# Poverty Reduction Support Facility (PRSF): Implementation Planning

## Product 2: PRSF after 2014

### Final report

**14th June 2013**

**The Inception Design Team**

# Table of Contents

# Acknowledgements

The team would like to thank everyone who has helped us to deliver the product that AusAID needs, in order to support Government of Indonesia to reach where it wants to go.

In AusAID, Bernie provided intensive support before, during and after the mission, and we thank him immensely for managing this process and also helping us navigate our way through it. Fiona also provided lots of steer from the AusAID side, in particular the logistical requirements we needed to work with and design around. Scott was a constant source of information, advice and challenge, and we hope that what we have delivered is in some way able to respond to the depth of his understanding of the complexities of achieving change in the Indonesian context. In addition Jurist, Patricia, Thomas, and Jo all also helped us along as and when we needed help. Finally Rachael and Jacqui provided strategic steer to ensure we were in tune with wider AusAID objectives.

In PRSF we are again indebted to the core team of Patrick, Peter, Abdurrahman, Surya and Jean-Charles for their openness, and willingness to engage in discussions so freely, as well as their sage advice on the pros and cons of the various options we have discussed over time.

This mission did not draw upon TNP2K time as much as the groups mentioned above, largely because of the timeframe for the scale-up program which goes beyond TNP2K's planned life. But we nevertheless benefitted immensely from guidance provided by both Pak Bambang and Pak Suahasil.

And thanks to all the many people we met with and discussed, as key informants – from government, development partners, civil society organisations, including in the theory of change workshop towards the end of our time in Jakarta.

We hope we have come up with products that you think will work and will help you to achieve what you want.


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# Preface

In the context of AusAID's support to social protection in Indonesia, AusAID contracted a design team to deliver an implementation strategy for one of the main investments in social protection by AusAID, the Poverty Reduction Support Facility (PRSF). The terms of reference for the design team ask, among other outputs, for a (single) implementation strategy document to guide program managers.

During the inception phase process, the design team and AusAID Indonesia agreed that two distinct implementation strategy documents would be produced: one outlining the period from July 2013 to end 2014 (Product 1) and a second outlining the subsequent period from January 2015 – June 2017. The reasons for this were numerous but most notably included uncertainty over how the current mandates and activities of government institutions, particularly the National Team for Accelerating Poverty Reduction (TNP2K), might change following the forthcoming elections. Possible changes in institutional mandates and roles made it difficult for the design team to clearly identify future institutional priorities and activities in the social protection sector and to articulate a single management structure and workplan for PRSF across the full time period.

To overcome this problem, the design team and AusAID agreed that two products, covering distinct time periods of time would be more useful. Product 1 focuses on PRSF support to the activities of TNP2K until December 2014 but also provides guidance on how other funding for PRSF outside of TNP2K; the current 'AusAID window' will be used to support activities that lead into PRSF activities after 2014. Product 2 provides a strategic framework for the second phase including a theory of change, program logic and the three components that define the program's structure, outputs and activities. AusAID has committed funding to mid-2015, subject to annual budget processes. Support beyond this period has yet to be determined.

AusAID's support for social protection in Indonesia began in 2010, when the Vice President's office sought support for the National Team for Accelerating Poverty Reduction. These documents have been prepared three years on to calibrate our medium and long-term support, as part of AusAID's the Australian aid program's ongoing commitment to improvement.

# Abbreviations and glossary

| | |
|---|---|
| AIPD | Australia-Indonesia Partnership for Decentralisation |
| AIPEG | Australia-Indonesia Partnership for Economic Governance |
| ASLUT | Asistensi Sosial Lanjut Usia, Social Assistance for the Elderly |
| ASODKB | Asistensi Sosial Orang dengan Cacat Berat, Social Assistance for People with Disability |
| AUD | Australian dollars |
| AusAID | Australian Agency for International Development |
| Bappeda | Badan Perencanaan Pembangunan Daerah, Local Government planning agency at provincial and district levels |
| Bappenas | Badan Perencanaan Pembangunan Nasional, National Planning Ministry |
| BLT | Bantuan Langsung Tunai (Unconditional Cash Transfers) |
| BSM | Beasiswa untuk Siswa Miskin, national education scholarships for the poor |
| Bupati | Head of district level administration |
| CCT | Conditional cash transfers |
| DJSN | Dewan Jaminan Sosial Nasional, National Social Security Council |
| DTL | Deputy Team Leader |
| EOPO | End of program outcome |
| G20 | Group of 20 industrialised countries |
| GDP | Gross Domestic Product |
| GII | Gender Inequality Index |
| GIZ | German Development Cooperation |
| GOA | Government of Australia |
| GOI | Government of Indonesia |
| IDA | Iron deficiency anaemia |
| ILO | International Labour Organisation |
| IO | Intermediate Outcome |
| IPR | Independent Progress Review |
| JPS | Jaringan Pengaman Sosial, Social Safety Net |
| JSLU | Jaminan Sosial Lanjut Usia, Social Security for the Elderly |
| JSPACA | Jaminan Sosial Penyandang Cacat, Social Security for People with Disabilities |
| Jamkesmas | Health insurance program |
| Kemensos | Kementerian Sosial, Ministry of Social Affairs |
| Kesra | Kesejahteraan Rakyat, Coordinating Ministry for Social Welfare |
| M&E | Monitoring and Evaluation |
| MIC | Middle-income country |
| MOEC | Ministry of Education and Culture |
| MOH | Ministry of Health |
| MOHA | Ministry of Home Affairs |
| MORA | Ministry of Religious Affairs |
| MOSA | Ministry of Social Affairs |
| MP3KI | Masterplan Percepatan dan Perluasan Pengurangan Kemiskinan di Indonesia, or Masterplan for the Acceleration |

| | |
|---|---|
| | and Expansion of Indonesian Poverty Reduction |
| MP3EI | Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia (Master Plan for the Acceleration and Expansion of Indonesia's Economic Development) |
| MPR | People's consultative assembly consisting two houses: the House of Representatives (DPR), composed of representatives of political parties, and the Regional Representatives Council (DPD) |
| NGO | Non-Government Organization |
| OPK | Operasi Pasar Khusus, Special Market Operations |
| PEKKA | Indonesian NGO, for empowerment of female-headed households |
| PKH | Program Keluarga Harapan, conditional cash transfers |
| PNPM | Program Nasional Pemberdayaan Masyarakat, National Program on People's Empowerment (Community Cash Transfers) |
| PRSF | Poverty Reduction Support Facility |
| Raskin | Beras untuk Rakyat Miskin, Rice for the Poor, Subsidized rice program |
| RPJMN | Medium-Term Development Plan |
| Riskesdas | Riset Kesehatan Dasar, Basic Health Research |
| SCC | Strategic Coordinating Committee |
| SJSN | Sistim Jaminan Sosial Nasional, National Social Security System |
| SME | Small and medium enterprise |
| TAB | Technical Approval Board |
| TKPKD | Tim Koordinasi Penghapusan Kemiskinan Daerah, Local Coordinating Team for Poverty Alleviation |
| TNP2K | National Team for Accelerating Poverty Reduction |
| UDB | Universal database |
| UNICEF | United Nations Children's Fund |

## Executive Summary

### Introduction

Australian support to the Poverty Reduction Support Facility (PRSF) in Indonesia has been provided since 2010, comprising two stages to date: a rapid start-up stage and an implementation stage. In March 2013 AusAID fielded a team to design additional requirements to allow the PRSF to enter a new phase of funding, starting in 2013-14.

The product of this team is divided into two parts.

- **Product 1**: this provides additional design suggestions for the period up to the end of 2014, with a primary focus on PRSF support to TNP2K.

- **Product 2**: this provides further implementation planning for a broader approach to supporting Government of Indonesia's plans for expanding social protection, for the period covering January 2015 to June 2017.

This report is Product 2, and so focuses on the period following Indonesia's 2014 elections. Information and analysis on the background and context to PRSF in Indonesia is provided in the main report.

The current phase of Australian support for social protection reform in Indonesia runs to 30 June 2015. The second phase of work described in this document extends beyond the current scope of the Australian support. This paper should be understood as preparatory work for a potential extension. The size and scope of a second phase will be determined according to Government of Australia and the Government of Indonesia priorities.

### PRSF strategic framework

#### Design principles

The principles underlying PRSF define the nature of how PRSF must work if it is to be effective. Key principles include:

**Evidence-based**. There is much evidence on what works and what doesn't on social protection in Indonesia, and a key role of PRSF will be to introduce relevant evidence into the discussions and planning processes that it facilitates, assisting government agencies to value that evidence and use it to make the best and most objective decisions they can.

**Work across silos.** Government bureaucracies have a tendency to work within their own spheres of responsibility and struggle to coordinate across those spheres. However development and implementation of social protection policy and programming is a multi-ministerial, multi-stakeholder undertaking, and working across these silos will be an important requirement for success

**Recognise institutional barriers**. As a program aiming to facilitate improvements in the quality of government service delivery PRSF will be confronted with all the barriers to institutional performance that exist in

Indonesia. If it is to an effective facilitator and partner it will need to explicitly recognise these barriers and bring these realities into its dialogue with government such that the plans it facilitates incorporate realistic assessments and responses.

A selection of other principles are for PRSF to: be strategic, facilitate change, be flexible, leverage greater change through a transformational approach, focus on government priorities and systems, be inclusive and equitable, work at national and local levels, and incorporate political economy into its work.

**PRSF program logic**

The program logic flows as follows:

**Higher level development goals** are:

*'Reduced poverty, vulnerability and inequality',* which is achieved if

*'All people are able to withstand economic, political and environmental shocks and individual life-cycle risks'.*

The **Program Goal** to which PRSF is expected to contribute, but cannot achieve alone is:

*'A comprehensive, equitable social protection system for the whole of Indonesia'.*

The **Specific Objective of the PRSF** up to 2017 is:

*'To facilitate progress along the pathway towards a comprehensive social protection framework for Indonesia'.*

And in order for this specific objective to be attained, three outcomes will need to be achieved by the end of 2017:

*1. Quality of social protection programs is improved*

*2. More comprehensive and joined up social protection system is developed*

*3. Synergies with wider poverty reduction policy and planning are enhanced*

The outcomes translate to three interlinked components or sets of activities for PRSF.

## 4. PRSF structure and design

The facility is designed as a **strategic facility**. This is a specific kind of facility, which recognises two key characteristics.

- A facility is an appropriate modality because flexibility is required to allow PRSF to engage in the activities required in each of the three components, to best facilitate reform.

- A strategic approach is required to ensure that PRSF can act as a proactive influence for transformation of the social protection system and its parts.

A selection of key features of the structure include:

**Three interlinked components.** The PRSF is designed with three components, each working at a different level. Each is distinct and addresses one of the expected outcomes, but all are inter-linked and work to reinforce each other in pursuit of the overall objective of the PRSF. These are managed together, and not in isolation, and constitute the ingredients required to achieve the overall PRSF objective.

**Technical capacity**. In contrast to PRSF to date, the post-2014 facility will be staffed with technical expertise and the mandate necessary to proactively facilitate change in the directions desired. The change achieved by the facility is delivered through a combination of two major sets of activities:

- the processes under each component that are directly facilitated by PRSF staff
- the specific sub-projects that the facility finances.

**Investment in change**. In order to deliver on its strategic agenda, PRSF will need to invest in identifying key entry points, processes, stakeholders and activities that have the potential to play a key role in transitioning towards a comprehensive social protection system. This may involve:

- analysing and understanding the current situation and the potential opportunities it presents
- building relationships with key stakeholders
- proactively identifying spaces where PRSF can facilitate change
- engaging effectively to broker change.

**Adaptive management**. The PRSF is designed with well-resourced learning mechanisms, building on enhanced monitoring and evaluation (M&E) for accountability, and linked to flexible management arrangements which will ensure that lessons learned about what works, what doesn't work, and why, can be introduced rapidly into implementation, to continually enhance performance.

**Multi-stakeholder**. Facilitating change requires interactions with the appropriate stakeholders with important roles in the system. The PRSF is designed as a facility that works flexibly with whichever stakeholders are integral to the establishment of a comprehensive social protection framework. Unlike the previous phases of PRSF it will do this by engaging with a variety of host institutions.

**Quality assurance**. All of the facility's activities will be managed according to a standard set of quality assurance measures. These will ensure that work conducted and funded by the facility is both consistent with its strategic objectives, and of high technical quality.

**Gender, disability and elderly.** These themes will be strongly integrated through the development of indicators to be embedded in planning, design, implementation and monitoring and evaluation activities in terms of both

process and outcomes. Special efforts will be made to promote gender balance and representation of people with disabilities on project teams.

## PRSF component description

The PRSF is structured around 3 components which correspond to each of the three outcomes mentioned above. As a flexible and strategic facility the activities that each of these components undertakes will be defined by PRSF itself in discussion with its stakeholders. However examples of the kinds of likely activities include:

**Component 1**: improving quality of specific social protection programs:

- Implement action learning on how to deliver specific social protection programs effectively at local level

- Embed support teams in program implementation ministries

- Support policy dialogue on specific programs

- Generate evidence on effectiveness and impacts of specific programs

**Component 2**: develop a more coherent social protection system:

- Research the optimal mix of social protection programs in Indonesia and details on coverage, benefits, eligibility etc

- Pilot how best to integrate local and national targeting for best effect

- Support integration of social protection into Indonesia's next Medium-Term Development Plan (RPJMN)

- Facilitate national public dialogue on social protection

- Investigate and broker best combination of institutional roles for social protection

**Component 3**: ensure synergies with wider poverty policy and programming

- Facilitation of integration at all levels of different poverty programs: Indonesia's Masterplan for the Acceleration and Expansion of Poverty Reduction (MP3KI), local government planning

- Research, facilitation and piloting of how to ensure supply and demand sides required for effective social protection are balanced

- Enhance linkages between social protection and broader livelihoods investments in design.

## PRSF governance and management

Similar governance structures as for other facilities are proposed:

- The **Strategic Coordinating Committee (SCC)** will provide overall leadership and set broad policy and budget parameters, but will not get involved in the detail of quality assuring individual proposals

- The **Technical Approvals Board (TAB)** will review, quality assure, approve and monitor investments, ensuring work is in line with strategic direction, reporting on progress to the SCC.

A new **Subsidiary Arrangement** between the Government of Indonesia (GOI) and the Government of Australia (GOA) will need to be developed for this next phase of PRSF support. Once an institutional 'home' is found for the Agreement, the signing agency will become the co-chair with AusAID of the facility's governing body and the technical approvals board. Note: this still provides the scope for PRSF to work with multiple stakeholders and within other GOI agencies.

Internal management of PRSF will remain relatively lean. The aim is to have the **required in-house capacity** to deliver the technical and administrative roles of a strategic facility, and **small embedded sub-facility teams** (national staff wherever possible) within key GOI agencies, including a provincial and/or district presence.

These sub-facility teams will have good back-up support within PRSF in terms of **long-term technical assistance** such as social protection, institutional reform and change management, political economy, quality assurance, and strategic planning. These internal PRSF positions will be proactive in working across GOI agencies and providing strategic linkages across the sub-facility teams. A draw-down **Consultancy Advisory Pool** of short-term assistance will be available as needed.

**AusAID's social protection unit** will have a key role in managing partnerships, facilitating PRSF linkages to AusAID's other investments in social protection particularly to downstream service delivery in education and health, and engaging in more upstream policy work at the central level. The AusAID social protection panel will provide a further level of quality assurance and peer review to significant investments.

## 7. Program partners

The program will need to work with a wide range of partner organisations. This will include government departments at the national and sub-national level, political institutions, civil society organisations, as well as development partners and other AusAID programs.

The key partner for phase 1 of PRSF has been TNP2K, but we are not currently able to plan around working with TNP2K during phase 2 due to uncertainty associated with the Indonesian elections in 2014. If TNP2K remains an important agency within government after the elections, and especially if it maintains its strong link to political decision-making, it will again be a central partner for the future PRSF.

## 8. Inclusion and equity

The PRSF takes an integrated gender approach to tackling challenges of addressing gender in social protection: quality policy advice must include attention to gender and the promotion of gender equality and both men and women must benefit from poverty reduction programs and enjoy reduced vulnerability to shocks and stresses. To achieve this, PRSF activities must be based on a sound gender analysis and

implemented with attention to gender issues. As such three key objectives to support gender equality have been identified:

> **Objective 1:** PRSF has increased access to information regarding the gender dimensions of poverty and gendered constraints to poverty reduction in Indonesia.

> **Objective 2:** PRSF has increased understanding of gender issues and increased capacity and commitment to incorporating gender strategies in policies and projects.

> **Objective 3:** PRSF supports activities in selected provinces which are promoting gender equality in end user's access to and decision making about a range of poverty reduction tools available to them.

A major issue in designing social protection policies to meet the needs of disabled people is to what extent disability issues should be addressed in general programs versus establishing special programs for disabled people. Both strategies have their place. For general programs, there are a number of major concerns.

> 1) *Making sure that information on the program is accessible to all people* This includes communication strategies that can reach blind or deaf people, as well as those who have cognitive difficulties.

> 2) *Making sure that the dissemination of benefits is accessible.* Distributing benefits at a post office (or similar location) can pose problems for those whose mobility is limited. If those people need to rely on others to collect their benefits, they can also be taken advantage of.

> 3) *Removing conditions on cash transfer programs that may be difficult for disabled people.* For example, dealing with the issue of requiring school attendance or clinic visits when those schools or clinics are not accessible.

> 4) *Ensuring access to pro-work programs.* For micro-finance programs, ensuring that disabled people are not ruled out because they are seen as poor risks. For public works programs, having flexibility in job requirements or workplace accommodations, or developing supported employment programs. Eliminating the presumption that all disabled people cannot work.

## 9. Sustainability

Sustainability has been integrated across the entire design of the program. Sustainability is reflected in the program's results, social protection financing, Indonesian ownership, and use of government systems, capacity development, as well as governance and management arrangements.

- **Program results**. The key focus of PRSF is sustainable change to policy, programs, rules and procedures and supporting the putting in place of a permanent, institutionalised and effective social protection system in Indonesia

- **Financing**. Financing of social protection is not provided by PRSF but is fully covered by government's own resources, The role of PRSF is to support transformational support which leverages improvements in quality of the wider government social protection budget.

- **Government ownership**. A key principle and operating modality is that PRSF supports the implementation of government priorities, and facilitates dialogue where there is disagreement on what these may be.

- **Government systems and processes**. PRSF facilitates solutions to be applied to government programs using government systems, with nothing other than the temporary facility structure itself being outside those systems.

- **Capacity development**. A key role of PRSF will be to support the capacity of government systems to deliver effective social protection. Capacity development will be part of the strategic rationale for using and strengthening government and other stakeholder systems, not building capacities in PRSF itself.

- **Management and governance**. Although PRSF is a bilateral development partner project its governance, management and delivery arrangements are driven by government institutions to ensure government priorities are addressed – for example through government co-chairing of its Steering committee, and the ministries it works with, and the government programs it aims to improve.

## 10. Activities

Since PRSF is designed as a demand-led facility the activities described are indicative, since actual activities conducted, and hence expenditures, will be developed in dialogue with PRSF stakeholders and in response to shared analyses.

However this implementation planning document elaborates a series of activities that each of the three components might undertake if implementation proceeds as envisaged by the design team.

# 1. Introduction

1.      Australian support to the Poverty Reduction Support Facility (PRSF) in Indonesia has been provided since 2010, comprising two stages to date: a rapid start-up stage and an implementation stage. In March 2013 AusAID fielded a team to design additional requirements to allow the PRSF to enter a new phase of funding, starting in 2013-14. Terms of reference are presented at annex 1.

2.      The team comprised the following members:
   - Steve Ashley, Team Leader, design specialist
   - Rachel Slater, social protection specialist
   - Nicholas Freeland, social protection/political economy specialist
   - Tony Land, institutional strengthening, capacity building specialist
   - Catherine Yates, international management specialist
   - Smita Notosusanto, public sector management specialist
   - Jess Dart, M&E, theory of change specialist.

3.      The team also benefited from the inputs of:
   - Rebecca Holmes, gender specialist
   - Daniel Mont, disability specialist, and
   - Helen Moriarty, workshop facilitation.

4.      The product of this team is divided into two parts.
   - **Product 1**: this provides additional design suggestions for the period up to the end of 2014, with a primary focus on PRSF support to TNP2K.
   - **Product 2**: this provides further design for a broader approach to supporting Government of Indonesia's plans for expanding social protection, for the period covering Australia's Financial Years 2014-15 – 2016-17.

The current phase of Australian support for social protection reform in Indonesia runs to 30 June 2015. The second phase of work described in this document extends beyond the current scope of the Australian support. This paper should be understood as preparatory work for a potential extension. The size and scope of a second phase will be determined according to Government of Australia and the Government of Indonesia priorities.

5.      This report is product 2, and so focuses on the period following Indonesia's 2014 elections. Following this introduction:
   - Section 2 provides context to the design, focusing on the discussion around social protection and poverty reduction in Indonesia, the institutional environment and political economy, AusAID's approach to social protection both corporately and in Indonesia, and the story of PRSF to date

- Section 3 provides the strategic framework for the phase from 2014 onwards, including presentation of the theory of change, a set of program principles, and finally the overall program logic driving the design

- Section 4 goes into more detail on the three components that define the program's structure and what PRSF will deliver

- Section 5 describes the structure and operational arrangements for PRSF

- Section 6 describes the management and governance arrangements

- Section 7 focuses on an analysis of potential program partners, their capacities and their roles in the program

- Section 8 addresses the cross-cutting issues of gender and disability

- Section 9 focuses on sustainability

- Section 10 presents a risk assessment, and

- Section 11 provides the M&E framework for PRSF going forward.

