external resources — financial, technical, etc.?

3. Qualifications

The M&E Specialist should hold a postgraduate degree that has included a research dissertation component. Alternatively, s/he should provide evidence of training in *advanced* research or evaluation design, conduct and management. Short professional development courses in M&E are not considered advanced training. Where a postgraduate degree in research or evaluation methods has not been completed, evidence of the quality of research or evaluation activities previously *designed and conducted* will be sought.

4. Experience

Essential

- a) Experience developing M&E systems for programs in resource-constrained settings (domestic or international).
- b) Experience in developing and implementing M&E systems which includes measurement of non-quantifiable results, for example policy reform, constituent building, institutional reform, shaping the enabling environment, changing the nature of policy making.
- c) Demonstrated practical experience in research or evaluation design, conduct, and management. This experience should reflect expertise in developing a fully elaborated design of an M&E system which includes the design approach, articulation of M&E questions, development of sound methods and tools, conduct of data collection and analytical techniques (or supervision of such), interpretation and dissemination of results and report preparation. It is not considered adequate experience to have designed an M&E framework or plan without having completed the implementation of the evaluation activity cycle.

⁵⁴ Sourcebook for Evaluating Global and Regional Partnership Program – Indicative Principles and Standards.

- d) Demonstrated ability to breakdown and communicate complex concepts simply with a range of stakeholders in multi-cultural settings. Findings and their interpretation must be communicated in a simple, easy to digest format for program decision makers.
- e) Demonstrated ability to facilitate learning from M&E findings with implementation teams and other relevant stakeholders.

Desirable

- a) Demonstrated experience in the delivery of development projects. This is relevant as it may ensure that the consultant is sensitive to the difficulties of implementing human development projects in complex settings, that the design is feasible and value for money, and that the M&E systems meet the needs of all relevant stakeholders.
- b) Demonstrated commitment to keeping up to date with the theoretical and practice developments in the field of evaluation (including ongoing membership of a domestic or international evaluation society)
- c) Demonstrated ability to develop and deliver M&E capacity building activities for implementation teams and GOI counterparts.
- d) Fluency in speaking, reading and writing in English and ability to communicate effectively in Bahasa Indonesia, including on technical matters.

Annex 8: Support to the Policy Analysis Team in Bappenas

Terms of Reference

Using Knowledge for Development: Advisory Support to BAPPENAS under the Policy Analysis Team (PAT)

Background and Overview

Indonesia's recent emergence as a middle-income country and a member of the G-20 group of nations brings with it an entirely new generation of complex development challenges. If the first generation of development was about ending poverty through sustained growth, the next generation will be about how Indonesia can increase citizen welfare in an environment where the growth policies of the past no longer apply. Maintaining Indonesia's economic competitiveness in a global arena; helping the poor ride out economic shocks through a better system of safety nets; joining the global debate over climate change; and other such problems confront Indonesia's senior policy makers with unprecedented demands for high quality policy analysis to inform their decisions.

As the government's premier development planning organization, Bappenas is uniquely responsible for planning for the Government based on the new generation of policy challenges. First founded in 1968 to form the government's 25 and 5 year plans, Bappenas remains the government's center for policy analysis and planning. In planning for development, Bappenas takes a central role in donor coordination through the Jakarta Commitments, its lead role in MDG reporting to global forums, and its vigorous engagement on planning and evaluating climate change. Bappenas's Vice Minister was recently appointed to be the coordinator (together with Australia) for the G-20 working group on social protection, which is already emphasizing the importance of analysis and knowledge sharing across G-20 members.

Bappenas's role in domestic policy formulation has also revived since its decline under President Abdurrahman Wahid's administration, when the agency was nearly folded into the Ministry of Finance. Under Law 25/2004 and the Government Regulation for National Development Planning, Bappenas is given lead authority for preparing the medium term expenditure plan. Bappenas has also been tasked with reformulating the national bottom-up planning process ("*musrenbang*"), an activity whose outcomes will cut across virtually the entire AusAID portfolio.

Nevertheless, while Bappenas retains the greatest in-house analytical expertise for development planning of any ministries and non-ministerial agencies within government, Bappenas is itself acutely aware that the nature of Indonesia's development challenges requires some improvements to the organization's ability to draw on various sources of empirical analysis. This proposal supports an analytical and advisory unit that can assist Bappenas's Minister and Vice-Minister. The purpose of the unit is to synthesize cross-cutting analysis into policy options papers and briefing notes that can help Bappenas's senior managers develop policy positions on issues that will be addressed in international and national forums. These GOI policy papers will provide the analytical and presentational foundations for Indonesia's engagement in global forums, particularly the G-20.

Bappenas is requesting assistance from AusAID to develop this team. Initial contributions from the government to the team will be relatively small, largely because the sudden scale-up in Indonesia's global engagements has come so rapidly. By the end of the five-year timeframe, the team will be

financed largely from the central budget, with donor support limited to certain types of international expertise and other such areas that are driven by comparative advantages within the GOI-Australia partnership.

General Objectives of Assignment

The overall purpose of this team is to support Bappenas's Minister and Vice-Minister. The team will be a start-up core for developing the capacity for Bappenas' role as a "think tank". Guidance from the Minister and Vice-Minister will help the team produce policy option papers and presentations that Bappenas's top executives will use to discuss issues in international and national forums.

The team's primary purpose is to synthesize and commission policy analysis from domestic and international sources, and to translate this knowledge into policy briefs, position papers, policy addresses, options papers and the like. The team will function as an intermediary between Indonesia's overall knowledge sector and senior policy makers. As such, it should be able to produce succinct, policy-oriented briefing documents, often on short-notice, to an international standard.

Although the team will respond to government requests, it will also be expected to commission and produce several bases for key documents. Discussions with Bappenas will finalize the five-year work plan, but likely outputs will include:

- Mid to long-term development reviews, vision and projections
- Indonesia's role in regional and global development
- Building a knowledge-based economy and society
- Assessing the impacts of structural changes to the economy
- Enhancing efficiency and competitiveness
- Developing, leading and lagging sectors
- Improving the quality of public investment in Indonesia
- Promoting equitable growth
- Policy implications of Indonesian demographic changes

Because the team is primarily a synthesizer of information, ensuring that its members are in close touch with specialists in government, universities, think tanks and elsewhere is critical. Within government, the team will consult closely with Bappenas's deputies, the Department of Statistics (BPS), and the relevant line agencies. Externally, the team will have a strong procurement function that allows it to commission policy analysis from domestic and international sources. While the team will initially receive external assistance, part of its work program will include support for Bappenas's knowledge sector reform agenda so that over time the team itself can be supported entirely from national resources.

Demands on the team will be high. It will be responsible for ensuring that GOI can provide high quality presentations to international and national forums, often prepared at short notice. The team will have to remain in close contact with a broad range of analysts and data sources within Indonesia and internationally.

Specific Objectives of the Assignment

Specific objectives of the assignment are to:

- Prepare policy briefs on priority development issues, as determined by the Minister or Vice-Minister, for international and Cabinet discussions;

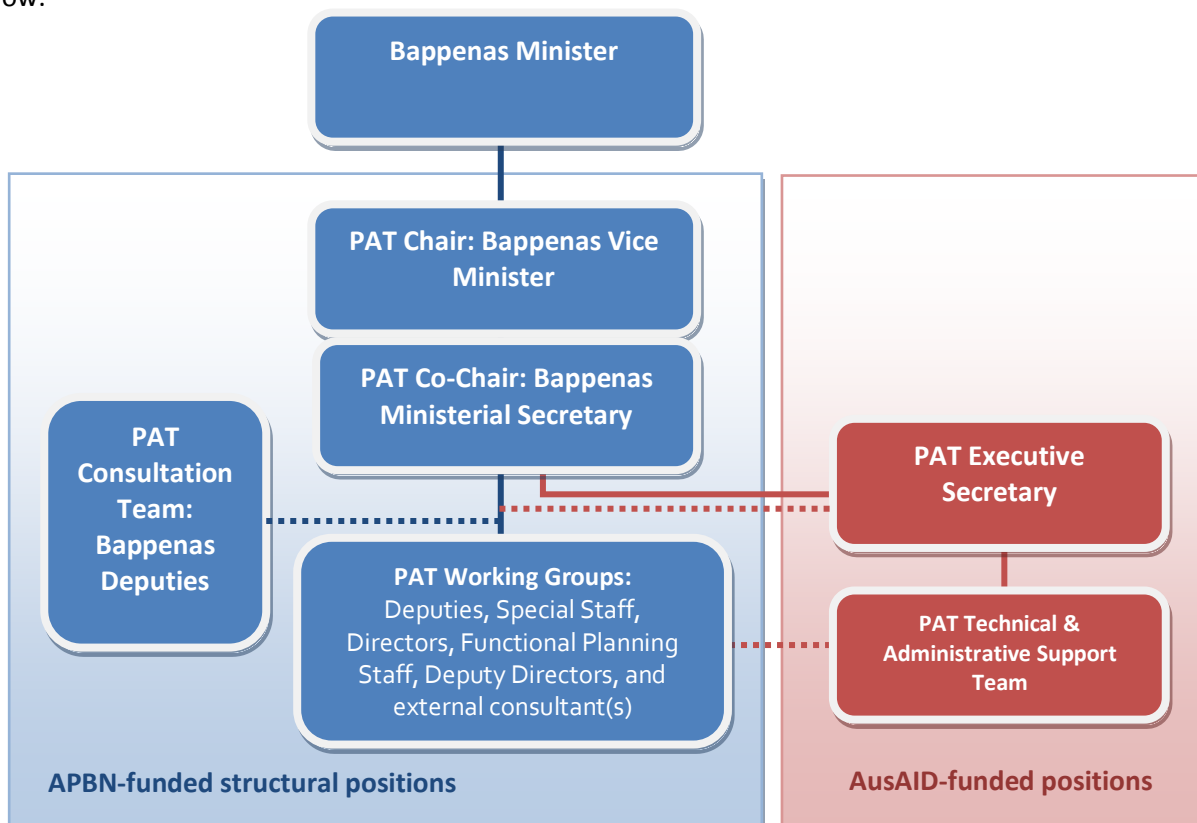
- Commission systematic reviews of selected relevant themes that can inform policy development, identify knowledge gaps;
- Commission research on selected topics relevant to the themes and issues of medium term development plans and policies;
- Organize discussion of selected public issues for planners and professionals, and policy roundtables for senior officials;
- Publish relevant reports for public discussion;
- Advise on opportunities to strengthen GOI's ability to draw on high-quality knowledge