6.     This is followed by a number of annexes which supplement the main report.


## 2. Background and context

7.     This section puts the proposed PRSF scale up in context. First, salient features of poverty and inequality in Indonesia are described as are the main policy responses of the government towards addressing poverty reduction and social protection. Second, key features of the state, the bureaucracy and associated policy making processes are highlighted that influence the way social protection is addressed. Third, a brief overview of AusAID's global strategy on social protection is provided as well as a summary of how that strategy has been applied in the Indonesian context. Fourth, a summary of the PRSF is presented highlighting what has been done over the past two years and its current status and plans.

### 2.1. Poverty, inequality and social protection

#### 2.1.1 Poverty and inequality

8.     Despite having achieved strong economic growth and a significant reduction in absolute poverty over the last twenty years, Indonesia still has many poor and vulnerable citizens. The proportion of those subsisting below the official poverty line of about 80 US cents per day has been reduced to 11.37 per cent. But very large numbers are clustered just above the poverty line. Fully 70 per cent of the total population live below a multiple of 2.5 times this line, surviving on less than 2 US dollars a day, and can therefore be considered at risk of falling into absolute poverty. And, because poverty levels vary significantly across this vast and disparate country, there are a number of provinces, especially in the east, where the situation is more acute.

9.     Moreover, poverty in Indonesia has specific gender dimensions. While improvements in reducing gender inequalities have been made, the links between

poverty and gender inequality remain persistent. Measuring the extent of discrimination against women through the Gender Inequality Index[1] (GII), shows a GII rate of 0.494 in Indonesia[2], this ranks the country 106 out of 148 countries[3]. The level of poverty is marginally lower among female-headed households, although male-headed households still have significant advantages. For example, male-headed households have higher expenditure levels than female-headed households, with particular disparities between rural and urban contexts. In 2002, the gender expenditure gap had widened to 15.8% for urban and 31.1% for rural households. But only looking at poverty and household headship in relation to gender is misleading. Social / cultural norms, institutions and intra-household dynamics are also some of the key factors at play which influence women and girls' (in male-headed households) experiences of poverty[4].

10.     Poverty also has a strong disability dimension. Between 10% and 15% of people in Indonesia have a disability, and households with disabled members are 30% to 50% more likely to be poor (Demographic Institute, University of Indonesia, "People with Disabilities in Indonesia: Empirical facts and implications for social protection policies", 2013). But this figure actually understates the impact of disability on well-being, because disability imposes extra costs on households.  In the ten most populous Indonesian provinces, these increased the cost of living by nearly 10%.  Adjusted for these additional needed expenses – for example, assistive devices, increased medical and transportation costs – the poverty line for households with disabled people should actually be about 10% higher, making them even more likely to be disabled. Given how bunched families are at the bottom of the income distribution, this increase of 10% in the poverty line would expand the number of poor households with disabled members considerably.

11. Demographic change over the next decades will have an impact on poverty and vulnerability. The population of Indonesia is ageing rapidly: the median age in 1975 was below 19 years; by 2050 it will be nearly 42 years. This will result in a dramatic change in the age profile of the population, between 2010 and 2050:
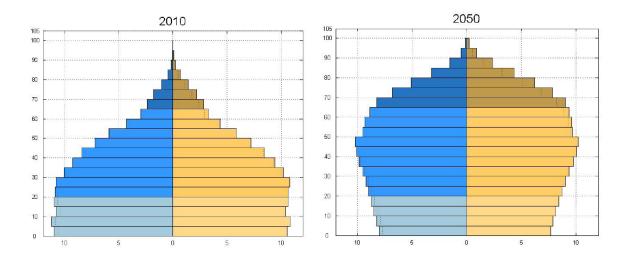
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[1] GII captures the loss of achievement due to gender inequality in three dimensions: reproductive health, empowerment and labour market participation
[2] The higher the GII value, the greater the discrimination
[3] UNDP (2012) Human Development Report 2013. The Rise of the South: Human Progress in a Diverse World. United Nations Development Programme, New York.
[4] ADB (2006) Indonesia: Country Gender Assessment. Southeast Asia Regional Department, Regional and Sustainable Development Department, Asian Development Bank, Manila, Philippines

Such change, whilst offering a significant "demographic dividend" over the next two decades (in the form of a potentially productive "youth bulge") will however eventually mean that fewer people of working age are available to care for a vastly increased number of elderly: the number of working age adults for each person over 60 will fall from seven in 2010 to just two in 2050. In turn this is likely to put further strain on traditional social protection practices that are already under pressure from increased urbanisation, migration and lifestyle change. This will increase the onus on the State to provide formal social protection to its citizens.

11.     Poverty has negative impacts on health, nutrition and education in Indonesia, which has serious ramifications for the transmission of poverty to future generations. Key human development indicators do not show the kind of improvement that would normally be expected in a middle income G20 country exhibiting sustained growth. Poor households continue to have stubbornly low secondary school enrolment rates, despite narrowing gender gaps in education attainment; maternal and child nutrition is only improving slowly, if at all, with significant regional and gender disparities (for instance, iron deficiency anaemia (IDA) in Indonesia is prevalent in 40% of pregnant women and is responsible for 25% of maternal deaths[5]); and health indicators are generally worse than in comparable neighbouring countries – progress towards reducing maternal mortality has been particularly slow with persistently high rates (227 per 100,000 live births in 2007[6]).

12.     Inequality is also increasing. The Gini coefficient has risen from 0.31 in 1999, to 0.37 in 2009 and 0.41 in 2011 – a level, which many economists consider to pose a threat to social stability and continued economic growth. Data from BPS[7] on the distribution of income show that, in 1999, the top 20 per cent of income earners held 40.57 per cent of total household income; by 2011, this had risen to 48.42 per cent. In contrast, the bottom 40 per cent of income earners held 21.66 per cent of total household income in 1999 and only 16.85 per cent in 2011.

[5] ADB (2009) Investing in Children in Indonesia: A Step Toward Poverty Reduction. Social Protection Project Briefs, ADB, Manila Bappenas, 2010, Report on the Achievement of the Millennium Development Goals Indonesia 2010, Jakarta : Bappenas.
[6] Bappenas (National Development Planning Agency)(2010) 'Report on the Achievement of the Millennium Development Goals in Indonesia 2010'. Jakarta: Bappenas.
[7] Badan Pusat Statistik, the national statistical office

13.     In the face of rising inequality, Indonesia persists with expensive and highly regressive fuel subsidies, at the expense of a more progressive social security system, which could benefit rich and poor alike. Some 55 per cent of the benefit of the current fuel subsidies is captured by the wealthiest 20 per cent of the population, and less than 5 per cent of benefit by the poorest 20 per cent. Yet the cost of the fuel subsidy, at 2.5 per cent of GDP dwarfs the current budget for social assistance programs, which represents only 0.5 per cent of GDP.

## 2.1.2 Poverty reduction

14.     Indonesia fully recognises the importance of reducing poverty, and has policies in place to do this. After a succession of medium term plans aimed at addressing poverty, the current draft of the longer-term policy document, under development by Bappenas, is the MP3KI[8]. This proposes three pillars: (i) a comprehensive social protection system (including both social assistance and social security); (ii) increased access to basic services; and (iii) improved livelihoods through employment and income-generating opportunities. This policy framework establishes a vision for 2025, and is expected to inform future national medium term development plans[9]. Indonesia also has a relatively strong institutional framework for the promotion of gender equality in poverty reduction programs, through the Presidential Instruction to mainstream gender, and the utilisation of gender budgeting tools.[10]

15.     The institutional landscape for poverty reduction is complex. With a number of ministries involved, and convoluted relationships between national and sub-national agencies, the coordination of poverty reduction efforts has vacillated at national level between Bappenas, Kesra, and Kemensos. At province and district level, coordination of poverty reduction is the responsibility of TKPKDs[11], chaired by the Vice-Bupati and with the local government planning agency playing the role of secretariat.

16.     More recently, responsibility for poverty reduction at national level has been allocated to TNP2K. This is an agency established in 2010 by Presidential decree and housed in the Office of the Vice-President. Its main objective is to improve the quality of policy advice for poverty programs and hence contribute to an acceleration of poverty reduction in Indonesia. Its specific objectives are:

   a) Developing poverty alleviation policies and programs

   b) Creating a synergy through synchronisation, harmonisation and integration of poverty alleviation programs within Ministries/agencies

   c) Supervising and controlling poverty alleviation programs and activities.

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[8] Masterplan Percepatan dan Perluasan Pengurangan Kemiskinan di Indonesia, or Masterplan for the Acceleration and Expansion of Indonesian Poverty Reduction
[9] Rencana Pembangunan Jangka Menengah or RJPM
[10] The Presidential Instruction No.9/2000: Gender Mainstreaming in National Development and the Ministry of Finance Regulation No.119/PMK.02/2009: Gender budgeting.
[11] Tim Koordinasi Penanggulangan Kemiskinan Daerah, or Subnational Team for the Coordination of Poverty Reduction

17.    However, TNP2K has not fully succeeded in coalescing all the necessary stakeholders around a single coherent vision of poverty reduction. This has been partly as a result of the need to demonstrate results within a single electoral cycle, and partly for reasons of institutional complexity. But it is also largely because TNP2K has placed a greater emphasis on practical improvements to the implementation of existing programs, than on fundamentally questioning Indonesia's current approach to poverty reduction with a view to rallying other ministries around a different strategy.

## 2.1.3 Social protection

18.    Indonesia's constitution enshrines a right to social security as an entitlement:

- *Article 28H, Clause (3):* Every person shall have the right to social security in order to develop oneself fully as a dignified human being.

- *Article 34, Clause (2):* The state shall develop a system of social security for all of the people and shall empower the inadequate and underprivileged in society in accordance with human dignity.

12.    Law 2004/40 on the National Social Security System defines social security as a "form of social protection to ensure that all citizens are able to provide for the minimum basic life needs."

19.    However, its current range of social assistance programs are not entitlements, and recent Government policy, at the national level, has been to progressively restrict access to such programs. The Government's past inclination, spearheaded by TNP2K, has been towards ever tighter targeting of the poorest; towards the introduction of conditions which are less compatible with a rights-based approach to social protection; and towards the relabeling of programs that were characterised as '*jaminan social*' ('social security') as now being simply 'assistance'.

> **A note on terminology and the scope of social protection**
>
> **Social protection** is often considered to have two main elements: **social assistance** (which is non-contributory and funded out of general government revenue) and **social insurance** (which is funded through earmarked contributions from individuals). In other countries, **social security** (the term used in the Indonesian constitution and legislation) would normally also comprise both social assistance and social insurance, provided formally through government systems. In current Indonesian usage, however, social security refers predominantly to contributory social insurance. For example, the MP3KI defines a comprehensive national social protection system as consisting of two elements: social assistance and social security. For consistency with Indonesian usage, this is the terminology used throughout this report: social assistance is non-contributory support provided out of general government revenue (e.g. *Raskin*, BSM, PKH), while social security denotes contributory social insurance (e.g. the emerging health and employment schemes), even in cases where individual contributions to the schemes may be made by the government.
>
> In many countries, particularly outside Europe and North America, social protection often incorporates a far broader range of activities than only social assistance and social security. In Indonesia, for example, activities such as the National Program for Community Empowerment (PNPM), especially PNPM *Generasi*, and programs that provide asset transfers and support to livelihoods and employment, and shorter term and emergency responses designed to help both poor and near poor / vulnerable people to cope with a range of environmental, economic and political shocks, are all part of the fabric of social protection. In this design we capture this diversity by focusing not only on social assistance and social security programs, but also the broader social protection and poverty reduction system.

20.     Social protection in Indonesia has gone through three distinct phases, and may now be transitioning to a fourth. In the first phase, the Government introduced substantial food subsidies (*Operasi Pasar Khusus*, OPK), especially for rice (which, renamed *Raskin*, has survived to this day); and established a broad safety net (*Jaringan Pengaman Sosial*, JPS), comprising temporary, short-term programs including public works (*Padat Karya*, PK), together with scholarships and funding for health services.

21.     The second phase, from 2005, followed the partial removal of fuel subsidies, and was designed to enable households to cope with the inflationary shock that resulted. Some of the savings from the fuel subsidy reform were reallocated to three social assistance programs: an expanded *Raskin*; health insurance for the poor (later renamed *Jamkesmas*); and a large-scale temporary unconditional cash transfer (*Bantuan Langsung Tunai*, BLT) aimed at 18 million households, which was temporarily re-deployed in 2008-09 following another fuel price adjustment.

22.     The third phase has seen an expansion of programs that are designed to reduce the inter-generational transmission of poverty through both social assistance and social security, yet with a contradictory influence to reduce expenditures through tighter targeting and enforced graduation from programs. This has included the

piloting of a tightly poverty-targeted conditional cash transfer (CCT) program PKH; and a reorientation of the general scholarship programs towards only students from the poorest households BSM.

23.     The current portfolio of social assistance thus comprises four main programs: *Raskin* (subsidised rice); *Jamkesmas* (health care); BSM (scholarships); and PKH (CCT). Yet these programs remain relatively low coverage (and are likely to be restricted still further under current policy recommendations); they are poverty-targeted (with all the difficulties that entails); they are discretionary rather than entitlements; and they are centrally controlled, making them liable to manipulation at sub-national level, and also limiting their responsiveness to the dynamics of poverty (which are particularly marked in Indonesia), and to issues of gender inequality (see Box 1).

## Box 1: Gender and social protection in Indonesia

The extent to which gender has been considered in the design of social protection programs in Indonesia has varied widely. The conditional cash transfer program, PKH, incorporates some gender-sensitive design features and is expected to promote more equal gender relations within the household and *Jameskmas* represents progress in providing universal coverage of social health insurance programs which is particularly important given that ill-health is often a primary driver of vulnerability and chronic poverty[12] – especially for women[13]. But the large-scale *Raskin* rice subsidy program on the other hand does not take into account the significant gender inequalities within the household in relation to food allocation or specific gender or life-cycle nutritional needs.

Much of the policy focus on gender and social protection has related to access to programs, especially for female headed households, or issues around targeting women. In a study assessing access to social protection programs by PEKKA members in 2008, findings showed that an average of 33% of eligible members surveyed could not access cash transfers, while most were able to access the rice subsidy identified[14]. PEKKA identified one constraint as the large numbers of women without legal identification, or the only identity for the household being in the name of the (often absent) male nominated head.

Looking at equitable access to social protection programs is just one way to assess the effectiveness of social protection from a gender perspective. In addition, the objectives and impacts of programs at the individual, intra-household or community level – where gender inequality plays a role important to consider – are also important. The evidence so far however, is rather limited. One study on PKH found that even when women are the direct recipients of the assistance money, there is little impact on gender relations, the allocation of resources within the household, the division of labour and responsibility between men and women in household decision-

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[12] CPRC (2008) The Chronic Poverty Report 2008-09: Escaping Poverty Traps. Manchester: Chronic Poverty Research Centre
[13] Sen, G. and Ostlin, P. (eds.) (2010) Gender Equity in Health: The Shifting Frontiers of Evidence and Action. New York: Routledge.
[14] Sumner C (2010) Access to Justice: Empowering female heads of household in Indonesia. Jakarta: PEKKA and AusAID.

making (at least in the short-run)[15]. This lack of impact can be largely explained by the traditional role of women as 'fund managers' of the day-to-day financial affairs within the household, and in this context, additional PKH cash to women does not significantly influence their bargaining position in the household.

The *Raskin* program likewise does not show significantly positive effects on gender. On the one hand *Raskin* does make a relatively important contribution to supporting women's practical needs, given that women are mainly responsible for managing the household, including its food security. On the other hand, however, the benefits of *Raskin* are not automatically distributed equally within the household, with existing intra-household dynamics influencing the distribution of the rice which are often disadvantageous to women[16].

## Box 2: Disability and social protection in Indonesia

The Government of Indonesia established the ASODKB (Social Assistance for Severely Disabled Persons) in 2006 – formerly called JSPACA – as a pilot program in five provinces to provide cash transfers to people with disabilities in order to fulfill their basic needs. Although the program has expanded somewhat since that time, the coverage in 2011 was only for 19,500 recipients, a tiny fraction of severely disabled people in Indonesia, which is estimated to be 1.8 million by the 2010 census and 7.2 million by the Riskesdas data.

About 68% of ASODKB recipients needing medical rehabilitation were able to get it, compared to only 48% of those not on ASODKB. For assistive devices those rates were 50% and 27%, respectively. So while the program is of assistance to the few people who receive it, the access to needed services and devices is very limited.

Many disabled people are elderly and so are covered by programs, such as ASLUT, formerly JSLU) but data show that the relation between disability and poverty is actually stronger among those disabled people who are not elderly. This is not surprising, since the impact of disability on the ability to earn an income, accumulate assets, and build families to support them in old age is greater upon people who become disabled before they are elderly.

Other programs – such as PKH and BSM – unfortunately do not explicitly address the issue of disability. In terms of PKH, benefits are received upon the condition that recipients attend school or visit health clinics. But no attention is paid to assisting disabled children to attend school in order to meet this condition, or to assist disabled parents in getting their children to school. Studies in China and Vietnam show children with disabled parents are significantly less likely to attend school[17]. For example, no adjustments are made in benefit levels for the extra costs associated with living with a disability, nor do the socialisation efforts, outreach

[15] Arif, S., Syukri, M., Isdijoso, W., Rosfadhila, M. and Soelaksono, B. (2010a) Are Conditionality Pro-Women? A Case Study of Conditional Cash Transfer in Indonesia. Working Paper, Jakarta: The SMERU Research Institute.

[16] Arif, S., Holmes, R., Syukri, M. and Febriany, V. (2010b) Gender and social protection in Indonesia: Raskin food subsidy program. ODI Project Briefing 49, London, UK.

[17] Mont, D. and Nguyen, C., "Does Parental Disability Matter for Child Education? Evidence from Vietnam," World Development (forthcoming 2013)

efforts, or application procedures associated with the PKH explicitly address the special needs of disabled people.

As far as BSM is concerned, the selection process for distributing scholarships is based on the impressions of school administrators and relies on choosing children in "good standing" who are currently enrolled. Moreover, it does not address the extra transportation costs that many disabled children face, or provide scholarships for children attending special schools. Unfortunately, no data exists that can track the awarding of scholarships to disabled children.

24.     The Government recognises its constitutional responsibility to "every person" and "all of its people", especially in its context as a populous, middle income, G20 country, yet one in which so many of those citizens remain poor and vulnerable. It is therefore proposing – in MP3KI – to transition to a more universal and inclusive approach to social security, one that encompasses a mix of contributory and non-contributory schemes to guard against life-cycle risks such as poor health, loss of employment and old age.

25.     This will almost certainly involve greater cost: there are no successful international models for reducing poverty without significant expenditure on redistribution, and Indonesia's current social assistance costing 0.5% of GDP is likely to prove insufficient. But experience from other countries suggests that, the move towards more universal entitlement programs will gain broader popular and political support, and will in turn generate greater funding for social protection.

## 2.2. Governance, bureaucracy and the policy process

26.     Indonesia is a unitary state consisting of 33 provinces, five with special status and 508 districts. Democracy was established in 1997, following 30 years of authoritarian rule. This saw the legalisation of political parties, a more active parliament, the emergence of civil society, and devolution of power to regions.

27.     Legislative power is vested in the People's Consultative Assembly (MPR). It consists of two houses: the House of Representatives (DPR), composed of representatives of political parties, and the Regional Representatives Council (DPD), composed of representatives from each province in Indonesia. The executive branch is centralized around the president, vice president, and the cabinet of ministers. Ministers report to the president and do not represent the political parties in the parliament. However, the President may appoint a number of political party leaders to become members of his cabinet. Important and strategic ministerial posts are generally held by ministers without party portfolios, originating from figures deemed experts in their field.

28.     As part of democratisation, a major governance reform[18] was launched in 1999, devolving substantial powers and finances to the country's districts and municipalities. 35% of the government budget and three million central government officers were subsequently transferred. Whereas the law has been clearer on fiscal

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[18] Law Regional Autonomy (*Otonomi Daerah or Otda)*

and political decentralisation, it has been less clear on administrative decentralisation leading to confusions related to mandates, capacities and reporting responsibilities.

29.    Indonesia has a large bureaucracy comprising over 30 ministries, 33 provincial administrations and 508 district administrations and has in excess of 4 million public servants[19]. A major reform process "*reformasi birokrasi*" has been initiated to tackle long-standing criticisms of low performance, poor accountability and widespread corruption. From the point of view of reforms, such as those related to social protection, there are a number of characteristics of the bureaucratic system that impact on how policy is developed and implemented, which are discussed below.

## 2.2.1. Capacity and performance

30.    Capacity and performance varies across government and is influenced by formal and informal rules and behaviours. The bureaucracy is subject to considerable political influence and what are described as 'clientelist' practices. Power, authority and access to financial and human resources are influenced both by political relationships, interests and agendas and formal roles and mandates. Efforts to strengthen capacity and performance need to be mindful of this reality.

31.    Capacity is generally greater in higher status ministries and departments, particularly those that have been supported by donors. It also varies considerably across provinces and districts. Capacity is often centred on key individuals holding Echelon 2 and 3 positions. Promotion is based primarily on length of service, qualifications and informal networks. It tends to happen within rather than across agencies. The current reforms aim to introduce elements of merit-based recruitment and promotion. Due to tight recurrent budget ceilings, Ministries make substantial use of short-term consultants to implement routine functions as well as special programs. Reliance on consultants weakens institutional memory.