Organizational Structure and Reporting

The Policy Analysis Team will be steered by the Bappenas Minister, chaired by the Vice Minister, and co-chaired by the Ministerial Secretary. To conduct the PAT activities, Bappenas will form Working Groups composed of sectoral focal points from nine deputies, special staff to the Minister, functional planning staff, directors, and deputy directors which task is to analyse salient strategic issues and provide policy options.

The Team will be assisted by an Executive Secretary appointed by Bappenas based on qualifications and familiarity with the relevant issues. The Executive Secretary will assist the Vice Minister in the day-to-day management of the Policy Analysis Team. Bappenas will also form a Consultation Team, which will primarily consist of Bappenas Deputies. The Consultation Team will provide inputs on analyses of strategic issues and coordinate closely with the Vice Minister.

In conducting PAT activities, the Bappenas Working Groups will be supported by an AusAID-funded Technical and Administrative Support Team composed of policy analysts, technical specialists, program coordinator, and administrative staff. The Support Team will report directly to the PAT Executive Secretary. An indicative organizational structure of the Policy Analysis Team is outlined as below.



Activities conducted by working groups can be supported by both APBN and AusAID funds, as agreed upon in an annual work plan.

PATFor the purposes of resourcing and broader Knowledge Sector program reporting, the PAT Executive Secretary should submit an Annual Work Plan and Six-Monthly progress reports of PAT activities **that will be funded by AusAID** as part of the regular reporting arrangements of the Knowledge Sector program outlined in Chapter 3, Section IV of the design document.

Overview of technical support team composition

The primary purpose of this assignment is to prepare policy briefs and issue papers for the Minister and Vice Minister of Bappenas. As such, staffing composition should emphasize people who can produce high quality, succinct work under tight deadlines.

The day-to-day management and coordination of the team will be conducted by a full-time Executive Secretary, who will sit in Bappenas. He or she will be supported by a small team of policy analysts and a technical team who will sit in nearby rented premises procured by the contractor, should space in Bappenas not suffice. The team will need a strong administrative infrastructure that can prepare high-quality presentations, manage logistics, and procure specialized Indonesian and international consultant services.

Core staff should include but are not limited to:

- Senior public policy analyst (national/international)
- Program Coordinator (national)
- Specialists in graphic design and presentation (national)
- Communication specialist (national)
- Administrative Support Officer (national)

Services that will be subcontracted could include:

- Translation
- Publication
- Event organizing
- Surveys and research on specific issues/topics
- Training / capacity building providers

Services provided by government

Bappenas will provide secretaries for the team. It will also cover some of the expenses for inviting international and national specialists to workshops and roundtable discussions. The division of budgetary allocation will be defined in more detail in the PAT work plan.

Indicative Work Areas

While a full five-year work plan will need to be developed further in the first year, the team's activities can be grouped into four main components:

1. Support for the Minister and Vice Minister

This includes synthesizing research reports, sectoral reports and other pieces of analysis for the consumption of the Minister and Vice Minister; coordination of information from sectoral deputies;

as well as developing policy briefs, position papers, and presentations for high-level national and international forums.

2. Communication of policies and analyses

This includes media monitoring and analysis, preparing a communication strategy for Bappenas policies; developing content (relating to policy and analyses) for the Bappenas website and other means of communication; and holding periodical public events (seminars, conferences, workshops, etc.) to discuss priority policy issues.

3. Capacity development

This component aims to strengthen Bappenas' capacity as a "think tank" for the Indonesian government, and includes Bappenas internal capacity building activities as well as the development of institutional cooperation and networks between Bappenas and centres of knowledge. Internal capacity building activities include an evaluation of existing resources and analytical capacity; development of internal subsystems to boost analytical capacity; and thematic training programs for Bappenas analysts. Activities to develop institutional cooperation and networks will be undertaken with centres of knowledge in Indonesia and internationally, which will include developing a general framework for cooperation; piloting institutional cooperation with select knowledge centres; and establishing study networks for policy development.

4. Research for planning and development

This component includes convening thematic discussions on development issues; development of analytical briefs and policy papers; as well as strategic research for national planning. This component could also include relevant research activities funded by other donor agencies and development partners. The PAT will coordinate research activities to ensure complementarity among various activities. A research agenda will be developed as part of the PAT's Annual Work Plan.

Annex 9: Factors Shaping Knowledge Use in Decision-Making

Analysis of the political economy of policy-making in Indonesia conducted by ODI and SMERU as part of AusAID's knowledge sector diagnostic shows that policy-makers may be motivated to draw on and use knowledge in order to⁵⁵:

1. **respond to the president or those with a presidential mandate** such as a highly placed supervisor;
2. **seek economic or financial benefits:** this may be for the government as a whole, individual ministries or individual government officials;
3. **seek favourable perceptions amongst the media and the public** by designing and launching populist policies; conducting opinion surveys to assess public preferences;
4. **seek favourable perceptions amongst key international actors:** by performing well economically especially in comparison with neighbouring countries, preparing for negotiations in key international fora, meeting global goals and targets such as the MDGs;
5. **exercise authority over others:** to for instance assess and resolve competing claims for resources;
6. **prevent and/or mitigate the effects of crises and acute social and political disorder:** this could be in relation to food price rises, fuel prices rises, terrorist attacks and natural disasters;
7. **deflect or insulate oneself from criticism and/or influence;** this may be in relation to developing a firm position to avoid significant and repeated shifts in policy in response to external criticism from say the media and civil society.
8. **bolster arguments or legitimise policy** positions and approaches to addressing policy problems that had already been taken;
9. **exert pressure on others** by, for example, exposing them or highlighting deficiencies in their performance or behaviour;
10. **prove and increase one's legitimacy:** to improve, for instance, an MP's ability to represent their constituents;
11. **strengthen relationships with others** by consulting those with those who are valued and trusted or circulate patronage;
12. **establish and improve one's credibility:** for example by wishing to be seen as a resource person by others;
13. **advance one's career** in the civil service, but this could also be as a politician, which would entail establishing credibility with colleagues in the party for example;

⁵⁵ Datta, A., Jones, H., Febriany, V., Harris, D., Dewi, R.K., Wild, L. and Young, J., "The political economy of policy-making in Indonesia: opportunities for improving the demand and use of knowledge", AusAID Knowledge Sector Diagnostic, 2011.

14. **act in accordance with one's ethics:** these could be personal and/or professional, where individuals may receive satisfaction from drawing on analysis or consulting with civil society as a means to developing good policy, or see civil society consultation as good in itself;
15. **adhere to established technical standards** in a limited number of ministries where there seemed to be a culture of more rational decision-making, where outputs and outcomes were more quantifiable;
16. **address higher levels of technical complexity** in areas which appeared more abstract to the lay person such as those relating to finance and economics.

However, there is usually no one reason why policy-makers invest in demand and/or use knowledge in policy-making – policy-makers' motivation in using knowledge for policy consideration is more often dictated by a combination of the above factors.

Overall, with the exception of three factors, motivational factors were largely based on economic or monetary metrics, an assessment of power gained or lost, bolstering one's status and safe guarding relationships amongst others amongst others. The political economy of the demand and use of knowledge was clearly bound up with the political economy of policy itself.

At the same time policy-makers may be discouraged from seeking knowledge because:

1. **There may be actors or interests who oppose any reforms that knowledge might suggest or inform:** although policy-makers may demand knowledge, they may not be in a position to act on it. They may be faced with opposition from influential actors who benefit from the status quo.
2. **They may lack the power to convene multiple actors or those with more power than them:** given the extent of silo-sation and the challenges of coordinating equals across government or within a ministry, acting on any knowledge would be challenging and may discourage policy-makers to demand analysis in the first instance.
3. **They may not have the time:** given the pressure from the media and public to perform, many policy-makers felt compelled to roll out policies quickly often without adequate research and analysis.
4. **They lack sufficient analytical capacity:** even if policy-makers wanted to draw on knowledge, given the weaknesses in government's analytical capacity coupled with systemic weaknesses in the civil service, they may lack sources to pursue.

Annex 10: Selection Process for the Supply Side Partners

Although the Knowledge Sector Initiative will only start its full implementation in 2013, AusAID is starting the selection process of partners for the Supply Component. The selection process is managed by The Asia and will conclude with the nomination of 8-10 partners to AusAID and the Knowledge Sector Steering Committee for final decision making in early January 2013. Timeline and details of the selection process are outlined in the Call of Expressions of Interest below, disseminated to approximately 600 research institutions across Indonesia on 10 June 2012.



Selection Process for New Partners of
The Knowledge Sector Program Initiative
by The Asia Foundation for AusAID



Australia-Indonesia Partnership for Pro-Poor Policy - The Knowledge Sector Initiative Call for Expressions of Interest (EOI) Core Funding to Strengthen Key Policy Research Institutes in Indonesia

This invitation is made to all organizations which have registered to receive notices about the AusAID Knowledge Sector Initiative through submission of their basic organizational details to sektorpengetahuan@tafindo.org. This call is open to any and all organizations which meet the criteria laid out in this document.

ABOUT THE INITIATIVE

The Australia-Indonesia Partnership for Pro-Poor Policy – The Knowledge Sector Initiative is a new 15-year program aimed at increasing the quality of public policy through strengthening research organizations and policy makers, as well as creating an enabling environment for evidence-based policy making. The 15-year program is divided into three 5-years phases. The first 5-year phase ('Phase One-Knowledge Sector Building Blocks') has five focus areas, which include, but are not limited to: Education, Health, Poverty Reduction and Social Protection, Environment and climate change, and Economic Governance. The first 5-year phase will be managed by a Managing Contractor to be determined through an AusAID tender process that will commence soon. In preparation, AusAID and The Asia Foundation (TAF) are now starting a selection process that will nominate partners to receive assistance through Phase One.