## 2.2.2. Decision-making and policy development

32.    Decision-making and policy development is highly centralised.  Agencies at the centre of government[20] play a lead role in translating political priorities into plans, budgets and programs for political endorsement and onward implementation. Policy development is an opaque process with comparatively little consultation. Policy decisions, once taken, are communicated down the system via legal instructions and 'socialisation' activities. Line agencies and in particular local governments are increasingly resentful of this top-down approach resulting often in non-compliance or re-interpretation of instructions. National agencies are also aware that in a more democratic dispensation, there is need to consult more broadly, with efforts now being made to engage with politicians, lower ranking technocrats and the media.

33.    Ad hoc commissions such as TNP2K are sometimes established to advance key policy agendas, coalescing expertise from inside and outside government.

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[19] Including teachers and health care workers
[20] Such as Bappenas, Ministry of Finance and Ministry of Home Affairs,

Limited use is, however, made of independent policy think tanks[21] whilst broader based engagement with civil society is uncommon. Civil society is regarded as having limited voice and access to information.

34.     Evidence-based policymaking remains the exception, with policy being more usually shaped by shorter-term political calculations, drawing on the opinions of trusted individuals based on their accumulated tacit knowledge and wisdom[22]. There is a tendency to promulgate new policies before fully working out implementation arrangements. Depending on the political urgency and sensitivity of the policy in question, this creates opportunity to test out operational modalities by investing in pilots and action research. Here, the government is open to engagement with development partners.

## 2.2.3. Planning and budgeting

35.     Planning and budgeting is top-down with limited bottom-up influence. Bappenas is responsible for drafting the 5-year development plan[23] while the Ministry of Finance determines annual development and recurrent budgets[24]. Importantly, the plan reflects the political priorities of the incumbent president and thus coincides with their term of office. Longer-term sector and thematic plans such as MP3KI and MP3EI can influence the plan as can important policy directives such as on gender mainstreaming. Similarly, village, district and provincial level plans can influence priority setting but their influence is limited. Devolution, however, commits 35% of the state budget to the district level, where budgets can be shaped by local Bupatis. Line ministries try to limit such discretion by imposing conditional grants, but their ability to do so is limited. Within the framework of the draft plan, ministries and agencies prepare their five-year strategic plans. Stronger and more influential line ministries are better able to negotiate budgetary allocations than weaker line ministries.

36.     Overall, the scope to change the budget year on year is limited. This is due to constitutional requirements for twenty per cent of the budget to be allocated to education; large allocations for energy subsidies; lifetime tenure for civil servants; and the traditional split between development and recurrent budgets.  As a result, changes in allocations in one program usually means a reduction in another, which affected ministers are likely to defend. This, together with a high turnover of MPs and limited analytical capacity within the DPR to assess the key changes in the budget, result in the development budget being 'tinkered' only at the margins.

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[21] There is a comparatively weak independent research capacity in Indonesia
[22] Some of the larger parties are recruiting informed university graduates and political activists to run for election, whilst most of the main parties have a balitbang (a research and development body within an organisation) and will draw on the expertise of networks of academics and experts.
[23] Rencana Pembangunan Jangka Menengah or RJPM
[24] Ministry of Finance Regulation No.119/PMK.02/2009 on gender budgeting directs the consideration of gender analysis in budget formation. Seven pilot ministries are implementing gender responsive budgeting, however impact to date is limited.

### 2.2.4. Policy implementation

37.     Policy implementation is fragmented and weakly coordinated. Line agencies traditionally focus on execution and have limited capacity to engage in strategic discussions. Incentives to co-produce and share information are also limited. In the absence of strong convening powers from above, coordination across agencies sharing a common work agenda tends to be ad hoc. There are strong incentives to work in silos.  The ability of individual line ministries to exercise influence and discretion depends on their political and administrative leadership and size of their budget. Unclear agency jurisdictions and mandates, civil service formalism and conformity, and expectations to receive honoraria for attending meetings called by others, militate against collective action. That said, there are examples of ad hoc arrangements for inter-ministerial cooperation, such as the TNP2K task forces, but their performance is variable.

38.     Devolution has also complicated implementation including lines of accountability. The span of control of line ministries has been substantially reduced with districts enjoying considerable discretion over how they implement national policies and programs[25]. Regional and field offices of national departments were moreover abolished in 2001 and their functions transferred to provincial and district service units. National ministries and politicians must negotiate and bargain with local governments to support their priorities. Against growing concern about lack of accountability and poor standards of service delivery, legislation has been proposed to hand back certain coordination and supervision functions to the provincial level, however this move is being strongly resisted by the districts.

39.     The support provided by PRSF cannot alone resolve the root causes of these constraints to bureaucratic function, but it can work with them to introduce incremental change in some areas over time. However these constraints will be of major importance to the changes that PRSF will seek to facilitate in government systems. Poorly functioning Ministries suffering from the challenges described in this section will struggle to deliver effective social protection at scale. The approach adopted by PRSF will be to facilitate evidence-based discussion on what will be needed to deliver effective social protection, and how to implement concrete actions in response. This is likely to result in connections being made to wider processes of bureaucratic reform, and other government and development partner programs.

## 2.3 Social protection and Australian Aid

40.     Social protection represents a rapidly growing share of Australian aid. Within its framework for social protection, AusAID defines social protection as:

> *Publicly funded initiatives that provide regular and predictable cash or in-kind transfers to individuals, households and communities to reduce poverty and vulnerability and foster resilience and empowerment.*

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[25] District heads (Bupati) for instance will consider how far national programs impact on their local political standing, while provinces with special autonomy can raise their own fiscal resources.

41.    Three elements of the framework are worth highlighting.

- First, AusAID identifies three major challenges to social protection in developing countries: poor coverage (most poor and vulnerable people do not receive government support of any kind); low benefit levels (where people do have access to social protection the level of benefits are too small to make a difference); and fragmentation (most programs are implemented in isolation, without linkages to other social protection or service delivery programs).

- Second, AusAID is a relatively new actor in social protection and so is focusing on two specific objectives: tackling food insecurity and under-nutrition, and addressing demand-side barriers to health and education access. Both food security and demand-side barriers to health and education services are highly relevant in the Indonesian context and already influence the nature of social protection programming.

- Third, globally, as a new actor in social protection, AusAID does not have strongly entrenched positions or approaches to social protection. It seeks to use this space to build evidence, assess options and present alternative viewpoints – allowing contestation of approaches to lead to stronger policies and better results.

42.    At a country level, AusAID's work on social protection, including the PRSF, mirrors these elements of the global AusAID approach. In line with the Indonesian government's commitment to poverty reduction, the mainstay of AusAID funding has been to social assistance programs, which provide benefits to poor individuals and households, and to the National Program for Community Empowerment (PNPM), which provides grants to communities.  In both cases the focus of AusAID assistance is on supporting pilots, evaluations, studies, poverty analysis, with only limited direct co-funding of actual transfer costs. Increasingly, there will be a focus on new social security mechanisms under the new social security law (SJSN).

43.    Overall, supporting Indonesian efforts to develop social protection is viewed as being in Australia's long-term national interest by contributing to a prosperous and stable Indonesia.  Indonesia's recent transition to middle income country (MIC) status has had significant implications for the strategic direction of AusAID programming in Indonesia, with AusAID support increasingly focused on leveraging domestic resources rather than the direct delivery of programs.

44.    In practice, this means building financial, administrative and technical systems rather than building roads, classrooms and clinics. This holds true for social protection where AusAID's assistance is designed to help increase the efficiency and effectiveness of Indonesia's own large investments in the sector rather than directly funding transfers. This includes creating the flexibility and space for innovation, by funding studies and pilots that are used to improve policies and programs, and establish new initiatives. Australian support also works to improve the management of Indonesia's own large investment in social protection programs, including by expanding the reach of programs proven to deliver results.

Current AusAID support to social protection in Indonesia, excluding support to PNPM, is divided across three main initiatives. Besides the PRSF, which is the focus

of this implementation plan, and which remains the principal AusAID instrument for addressing social protection, AusAID funds:

- The World Bank-managed Trust Fund for Knowledge Based Poverty Reduction, which supports GOI to make informed and evidence-based policy and program decisions, by conducting analytical work on poverty and vulnerability

- The Abdul Latif Jameel Poverty Action Lab, which addresses knowledge gaps in social protection through the conduct of research, facilitating the use of evidence in policy making and design, establishing a university-based, independent regional research centre to generate high quality evaluation of poverty reduction programs.

## 2.4 PRSF to date

45.    The PRSF was designed in response to the Vice President's request for Australia to provide support for TNP2K. The goals and objectives of PRSF are aligned with TNP2K, the Presidential Instruction (Inpres) No. 15/2010 on Accelerating Poverty Reduction, and are consistent with the overarching goals of sustainable poverty alleviation within the 2008-2013 AusAID Country Strategy under the Australia Indonesia Partnership. The underlying philosophy of AusAID's support to TNP2K is to bear the risk of innovation and provide the government with the flexibility to improve existing national social assistance programs and create new ones where required.

46.    PRSF has been supporting TNP2K since July 2011 following an interim phase (from April 2010 to June 2011). The Facility supports TNP2K in four main areas:

- technical assistance

- hiring premises and procurement of equipment

- commissioning TNP2K activities

- commissioning AusAID directed activities.

47.    In the context of the planned increase in funds, PRSF was recently subject to an Independent Progress Review (IPR). This raised a number of issues that will need to be addressed in the remaining program period up to the end of 2014, to maximise the effectiveness of program implementation and maximise value for money from AusAID's investment.

48.    Following the IPR, a design team mapped out how best to use an increase in funds for PRSF for the period 2013 to 2017. As noted in section 1, this work extends beyond the current scope of Australian support, and should be understood as preparatory work for a potential next phase. Agreement was reached that this period would be divided into two sub-periods: the first covering up to December 2014 (i.e. leading up to Indonesia's elections) focusing mainly on current support to TNP2K, complemented by more proactive engagement with other social protection actors; and the second covering a broader agenda in the period January 2015-June 2017, as described in this document.

49.     This means that additional progress will be made by PRSF and TNP2K on the social protection agenda in Indonesia, before this current document, and the vision and design it describes, reaches the implementation stage.

50.     In the meantime, until the end of 2014, PRSF will work within the boundaries of GOI's immediate focus through TNP2K, Australia's commitment to GOI's broader social protection agenda, and AusAID's need for greater quality control of significant investments. Priorities for Australian support and the operating environment are shown in figure 1 below, linking it to the next phase of PRSF post- 2014 that is described in this document.

**Figure 1: PRSF priorities before 2014 (note the GOA election date is subject to change).**

**PRSF-TNP2K PRIORITIES**

- Continue support to TNP2K, as a key partner.
- Focus on reforms to 4 main SP programs.
- Support TNP2K to better package research.
- Further develop the UDB, but find an alternative institutional home.
- Better integrate community driven development and active labour market programs into the social protection agenda.
- Provide senior management support to policy WG coordinator.

**PRSF-GOI SP PRIORITIES**

- Focus on fewer pilots, initially managed by PRSF.
- Build relationships with other key GOI agencies in the social protection sector.
- Use the AusAID funding window to support seed funding of social protection activities in other GOI agencies.
- Explore opportunities for post-2014 support to GOI on broader social protection.

**PRSF-AusAID PRIORITIES**

- Implement a quality assurance system.
- Ensure strong technical and management support is available.

Building up systems and approaches

Emerging learning and Increasing innovation

PRSF Expansion/ Scale Up

**Operating Environment**

- Elections GOI DPR: April 2014. Presidential: July/Sept 2014.
- Elections GOA national: September 2013.
- Subsidiary Agreement to be amended asap.
- Managing Contractor SOS and BOP to be amended by end June 2013.

PRSF to end 2014

PRSF Expansion/Scale Up 2015-June 2017

## 3. The PRSF strategic framework

### 3.1 Introduction

51.     This section sets out the program logic for PRSF's evolution beyond its short-term support to TNP2K in the run-up to the 2014 elections. It thus considers a second phase of AusAID support for the period from 2014 to 2017.

52.     It is proposed that, for this second phase, PRSF will have a sharpened strategic focus by way of a clear program logic and more clearly articulated outcomes. It will support a sharpened focus on social protection and on how social protection interacts with broader poverty reduction policies. But it will also entail new, more proactive, and more flexible roles for the PRSF team in developing and implementing robust engagement and influencing strategies across a broader range of Government and civil society stakeholders.

53.     The section has the following structure.

Section 3.2 first presents a theory of change for PRSF up to 2017.

Section 3.3 explains the underlying design principles which bridge the theory of change with the program design.

Section 3.4 then finally presents an overview of the whole PRSF program design logic.

### 3.2 Theory of change

54.     A program logic model is a thinking tool that helps us describe our fundamental understanding of how change is expected to occur in a given context. It also helps us to explain clearly how an intervention will contribute to the intended outcomes.  Such program logic, underpinned by a sound theory for how change is expected to occur, assists us to be clear about where we want to get to, set out how we think we will get there, and actively manage our progress along the way.

55.     To this end a program logic model for PRSF was created in a participatory manner which included a two day workshop[26] that built on, interrogated and consolidated the findings gained from the design team's two weeks of extensive consultations during the design process. Figure 2 below provides a summarised version of this model, to provide an indicative logic for the program from 2015 onwards[27].

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[26] The workshop was attended by 43 participants and involved a facilitated process, although participation from GoI was relatively light and it will be important to gain GoI buy-in to the proposed design prior to 2015
[27] This will need to be revisited and updated during detailed design nearer the time

# Figure 2. Summary PRSF Program Logic

**Broader Development goals that the outcomes contribute to**

> Reduced poverty, vulnerability and inequality

> All people are able to withstand economic, political and environmental shocks and individual life-cycle risks

> A comprehensive, equitable social protection system for the whole of Indonesia

**End-of-facility Outcomes**

> The quality of social protection is improved

> More comprehensive and joined-up social protection is delivered

> Synergies with wider poverty reduction policy and planning are enhanced

**Intermediate outcomes that facility activities achieve**

- *Adjustments made to program implementation*
- *Sufficient budget is committed and protected*
- *Growing public pressure for equitable services*
- *Increasing degree of agreement about which programs are needed and how much to spend*
- *Gaps in coverage of suite of programs are identified and begin to be addressed*
- *Policies and procedures for transformation are developed*
- *Increased understanding of roles & responsibilities of different agencies across the SP system*
- *Government takes steps to align investment of services*
- *SP system is better integrated into planning & budgeting*
- *Govt. planners have information and capability to align supply and demand*

**Immediate outcomes (outputs) that result from activities**

Targeted stakeholders:
- gain knowledge about implementation issues and best practice approaches
- Stakeholders become more committed to achieving quality programs.

Targeted stakeholders:
- gain knowledge about what makes a comprehensive social protection system
- are aware of gaps across the suite of programs
- are committed to transformation

- Target stakeholders understand importance of aligning services
- Discussions are held about links between SP & community empowerment
- MP3KI is finalised
- Innovative mechanisms for coordination are tested and shared at the local level

**Activities funded through facility**

> Research and pilots; sharing international knowledge; providing technical advice; facilitation of policy dialogue; and capacity development opportunities

**Foundational activities of steering groups, secretariat and PRSF advisors**

> Strategic choice of investments, effective engagement and communication strategy implemented, learning-based M&E; gender strategy underpins all work, Effective governance to ensure facility meets GOI needs and strategic outcomes of PRSF logic

19

## 3.3 Underlying design principles

56.     The PRSF is a facility. It therefore has an inherent degree of flexibility, and its activities are not prescribed in detail. As such the strategic framework for the PRSF is critical, since it provides the basis for PRSF management decision-making on what will and will not be done, how this will happen, and why. A central part of this strategic framework is a set of program principles.

57.     These principles show how our understanding of the way change happens in the context described in section 2 is interpreted into design, such that the PRSF achieves its stated objectives.

58.     Principles are commitments that guide program conduct. They are absolute and universal, rather than optional. Moreover the list below is specific to this program rather than being the generic list of 'good practice' development principles often found in design documents. The principles which will guide PRSF are as follows.

**Strategic**. The PRSF will operate strategically with clear ideas of what changes it is trying to introduce, and coherent selection of activities driven by what is needed to introduce those changes.

**Facilitatory**. The PRSF cannot introduce changes itself, it is only part of a wider system. And that system is driven by the bigger changes that GOI is trying to make. The role of PRSF is to facilitate those changes, not to deliver them itself.

**Influential**. PRSF has the potential to influence policy through broadening the debate to different stakeholder groups; through demonstration and innovation; through learning and dissemination of lessons, both national and international; and through increased pressure from the media and from beneficiaries themselves.

**Flexible**. The nature of a facility is to respond flexibly to opportunities that arise, and to pursue them where they are consistent with desired changes. This requires an ability to be flexible to changes in direction and also opportunistic when unforeseen opportunities arise.

**Proactive**. To maximise the changes that can be facilitated by PRSF it must be proactive in its identification of opportunities for change, in pursuit of its strategic agenda. So while PRSF can be responsive and demand-led, it also has its own technical capacity which it applies proactively.

**Transformational**. Since Indonesia is a middle-income country, and external aid is only a small fraction of national budget spending on poverty, the role of PRSF is not to fund direct delivery of poverty-reducing services ('transactional' support), but to focus on identifying transformational changes which can be adopted by the wider system and create far greater leverage than could be achieved by the value of PRSF support alone.

**Focusing on government priorities**. The PRSF supports the Government of Indonesia to utilise its growing resources to achieve its development priorities and address inequality. This sits readily with the strategic and proactive approach

through the strategic objectives being defined in response to what GoI is trying to achieve. The role of PRSF is to help facilitate processes which help that to happen.

**Indonesian voice**. In supporting government priorities PRSF will not presume the adoption of international frameworks, for example for social protection, but will work with its stakeholders to define nationally-relevant solutions and responses to the problems Indonesia faces.

**Work across silos.** Government bureaucracies have a tendency to work within their own spheres of responsibility and struggle to coordinate across those spheres. However development and implementation of social protection policy and programming is a multi-ministerial, multi-stakeholder undertaking, and working across these silos will be an important requirement for success.

**Analytical and learning**. Facilitating change is a challenging role for a facility, and yet lessons can be learned over time on how to maximise success. The PRSF functions as a learning organisation in which it has ongoing processes of analysis and learning to help it improve performance and achieve its overall objective.

**Evidence-based**. There is much evidence on what works and what doesn't in social protection in Indonesia, and a key role of PRSF will be to introduce relevant evidence into discussions and planning processes that it facilitates, assisting government agencies to make the best and most objective decisions they can.

**Integrated**. To facilitate transformational change in the wider system, PRSF must work as an integrated and joined-up part of that system, and facilitate integration through its activities.

**Inclusive and equitable**. The key rationale for interest in social protection in Indonesia is to enable inclusion of vulnerable groups in the benefits of growth. The PRSF specifically mainstreams inclusion of vulnerable groups through its focus on gender, age and disability, and works to ensure they are included on an equitable basis.

**National and local**. Indonesia has a decentralised system of governance in which national, provincial and district levels have clear roles and mandates. The PRSF will work across these levels to facilitate the performance of the whole system, including making the links between national and decentralised levels.

**Political economy**. PRSF should take full account of the complex political economy around social protection in Indonesia. It should work closely with the post-2014 government and other stakeholders to explore the options for a broader, more comprehensive and better funded system of social protection.

**Recognise institutional barriers**. As a program aiming to facilitate improvements in the quality of government service delivery PRSF will confront all the barriers to institutional performance that exist in Indonesia. If it is to an effective facilitator and partner it will need to explicitly recognise these barriers and bring these realities into its dialogue with government such that the plans it facilitates incorporate realistic assessments and responses.

59.    While these principles may seem many none are superfluous, and their application and interaction defines the nature of how PRSF must work if it is to be effective. The way they are envisaged to interact in practice to define the 'PRSF approach' is described in section 5.3 and underlies many other sections of this report.

## 3.4 PRSF program logic

60.    As stated above in section 3.2 the **program Goal** to which PRSF is expected to contribute, but cannot achieve alone, is:

> *'A comprehensive equitable social protection system for the whole of Indonesia'.*

61.    Putting this into place will itself make a contribution, alongside other initiatives, to the **higher level development goals**, which are:

> *'All people are able to withstand economic, political and environmental shocks and individual life-cycle risks'.*

62.    And in turn:
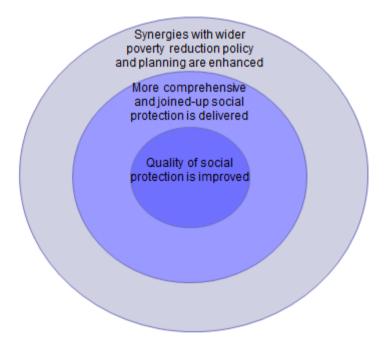
> *'Reduced poverty, vulnerability and inequality'.*

63.    However formal-sector state-sponsored social protection is a relatively new idea in Indonesia, and the country is currently far from its objective of establishing a comprehensive social protection system. The short period covered by this design for PRSF is not adequate to enable such a transformation. But this phase of the PRSF is designed to make a meaningful contribution to helping Indonesia embark on this pathway. Following this beginning, considerable future work will be required to continue the process of putting in place the longer-term objective of a comprehensive system.

64.    The **Specific Objective of the PRSF** up to 2017 is therefore:

> *'To facilitate progress along the pathway towards a comprehensive social protection framework for Indonesia'.*

65.    In order for this specific objective to be attained, three outcomes will need to be achieved by the end of 2017:

> *1. Quality of social protection is improved*
>
> *2. More comprehensive and joined up social protection is delivered*
>
> *3. Synergies with wider poverty reduction policy and planning are enhanced*

66.    These three outcomes overlap in scope.

- It is important to work directly on improving specific social protection programs, especially to follow up the work done by TNP2K in earlier phases of PRSF, hence outcome 1.

- However, it is not sufficient just to work on improving individual *programs;* this work needs to be conducted simultaneously while working on enhancing the social protection *system* itself, hence outcome 2.

- Further, it is not enough to work on the social protection system in isolation, it is also necessary to situate this work within the wider poverty reduction sector in Indonesia to ensure complementary and mutually reinforcing coverage, hence outcome 3.

67.     This is represented in Figure 3, which illustrates how each of the three concentric circles is embedded in a wider environment which is a necessary complement for success.

**Figure 3. Relationship between the three PRSF outcomes**



68.     The design contends that the three outcomes are essential preconditions for a comprehensive, equitable social protection system for the whole of Indonesia by 2025. The outcomes have been selected as they are highly important yet pragmatic starting points to support the Indonesian government to progress towards their ambitious goal of a comprehensive social protection system. It should be noted that while essential, these outcomes are by no means the only elements that need to be in place to achieve comprehensive social protection in the broader socio-economic and political context. They are, however, the primary focus of the PRSF and the ones towards which all activities and investments will be tightly focussed.

69.     Progressing the PRSF goal of achieving comprehensive social protection coverage will make a clear contribution towards the higher level PRSF goal of all people being able to withstand economic, political and environmental shocks and individual life-cycle risks and crises. This greater certainty that comes from receiving the right level and type of assistance at the right time to, at the very least, maintain standards of living in times of greatest need will ultimately lead to a reduction in poverty, vulnerability and inequality (including gender inequality) for the poorest sector in the context of a Middle Income Country. More detail on each of the three outcomes is provided below and in Section 4. Specific gender objectives for PRSF are outlined in section 8.1.

70. **Outcome 1: The quality of social protection is improved**. The next phase of PRSF will enhance the efficiency and effectiveness of existing and emerging social protection programs by tackling individual and specific technical, administrative and financial management challenges of particular programs. This will be achieved via activities that contribute to one or more of the following intermediate outcomes:

- adjustments are made to program implementation

- sufficient budget is committed and protected

- public pressure for equitable services grows.

71. **Outcome 2: More comprehensive and joined-up social protection is delivered.** The second priority area for the PRSF will be work that contributes to, indeed drives, emergence of coherent and comprehensive social protection systems. Moving beyond a program-by-program approach will allow streamlining of processes and procedures, will bring efficiency gains and will provide the opportunity to address coverage gaps in programming (such as particular sources of risk and vulnerability that are not currently addressed). This will be achieved via activities that contribute to one of more of the following intermediate outcomes:

- increasing degree of agreement about which programs are needed and how much to spend

- gaps in coverage of the suite of programs are identified and begin to be addressed

- policies and procedures for transformation of the sector are developed

- understanding of roles and responsibilities of different agencies across the social protection system increases.

72. **Outcome 3: Synergies with wider poverty reduction policy and planning are enhanced.** Finally, because social protection is only one of a suite of different initiatives to tackling poverty, a third outcome area will be for the PRSF to support broader poverty reduction efforts by enhancing linkages and coordination between social protection and other initiatives. This prioritisation results in a different approach to the current PRSF Cluster ii (PNPM) and Cluster iii (SMEs). They will be captured under the second and third outcomes but the focus will be on the relationship between PNPM / livelihoods activities and social protection, rather than on PNPM or livelihoods activities themselves which are, or will be, covered by AusAID investments elsewhere. This will be achieved via activities that contribute to one of more of the following intermediate outcomes:

- Government takes steps to align investment of services

- the social protection system is better integrated into broader Government planning and budgeting

- Local and national government planners have information and capability to align supply and demand.

73. The three main end-of-program outcomes are likely to only be achieved by 2017 if all critical assumptions hold true. The most important of these assumptions are listed below, and further detail may be found in annex 2.

- The focus on poverty reduction after the 2014 election is on the same poverty reduction priorities as that of PRSF.

- The location of the facility will not impede relationships between advisors and their targeted stakeholders.

- Sufficient proposals of high quality will be generated.

- The strategic facility is able to generate sufficiently strategic activities so that the sum of the activities does add up to result in measureable changes at the outcome level.

- There is sufficient base-level capacity of government planners to balance supply and demand side issues.

74.    Table 1 outlines the key outcomes and outputs that comprise the PRSF logic

## Table 1: Summarised program logic for PRSF

**Specific objective of PRSF.** Steps are made towards a comprehensive, equitable social protection system for the whole of Indonesia.

Over time, with additional effort beyond PRSF, this will allow the whole system to be put in place. And this will in turn contribute to the higher order goal of all people being able to withstand economic, political and environmental shocks and individual life-cycle risks which ultimately will lead to reduced poverty vulnerability and inequality.

| End-of-program outcome | Related Intermediate outcomes that individual activities will contribute to | Indicative outputs resulting from funded activities |
|---|---|---|
| 1) The quality of social protection is improved | • Adjustments are made to program implementation<br><br>• Sufficient budget is committed and protected<br><br>• Public pressure for equitable services grows | Targeted stakeholders:<br>gain knowledge about how the delivery of specific programs can be improved, including making them accessible to people with disabilities and promoting gender equality<br>become more committed to achieving more efficient and effective programs<br>gain skills and knowledge to solve implementation problems<br>use knowledge from monitoring and evaluation to understand who is being reached, and who is being excluded by SP programs, and what the impacts are<br>Policy dialogue about:<br>what levels of funding are required by sharing knowledge of international practice and evidence from PRSF<br>the effectiveness and fairness of social protection programs. Eg: public debates that draw on evidence; communities of practice and other virtual forums; forums between national and local government around findings |
| 2) More comprehensive and joined-up social protection is delivered | • Increasing degree of agreement about which programs are needed and how much to spend<br><br>• Gaps in coverage of suite of programs are identified and begin to be addressed<br><br>• Policies and procedures for transformation are developed | Targeted stakeholders gain knowledge about what makes a comprehensive social protection system<br>Gaps are identified across the suite of social protection programs<br>Targeted stakeholder are more committed to transformation |

| | | |
|---|---|---|
| | • Understanding of roles and responsibilities of different agencies across the SP system increases | |
| 3) Synergies with wider poverty reduction policy and planning are enhanced | • Government takes steps to align investment of services<br><br>• The social protection system is better integrated into broader Government planning & budgeting<br><br>• Local and national government planners have information and capability to align supply and demand | Target stakeholders understand the importance of aligning investment of services<br>Discussions are held about links between social protection and women's empowerment<br>Integration of SP into broader Government planning processes is supported<br>Innovative mechanism for coordination are tested and shared at the local Government level |

## 4. Component description

75.     Section 3 above has mapped out the proposed program logic for PRSF in terms of :

- the higher level objectives to which PRSF will contribute

- the specific objective that PRSF aims to achieve during its lifetime

- three end-of-program outcomes that PRSF will aim towards achieving

- indicative intermediate outcomes and activity outputs.

76.     The program is structured around three components that correspond to the three end-of-program outcomes, described above.

77.     This section provides further detail on the rationale for each of these components, what they are likely to do in practice, and what each is expected to achieve.

### 4.1 Component 1

78.     The objective of component 1 is to improve the quality of social protection program provision in Indonesia.

79.     Through PRSF support to TNP2K up to 2014, a number of key changes will have been introduced to Indonesia's existing social protection programs. This component aims to continue the introduction of these improvements, while deepening them, being flexible to new challenges, and embedding changes to ensure sustainable change.

80.     The rationale is that, across the range of existing and emerging social protection programs in Indonesia, implementers face a range of technical design and delivery issues

that affect the efficiency and effectiveness of program provision. The exact nature of what this component does will of course depend on progress with TNP2K/PRSF during the current phase of PRSF, and the status of social protection programs at that point.

81.     But examples of questions to be addressed in this component might include the following.

- What are the most appropriate processes for recertification in programs with timebound benefits for households such as PKH?

- How can the transparency of targeting and distribution of Raskin be maximised while minimising the potential for dilution of benefits across the broader community?

- How can processes be established to ensure that financial flows for BSM are efficiently managed to reduce inefficiencies?

- What are the best mechanisms by which *Jamkesmas* can be transferred into the new social security programs?

- How can all of these programs be made more inclusive and equitable, to meet the needs of people with disabilities, to promote gender equality and support other vulnerable groups?

82.     Under new legislation on the National Social Security System[28], five new / emerging / transitional social security programs - health insurance (into which *Jamkesmas* will be merged), pensions, old age savings, death benefits and worker accidents will face particular specific design and implementation issues. Again as a flexible, strategic, proactive and transformational facility, PRSF will aim to address the critical constraints to effectiveness of these programs, and will assess this during implementation. Illustrative questions that PRSF might seek to resolve include the following.[29]

- What are the best mechanisms for collection of contributions from formal and informal sector workers, and does this differ for women and men?

- What level of premiums will be paid into the system by government on behalf of poor households currently supported through *Jamkesmas*?

- What level of contributions by working poor women and men are appropriate and feasible?

- How will poor women and men get access to social security beyond health insurance?

- How can programs be adjusted to meet the extra costs and needs of people with disabilities?

83.     Some of these challenges are shared between programs but many are program or context-specific and need to be tackled on a program by program basis.  A range of programs will be tackled – with the main emphasis and effort on the four main social

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[28] The law establishes a series of social insurance funds, financed by employer, worker and government contributions under five programs: health insurance, pensions, old age savings, death benefits and worker accidents (World Bank 2012)
[29] AusAID is already supporting efforts in the World Bank to provide answers to these questions. PRSF will provide additional support as required.

assistance programs and the emerging five social security programs. The PRSF will apply its flexibility and strategic approach to ensure that it finds an appropriate space in which it can add value, in coordination with existing and additional mechanisms for managing and improving these programs.

84. For each program the focus will be on identifying and tackling issues that undermine social protection effectiveness including, but not limited to, ensuring that the right kinds of programs are delivered with an appropriate level of transfer / benefit, in a timely, predictable and accountable way and over a time period proportional to the expectations of impact. Without these elements in place, social protection programs will be far less cost-efficient and cost-effective.

85. To sum up, under this component the facility will undertake and fund a variety of activities that aim to contribute to at least one of the three intermediate outcomes.

86. **IO1. Adjustments made to program implementation.** Across the range of existing and emerging social protection programs in Indonesia, implementers face a range of technical design and delivery issues that affect the efficiency and effectiveness of program provision. Activities will include: operational pilots and studies on issues surrounding the effectiveness and efficiency of existing and emerging social protection programs; and action-learning processes to gain knowledge about such implementation issues as barriers to timing of payments and the vulnerabilities of specific beneficiary groups (including women and people with disabilities) which may dictate the most appropriate operational responses.

87. **IO2. Sufficient budget is committed and protected.** As discussed in Section 2 there are no successful international models for reducing poverty without significant expenditure on redistribution: current social protection expenditure in Indonesia costing 0.5% of GDP is fundamentally insufficient. Experience from other countries suggests that, in order to reduce poverty, Indonesia will need to spend more on effective and comprehensive social protection. It is therefore important that the component 1 activities involve policy dialogue and debate around budget commitments for existing and emerging programsare informed by policy relevant research.

88. **IO3. Growing public pressure for equitable services**. In order to generate greater funding for poverty reduction, Indonesia may need to move towards more universal entitlement programs that gain broader popular and political support. An example of an issue to be addressed here is the fact that, whilst trade unions in Indonesia are lobbying hard for progress on social security, they view social assistance in either a benign or negative way. It is therefore important that some of the activities work specifically on getting evidence and best practice knowledge out into public forums and between local and national governments. This knowledge will encourage greater recognition by government of the *value* of achieving quality deliverables for all eligible people. Concurrently, potential consumers of social protection services will also be better informed of their rights and obligations, creating demand for better targeted and higher quality delivery, and therefore creating public pressure for policy change.

89. The focus of activities under component 1 will be on actions that have the potential to result in significant change or transformation of social protection programs in Indonesia. The facility will conduct its own analysis to define the actual activities it pursues, and a

Strategic Coordinating Committee will provide the overall strategic direction for the team. But, for illustrative purposes, the following activities were identified during the design phase as critical to transforming social protection in Indonesia, and are presented here as indicative of specific activities that PRSF might choose to pursue.

- Generate evidence on: the effectiveness and impacts of individual programs including demonstrating where and how local social protection initiatives have been successful; the appropriateness and application of specific programs in eastern provinces; implications of targeting where other community-level mechanisms for benefit-sharing / reciprocity exist; effectiveness of addressing gender inequality.

- Implement action learning about innovative systems and procedures by providing funding to local government and other stakeholders at local level. The efficiency and effectiveness of existing programs is currently limited by the failure of national and local systems to link together. At the local level there are concerns about the blanket application (or sometimes imposition) of national systems across all the varied contexts in which social protection is delivered. At the national level there are concerns that allowing a broad range of approaches to program eligibility, delivery, distribution, etc. provides space for corruption or using social protection to buy patronage. Examples include testing innovative mechanisms for tackling grievances and then sharing and transferring lessons to other locations, or allowing program variations in PKH in different provinces and comparing their respective impacts and popular support, or practicing with alternative systems for allocating and distributing Raskin benefits.

- Providing technical assistance, housed with program implementing departments, on program specific challenges and issues and at local level (this could include, for example, appropriate systems for transferring benefits or for supporting recertification of PKH beneficiaries).

- Delivering policy dialogue that allows public debate about the effectiveness and efficiency of specific social protection programs in Indonesia including, for example, discussion about the appropriateness and effectiveness of conditional behaviours in PKH and the duration over which benefits are received by households, and debate about options for improving the payments system for BSM. Policy dialogue will be preceded by two key areas of preparatory activities. These are a social protection stocktake that reviews the current state of existing programs in social assistance and social society and identifies the key challenges that social protection faces in Indonesia, and an examination of what is already known about the institutional arrangements and political economy challenges in the social protection sector. Together, these background activities, along with ongoing research, will inform a policy dialogue roadmap that provides a coherent and strategic approach and an indication of audiences, partners and mechanisms for influencing them.

90.     PRSF has resources to make a significant difference to the quality of social protection programs. It is anticipated that investments in individual programs will achieve robust incremental steps towards improved programs that in turn support progress under component 2.

## Table 2: Intervention logic for Component 1

| **Objective for component 1**: To enhance the quality of social protection program provision in Indonesia. |
| --- |

| End-of-program outcome 1: The quality of social protection is improved | | | |
|---|---|---|---|
| **Intermediate outcomes** | **Success criteria** | **Outputs** | **Potential set of activities** |
| 1.1 Adjustments made to program implementation | • Changes to the level and type of benefits<br><br>• Creation of new recipient categories based on demonstrated need<br><br>• Processes for recertification in programs with timebound benefits (PKH) are established<br><br>• Improvements are made in the transparency of targeting and distribution of Raskin<br><br>• Processes for financial flows for BSM to reduce inefficiencies are refined<br><br>• Mechanism is determined by which Jamkesmas is transferred into new social security program<br><br>• Improvements made to new social security programs | • Targeted stakeholders gain knowledge about the how the delivery of specific programs can be improved<br><br>• Targeted Stakeholders become more committed to achieving more efficient and effective programs<br><br>• Targeted stakeholders gain skills and knowledge to solve implementation problems<br><br>• Targeted stakeholders use knowledge from monitoring and evaluation to understand who is being reached, and who is being excluded by SP programs | Generate evidence on the effectiveness and impact of individual programs<br>Implement action learning to test innovations at the local level by providing funding to local govt.<br>Provide technical assistance to solve implementation problems by housing advisors in implementing departments.<br>Support monitoring and evaluation of programs and using evidence to inform program adjustments |
| 1.2 Sufficient budget is committed and protection | • Commitment or protection of increased budgets<br><br>• Appropriate changes to the level and type of benefits<br><br>• Creation of new recipient categories based on demonstrated need. . | • Targeted stakeholders understand what resources are required and are committed to protecting and expanding budgets | Facilitate policy dialogue about what levels of funding are required by sharing knowledge of international practice and evidence from PRSF |
| 1.3 Public pressure for equitable services grows | • Public Debate about appropriateness of conditional cash transfers in PKH<br><br>• Public debate about the appropriate duration over which benefits are received by households.<br><br>• Debate about options for improving the payment system for | • Public cite evidence as part of open and constructive dialogues<br><br>• New forums for debating issues and equitable services are held. | Facilitate public policy dialogue about the effectiveness and fairness of social protection programs. Eg: public debates that draw on evidence; communities of practice and other virtual forums; forums between national and local government around findings |

| | BSM | | |
|---|---|---|---|
| | • Debate around new social security instruments | | |
| | | | |

## 4.2 Component 2

91.     The objective of component 2 is to facilitate the delivery of a more comprehensive and joined up social protection system in Indonesia.

92.     To achieve more **comprehensive and joined-up social protection**, the facility will undertake a variety of activities that enable targeted stakeholders to gain more in-depth knowledge about what constitutes a comprehensive social protection *system,* and how their existing suite of programs can be tuned and balanced to form a more coherent response.

93.     The rationale for this component is as follows: whilst improving the efficiency and effectiveness of individual social protection programs will have direct, tangible and measurable effects on recipients, maximising the impact of programming on the poor requires a more coordinated and joined-up  approach. Some steps have already been taken towards achieving this, for example the development of a universal database (UDB) for targeting. However, there remain numerous challenges that are still to be addressed, of which some are given below.

- What is the best mix of social assistance and social insurance programs for Indonesia?

- What sorts of rights or entitlements to social protection are appropriate for Indonesia and how can entitlements be delivered in a way that overcomes (perceived or real) concerns about dependency?

- What are the relative roles of and relationships between social assistance and social insurance, and community driven development programs?

- How can the targeting work across and between different programs?

- To what extent can general social protection programs be made accessible to people with disabilities, and to what extent are special programs for disabled people required?

- What range of programs should individual households, and members of the household, have access to and how do they transition between them?

- What should the respective mandated roles be of different stakeholders in terms of design and delivery?

- How can national and local government systems, procedures and capacities be better aligned to achieve shared social protection objectives?

- What sorts of M&E systems will work best for social protection and how can they be achieved? How can issues of gender equality be systematised into monitoring and evaluation?

- What budget should government allocate to social protection, to allow how much coverage of which programs?

94.     Lessons from the design consultations and the IPR suggest three critical features of the activities that are proposed for the facility.

- First, establishing a clear, consistent and coherent approach to social protection does not automatically mean a single, nationally-defined approach. Acknowledging the role of local governments and local contextual specificity in program design and targeting will be critical for enhancing the effectiveness of the social protection system.

- Second, delivering new social protection interventions (either as pilots or small projects) is not appropriate within the 2.5 year planning timeframe for this phase of PRSF, since it is very difficult to embed programs during such a short timeframe and new projects delivering transfers would establish expectations of entitlements that are not sustainable. Instead, the selection of pilots should be focused on learning about the effectiveness of locally defined / bottom-up systems of program design, targeting and implementation and identifying ways of maximising collaboration between national and local government bodies. See section 5.5.4 for discussion on selection and management of pilots.

- Third, under component 2, not only do the links between social assistance and social security programs come into play, so also do links to other programs that are close to social protection, especially community driven development programs such as PNPM.

95.     Therefore this component will undertake activities that contribute to one or more of the following intermediate outcomes:

- increasing degree of agreement about which programs are needed and how much to spend

- gaps in coverage of the suite of programs are identified and begin to be addressed

- policies and procedures for transformation of the social protection sector are developed

- understanding of roles and responsibilities of different agencies across the SP system increases.

96.     While some of this knowledge will be generated through the first component, activities under component 2 will be more related to international and local examination of the specifics of how people transition in and out or across existing programs. An emphasis will be on identifying gaps where existing social protection initiatives fail to complement and reinforce effective targeting, leading to initiatives on how these could be addressed. Priority would be given to funding initiatives in areas where the GOI is already pursuing greater coordination between services – including from the private sector – to build on these opportunities and create incentives for innovation.

97.    Key activities in this component include:

- undertaking investigatory activities such as research and pilots to provide the evidence base to support moves towards a comprehensive system of social protection

- facilitation of evidence-based policy dialogue around key questions for the system

- intermediation of a public dialogue on Indonesia's requirements for the social protection sector

- working to ensure all actors, activities, discussions and knowledge are brought together and operate in a joined-up way.

98.    Specific examples of activities that might be undertaken, if the need is identified during program implementation are given below.

- Deliver policy dialogue activities that, in the medium term, establish broader public and political support for expanding social assistance for the poor and universal access to social insurance for all people. An example of an issue to be addressed here is the fact that, whilst trade unions in Indonesia are lobbying hard for progress on social security, they view social assistance in either a neutral or negative way. Specific activities could involve:
  o public debates held drawing on findings of PRSF-supported and other external research carried out by national think-tanks and research institutes
  o community of practice / bulletin boards that provide an open access virtual forum
  o forums created for learning between national and local government, and between local governments in different locations.
  o policy advice includes attention to gender and the promotion of gender equality
  o As under Component 1, policy dialogue will be preceded by two key areas of preparatory activities. These are a social protection stocktake that reviews the current state of existing social protection systems and identifies the key challenges that social protection faces in Indonesia, and an examination of what is already known about the institutional arrangements and political economy challenges in the social protection sector. Together, these background activities, along with ongoing research, will inform a policy dialogue roadmap that provides a coherent and strategic approach and an indication of audiences, partners and mechanisms for influencing them.

- Provide mechanisms by which local / community voices and perspectives are recognised (men's and women's) and by which stakeholders have more exposure to international experience in order to resolve contested issues such as dependency, entitlements, corruption, coverage, graduation and gender inequality.

- Conduct research to identify gaps (delivered across the whole range of programs, not on piecemeal basis), including on gender and disability.