**Before submitting your EOI, PLEASE READ THE PROGRAM DESIGN DOCUMENT entitled *Revitalizing Indonesia's Knowledge Sector for Development Policy*.
It is available on-line:**

http://www.usaid.gov/pressroom/publications/pubout.cfm?ID=6907_4230_9750_6366_1236&Type

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The Call: Core Funding to Strengthen Key Policy Research Institutes in Indonesia

The Phase One selection process is now open for Knowledge Sector supply side organizations to apply for 'Core Funding to Strengthen Key Policy Research Institutes in Indonesia'. Successful organizations will receive core funding, organizational/ technical/ advocacy development support and research support for \pm 5 (five) years, with annual performance reviews. It is expected that by the end of Phase One that this support will produce leading Policy Research Institutes that regularly provide high quality analysis to policy makers.

It should be noted that the AusAID Knowledge Sector Initiative will also support policy research through other funding mechanisms that include: small grants for innovative projects; an international partnerships and exchange fund; collective learning grants; and policy advocacy support. These additional mechanisms will also be made through similar calls from 2013 once the program is running.

Stages of Selection Process (Phase One- Knowledge Sector Building Blocks)

To apply for the program, interested organizations will need to first assess their eligibility to apply for assistance. Following this, organisations will submit an expression of interest. The EOI will be assessed and the top 50 short-listed applicants will then be invited to submit a proposal. Proposals will be assessed and TAF/AUSAID will carry out site visits to the top-ranked 15-20 organisations.

After the site visits, proposed partners will be nominated to the Steering Committee for the Australia-Indonesia Partnership for Pro-Poor Policy (hereinafter referred as Steering Committee) and AusAID, who will provide final approval of the successful applicants. Final partner selection will not be confirmed until a *Managing Contractor* has been mobilized. Please see indicative timeline below.

<i>Stages</i>	<i>Timeframe</i>
Stage 1: Expression of interest submitted	Monday, July 16, 2012 (30 Days)
Announcement of 50 short-listed organizations	Wednesday, August 15, 2012 (30 days)
Stage 2: Request for Proposal submitted	Friday, September 28, 2012 (45 days)
Announcement of 15-20 top-ranked organisations	Monday, October 29, 2012 (30 Days)
Stage 3: Site visits to 15-20 top-ranked organizations	November – December 2012
Nomination of 8-10 Phase One proposed partners to AusAID and Steering Committee	early January 2013
Approximate date of funding	2013

DECIDING WHETHER TO APPLY

A. "Are we a knowledge sector organization?"

The Knowledge Sector Initiative seeks to build the capacity of Indonesia-based knowledge producing organizations who aim to be among the leading policy research institutes that provide evidence to be used by Indonesian policy makers in making public policy. Partner organizations that receive assistance can be either university-based research centers, NGOs which produce policy research, or think tanks.

Please read **Attachment 1 - FAQs**, for a more detailed definition of the characteristics of a Knowledge Sector organization. These should help you decide whether this program is a good fit for your organization to apply to.

B. “Do we meet the program’s eligibility criteria?”

To apply, organizations must meet all of the following basic eligibility criteria. Applications by organizations that do not meet ALL of these criteria WILL NOT be assessed for funding.

No	Basic Eligibility Criteria
1	Your organization must be an Indonesian independent think tank, NGO or university based research centre that has as your <u>core business</u> the conduct of research aiming to directly influence Indonesian national or local policy, and/or the use of research to create evidence based policy change.
2	Your organization should cut across a number of disciplines focused on social science approaches to address policy needs in at least one of the following sectors: education, poverty and social protection; health; economic governance; or environmental issues including climate change.
3	Your organization must be an Indonesian legal entity proven by notary deed, and have been in operation for at least 3 years
4	Your organization must have a defined and operational governance structure that is publically available, with individuals clearly defined as being accountable for the organisation’s operations and governance (e.g., a chief executive and board or similar structure).
5	Your organization should have previous experience receiving grants from external parties, and demonstrated financial transparency through an audited financial statement produced within the last three years.

In addition, applicants should assess themselves against the following questions. Organizations that cannot answer “YES” to at least four of the questions below should not apply.

No	Additional Eligibility Criteria – must meet four of the criteria	Y/N
1	Has your organization published policy research or policy commentary based on research in the public domain (including on a website) over the last 2 years?	
2	Does your organization have in place systems to review your research through internal review by your organization’s senior staff; through presentations at conferences and / or through publication in international and national peer review journals?	
3	Does your organization regularly engage with policy makers and other decision makers and stakeholders at national and local levels? This would include consultation about your research agenda, communicating research results in easy-to-use formats, ongoing dialogue with government and civil society representatives relevant to your work.	
4	Is your organization actively involved in any established research or policy networks	

	to share knowledge and best practices?	
5	Do you have ongoing partnerships with other Indonesian and also perhaps international policy research institutes to jointly conduct research and/or undertake policy advocacy?	
6	Does your organization employ at least five full-time professional staff, where half of these have a research role? Are there at least two senior staff who are in possession of higher degrees (at least Masters level)?	
7	Does your organization have a strategic plan for organizational (including staff) development including career pathways and capacity building for research?	