- Through deployment of advisors, twinning arrangements and study tours, support government institutions to answer questions about:

- coverage (in particular working out mechanisms for deciding which and how many programs individuals / households should receive benefits from; and what the total caseload should be)

- benefit levels (in particular working out mechanisms for deciding what type and size of payments individuals / households should receive)

- duration of support (in particular working out mechanisms for deciding how long individuals / households should receive benefits from)

- type of support (especially which types of households should receive cash, food or other in-kind support and which should receive social insurance) and appropriate types of support from a gender perspective.

- Identify and explore mechanisms for tackling coverage gaps (with a focus on specific demographic or social groups, rather than numerical gaps in coverage).

- Embed the UDB in a government Ministry or department – and push to ensure that the UDB has better quality data on disability.

- Establish and embed mechanisms for linking the national identity system with the UDB.

- Provide funding to enable pilots or action learning about how to get better collaboration and learning between national and local level targeting systems / practices.

- Provide funding for innovations in grievance systems at the local level that can provide a set of alternatives for a composite grievance system at national level.

- While supporting a recertification process for PKH beneficiaries, ensure that learning is maximised regarding broader social protection system issues such as:

  - how well equipped the current system is to ensure that households can graduate into other programs and are not simply taken out of PKH

  - what levels of transition / graduation[30] we might expect for any PKH cohort

  - establish a safeguard (i.e. do not graduate people / households) if it is found that there are not coordination mechanisms to ensure the movement of households to a new / other program.

## Table 3: Intervention logic for Component 2

| Objective for component 2: To facilitate delivery of a more comprehensive and joined up social protection system in Indonesia | | | |
|---|---|---|---|
| End-of-program outcome More comprehensive and joined-up social protection is delivered. | | | |
| **Intermediate outcomes** | **Success criteria** | **Outputs** | **Potential set of Activities** |

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[30] There are four types of recertification outcomes for households: Still poor, still eligible = 3 more years of PKH; Still poor, not eligible = revert to other social assistance programs (Jamkesmas, Raskin and any other programs available at local level); Not poor, still eligible = BSM expected to continue  plus support access to new social security programs; and Not poor, not eligible = support access to new social security programs

| | | | |
|---|---|---|---|
| Increasing degree of agreement about which programs are needed and how much to spend | • Commitments are made towards funding new programs | Evidence informed dialogue between government actors about which programs are needed and how much to spend | Providing findings and facilitating public dialogue |
| Gaps in coverage of suite of programs begin to be addressed | • Changes to the way targeting works across and between different programs | Coverage gaps across social protection programs are identified and agreed | Facilitation Action Research and sharing of findings<br><br>Technical assistance and capacity development to institutions<br><br>Lessons learned from program specific work are consolidated into broader lessons and shared |
| Policies and procedures for transformation are developed | • Changes to improve alignment between national and local government systems to achieve shared social protection objectives<br><br>• Improvements of how to monitor social protection systems in a more integrated manner<br><br>• A mechanism for linking national id system with universal data base is established | Policy dialogue and refinement of procedures is facilitated | |
| Understanding of roles and responsibilities of different agencies across the SP system increases | • Central government acknowledges role of local govt. and local context in program design | Actors form different levels of Government discuss and debate roles and responsibilities | Facilitated discussions on roles and responsibilities across SP programs |

## 4.3 Component 3

99.    The objective of component 3 is to enhance synergies between social protection and wider poverty reduction policy and planning.

100.    To enhance synergies with wider poverty reduction initiatives this component will ensure that connections are made between the social protection programs from component 1, the emerging social protection system in component 2 and wider poverty reduction initiatives at the design, planning and implementation phases.

101.    The rationale for this component is as follows: social protection is a core component of poverty reduction efforts but is insufficient on its own. Social protection needs to complement and link up with other poverty reduction efforts, to enhance the overall effectiveness of both efforts.  Where coordination is weak, a number of problems may emerge.

- **Supply and demand imbalances**: Imbalances between the supply of services and the demand for them can create problems.  For example, the recent provision of cards to *Jamkesmas* beneficiaries in Jakarta resulted in a surge in demand for

health services. Clinics and hospitals were not prepared for the increase in demand and the systems for disbursing funds to medical centres were too slow and inefficient to reimburse front-line service providers.

- **Conflict of interest:** Where social assistance or social security is implemented by the same organisations that deliver services, accountability can be compromised. For example, BSM is, in practice, simultaneously working for the Ministries of Education and Religious Affairs, and buying education services from the Ministries of Education and Religious Affairs

- **Limited capture of synergies and efficiencies** between sectors. Whilst packages of support / access to a range of services across the social sectors are far more effective and can be more efficient than delivering either social protection or other programs in a vacuum, mechanisms to allow the coordinated planning and provision of multiple services and support to livelihoods are either absent or function poorly at local level.

102. Indicative policy and programming questions that this component will address are listed below.

- How does social protection link to MP3KI's two other pillars of community empowerment and livelihoods?

- What is the right balance of support to social protection compared to community development and livelihoods activities?

- How can a balanced approach to tackling demand- and supply-side development challenges be achieved at local level?

103. To promote **enhanced synergies with wider poverty reduction policy and planning**, the facility will support activities that contribute to one of more of the following intermediate outcomes:

- Government takes steps to align investment in services

- the social protection system is better integrated into broader Government planning and budgeting

- local and national government planners have information and capability to align supply and demand.

104. There are a number of entry points for activating these outcomes, starting with influencing key stakeholders' understanding about the benefits of better alignment, and how it can reduce volatility around the need for ongoing social protection. Where the most severe imbalances are highlighted, such as the recent failure of the health system to accommodate increased demand for health services, this understanding may stimulate drivers for social accountability, which in turn may encourage adjustments to the demand side where supply cannot be matched in the foreseeable future.  As synergies are gradually identified and understood, social protection initiatives could be more effectively embedded into broader medium term, annual and budgeting plans for poverty reduction/livelihood programming at the local and national levels.

**Table 4: Intervention logic for Component 3**

| Objective for component 3: To enhance synergies between social protection and wider poverty reduction policy and planning.<br>End-of-program outcome **Synergies with wider poverty reduction policy and planning are enhanced** | | | |
|---|---|---|---|
| **Intermediate outcomes** | **Success criteria** | **Outputs** | **Potential set of Activities** |
| Government takes steps to align investment of services | Increases in demand for services are anticipated and steps are made to increased supply of these services | Target stakeholders understand the importance of aligning investment of services | Consolidated research from component one is used to share lessons around demand and supply issues with key stakeholders<br>Technical support to help identify alignment issues |
| The social protection system is better integrated into broader Government planning & budgeting | | Discussions are held about links between social protection and community empowerment<br>Integration of SP into broader Government planning processes | Identify and fund appropriate mechanism for delivery of public dialogue of poverty reduction policy<br>Policy dialogue with key parliamentarians on key issues<br>Technical support to help finalise MP3KI |
| Local and national govt. planners have information and capability to align supply and demand | | Innovative mechanism for coordination at the local level are tested and shared | Provide funding for innovative mechanisms for coordinating that ensure supply and demand at the local Government level |

# 5. PRSF structure and design

## 5.1 Introduction

105.   Sections 3 and 4 have outlined, respectively, the program logic, and the types of specific activity that PRSF will be expected to undertake. They have also identified the outcomes that need to be achieved in order for the PRSF objective to be reached, and explained how these are translated into the three PRSF program components.

106.   But the plans proposed in this document will not be applied until early 2015. Before then, as discussed in section 2.4, the current phase of PRSF will invest heavily in progress on many of these same issues, which will pave the way for a smooth transition to the phase described here.

107.   This section discusses the details of how PRSF will be implemented from 2015 onwards.

- Section 5.2 explains the changes that are expected to have taken place before then.

- Section 5.3 provides an overview of the program structure and its key design features.

- Section 5.4 reflects more specifically on why this type of facility was selected.

- Section 5.5 maps out key processes that will be necessary for the program to operate as expected.

## 5.2 Expected progress up to 2014

108.   At the start of the phase of PRSF in 2015 that is the subject of this document, we can expect to see:

- improvements to the four main social assistance programs, and initial steps in the reform of the five social security programs

- an institutional home for the UDB

- better outreach and dissemination of research, along with lessons from pilots

- solid relationships with other GOI agencies for a scale-up

- champions identified and support to them commenced

- provincial and district opportunities identified

- Bappenas having been assisted to further develop the MP3KI, five year plans and annual action plans

- opportunities identified to embed sub-facility teams within relevant GOI agencies (maintaining a lean internal PRSF structure)

- sufficient technical and management support

- strong quality assurance systems in place, which are accepted by both AusAID and GOI

- good linkages across AusAID's other programs and with other donors

- AusAID engaging in up-stream policy work

- increased attention to incorporating gender, age and disability dimensions to programs.

109.   We understand the possible delays and constraints that forthcoming elections in GOI and Government of Australia could cause, but we are putting forward a best case scenario that defines the start point for PRSF from 2014 onwards. This will have to be adapted if circumstances change and tasks cannot be achieved. Regular verbal and two monthly written updates from the PRSF Team Leader provided over 2013 and 2014 will be crucial in keeping AusAID abreast of any changes.

110.   So, in outlining here the structure of PRSF post-2014, we are making an assumption that the tasks above will have been carried out. This will then have provided the basis for a successful scale-up and will have contributed to building strong relationships with other relevant GOI agencies.
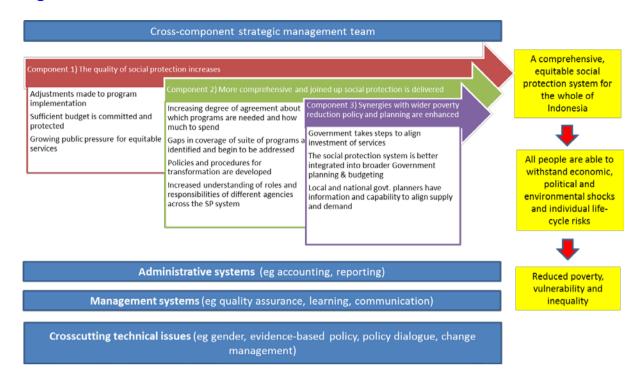
## 5.3 Overview of PRSF structure and key design features

111.   The agenda described in sections 3 and 4 means that PRSF needs to facilitate change, rather than deliver it. Each of the three components involve engaging in

Government of Indonesia processes, and supporting them in the best ways possible so they evolve into an effective system which is joined up at all levels.

112.    PRSF is therefore best perceived as a set of nested reform initiatives, set within (see section 2):

- an implementation history which has known weaknesses and certain binding constraints (see also section 5.5.3)

- a political context in which the overall future direction in pursuit of a social protection system has become clearer

- a complex institutional environment, with many stakeholders whose roles, interactions and interests are not well scripted, and whose capacity, incentives and performance are variable.

113.    In other words, we know the direction of change in terms of GOI ambition to establish a comprehensive social protection system but not necessarily the detail of what needs to be done to get there. What sort of facility meets the need, going forward?

114.    The facility is designed as a **strategic facility**. This is a specific kind of facility, which recognises two key characteristics.

- A facility is an appropriate modality because flexibility is required to allow PRSF to engage in the activities required in each of the three components, to best facilitate reform.

- A strategic approach is required to ensure that PRSF can act as a proactive influence for transformation of the social protection system and its parts, rather than just act as a passive and reactive funder of proposals presented to it.

115.    The facility structure, as presented in figure 4, is designed to provide this strategic facility function.

**Figure 4: PRSF structure**



116. Key features of the structure include:

**Three interlinked components.** The PRSF is designed with three components, each working at a different level. Each is distinct and addresses a specific need, but all are inter-linked and work to reinforce each other in pursuit of the overall objective of the PRSF. These are managed together, and not in isolation, and constitute the ingredients required to achieve the overall PRSF objective.

**Technical capacity**. In contrast to PRSF to date, the post-2014 facility will be staffed with technical expertise and the mandate necessary to proactively facilitate change in the directions desired. The change achieved by the facility is delivered through a combination of two major sets of activities:

- the processes under each component that are directly facilitated by PRSF staff

- the specific sub-projects that the facility finances.

**Investment in change**. In order to deliver on its strategic agenda, PRSF will need to invest in identifying key entry points, processes, stakeholders and activities that have the potential to play a key role in transitioning towards a comprehensive social protection system. This may involve:

- analysing and understanding the current situation and the potential opportunities it presents

- building relationships with key stakeholders

- proactively identifying spaces where PRSF can facilitate change

- engaging effectively to broker change.

**Adaptive management**. The PRSF is designed with well-resourced learning mechanisms, building on enhanced M&E for accountability, and linked to flexible management arrangements which will ensure that lessons learned about what works, what doesn't work, and why, can be introduced rapidly into implementation, to continually enhance performance.

**Multi-stakeholder**. Facilitating change requires interactions with the appropriate stakeholders with important roles in the system. The PRSF is designed as a facility that works flexibly with whichever stakeholders are integral to the establishment of a comprehensive social protection framework. Unlike the previous phases of PRSF it will do this by engaging with a variety of host institutions.

**Quality assurance**. All of the facility's activities will be managed according to a standard set of quality assurance measures. These will ensure that work conducted and funded by the facility is both consistent with its strategic objectives, and of high technical quality.

117. Further, more specific design features are given below.

**Focus on social protection**. The focus of PRSF after 2014 is narrowed towards social protection, which is defined as including social assistance and social security. While the broader focus on poverty associated with the three MP3KI pillars for poverty reduction is incorporated in component 3, support to other stakeholders will be more clearly focused on social protection.

**Disaggregation of clients**. Issues around gender, disability and old age will be actively integrated into participatory action learning approaches – especially with regards to understanding opportunities, challenges and bottlenecks at the central and district levels. Gender-sensitive and age-disaggregated indicators should be developed and routinely integrated into this approach.

**Transition**. The facility is designed to be flexible and responsive, in order to accommodate transitions in the political and institutional environment after the Indonesian elections in 2014.

**Strong management and governance**. The revised management and governance arrangements for PRSF (see section 6) reflect issues with implementation in earlier phases and also the longer-term and multi-stakeholder focus going forward. Oversight is achieved through a revised Strategic Steering Committee and a new Technical Approvals Board, alongside a number of systems changes. Management is more clearly mandated and better capacitated to facilitate change.

**Gender, disability and elderly.** These themes will be strongly integrated through the development of indicators to be embedded in planning, design, implementation and M&E activities in terms of both process and outcomes.  Special efforts will be made to promote gender balance and representation of people with disabilities on project teams.

## 5.4 Type of facility required

118.   We examine here a cross-section of AusAID Indonesian facility typologies including an AusAID M&E help desk review of facilities[31] with the objective of selecting the most suitable fit for PRSF after 2014 (see Annex 3). Lessons learned from other facilities on delivery approaches have informed our thinking on the PRSF management structure in Phase 2.

### 5.4.1 Facility typologies

The help desk review identified two types of facilities.

- **Responsive**: the initiative is specifically required to be responsive and flexible to meet the evolving needs of a partner government, often in a rapidly changing context. Being responsive is seen as more important than achieving a substantive institutional development outcome with a robust program logic.

- **Progressive engagement towards a program approach**: this may be appropriate in a sector or setting where AusAID has limited knowledge of the context, and engages for a period of time before committing to a series of substantive institutional development objectives. There is a progressive movement from a facility approach towards a more clearly defined program.

119.   While we broadly agree with this typology, **we contend that it is not as clear cut as this.**

- It is **not necessarily an either/or scenario** of responsive versus progressive engagement.

- There is often **not a neat linear progression** from progressive engagement that leads directly to a program approach.

120.   Many facilities have a similar type of approach, as they move between exploratory/responsive phases and a more programmed approach: there has been enough progressive engagement so that aspects of assistance can be strategically programmed while maintaining a high degree of flexibility and responsiveness to a constantly emerging partner government agenda. **We have christened this the 'hybrid' strategic facility: and we believe it is where PRSF best fits now and possibly for the foreseeable future.**

### 5.4.2 Facility management structure

121.   We also considered the management structure of other facilities.

- **The first structure – 'fat' – refers to a high staffing numbers sitting inside a facility**. This can create an internal bureaucracy of advisers and systems. By its very nature the inherent flexibility of a facility may be lost, along with the ability to deliver on a demand-driven approach. It can be slower to identify and respond to emerging issues

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[31] Dawson, S. 2009. *Draft Discussion Paper: Design, Monitoring and Evaluation of Facilities.* M&E Help Desk (Asia Regional, China and Indonesia). Note: the paper does not necessarily reflect corporate views of AusAID.

- **The second structure – 'thin' – has a lean internal staffing structure.** This does not necessarily mean there are fewer people employed by the facility, rather that advisers within a small team are **embedded in agencies**. Embedding advisers ensures strong knowledge of emerging issues and close engagement with partners. Advisers are responsible for working with GOI or other partners in developing concepts and work plans for approval. A lean facility team supports these advisers. Additional specialist support can be drawn down as needed.

122. The most productive facilities in Indonesia seem to be those that are embedded in GOI agencies, ensure close engagement with emerging issues and do not become overly bureaucratic; and where technical support on specific issues, management and quality assurance are handled internally by the facility. We therefore propose a relatively lean facility approach for PRSF, while ensuring that PRSF will have sufficient technical skill and perspective to deliver on the strategic facility role.

## 5.4.3 Facility commonalities

123. Typically, AusAID facilities in Indonesia have the following characteristics in common:

- the long-term nature of support required to have an impact on whole-of-government agendas

- the evolving nature of the work undertaken and the need to remain flexible

- the need to build trust before cooperation is achieved

- three broad phases:
  - a flexible reform agenda that cannot be fully designed in advance
  - transition from this crucial first phase through to a second more programmed approach with flexible aspects
  - some facilities move even closer to a largely programmed capacity development approach, while others maintain flexibility

- recognition of the importance of public debate in achieving outcomes

- the need to address local service delivery along with higher level policy work at central level.

124. We believe that the social protection agenda in Indonesia has a whole-of-government impact that will require long-term support. To support GOI, PRSF must remain flexible, build trust, and address the downstream service delivery work as well as the upstream policy.

## 5.4.4 PRSF structure

125. Drawing on lessons learned about types of facilities, their management structures and common features, along with the need to be strategic, we propose the following broad structure for PRSF:

- PRSF will be a hybrid strategic facility. Where there has been enough progressive engagement or where the agenda is clear, it will strategically program substantive

institutional development objectives. At the same time, it will remain responsive and flexible to meet the changing needs of GOI. It will build bridges for GOI and GOA partnerships.

- PRSF will have a relatively lean administrative structure while ensuring adequate technical staff for delivery. With GOI agreement, there will be embedded lead advisers with locally-employed advisory teams sitting in GOI agencies. Working in partnership with GOI, their job will be to develop work plans, concept notes and designs for PRSF Steering Committee and technical approval.

- PRSF will ensure it has adequate technical and management support within the program itself to ensure that the strategic facilitatory role can be delivered effectively.

- In the medium-term, PRSF will establish a provincial presence with a particular focus on improving service delivery. Links to other AusAID and donor programs both at central and local levels will be crucial to matching the supply and demand sides of social protection.

- The nature of the social protection agenda indicates a long-term program of assistance: with upstream policy work and downstream service delivery being of equal importance, although the role of PRSF will remain as a transformational facilitator not a transactional deliverer.

- Encouraging avenues for public debate will be within PRSF's mandate.

- PRSF will act to facilitate change in government systems according to government priorities, and program staff will focus on this agenda. PRSF will not act as a project implementation unit, in the negative sense, and so will not displace government actions, pursue its own independent agendas, bypass government systems or otherwise act in ways that may overcome barriers and frustrations to implementation in the short term but does so at the cost of introducing unsustainable practices and results.

## 5.5 Key processes and approaches

### 5.5.1. Engagement

#### Why it is important

126. The facility is expected to work with multiple actors and stakeholders within and outside government, at the national as well as local levels. Effective engagement among partners is key to program success. Engagement is a responsibility for PRSF as its mode of operation, but also for AusAID as the bi-lateral partner of the Indonesian government.

127. Engagement is important in order to:

- understand the political economy of change and identify both opportunities for, and challenges to, change

- build ownership and support for change among different stakeholder groups, including among potential champions, to encourage co-production and promote mutual accountability for results

- broaden the awareness and interest of different stakeholders in policy discussions related to social protection and feed the results of research and pilot activities into change processes

- identify appropriate entry points for influencing attitudes and behaviour

- strengthen relationships and trust between partners and in so doing make transparent the interests and agendas of each partner. This is particularly important in a context of an evolving and dynamic program, which depends on information exchange and lesson-learning as a basis for moving forward.

128.     Engagement can be regarded as the 'soft side' of the program ensuring that discrete technical inputs feed into policy processes that are supported by a shared agenda and vision among partners. Tips and tools on how to approach engagement are contained in annex 4.

## Opportunities for engagement

129.     **AusAID**. Opportunities for AusAID to engage include formal channels related to the program governance and management arrangements discussed in the next section, as well as informal channels that take place in between formal processes. For AusAID, engagement is especially important from the point of view of relationship building, establishing a common and shared agenda for change and creating a climate conducive to discussing policy options or to resolve any issues of policy or operations that may arise. Given that the program will work with multiple stakeholders, being seen to engage even-handedly and transparently with different stakeholders will be especially important.

130.     **PRSF**. Opportunities for PRSF to engage occur at a mainly technical level. Engagement will be an essential component and required competency for both facility managers and technical advisers. Engagement is a key function of the facility, precisely because it is a facility – so whatever support it provides depends on effective interaction with partners. Engagement will need to take place during different stages.

131.     **(1) Activity design**: The facility will need to work closely with partners to formulate activities that contribute to program objectives. The emphasis should clearly be on encouraging collaboration and joint ownership of activities. This is consistent with the idea of process facilitation and dynamic design.

132.     Engagement can comprise:

- regular and open dialogue and discussion of options and priorities through formal and informal mechanisms, including influence on partners to adopt particular strategies or initiatives

- a strategic and opportunistic approach to working with partners, which affects choice of partners, selection of focus issues, and the selection of specific activities whether conducted by PRSF itself or funded for others to pursue

- provision of technical advice and knowledge (including lessons learnt) to support a formal design process leading to submission of technically proficient proposals

- participating in a robust and transparent appraisal process to determine the eligibility of proposals

- supporting the preparation of proposals, work plans and budgets for submission through the PRSF governance structures

- ensuring effective communication of outcomes and decisions to all relevant stakeholders.

133.   **(2) Activity implementation**: For the Facility, implementation means providing process facilitation support that enables partners to execute activities. On the one hand, this will involve typical project management work aimed at the mobilisation, deployment and supervision of technical inputs. On the other hand, it will involve the softer skills of regular discussion and relationship building, information exchange and convening. This will include 'scanning' the environment to identify possible changes in the context that might have a positive or negative impact on activity implementation, and to suggest changes/ mitigation measures if required.

134.   **(3) Monitoring and learning**: Joint learning and problem solving needs to be an underlying theme of engagement. Facility staff will be expected to discuss program performance on a routine basis with partners with an emphasis placed on learning and information exchange and dissemination. Besides ensuring compliance with formal reporting and accounting requirements, the facility will need to develop strategies for information exchange and dissemination through organisation of workshop type exchanges, public lectures and presentations, as well as through publications and a website, taking advantage of whatever formal and informal opportunities arise. Creating opportunities for partners to contribute either through think pieces, articles, video interviews etc should be considered. This might be especially important where pilots are involved.

## 5.5.2. Capacity development

### Why it is important

135.   Capacity development is an integral part of the future work of PRSF. Creating a comprehensive social protection framework will involve as much helping to strengthen the people, institutions and processes responsible for the design, implementation and review of social protection policies and programs, as it will be about getting the right policies and programs in place. In this respect, the PRSF aims at transformational change.

136.   The capacity development agenda is potentially immense, and care will be needed to engage strategically in areas where the program can make a difference. This requires that capacity assessment and the articulation of clear capacity results are integral to the work of the Facility as it appraises activities and processes for support, and plans its engagement strategies.

137.   The Facility should be able to draw on a wide range of different inputs to achieve capacity development results. Often these will be used in different combinations depending on the results sought. But the appropriate determination of inputs and activities should only be considered once capacity development results have been agreed.

138. Annex 5 provides a matrix setting out different types of capacity development inputs and the purposes for which they can be used.

### Defining capacity results

138.   Capacity development inputs and activities conducted as part of the program should contribute to enhanced capacity and improved performance of the social protection system.

139.   **Enhanced capacity** can be understood in terms of better functioning systems, structures, mechanisms, or processes. It can also be defined in terms of enhanced capabilities, such as capabilities for strategic planning and budgeting, knowledge management and learning, service delivery and logistical support etc.

140.   **Improved performance** can be understood in terms of organisations or systems performing more effectively and efficiently (for example, in delivering basic services) in a more consistent and predictable manner.

141.   An important aspect of capacity development is improved PRSF capacity in integrating cross-cutting themes of gender, disability and age much more strongly in both processes and outcomes.  This can be achieved by building the capacity of all staff members in terms of knowledge, skills and analysis of gender, disability and age issues - also by forming linkages and strategic partnerships with interest groups and specialists in country.

142.   An agreement among PRSF and its partners on the kinds of capacity and performance results they would like to achieve should be based on a diagnosis of current levels of capacity and performance. A variety of different tools can be used to do this, and no single tool is prescribed here. As a point of principle, tools should be kept simple (SWOT analysis can often serve the purpose) but more sophisticated analytic frameworks[32] may help to structure the analysis. It is important to involve beneficiaries in the analysis, as self-assessment is an important way to build ownership for change and raise awareness and understanding around capacity and performance issues.

143.   Once results have been agreed, a strategy for strengthening capacity can be developed. Crucially this should consider the combined efforts of partners and the PRSF. A capacity development change process that does not include the partner and does not specify the role they will play and the resources they will bring to the table will not be sustainable. The best approach is to describe first what the partner will do to address the capacity challenge, and only then to consider what complementary support the PRSF could provide.

### 5.5.3 Decentralisation and local government

144.   The Perpres No.15/2010 mandated the creation of TKPKD (Regional Coordination Team for Poverty Alleviation) with the task of coordinating the development of Strategy on Poverty Alleviation and implementation of poverty alleviation policies at the local level. However, there is currently very limited coordination between different social assistance initiatives at sub-national levels. The TKPKD system is unevenly undeveloped at province

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[32] Such as McKinsey's 7s, IDRC's Organisational Assessment Framework, or ECDPMs "5 Cs"

and district level, but there is an emergence of examples of good practice from which it should be possible to build.

145.	It is clear that there are indeed a large number of interesting and ground-breaking initiatives in the area of social protection being implemented at sub-national levels. Some local governments have rolled-out their own social protection programs financed from their local budgets such as *Jamkesda* (Local Health Insurance System), RASDA (Local Rice Subsidy Program), scholarship schemes and local Unconditional Cash Transfers. This is further substantiated, for example, by the significant number of requests that have been received by TNP2K from provincial and district authorities for data from the UDB: over 50 and 400 requests respectively.

146.	What is also interesting from observation in the field and from the available evidence is that there appears to be some difference between the manifestations of Indonesia's social assistance programs at national and local levels. At national level, as discussed in Section 2, the current preoccupation is with tightening the targeting, focussing resources on the poorest, and reducing the overall cost of social assistance. At the local level, the dominant ideology seems more universalist and more egalitarian, based on a concept of "*bagi roto*" or equal sharing. This is reflected in the way that national government programs such as *Raskin*, BSM (as the two programs over which there is least central control) are essentially shared much more widely than intended, and in the way that the directives from the centre to allocate BSM, *Jamkesmas* and *Raskin* automatically to PKH beneficiaries are routinely ignored. Furthermore, local governments' social protection schemes tend to adopt universalist coverage or rely on alternative targeting methods.

147.	Given this context, local governments often feel aggrieved by national social protection programs largely because they impose upon them considerable responsibilities for managing social discontent aroused by targeting errors, without the authority or resources to manage it. This prompts the local implementers to adopt a redistribution system to spread the benefits of social protection programs more evenly to a considerably wider pool of beneficiaries than was originally intended by national program managers.

148.	There are important elements of political economy at play here. The local level leaders seem to have recognised instinctively the political reality of Amartya Sen's contention that "benefits aimed only at the poor end up being poor benefits". The organic way that *Raskin* and BSM have evolved at sub-national levels, as a result of the lack of rigid guidelines and effective monitoring, provides clear evidence that – when left to themselves – communities may prefer to spread benefits more widely. It may well be that which has ensured these programs' enduring popularity, and their dominant respective shares of the country's social assistance budget. There may be important lessons of political economy here for national level policymakers: initiatives at sub-national level should therefore be seen as having rich lesson-learning potential.

149.	Potential areas for future PRSF support to encouraging and learning from innovation at subnational levels are discussed below.

- **Building and maintaining a database of sub-national initiatives**. TNP2K is already capturing all requests received for UDB data. But there is potential for PRSF in future to follow up such requests more systematically, and to monitor any

initiatives that may result; and of course to be more proactive in using other channels to catalogue sub-national initiatives.

- **Development of local grievance mechanisms**. Local governments can play an important role in implementing and managing local level grievance mechanisms for social protection programs. Local governments, for example, can provide a more timely, effective and efficient redress to targeting errors.

- **Integration of local targeting methods with the UDB**. In similar vein, and recognising the weaknesses inherent in any centrally-managed targeting methodology, there is scope for PRSF to support efforts to integrate local targeting initiatives, such as the social mapping approaches already being used in Lombok, with the UDB.

- **Cost-sharing arrangement between national and local governments on socialisation.** In general, there is low public awareness about how many social protection programs work and their eligibility criteria. Local governments may play a complementary role in running public awareness activities tailored to local context and using local channels, in partnership with local NGOs and media.

- **Public Dialogue.** PRSF could support (eg through workshops, presentation, public events) activities at sub-national levels to strengthen cooperation and coordination across local stakeholders as well as between national and local governments.

- **Innovation and pilots**. There is also scope for PRSF to participate more actively in sub-national innovation. This could be done through the co-funding (for example using a system of matching funds) of interesting initiatives, or through a challenge fund for which sub-national authorities could compete.

- **Capacity building**. Capacity is highly variable between provinces and districts. TNP2K has already helped to strengthen capacity in selected TKPKDs, for instance through its "Capacity Building in Evidence-Based and Inclusive Poverty Reduction Policy (EIP3)". But the need for further capacity-building is substantial: PRSF could considerably expand its outreach in providing more training in social protection to sub-national officers.

- **Lesson-learning**. There is already a lot of interesting experimentation and innovation happening in Indonesia. But lessons from it are not being systematically learned, which is a serious lacuna. Provincial TKPKDs are currently under-utilised (the role of provinces is generally a little uncertain and they lack convening power): but one of the roles they could fruitfully play is in encouraging lesson-learning across districts. But this would require a budget for meetings, newsletters, workshops and so on, which PRSF could support.

- **Contributions to national knowledge**. Perhaps most importantly, PRSF could support a process of ensuring that sub-national social protection programs contribute to the national knowledge base. PRSF should support mechanisms that make this possible: the participation of sub-national authorities in national debate; competitions to reward (and publicise) successful approaches; workshops and forums for exchange of experience.

150. The ways of collaborating with sub-national institutions might be expected to be different in different provinces to reflect differing cultural norms, but this diversity could also be used to pilot and assess alternative approaches, and learn lessons for scaling up.

## 5.5.4. Pilots in PRSF

**What are 'pilots'?**

151.    The term pilot is used in different ways in different contexts.

152.    **Experimentation** is when the outcomes of a program are uncertain and need to be tested.   A control group is required if the findings are to be scientifically legitimate. Experiments that mix different program features (cash and food transfers or conditional versus unconditional or different targeting methods) are increasingly common but experiments that maintain a control group by excluding some eligible households from the program are very rare because they raise ethical dilemmas.   One way that this is addressed is by rolling out a program over time and comparing households in different cohorts (for example those in the program for longer and shorter periods of time) but, because experimental pilots are often of short duration (a couple of years), this tends to happen when programs are already underway.

153.    **Proof of concept** is similar to experimentation but less objective.   Donors or governments have an idea that they think will work and they do a pilot to prove it.   The most common pilots in recent years have been cash pilots that seek to prove that poor people who have previously received food transfers are able to make sensible expenditure decisions and that cash can be delivered without leakage through existing or new administrative systems.

154.    **Practicing delivery** happens when a planned or emerging national program is carried out in a more limited geographical context to iron out design and implementation problems before attempting to go to scale.  Practising delivery can be useful for ensuring that there is capacity to implement potentially complex institutional processes involving a range of actors. Within the PRSF there would be enormous value in providing funding to the local level to improve institutional, administrative and financial systems.   This would allow action learning (about, for example, how to link the universal database with existing local systems of targeting or how to get improved planning at the local level that enables a better balance between supply and demand) that leads to better quality programs, improved systems and, overall, better outcomes for poor people.   It can also enable programs (as opposed to individual projects or instruments) to be tested.  With this type of pilot there is an existing commitment and funding to scale up to national level and the pilot is a risk management tool to ensure that money is not wasted by scaling up before knowing how to get the project right.

155.    Despite these benefits, practice pilots are rare and experimentation and proof of concept pilots are much more common.  However, experimentation and proof of concept pilots also tend to be of much more limited use for a number of reasons.  They are often 'designed to succeed', and so involve massive levels of technical support in both design and implementation and do not reflect the conditions in which they would be implemented in the real world.  This means that experimental and proof of concept pilots rarely 'fail' at pilot level but then face significant problems when they go to scale and produce disappointing results.

156.    For these reasons, the design team proposes that the main focus for PRSF should be on practising delivery pilots – both of individual programs and of the wider social protection and poverty reduction systems.  It is possible to embed elements of proof of concept (as long as this is done without making the concept succeed) or experiments within practicing delivery pilots.  For example, existing programs could be temporarily adjusted to try and incorporate elements of nutrition programming, or programs that distribute food could trial distributing cash in certain districts or among particular beneficiaries.

157.    A set of proposed criteria for pilot activities are provided below.  The key principles are 'do no harm', produce sustainable outcomes and impacts and have a clear strategic objective.

- Pilots should have sustainable outcomes and impacts that will endure after the pilot period.

- Pilots should not be used to provide temporary support to beneficiaries with chronic needs (because appropriate exit strategies or graduation are impossible / highly unlikely within the timeframe of PRSF) but could be used to test mechanisms by which shorter term / transitory needs can be met.

- Pilots should have clearly articulated learning objectives and be supported by adequately-resourced mechanisms that are designed to maximise learning without providing artificial support. This is an area where practicing delivery can add more resources than would normally be expected in future implementation, since these are for learning rather than paying for additional implementation support that influences the success of the pilot itself.

- Pilots should have a robust vision of how the pilot is on the pathway to a larger transformation/reform, and will contribute to:
  - an improvement in the quality of a social protection program
  - the coherence and functioning of Indonesia's social protection systems
  - enhancing effective planning and implementation linkages between social protection and wider poverty reduction efforts

- Pilot designs should focus on tackling implementation constraints and bottlenecks rather than designing new programs or target groups (new programs may well be needed but they should be delivered using government resources rather than aid funding, particularly in a middle income context).

- Pilot designs should clearly articulate the design or implementation puzzle that are meant to tackle and explain why another approach (for example policy influencing, using other international or national evidence) is not more appropriate.

- Pilots should incorporate safeguards to protect beneficiaries from impoverishment that results from disruptions to social protection support.

**Proposed / Indicative Pilots for PRSF**

158.    PRSF should focus on four areas of pilot activities:

1. Finding out how to deliver specific improvements to elements of the core social assistance programs.  Examples include testing innovations to make PKH more

adaptable to specific contexts and ultimately generate acceptable levels of variation from the core design of PKH; and / or testing alternative systems for *Raskin* benefits (e.g. food versus cash; changing targeting); and / or testing alternate financial transfer systems for BSM

2. Working out how institutions at local level can better plan to support supply and demand side balance.  The main focus could be providing funding at district level to trial a range of different institutional arrangements to allow better planning of increases to social protection, health service supply or education supply.  This could include establishing / reinforcing resources for planning committees in TKPK or local government planning agency at district level, or funding to make plans for service delivery subject to consultation, or supporting CSOs or community user groups to access information about changing levels of service delivery and interact with local planners to address potential supply – demand imbalances.

3. Working out how local level targeting can be best integrated with the UDB process. At present the UDB system and targeting mechanisms at local level are often poorly aligned.  One proposed mechanism for tackling is socialisation, but a limited political economy reading of the situation by the team suggests that it is not solely an information asymmetry that is preventing the wholesale application of the UDB. An alternative approach could be the provision of funding (either on a targeted or competitive basis) to experiment with and learn from innovations by district level stakeholders to link the UDB with local targeting processes.

4. Working out what sorts of grievance mechanisms are more effective across the range of social assistance social security programs.  Examples could include call centres, better resourcing of community level facilitators for existing programs, funding CSOs to monitoring and report grievances and represent household members and resolving their grievances.

**How might pilots work in practice?**

159. A generic set of activities for all types of pilots could be as follows:

**Step 1: Design and preparation** including
- establishing a consultative partnership for designing pilot activities
- framing the parameters of the pilot through consultation and analytical work including carrying out research such as a stocktake of existing practices and experiences or a number of focused case studies on specific districts to identify what sorts of innovations are out there
- drawing on other existing evidence to support pilot design
- making decisions about where pilots will take place (for example will PRSF target specific districts in a purposive sample, or ask for proposals for innovation and fund them on a competitive basis?) and
- producing a final pilot design document.

**Step 2:** Start up including procurement and establishment of any decentralised presence.

**Step 3:** Implementation and ongoing learning about the process.

**Step 4**: Analysing overall effectiveness of the piloted activities and identifying (and delivering in partnership with government and other stakeholders) the subsequent required reforms to policies and programs.

160.    Some pilots will progress faster than others.  However, the general assumed or average timeline across the pilots would be that at least Step 1 and preferably Step 2 are completed by the end of 2014.  Step 3 needs to be completed by June 2017 with a notional target of June 2017 for a clear plan for how policy and program reforms will be undertaken and hopefully some progress towards these reforms.

### 5.5.5. Binding constraints – the political economy of change

161.    The program aims to promote a multi-actor approach to policy reform and development and to encourage evidence-based policy making. Analysis of the policy process in Indonesia, both in general and as it applies to the social protection sphere confirms that this will not be easy. Success will depend on a careful understanding of context, the establishment of relationships that are both candid and transparent, and flexibility in programming to enable responsiveness to opportunities as they emerge. In practice, evidence is but one factor shaping policy decisions. Political considerations linked on the one hand to promoting party interests and survival and on the other hand to promoting personal interests and advancement can have a major impact on decision-making. Short-term expediency typically overshadows long term technical perspectives.

162.    As highlighted in section 2, the process of policy development and reform is substantially closed and top-down. Decisions are taken by and large at the apex of government with limited consultation both within the bureaucracy and among other non-state actors, and are communicated through legal instructions and 'socialisation' activities. At the same time, the power devolved to local government and political leadership means that policy is today more easily challenged, certainly at the stage of implementation. That said, strong patronage relationships and rent-seeking patterns of behaviour that criss-cross national and local government are factors that strongly impact on who influences policy and what decisions are taken.

163.    What then does this mean for the program? Can it realistically expect to shape and inform policy through the production of evidence and facilitation of more participatory processes? The answer is yes, but the program recognises that its successes are likely to be incremental and achieved over a long-term horizon. While it will not be able itself to change the way business is conducted in the public service, it can work with those committed to change to take the small steps needed to building a more comprehensive social protection framework that is based on more joined up participatory approaches.

164.    Ultimately the program's achievements will depend on the vision and leadership of the GOI and its willingness to explore different ways of working.  Its readiness to work with the program will depend on both sides being ready to invest in a partnership that is open, transparent and able to accommodate the views and interests of both sides.

165.    Key features of the program that allow it to negotiate these binding constraints are those that define what the PRSF is and how it operates, as discussed as principles in section 3, and as design features in 5.3 above. In this way, negotiating the political economy of its environment is central to PRSF design.

- It is informed, progressively understanding the context, the political economy, the issues, the actors and the nature of the constraints to change.

- It is facilitatory, engaging with key stakeholders to help move along discussions required to enable change.

- It is proactive, taking responsibility for looking for opportunities for change.

- It is lesson-learning, following an open approach to continual reflection on what works, what does not and why in relation to its facilitation activities, and practicing adaptive management which allows it to respond quickly to these lessons.

- It is strategic, ensuring that its engagements are on a pathway to change and informed by necessary context, but flexible and responsive where required.

166.   Beyond 2014, the program will be expected to make more concerted efforts to build relationships with different actors. A key role will be in creating opportunities for different actors to work together, using cross-institutional task teams to tackle specific policy or operational challenges. Such initiatives should not seek to create parallel structures but to work with country processes, or, where these are seen as dysfunctional, to propose mechanisms that can overcome constraints. A multi-actor approach and presence across a number of different institutions gives the program the opportunity to engage throughout the policy process, linking up operational practice at field level with policy discussions at the apex of government, seizing opportunities to bring together actors that may not easily work together and assisting to draw out evidence and lessons of good practice that can inform policy processes.

167.   Such contributions can make a difference but cannot, through PRSF efforts alone, necessarily resolve more deeply entrenched binding constraints that define the policy process in Indonesia.

# 6. PRSF governance and management

## 6.1 Introduction

168.   This section describes the 'delivery' mechanism for PRSF beyond 2014. It consists of i) governance arrangements, ii) management arrangements, iii) AusAID roles and staffing, and iv) quality assurance processes
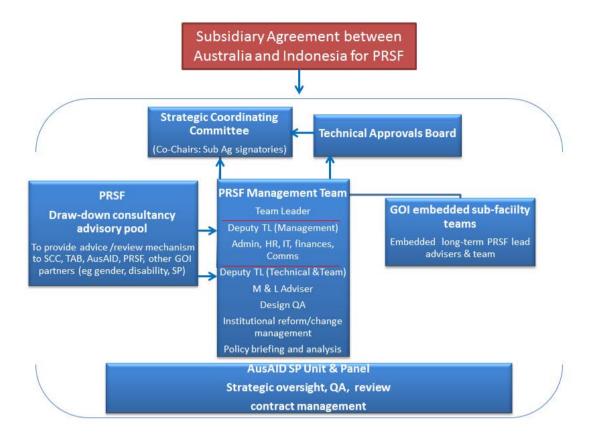
## 6.2 Governance arrangements

### 6.2.1 Overview of governance arrangements

169.   Similar governance structures as for other facilities are proposed: a strategic coordinating committee and a technical approval/quality assurance board.

- The **Strategic Coordinating Committee (SCC)** will provide overall leadership and set broad policy and budget parameters, but will not get involved in the detail of quality assuring individual proposals

- The **Technical Approvals Board (TAB)** will review, quality assure, approve and monitor investments, ensuring work is in line with strategic direction, reporting on progress to the SCC.

170. A new **Subsidiary Arrangement** between the Government of Indonesia (GOI) and the Government of Australia (GOA) will need to be developed for any next phase of PRSF support.

171. **Internal management of PRSF will remain relatively lean**. The aim is to have the **required in-house capacity** to deliver the technical and administrative roles of a strategic facility, and **small embedded sub-facility teams** (national staff wherever possible) within key GOI agencies, including a provincial and/or district presence.