If your organization can answer YES to at least four questions above then you are eligible to participate in the selection process.

THE APPLICATION PROCESS

Stage 1: Expression of Interest

Applicant organizations will submit a short Expression of Interest by July 16, 2012, which provides an overview of their organization's goals, structure, and links to the policy community.

The Expression of Interest will be **maximum of five pages** and include:

- Description of the mission and goals of the organisation
- Diagram of organisational structure including definition of positions and roles
- Definition of the organization's key audiences and definition of the purpose of their policy research/communication pieces, and definition of how they use communications pieces to reach those key audiences.

Please refer to and use the more detailed guidance provided in **Attachment 2**.

Stage 2: Proposal Submission

Organizations which submit Expressions of Interest will be short-listed and notified by August 15, 2012. Around 50 organizations which most strongly demonstrate they meet the program's eligibility criteria will be invited to participate in Stage 2 of the selection process, in which a detailed proposal will be submitted. The due date for the proposal will be August 16, 2012.

The proposal will require your organization to provide additional evidence that you are a strong candidate for the Knowledge Sector program. The detailed proposal will be around 10 pages, and will require submission of additional supporting documents (e.g., published research, strategic plans, organizational charts, etc.). Applicants will also need to provide at least two external references from a previous/current donor and a client (policy maker) to further substantiate the organization's capacity and role.

The proposal will be reviewed by a committee consisting of the Asia Foundation and AusAID, with oversight from a BAPPENAS-led Steering Committee for the Australia-Indonesia Partnership for Pro-Poor Policy. It is expected that around 15-20 organizations will be short-listed to proceed to Stage 3 of the selection process, and notified by October 29, 2012. The following criteria will be used to rate proposals and short-list organizations:

Selection Criteria	Weighting
Demonstrated history of producing quality policy research and / or evidence based advocacy outputs (evidence of quality of policy research)	30%
Evidence of the organisations planning including consideration of future policy needs in Indonesia, and clear strategic planning	25%
Evidence of organizational consideration of sustainability including strength of organization’s governance structures, staff retention, financial planning and management processes	25%
Existing networks with key stakeholders in the organisations area of focus (including ability to engage and work in coalition with civil society), and evidence of productive policy engagement and contribution of research to policy	20%

Other criteria used to assess potential partner organizations suitability for the program includes thematic focus, demonstrated capacity for gender analysis, geographic location, and types of organization (NGO, university research institute, think tank). These factors may also be considered during the selection process, although they are not part of the core selection criteria.

Stage 3: Participatory Assessment and Site Visit

A participatory assessment tool was developed and used under the Knowledge Sector Action Learning Program (see *Annex 4* of the design document available on-line at the website listed above). This participatory assessment tool will be used during a one-day site visit to the short-listed organizations, which will take place around November – December 2012. Facilitators from TAF will engage the organization’s management and staff in an exercise to discuss the proposal which was submitted, and further identify the challenges and opportunities for organizational growth and reform. The organization will have the opportunity to present their vision for how they will contribute to the development policy challenges of Indonesia’s future.

Based on the results of the site visit and their proposal, partners will be re-assessed using the same selection criteria as will be used for short-listing. Organizations will be ranked for receiving assistance, and final decisions on partner organizations will be made by the program’s Steering Committee.

NOTIFICATION OF PROPOSED PARTNERS

It is anticipated that organizations will be notified of their status as a potential Knowledge Sector Program partner in early January 2013. Final notification will take place once a Managing Contractor has been mobilized for the longer term program.

It is anticipated that after partner selection is approved by the Steering Committee, funding agreements will take time to finalize. It is anticipated that funding will be available to selected partner organizations in 2013.

ATTACHMENT 1

FREQUENTLY ASKED QUESTIONS – KNOWLEDGE SECTOR INITIATIVE

What is the Knowledge Sector Initiative?

*Australia Indonesia Partnership for Pro-Poor Policy - the Knowledge Sector Initiative*⁵⁶ is a new 15-year initiative aimed at increasing the quality of public policy through strengthening policy research institutes and policy makers, as well as creating enabling environment for evidence-based policy making. It is important to understand how you fit within the broader program. The program uses a “knowledge to policy” model made up of four inter-connected pillars to improve public policy in Indonesia. Each of the pillars will be supported through the program: a) Research organizations that produce knowledge and evidence that influence policies – referred to here as the **Supply side**; (b) Policy makers who demand and use evidence in formulating policies –the **Demand side**; (c) **Intermediary** functions and bodies that translate, package, and communicate knowledge; and (d) **The enabling environment** – the policies, regulations, and procedures that govern how the supply and demand sides operate and interact. Please see below the program schematic:

GOAL	Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs.		
PURPOSE	Indonesia’s knowledge sector produces evidence to inform priority social development policies.		
COMPONENTS			
SUPPLY	DEMAND	INTERMEDIARY	ENABLING ENVIRONMENT
Selected organisations generate and communicate high-quality evidence to relevant policy makers	Selected government policy makers effectively demand and utilise high-quality evidence to inform social development policy	Selected organisations effectively translate the findings from research into policy options and policy options feed back into research	Important systemic and regulatory barriers to an effective knowledge sector are identified and mitigated

The Knowledge Sector Initiative focuses on five development policy thematic areas (but will not be limited to): Education, Health, Poverty Reduction and Social Protection, Environment and Climate Change, and Economic Governance. While AusAID will be providing support to strengthen policy research institutes capacity for better research and analysis, AusAID will also work with policy makers in each of these sectors to help them translate research into policies. Where policy makers do not use evidence, advocacy networks (Intermediaries) may also receive support to use research and evidence to advocate for better policies.

⁵⁶ *The knowledge sector means the overall institutional landscape of government, private sector, and civil society organisations that provide knowledge to support the development of public policy. It includes think tanks, university institutes, specialized agencies, certain types of private sector contractors, and a range of non-governmental organisations. The objective of using the term ‘knowledge sector’ is not to nail down with full precision the boundaries of the sector, but to focus attention on the overall landscape rather than any one organization or area within it (AusAID, 2011).*

What are the key characteristics of policy research institutes eligible for this initiative?

A *policy research institute* which is eligible for this initiative should have the capacity to: (a) produce knowledge (research), (b) do policy advocacy, (c) engage with government/policy makers or otherwise have the ability to influence government/policy makers during the policy making process, (d) work with civil society, (e) retain staff, (f) be committed to reform and change, (g) organize routine meetings/forums with stakeholders; and (h) cooperate with other research organizations.

From the international literature, we know there are several characteristics of successful policy research institute (in addition to the eligibility criteria for the EOI):

- The institute's research demonstrates rigor, meets academic research standards, and uses quality datasets.
- The institute has in place systems to ensure its analysis is independent and non-biased.
- The institute has in place systems for peer review of research, by colleagues and external reviewers.
- The institute consults with policy makers and other stakeholders when setting its research agenda
- The institute actively engages and shares information with government policy makers partner and civil society about relevant development policy issues.
- The institute is actively involved in established research or policy networks to share knowledge and best practices.
- The institute has in place a strategic plan for organizational and program development.
- The institute has systems in place to build the capacity of its staff, and provides a career path for its employees.

The Knowledge Sector selection panel will be looking for supply-side organizations that have these qualities and a strong commitment to growth, transformation and quality assurance.

How much funding will be available for partner organizations?

Prior to determining how much funding will be available each year for each organisation, the following steps will be taken:

- an organisational assessment of selected organizations will be conducted, including an assessment of the technical capacity of research staff and a network mapping exercise;
- organisations will develop a capacity building plan – this plan will reflect an institutional change approach rather than a resource intensive, large training exercise;
- organisations will implement specific activities, with strong monitoring and evaluation against the planned results.

Following on from this, each year the organisation's performance will be assessed to determine the total amount of core funding they will receive. Partners will receive core funding at a level appropriate to the organization's absorptive capacity, and to ensure that each organisation can be selective and cultivate their research niche in the market, and pursue and maintain networks with demand side users. In year two of Phase One, organizations will review and further develop their strategic plans to plan for broader institutional change.

As the funding provided is core funding; ultimately partners determine how funds are used. Funding may be used for research (including the cost to ensure the quality of research), organizational support (salary, operational cost, etc), or institutional development (training, consultants, etc). The Program also aims to start to build the capacity of organisations to diversify their sources of income.

How long can an organization be supported by AusAID?

5 (five) years, with annual performance reviews and the possibility for continuation (based on continuing performance) into the follow-on phases of the program. Future support under the longer 15-year program will be assessed at the end of Phase One.

Two years ago, my organization applied for the Knowledge Sector Learning Program (managed by The Asia Foundation on behalf of AusAID), but we were not selected. Can we apply again? Are there any differences in terms of the application and selection procedures in this phase?

Organizations who applied the last time are encouraged to apply again; they will be given an equal opportunity to be re-considered. They will need to reassess their eligibility for the program and need to submit a new Expression of Interest, and if short-listed then submit a revised proposal. There is no substantial difference in the application procedure.

Now that the larger-scale phase of programming is starting, the program can accommodate additional partners. There is a chance if you were not selected previously, you could be selected now. Also, applicants should note that subsequent selection phases for additional supply side support are planned in future years. Other types of competitive grants schemes are also anticipated for future years.

What's the timeframe between the submission of EOI and proposal?

All organizations which submit an EOI will receive notification about whether they have or have not been shortlisted to the proposal phase within 30 days of the EOI due date. For shortlisted organizations, proposal will need to be submitted around 2.5 months after the EOI submission.

Who is the main sponsor of this program?