172. **These sub-facility teams will have good back-up support within PRSF in terms of long-term technical assistance such as social protection, quality assurance, strategic planning, change management etc.** These internal PRSF positions will be proactive in working across GOI agencies and providing strategic linkages across the sub-facility teams. A draw-down **Consultancy Advisory Pool** of short-term assistance will be available as needed.

173. Long-term technical assistance and embedded teams have been shown in other facilities to get the most productive outcomes and strong cooperation.

174. The scale-up of PRSF advisers and staff should be progressive: any adviser profile should only build up as relationships warrant and at a pace GOI can absorb.

175. **AusAID's** social protection unit will have a key role in managing partnerships, facilitating PRSF linkages to AusAID's other investments in social protection particularly to downstream service delivery in education and health, and engaging in more upstream policy work at the central level. The AusAID social protection panel will provide a further level of quality assurance and peer review to significant investments. Figure 5 provides the suggested governance and management structure. Further details on this diagram are provided below.

## Figure 5: PRSF governance and management structure post-2014



## 6.2.2 Strategic Coordinating Committee

176.    The SCC mandate, lines of accountability, roles and responsibilities, suggested membership, advisory support to SCC and meeting arrangements are provided in this section.

### Mandate

177.    The SCC mandate is to provide the policy dialogue and strategic leadership of PRSF in line with GOI goals in social protection.

### Lines of accountability

178.    The SCC is the highest governing body overseeing the PRSF. Direct reports to the SCC are from: PRSF and the TAB.

### Roles and responsibilities

179.    The SCC will have responsibility for setting the overarching strategic direction of PRSF in line with GOI priorities, and setting broad budget parameters along with sequencing of inputs. The SCC, with PRSF and other technical support, will:

- develop a road map to provide strategic guidance on PRSF's social protection investments
- approve an annual and multi-year work plan for PRSF
- set a global PRSF budget (including approval of annual work plans and overall budget envelope)
- set guidelines for sub-facility teams on budget ceilings for component specific work plans
- encourage social protection public debate, voice and input from civil society, local government and other key stakeholders
- do all reasonably within its power to ensure the efficient and effective operation of PRSF and its programs
- lead/direct the inclusion of gender equality and disability objectives and goals
- promote a linked up and nested program of PRSF activities with other: AusAID programs, development partners, local initiatives
- oversee the TAB (on the rare occasion that the Board cannot resolve an issue the SCC co-chairs will arbitrate)
- approve six-monthly and annual reports.

## Leadership and membership

180. PRSF will need to have strong ownership from the GOI. This will require broad representation of government by including line ministries and government agencies with mandates over social protection policy. However, there needs to be a good balance between broad representation and effective decision-making.

181. Ideally, the PRSF SCC should comprise a focussed small group of about 10 people, to encourage robust debate. Observer numbers should be strictly limited and only be invited with full SCC approval. Appropriate rules should apply for relevant parts of SCC meetings. PRSF will draft SCC Terms of Reference (TORs) based on suggestions made here and seek approval of TORs from SCC co-chairs.

182. The Subsidiary Arrangement will outline leadership and membership of the SCC. We make suggestions here on possible membership, though this will need to be agreed between the GOI signing agency and AusAID.

- The **SCC to be co-chaired** by an Echelon 1 GOI official representing the 'home' institution of PRSF, and the AusAID Minister Counsellor.
- **GOI members of the SCC** could consist of Echelon 1 officials from key government ministries with mandates over social protection such as Bappenas, Coordinating Ministry for Social Welfare (Kesra), Minister of Social Welfare (MoSA) and the Ministry of Finance (MoF) and the Secretary of TNP2K (if it continues as an active PRSF partner after 2014).
- **AusAID Indonesia staff** with familiarity with the program and social protection expertise will be members to ensure effective and informed representation by AusAID.

- To ensure that the PRSF work plan is owned by and reflects the concerns of local governments[33], [a] **local government representative**[s] could also sit in the SCC on a rotating basis as [an] observer[s].

## Advice to Strategic Steering Committee

183.    The SCC will decide how to solicit views on social protection from regional and local governments, civil society and reformers. SCC annual structured consultation and dialogue with senior local and international experts on social protection, civil society and local government is suggested. PRSF will need to explore the best way for the SCC to host and facilitate this dialogue. This will inform the SCC's strategic thinking, get buy-in from other constituents and not limit voice to the bilateral relationship between GOI and GOA.  And AusAID needs to take a strong role in strategic preparation for these events. The following process is suggested.

- **Annual structured consultation** workshops or retreats with senior local and international reformers on social protection hosted by the SCC. The purpose of these workshops is to consult on strategic priorities to inform the social protection road map and its workplans.

- **SCC strategy should be validated through a facilitated discussion with local government and NGO representatives.** This would immediately follow the structured consultation workshop.

184.    The PRSF **Consultancy Advisory Pool** will provide advice to the SCC on technical and strategic issues related to social protection, financial modeling, gender, institutional strengthening, poverty reduction and social security, as required.

185.    The Co-chairs of the **TAB, PRSF Team Leader and two Deputy Team Leaders and AusAID's social protection unit** will quality check all information going to the SCC; and are to be available as the key resource to provide advice directly to the SCC upon request. **AusAID's social protection Expert Panel** could also be called upon to quality review specific SCC documents.

186.    The SC can invite **guest speakers** on high profile agenda items. The Co-Chairs of the Technical Approvals Board will provide advice to the SCC, through PRSF. The Board can request a hearing at the SCC, subject to SCC approval.

187.    **PRSF** will receive and respond to all requests from the SCC to procure and manage necessary advice.

## Meetings

188.    The SCC will meet twice a year or as often as required to review and approve PRSF overall strategy, annual work plans and envelopes, and other priorities. Any other

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[33] The roll-out of the MP3KI reinforces this need as well as the importance of forging stronger working relationships with local government.  At the same time, legally, the Presidential Decree on Acceleration of Poverty Reduction that established TNP2K in 2010 delineates that TNP2K consists of 15 government ministries and agencies with mandates over poverty reduction strategy.

decisions on membership will also be determined in the SCC meeting. Decisions will normally be made by consensus or, failing that, by simple majority.

189.   The provisional agenda for the SCC meeting and other relevant documents will be prepared initially by PRSF and reviewed by the TAB Co-chairs, the AusAID Social Protection Unit and the PRSF social protection adviser.

190.   The PRSF Team Leader will take SCC meeting minutes for circulation to all SCC and TAB members. A clear list of actions arising and actions addressed will be included in these minutes and tabled at each SCC meeting. PRSF will provide the full range of secretariat support to SCC and its members. The TAB will provide a 1-2 pages summary of their meetings to all SCC members.

191.   The SCC may hold 'virtual' decision making with the approval of the co-chairs. Virtual decision-making can occur when the issue does not warrant the calling of a special meeting but it is impossible for most or all of the members to attend a SCC meeting or when a decision must be taken by the SCC. The SCC co-chairs, facilitated by the PRSF, will then transmit to each member by email a proposed decision with an invitation to endorse the decision by 'no objection' or to reject the decision.

192.   Full procedures on how meetings of the SCC and TAB are convened should be covered in the PRSF Standard Operating Procedures (development of SOPs should be included as part of the inception report in new contractual agreements in 2015).

### 6.2.3 Technical Approvals Board (TAB)

193.   The TAB's mandate, lines of accountability, roles and responsibilities, suggested membership, advisory support to TAB and meeting arrangements are provided in this section.

### Mandate

194.   The TAB's mandate is to: provide technical quality assurance of concepts, designs, approvals at the activity level, review activity progress and fund utilisation, and any other duties delegated to it by the SCC. These tasks are in support of the SCC strategic road map and in line with approved SCC budget envelopes.

### Lines of accountability

195.   The TAB reports directly to the SCC. PRSF reports to the TAB on: technical issues, activity progress and fund utilisation.

### Roles and responsibilities

196.   The TAB will:
- approve work plans, activities, concept notes, investment designs, and corresponding budgets
- ensure a collegiate approach has been taken by members in preparation of all documents put to the TAB

- monitor and review implementation of activities and fund utilisation
- endorse the PRSF standard operating procedures and any other PRSF guidelines for the SCC and the TAB
- support the SCC by reviewing the meeting agenda and relevant documents to be deliberated in the SC meeting
- support the direction of inclusion of gender equality and disability objectives and goals.

197. The TAB co-chairs will seek member consensus on all design approvals and look for ways to resolve differences; failing this, TAB co-chairs will defer to the SCC co-chairs for resolution. SCC resolution of TAB issues should occur only on rare occasions and be an avenue of last resort.

## Leadership and membership

198. We suggest that in keeping with the spirit of future Subsidiary Arrangements for the SCC, TAB membership should correspond to key SCC partner organisations, at a lower staffing seniority level. Therefore, the TAB would be co-chaired by the relevant GOI representative and AusAID Counsellor.

199. GOI members should be Echelon 2 officials from the respective directorates represented by Echelon 1 officials in the SCC. Other members would include the AusAID social protection adviser, PRSF Team Leader and PRSF Deputy Team Leaders.

## Advice to Technical Approvals Board

200. The TAB will support the SCC to solicit views on social protection from regional and local governments, civil society and reformers.

201. Similar advisory services to the SCC are available to the TAB: Consultancy Advisory Pool, PRSF technical team, AusAID's social protection unit, and AusAID's social protection Expert Panel. The TAB will also be involved in the annual SCC consultations.

202. PRSF will receive and respond to all requests from the Board to procure and manage necessary advice.

## Meetings

203. The Board will meet at least quarterly or more often as required. As for the SCC, the Board may also hold 'virtual' decision making through email. The provisional agenda for the Board meetings and other relevant documents will be prepared initially by PRSF in consultation with members, then reviewed by the TAB co-chairs.

204. All relevant documents to be deliberated in the Board will be prepared jointly by the sub-facility teams, GOI counterpart agency, AusAID social protection adviser and PRSF Deputy Team Leaders and technical teams, with input from the Consultancy Advisory Pool. PRSF Team Leader is to be responsible for overall quality of documents tabled at TAB meetings.

205.   AusAID's social protection panel will act as independent reviewer with their comments incorporated *prior* to TAB consideration (though comments and responses should be still made available to the TAB).

206.   Once the SCC road map is available, the PRSF is to consider how to target calls for proposals from local governments and NGOs. If necessary, technical assistance to develop ideas can be provided. Lessons from other facilities show that if this is not handled well there can be a flood of proposals.

207.   The PRSF Deputy Team Leader (technical) will document and circulate minutes of the TAB meetings. A clear list of actions arising and addressed will be included in these minutes and tabled at each TAB meeting. PRSF will provide the full range of secretariat support to the TAB and its members.

208.   A 1-2 page summary of TAB minutes is to be provided to the SCC.

## 6.3   PRSF management arrangements

### 6.3.1 Roles and responsibilities

209.   The core business of PRSF management is to provide technical and strategic advice and to manage the deployment of resources in support of GOI's social protection implementation. In so doing, PRSF is expected to be flexible, opportunistic and responsive as has been described more fully in the previous section. It will:

- engage with multiple stakeholders, both state and non-state at national and local levels
- facilitate a broad range of activities aimed at building systems and processes, delivering research/ pilot activities etc
- provide administrative (back office) services. PRSF will contract and manage all staff (both administrative and technical) under a single Human Resources structure. This is to include sub-facility teams to be embedded within line ministries or agencies.

### 6.3.2 Specific functions

210.   Specific functions are to:

- develop component strategies and activities together with partners that address GOI priorities and PRSF objectives
- ensure quality through use of robust appraisal and review processes
- provide technical backstopping and project manage the deployment of resources (personnel, money, logistical support etc)
- report, learning and accounting on activities implemented
- serve as the secretariat for the SCC and TAB

- provide administrative or 'corporate services' for the three components including preparation of plans and budgets, asset management, financial management and human resources management

- perform representational functions, outreach, public relations and communications.

### 6.3.3 Indicative PRSF staffing

211. Long-term on the ground support is important in Indonesia: time must be spent building strong relationships to be fully effective. Experience in other facilities shows that support embedded in GOI agencies has the most chance of success. This is not to suggest that the PRSF management will only provide logistical support internally; on the contrary, it will have a strong long-term internal technical team and the ability to call on draw-down support as needed. Indonesian expertise should be used, wherever possible, but international recruitment is also envisaged. The revamped PRSF will need to be strong both administratively and technically. Taking this into account, we suggest that the revitalised PRSF staffing structure to be implemented in July 2013 be the basis for future arrangements.

- A **Team Leader** supported by two Deputy Team Leaders (DTL), one to manage technical work and the other to oversee management arrangements.

- **The Technical Deputy Team Leader will manage a technical team** of professionals focused on improving the overall quality of PRSF activities and outputs in the social protection sphere. She/he should have strong experience in social protection, quality assurance and management.

- The **Technical Team** (reporting to technical DTL) will include expertise on: social protection, political economy, monitoring and learning, design quality assurance, institutional reform/change management, policy packaging/briefing, research and analysis, and gender equality/inclusion. In PRSF Phase 1, the technical DTL will make recommendations on skills required in this team to deliver on the strategic facility role, and this will inform further the skills set needed.

- **The Management Deputy Team Leader will manage all other core** staff including Administrative Manager, Finance Manager, Communication Manager, IT Manager, Procurement, Human Resources, and other support needed.

- The GOI **embedded sub-facility teams will be managed on a day-to-day basis by each team's lead adviser.** The team's lead adviser will report to the technical DTL on all technical issues. PRSF management DTL will need to explore the best way to monitor each individual's performance.

- A **consultancy advisory pool** will be managed by both the DTLs. The Pool will be a pre-approved group of individuals, NGOs, events organisers, research organisations, public communications or other identified support that is available for short-term inputs. Specific expertise might include: gender, disability, social protection, local government, governance, political economy, institutional reform, research etc.

212. All positions should have the following **key competencies**:

- demonstrated ability to work collaboratively and effectively at a range of administrative levels in a cross-cultural setting

- a strategic and facilitatory approach

- understanding of and ability to design and implement capacity development and skills transfer activities

- strong oral and written communication skills

- highly developed interpersonal skills

- understanding of gender issues, social inclusion and human development frameworks such as the Millennium Development Goals

- demonstrated experience and capacity to provide colleagues with supportive advice and strengthening through mentoring and modeling, and commitment to participatory ways of working

- fluency in written and spoken English (essential) and working knowledge of Bahasa Indonesia (desirable)

- previous experience working in Indonesia (desirable).

## 6.3.4 PRSF Team Leader

The **Team Leader** will ensure that the strategic direction of PRSF is in line with the SCC's road map on social protection and provide quality assurance oversight of PRSF. Final responsibility for the PRSF program's overall performance rests with the TL.

**Accountability lines:** The TL is accountable to the co-chairs of the SCC for all PRSF outputs. The two Deputy Team Leaders (management and technical) are directly accountable to the TL.

The TL will be proactive; that is, finding opportunities to make things happen. S/he will:

- draft the social protection road map for SCC consideration (with input from all technical and management advice as needed)

- ensure a cohesive nested approach to activities that meet the overall PRSF objectives

- explore and implement innovative ways to foster public debate on social protection

- use the background technical paper on PRSF stakeholder engagement to shape and inform opportunities

- use advisory support for further inputs on engagement and change management strategies

- build strong relationships with key GOI agencies

- establish a provincial PRSF presence in longer term

- ensure linkages with other AusAID programs on social protection

- quality assure all documents going to the SCC and TAB

- draft and circulate minutes for the SCC

- ensure everyone is clear on lines of accountability

- ensure the gender equality and disability strategies are implemented

### 6.3.5 PRSF Technical Deputy Team Leader

The **Technical Deputy Team Leader** will have primary responsibility for ensuring the overall quality of PRSF activities and outputs.

**Accountability lines:** The Technical DTL is accountable to the TL for the outputs of the technical team. The technical team will report directly to this DTL. The sub-facilities' lead advisers will report to this DTL on all technical issues. Both DTLs will work together to ensure overall quality. The Technical DTL will:

- manage a small team of professionals focused on technical program delivery

- ensure high quality strategy and planning across the program

- quality assure all documents going to the SCC and TAB

- lead on quality assurance of investment designs, *prior* to submission to the TAB

- seek joint sign-off on quality assurance prior to submission of proposals to the TAB

- oversee the appropriate sequencing and prioritization of all social protection proposals, technical inputs and activity implementation

- work with the TL and sub-facility teams to implement activities for public debate on social protection

- manage performance of other technical advisers (including the GOI embedded sub-facility teams) and quality assurance of technical assistance outputs from the draw-down consultancy advisory pool (jointly with the Deputy Team Leader - management)

- draft and circulate minutes for the TAB

- remove pressure from AusAID and its Expert Panel as the frontline on-the-ground senior specialist source of social protection knowledge.

### 6.3.6 Technical Team

The **Technical Team** will be the primary PRSF internal support team in their areas of expertise.

**Accountability lines:** The team will report directly to the technical DTL. The management DTL will oversee personnel issues, and support this team in improving overall quality.

At this point in time, we envisage **team skills** would include:

- social protection
- institutional reform/change management
- political economy analysis and use
- monitoring and learning
- design quality assurance
- policy packaging/briefing
- research and analysis
- gender equality and inclusion.

Any change in skills sets required and emerging skill needs identified should be carefully monitored by the technical DTL and TL over the next 18 months; and reported to AusAID. Requirements for implementation going into 2015 should then be adapted accordingly.

### 6.3.7 PRSF Management Deputy Team Leader

The **Management Deputy Team Leader** will play a key role in quality management of systems, resources, HR management, budget and procedures.

**Accountability lines:** The Management DTL is accountable to the TL for the management of PRSF. All support staff will report directly to this DTL. Both DTLs will work together to improve overall quality. The Management DTL will:

- ensure implementation of planning and quality assurance systems
- develop clear and agreed TORs for the SCC and TAB
- draft all TORs for positions, as necessary (in consultation with TL and

Technical DTL)

- recruit for approved long-term GOI embedded positions

- recruit and manage a drawdown consultancy advisory pool to assist on specific issues

- manage personnel issues (jointly with the Technical Deputy Team Leader)

- ensure the best fit of people and skills as the facility evolves.

### 6.3.8 PRSF GOI embedded sub-facility teams

The **GOI embedded sub-facility teams** will consist of a lead adviser with a small team of national advisers. The sub-facility teams will be determined based on their technical expertise required by the 'host' line ministry/agency or administrative roles to support implementation of activities within the 'host' line ministry/agency.

- The teams will work across portfolios and not be restricted to working only in their 'home' ministries. We suggest that likely 'home' ministries could include: Bappenas, Social Security Council, Ministry of Social Affairs, and Kesra. Though this will clearly need extensive exploration and negotiation with GOI before any decisions are made.
- To strengthen integration of gender into PRSF work, PRSF could include linkage to the Ministry of Women's Empowerment, consider having 'gender champions' in ministries that the Facility is engaging with, and include at least one advisor in each sub-facility with designated responsibility for gender.
- Team numbers will need to be decided by GOI, though we suggest a maximum of three sub-facilities to ensure manageability.

**Accountability lines:** the **sub-facility teams will be managed on a day-to-day basis by each team's lead adviser.** The team's lead adviser will report to the technical DTL on all technical issues. PRSF management DTL will need to explore the best way to monitor each individual's and the teams' performance. PRSF may need to make arrangements for shared GOI and PRSF line management responsibilities to ensure joint Key Performance Indicators of staff seconded or embedded in line ministries/agencies.

**Key tasks – done in partnership with GOI counterparts – are to:**

- develop annual work plans to be approved by the SCC, in line with the SCC road map and budget guidance

- prepare concept notes of proposed activities and full proposals for each activity for TAB approval

- ensure quality in compliance with AusAID quality assurance guidelines

- advocate around specific policy initiatives

> - support capacity building to improve partner agencies' ability to design and implement social protection programs
>
> - advise the TL and Technical DTL on key issues arising and input to innovative ways to foster public debate on social protection.
>
> Over time, the teams will be able to work with NGOs and local government to screen and develop activities in line with the SCC road map.

### 6.3.9 PRSF Consultancy Advisory Pool

> A **consultancy advisory pool** will be a pre-approved group of individuals, NGOs, event organisers, research organisations, public communications or other identified support that is available for short-term inputs. Specific expertise might include: gender, disability, social protection, local government, governance, research etc. This pool also should be flexible enough to source expertise in emerging areas needed by PRSF and/or identified by key stakeholders.
>
> **Accountability lines:** the pool will be managed by both the DTLs (technical and management). Day-to-day management of the inputs will be identified on a case by case basis.
>
> **Advice:** the SCC, TAB, embedded sub-facilities, PRSF, GOI or AusAID can request direct drawdown from this pool. A request for support will be submitted to the two DTLs for approval and action. PRSF will develop a short one-page request form, which will: outline reason for the request, the type of support required, the tasks to be completed, the duration of inputs, Key Performance Indicators and the person responsible for day-to-day management of the support.

## 6.4  AusAID roles and staffing

213.   PRSF up-scaling of technical expertise and a Core Advisory Pool will serve to remove pressure from AusAID staff. Stronger governance and robust quality assurance processes within PRSF will also provide AusAID with a level of comfort that increased investments are providing value for money. The AusAID social protection Expert Panel should be used to seek a second opinion and to provide independent quality at entry review of PRSF concepts and investment designs. AusAID should ensure that it uses PRSF resources to best advantage, so that AusAID can focus on:

- enhanced policy dialogue

- managing partnerships

- facilitating PRSF linkages to AusAID's other investments in social protection particularly to downstream service delivery in education and health

- strategic oversight and review of SCC papers prepared by PRSF and SCC facilitated dialogue and workshops

- contract management of PRSF.

214.    A more detailed breakdown of specific roles and responsibilities at the individual level within AusAID social protection unit is provided in annex 6.