This program is fully funded by AusAID. The program is overseen by a Knowledge Sector Steering Committee, whose core membership is expected to comprise senior officials from:

- Bappenas;
- Central policy making agencies such as the Ministry of Finance;
- Other agencies responsible for policy relevant to the knowledge sector;
- Two to three senior, well regarded representatives of the supply side (whose organisations shall not be eligible for support through the Program); and
- AusAID

The Committee approves annual plans, including approving the selection of supply-side organisations to receive core funding and other support under the Program. The Committee also reviews progress reports, and advocates for the strengthening of the knowledge sector amongst other senior Government and non-Government stakeholders.

Should we have already had published research (in a peer-reviewed journal) to be eligible to apply?

Not necessarily. Nonetheless, the organization must be able to provide evidence of other types of publications that show rigor in research. For example, articles in website, or policy papers.

What if our research report/analysis fails to influence policies?

The success/failure of policy advocacy based on your organization's research will not be a primary determinant of successful applicants for this program. However, we do expect that one of the core aims of your organisation is to influence the public policy either at the national or local level.

Through this program, can selected organization use the funding to provide technical assistance for civil society or other civil society organizations?

The focus of this support is to develop the capacity of policy research institutes. The program is not designed for research organizations to provide technical assistance (such as training) to civil society or other CSOs. However, one expected outcome of this program is that research organizations will have the ability to establish and strengthen networks and cooperation with other research organisations, CSOs, constituents and other stakeholders who work on policy advocacy.

Should an organization be a legal entity to join the selection process?

Yes, your organization must be a legal entity which has in place the standard structure to manage grants from international donor. Organizations must have been registered for at least three years. If your organization is less than 3 years old, you should wait to apply for the next Phase of assistance.

ATTACHMENT 2

**Australia-Indonesia Partnership for Pro-Poor Policy - The Knowledge Sector Initiative
Format for Expressions of Interest (EOI)
Core Funding to Strengthen Key Policy Research Institutes in Indonesia**

DUE JULY 16, 2012

Name of Institution	
Name of Director/Officer in Charge	
Address, phone, email for your organization	

Please answer a few questions about your organization.

1. What is your organizational mission statement? What is your organization's goals?
2. Check all of the sectors that your organization conducts policy research on:

<input type="checkbox"/>	Education	<input type="checkbox"/>	Health
<input type="checkbox"/>	Poverty reduction and social protection	<input type="checkbox"/>	Environmental issues, climate change
<input type="checkbox"/>	Economic governance	<input type="checkbox"/>	Other
<input type="checkbox"/>	Gender	<input type="checkbox"/>	

If you selected other, please list other policy topics your organization researches:

3. What year was your organization founded? _____
4. Is your organization an Indonesian legal entity proven by notary deed? YES / NO
5. Please attach a copy of your organizational structure, which shows your organization's operations and governance (board, etc.).
6. Please provide a numeric overview of your organization's staffing composition:

Type of staff	Status	Number
Management	Full-time	
	Part-time	
Researchers	Full-time	
	Part-time	
Other / support staff	Full-time	
	Part-time	

What is the gender composition of your staff?

All staff	Status	Number
	Male	
	Female	

7. Please provide us with a brief description of the role of researchers appearing on your organizational chart, such as senior researcher, researcher, research assistant, etc. (You do not need to provide position descriptions for staff who are not employed as researchers).
8. Please list the international donors and project names your organization has received funding from in the past five years:

Year	Donor	Project name

9. Please list other sources of funds/income that your organization currently has:

10. Has your organization published policy research or policy commentary based on research in the public domain (including on a website) over the last 2 years? Please give three examples, citing the author, title and place of publication. If on-line, please provide the URL.

- 1.
- 2.
- 3.

11. Does your organization have in place systems to review your research through internal review by
your organization's senior staff; through presentations at conferences and / or through publication
in international and national peer review journals?

YES / NO

12. Does your organization regularly engage with policy makers and other decision makers and stakeholders at national and local levels? Please list up to 10 key government and civil society stakeholders your organization regularly consults with about your research.

- | | |
|----------|----------|
| 1. _____ | 6. _____ |
| 2. _____ | 7. _____ |
| 3. _____ | 8. _____ |

4. _____

9. _____

5. _____

10. _____

13. Is your organization actively involved in any established research or policy networks to share knowledge and best practices? Please list up to five.

1. _____

2. _____

3. _____

4. _____

5. _____

14. Do you have current partnerships with other Indonesian or international policy research institutes to jointly conduct research and/or undertake policy advocacy? Please list up to five.

1. _____

2. _____

3. _____

4. _____

5. _____

15. Does your organization have a strategic plan for organizational and staff development? Please give one example of the capacity building your organization offers research or other staff.

Submission:

By July 16, 2012, please submit this completed form and attach your organizational chart

- Via email: sektorpengetahuan@tafindo.org. Please use subject line: *KS Expression of Interest*
- Via post: Sektor Pengetahuan, The Asia Foundation, PO Box 6793 JKSRB Jakarta 12067. Documents sent by post or courier must have a postmark/receipt no later than the deadline. If you send documents via post, please send us an email notifying us that your organization will be submitting an EOI.



Selection Process for New Partners of
The Knowledge Sector Program Initiative
by The Asia Foundation for AusAID



The Asia Foundation