## 6.5. Quality assurance process

215.    The quality assurance process ensures that PRSF and its partners deliver quality work and outputs in line with GOI priorities and AusAID's quality criteria and safeguards (see box below for detailed description). The quality assurance system must be robust enough to ensure quality outputs, but also flexible enough to allow PRSF to maintain its facilitative and opportunistic characteristics.

216.    Testing the validity of new ideas through a short concept note can be more effective than immediately moving to a fully-blown activity proposal that needs an extensive quality assurance process and could be high-risk.

217.    The quality assurance process should be initiated early in the design process, allowing AusAID technical staff and adviser inputs into the initial concept rather than limiting them to a 'gatekeeper' role at the end of the approval process in the TAB. Therefore, when a concept note or activity proposal reaches the TAB, most if not all quality assurance requirements will have already been fulfilled, making it easier for the TAB to focus on the technical rigour of the concept notes and proposals before approving them. This process will also ensure buy-in not only from counterpart government agencies and ministries but also from technical staff that have invested time and energy to work on the concept notes and proposals.  Expectations with regards to gender equality and inclusion issues should be clarified at the start of the design process

218.    The SCC will provide an overall PRSF road map, which outlines the strategic directions of PRSF, its global and component level budget and will approve annual workplans. This will provide the basis for the PRSF concept notes and proposals to be approved through the TAB.

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**PRSF Quality Assurance Process**

1. The SCC will provide the overall PRSF strategic road map, a multi-year and annual work plan for PRSF in line with GOI priorities and will provide a global and component budget for PRSF.

2. Concept notes and proposed activities for TAB approval will be drafted as a team, with either the embedded lead adviser or the technical DTL spearheading the process. The team would include: GOI counterpart, embedded teams, PRSF technical DTL and team, input from Consultancy Advisory Pool and AusAID social protection unit.

3. Quality assurance upfront and prior to TAB final approval would be undertaken to foster a partnership approach to developing proposals.

4. The AusAID Social Protection Expert Panel and/or an independent reviewer from the core advisory pool will prepare a quality at entry report (QAE).

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5. Comments from the QAE will be incorporated into the concept note *prior* to a TAB meeting. QAE reports, designer responses and how they have been incorporated into the concept note will be available for discussion at the peer review meeting. Any points of disagreement will be noted for discussion at the peer review. (This type of peer review is a better fit with our understanding of Indonesia's consensus approach to decision making.)

6. If there is a political imperative to get a design moving and/or there is value to be added by commencing small activities within the concept note prior to developing a full investment design, the peer review co-chairs can recommend funding up to $250,000 to the TAB co-chairs for an out-of-session decision (fast-track).

7. Once a proposal is approved, it will then go to implementation stage: through procurement and contracting.

### 6.5.1 Fast-Track Quality Assurance Process

219.   Where there are requests to carry out activities with a more limited time-table or a higher level of urgency, the TAB may adopt a 'fast-track' process to speed up the quality assurance process to allow such activities to be implemented and meet short deadlines. The fast-track process can be used for activities up to a value of $250,000.

220.   In enacting the fast-track process, the TAB must determine (through a no-objection virtual decision making process) that the proposed activity merits a fast-track approach because of its strategic value and its fit within the SCC-approved work plan. The fast-track process should not imply a less rigorous quality assurance or M&E process.  But it does allow for the flexibility needed within PRSF.

## 7. Program Partners

221.   The program will need to work with a wide range of partner organisations. This will include government departments at the national and sub-national level, civil society organisations, as well as development partners and other AusAID programs.

222.   Exploring partnerships and engaging with an increasing number of partners will be a key strategy for the program as it sets about developing a comprehensive social protection system. By definition, a system comprises a multitude of actors and stakeholders performing various roles and functions that contribute to system performance. Co-production has been identified as a key feature of the emerging social protection system, one that depends on effective cooperation and engagement across different parts of the system.

223.   Building relationships and brokering partnerships is a challenging undertaking, no more so than in an institutional context which tends to constrain such co-production and which is highly fragmented. The political economy of change highlights the need to understand context and, in particular, the drivers and constraints to change at any particular point in time that might encourage or discourage actors and stakeholders to work together towards achieving a common purpose.

### 7.1 Government of Indonesia partners

224. The Government of Indonesia will remain the key partner of the program. In order to address the three program components and contribute to building a sustainable and functioning system that is based on sound policy, agreed systems and processes and clearly defined implementation responsibilities, it will need to engage more widely than it has up to the present. Building on its existing relationships, particularly with TNP2K, it will need to engage more directly with a range of GOI partners.

(i) **Central agencies responsible for policy development and coordination**. These will include: Bappenas, Kesra, the Ministry of Finance, and DJSN – the Social Security Council.

(ii) **National agencies responsible for policy implementation in the social protection field**. These will include: The Ministry of Social Affairs (MoSA), the Ministry of Health (MoH), the Ministry of Education and Culture (MoEC), the Ministry of Religious Affairs (MoRA), the Ministry of Home Affairs (MoHA).

(iii) **Sub-national agencies responsible for policy coordination and implementation**. These will include: Bappeda, TKPKD, local political leadership (Bupatis) implementation units of local government and the field level agencies of national programs.

**(iv) Political institutions, including parliament, the Presidency, and Vice-Presidency.**

225. Besides these identified government entities, there are several additional departments which could be relevant to the program, and where possibilities for cooperation need to be explored. These include agencies such as the Ministry for Women's Empowerment and Child Protection, the Ministry for the Development of Disadvantaged Areas and the Indonesian Statistics office. Both AusAID and PRSF will need to conduct further enquiries to determine where opportunities for joint action exist. Key informants within existing partner organisations and across other AusAID programs (see further below) will be best placed to provide relevant insights and introductions.

### 7.2. Civil Society

226. One of the program's crosscutting themes is policy dialogue and multi-stakeholder engagement. This is regarded as a key part of developing a comprehensive social protection system. Engagement with civil society at the national and sub-national levels is identified as a key part of that undertaking. To date, the program's engagement with civil society has been ad hoc and primarily linked to service delivery tasks such as producing specific deliverables. In the future, the program will need to work towards more structured forms of dialogue and engagement. A detailed analysis of potential civil society partners has not been undertaken and will have to be done during the inception phase. Other AusAID programs such as those focusing on Knowledge and on Women's Empowerment, as well as other Development Partners, particularly the World Bank that have worked with civil society on poverty related research themes will be well placed to provide guidance on potential partners and entry points. The main categories of civil society organisations to consider include:

(i) **Policy research organisations** that can provide analysis, support monitoring activities and contribute to policy discussions and debates

(ii) **Service delivery organisations** specialising in social protection and community development that can facilitate outreach, learning from practice, and potentially support implementation of discrete activities associated with piloting and action learning

(iii) **Representative or advocacy organisations** that can present views of particular groups of stakeholders such as employers, formal and informal sector employees, disadvantaged groups including women, children and the disabled.

## 7.3. Development partners

227. There is a small but active community of development partners supporting the social protection "sector" in Indonesia. AusAID has established relationships with all the key agencies and in some instances is co-financing their activities. Although the group is small, aid effectiveness principles need to be upheld, particularly relating to the coordination of capacity development support, but also in terms of harmonising and aligning support behind government processes and strategies. Working on the basis of a clear task division based on comparative advantage should remain an underlying working principle as the program seeks to expand its "footprint" in the sector and engage more widely. Currently the main development partners active in the sector are: The World Bank, GIZ, the ILO, and UNICEF.

## 7.4. Other AusAID programs

228. AusAID is supporting a large portfolio of programs in Indonesia many of which offer potential for synergy. At the same time, there is the likelihood of overlapping mandates and interests that need to be carefully managed. Seven programs have been identified as being natural partners for the PRSF program, where opportunities for cooperation and coordinated activities can be explored. The seven programs are: Health, Education, Knowledge, Decentralisation, Economic Governance, Community Development and Women's Empowerment. Besides these seven there are a number of other programs, offering further opportunities for cooperation. Both AusAID and the PRSF will need to proactively engage across the different programs in order to identify opportunities for cooperation as well as to manage any risk of overlap and duplication. This needs ideally to be managed at a cross-program level to ensure that different programs are given the opportunity to peer review each other's designs and reviews, contribute to joint-planning and reporting processes and conduct joint activities.

# 8. Inclusion and equity

## 8.1 Gender

229. Poverty in Indonesia has specific gender dimensions. While improvements in reducing gender inequalities have been made, the links between poverty and gender inequality remain persistent. The Gender Inequality Index (GII) shows a rate of 0.494 in Indonesia, this ranks the country 106 out of 148 countries.

230. Ensuring that social protection programs pay attention to gender inequality, promote progress towards women's empowerment and support greater gender equality is necessary for a number of reasons. Women and men experience shocks differently depending on their different roles and responsibilities within the home and community; women and men have differential abilities to withstand shocks (e.g. different access to social and economic resources); women and men employ different coping strategies in the face of shocks (for instance, women's and men's assets are often used differently to respond to shocks); women face gender-specific shocks which can lead to a loss of their assets and threaten their livelihood strategies (for example, divorce or death of their husband can lead to women losing their assets in some contexts) (Meinzen-Dick et al., 2011). Moreover, GOI has committed to promoting gender equality through its development programs demonstrated by a number of policies and activities, including the Presidential Instruction No.9/2000: Gender Mainstreaming in National Development, the Ministry of Home Affairs Regulation No.15/2008: Guidelines for implementing gender mainstreaming in the regions, and the Ministry of Finance Regulation No.119/PMK.02/2009: Gender budgeting.

231. Despite these obvious connections between gender and poverty reduction, current social protection programming in Indonesia faces a number of challenges in terms of integrating a gender-sensitive approach in design and implementation, which have important implications for scaling up social protection in the country. Currently, the extent to which programs incorporate a gender lens varies significantly - while some programs such as PKH and *Jamkesmas* promote more equal gender relations, *Raskin*, for instance, does not take into account the significant gender inequalities within the household in relation to food allocation or specific gender or life-cycle nutritional needs; female-headed households face specific constraints to accessing social protection programs (for instance because of lack of legal documentation); and implementation of programs even when they are designed to tackle gender inequality fall short of progressive impacts, and gender-blind programs can exacerbate gender inequality.

232. The PRSF therefore, has taken an integrated gender approach to tackling these challenges: quality policy advice must include attention to gender and the promotion of gender equality and both men and women must benefit from poverty reduction programs and enjoy reduced vulnerability to shocks and stresses. To achieve this, PRSF activities must be based on a sound gender analysis and implemented with attention to gender issues.

233. This should be based on an updated Gender Strategy and Action Plan for the PRSF. It is recommended that this include a focus on two key issues: (1) how can GOI's priority social protection programs be equally accessed by males and females, from identification of eligibility, through to socialisation, grievances, receipt, and monitoring and evaluation; and (2) what kind of social protection programs, or adjustments to existing programs can have an impact on prevailing manifestations of inequality (including beyond the male breadwinner, female caregiver paradigm) and support the promotion of women's empowerment (e.g. as identified through MP3KI). This might include, for instance, a more detailed exploration with women's organisations and other actors of different types of appropriate social protection tools, or enabling strategic linkages to complementary programs and services to support these goals. Considerations could include opportunities for childcare related transfers, inclusion of deserted women or women affected by violence as eligible for transfers, and targeted insurance schemes.

234. As such three key objectives to support gender equality have been identified:

**Objective 1:** PRSF has increased access to information regarding the gender dimensions of poverty and gendered constraints to poverty reduction in Indonesia.

**Objective 2:** PRSF has increased understanding of gender issues and increased capacity and commitment to incorporating gender strategies in policies and projects.

**Objective 3:** PRSF supports activities in selected provinces which are promoting gender equality in end user's access to and decision making about a range of poverty reduction tools available to them.

235. The mechanisms identified in this scale-up facility to achieve these objectives include:

**1. Collect and analyse gender-sensitive and gender-specific data** relating to poverty and social protection programs in order to improve the quality of social protection

**2. Build staff knowledge and capacity on gender** by integrating gender issues into participatory action learning approaches – especially with regards to understanding opportunities, challenges and bottlenecks at the central and district levels; developing and integrating gender-sensitive disaggregated indicators; promoting gender balance on project teams; and forming linkages and strategic partnerships with interest groups and specialists in country (see below). The PRSF should also ensure that there is strong leadership for integrating gender equality objectives through PRSF work, with gender expertise in the Steering Committee Group and Technical Approvals Board, and responsibility for implementing the gender strategy by team leaders, gender expertise as a key skill in the technical team, providing a draw-down Consultancy Advisory Pool of short-term assistance on technical and strategic issues on, and advising that all PRSF staff should have an understanding of gender issues.

**3. Integrate gender into the PRSF facility structures,** through integrating and embedding gender themes into the development of indicators in planning, design, implementation and monitoring and evaluation activities in terms of both process and outcomes.

**4. Strengthen linkages with key government ministries and organisations** by linking to the Ministry of Women Empowerment; considering having 'gender champions' in ministries that PRSF is engaging with; and advisors in sub-facilities with designated responsibility for gender; utilising other AusAID programs such as those focusing on women's empowerment as well as other development partners with knowledge and expertise on gender to provide guidance on potential partners and entry points, including gender working groups at the sub-national level. Linkages with other organisations working on women's empowerment should also include exploring opportunities for cooperation and coordinated activities which promote women's empowerment and gender equality such as gender budgeting, and investigating the potential for social protection to contribute to women's empowerment at scale.

## 8.2 Disability

236.   A major issue in designing social protection policies to meet the needs of disabled people is to what extent disability issues should be addressed in general programs versus establishing special programs for disabled people. Both strategies have their place.
For general programs, there are a number of major concerns.

> 1) *Making sure that information on the program is accessible to all people.* This includes communication strategies that can reach blind or deaf people, as well as those who have cognitive difficulties.

> 2) *Making sure that the dissemination of benefits is accessible.* Distributing benefits at a post office (or similar location) can pose problems for those whose mobility is limited. If those people need to rely on others to collect their benefits, they can also be taken advantage of.

> 3) *Removing conditions on cash transfer programs that may be difficult for disabled people.* For example, dealing with the issue of requiring school attendance or clinic visits when those schools or clinics are not accessible.

> 4) *Ensuring access to work programs.* For micro-finance programs, ensuring that disabled people are not ruled out because they are seen as poor risks. For public works programs, having flexibility in job requirements or workplace accommodations, or developing supported employment programs. Eliminating the presumption that all disabled people cannot work.

237.   All of these strategies would lessen the need for special disability programs, while at the same time promoting an inclusive society. However sometimes separate programs for people with disabilities are needed.  For example, for special services, such as assistive devices and rehabilitation services - that are not needed by the non-disabled population.

238.   Also, some people with disabilities have conditions severe enough that there is no or very little expectation that they will be able to work.  However, it is important to set up programs that minimise disincentives. A program providing for the extra costs of disabilities (e.g., transportation and assistive devices) could enable work, instead of being a work disincentive (or at least reduce the demands on family members allowing them more time for work).

## 9. Sustainability

239.   Issues of sustainability have been integrated across the entire design of the program. Sustainability is reflected in the program's results, methods of delivery, notably process facilitation and change management, the proposed modalities for engagement and capacity development as well as governance and management arrangements.

240.   Program outcomes are defined in terms of Indonesia developing the policies, institutions and processes required to manage a comprehensive social protection framework. A sustainable 'system' that is capable of developing policy, implementing

programs and reviewing performance, in a context of decentralisation, is thus at the heart of program design.

241.    The financing of social protection is to be fully covered by GOI's own resources, and an objective of the program is to work with the government to ensure long term and sustainable financing from domestic sources. Thus, the delivery of social protection will not depend on donor funding, including that of AusAID. The risk of setting up donor financed programs that cannot be sustained through domestic sources does not therefore arise. Care will however need to be taken to ensure that any pilot activities financed through the program, and which offer benefits on an interim basis, do not create expectations that cannot be sustained in the longer term – this is internalised in our guidance on pilots in section 5.5.4.

242.    An underlying design principle is that Australian support offers technical advice and bears the cost of innovation and experimentation. In so doing it enables partners to improve the quality and impact of their social protection policies and programs by drawing on expertise and evidence mobilised through program activities. The program therefore creates opportunities for the GOI to engage in a policy development process which it would not otherwise have the opportunity of doing. Crucially, responsibility over the direction of policy and the mobilisation of funding remain with GOI stakeholders, with the program serving strictly as a facilitator of ideas and a broker of discussions.

243.    Furthermore the design of a strategic facility is guided by principles of change management and process facilitation. The strategic facility is a technical resource that can mobilise expertise and resources to enable partner stakeholders to engage more effectively in policy reform. Most importantly, the facility does not implement activities on its own but in partnership with local stakeholders. It will mobilise resources to implement initiatives that have been co-developed with Indonesian partners and which are in line with GOI priorities. The governance and management arrangements ensure mutual accountability for results and shared ownership of the facility and program activities.

244.    There will be high-level representation from both GOI and GOA in the steering committee, which will be responsible for setting program direction, approving interventions and budgets and reviewing progress. All activities will be implemented with and through partner institutions, with the intention to embed advisors within government departments. Financial resources to meet the costs of PRSF funded activities will however be off treasury but reflected on budget, so that there is reporting to appropriate GOI authorities, including Parliament.

245.    The PRSF strategic facility is designed as a temporary and transitory structure that facilitates policy development and institutional reform among partner institutions and stakeholders. It will not perform any roles or functions that are normally the mandated responsibility of state or non-state actors. In this sense, it will not act as a parallel program implementation unit, but rather as a process facilitator helping to build bridges between actors and stakeholders, share knowledge and expertise, and encourage innovation and policy reform.

246.    The comparatively open design, in terms of avoidance of pre-determined activities and outputs, is deliberate so as to ensure that the facility accompanies an agenda that is set by GOI, and not by a rigid program design. This is particularly important given the fluid

political situation and the need to closely read and respond to a changing political economy. Such an approach helps ensure program relevance and gives it the needed flexibility to respond to emerging needs. The higher order strategic objectives, as well as the built in strategic capability of the facility ensures that the program will pursue a clearly understood pathway against which its performance and impact will be monitored.

## 10. Risk assessment

247.    A number of high profile risks and related mitigation measures are listed below.

248.    **Inadequate GOI leadership and ownership of this up-scaled PRSF approach**: This is seen as a risk in view of limited GOI participation in the Theory of Change workshop that informed this implementation planning process and, as yet, an institutional home for the next Subsidiary Arrangement has not been established. Efforts are already being made to ameliorate this risk including: PRSF negotiations with Bappenas of an embedded adviser to help refine the key overarching poverty reduction document (MP3KI), its five year action plans and annual plans; and PRSF and AusAID are working closely with GOI to establish key stakeholder needs. Within the next 6-12 months AusAID should consider having a further Theory of Change workshop to seek GOI buy-in to this PRSF approach going forward – this will be easier when the embedded adviser and more PRSF technical staff are in place.

249.    **Indonesian appetite does not remain focussed on social protection after the GOI elections:** We do not see this as a substantial risk as all political parties have stated policies of poverty reduction if elected. However, it remains to be seen whether the same priority areas of social protection remain with an in-coming government. PRSF's role in supporting Bappenas over the coming 18 months should go some way to lessening this risk.

250.    **Scattered, unintegrated, activities**: This is a medium level risk. The role of PRSF is to facilitate synergy between wider social protection/poverty reduction policy and planning in four years. The road map to be developed by the SCC will be the key to making this a reality. Again, getting GOI buy-in to the PRSF approach is crucial and should be a key focus of both PRSF and AusAID over the coming months.

## 11. Approach to M&E

251.    Building on the strengths of the revised M&E plan, the refreshed design of the PRSF (from 2014 to 2017) will need to be accompanied by an M&E plan that is more outcome oriented and with a sharper focus on using the findings from M&E to adaptively manage the program.

252.    It is important to note that considerable work has recently been done to revise the M&E plan (early 2012) resulting in a detailed and high quality plan[34]. It will be important to build on this plan rather than replacing it.  The strengths include that it:

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[34] Although note the analysis of the IPR that the M&E plan does not adequately meet PRSF's need for strategic planning

- adopts a modern approach to M&E with evaluation questions, end-of program outcomes that complies with the AusAID standards for M&E

- provides detailed guidance and templates for all levels of reporting

- offers sensible suggestions for the approach to M&E and made big steps forward from the original M&E system outlined in the design (2010) including different levels of indicators and a case studies approach

- offers a sensible approach to attribution, using contribution analysis, although perhaps spelled out it more detail

- has clear and consistent focus on gender throughout the M&E plan supported by a thorough gender strategy.

253. Nonetheless, for the scaled-up facility the M&E plan will need to be modified and strengthened. Firstly the M&E plan will need to be recast around the new logic. Recognising the limitation of the original 2010 M&E plan (which did not distinguish between shared outcomes and end-of-program outcomes) the 2012 evaluability assessment (2012) offered reformulated program logic. While this was clearly needed, the program logic proposed in the evaluability assessment is not sufficiently detailed to inform the scaffolding of an M&E plan. Further, the scaled-up PRSF proposes changes to the overall logic of the facility and offers a more detailed program logic. Therefore the M&E plan post-2014 needs to be realigned around the revised outcomes and logic.

254. Secondly, the 2012 M&E framework focuses on low level end-of-program outcomes, which are in essence the products of activities. The bulk of the effort in this M&E plan appears to be placed on whether activities did good research, and delivered the products they set out to. A far more useful focus is on whether and how these activities led to changes in policy and practice. The M&E plan may benefit from some additional questions that really illustrate the key points that this M&E plan should focus on.

- Which type of studies/activities had the most influence and why?

- Were key targeted individuals engaged appropriately throughout the cycle of knowledge creation?

- When outcomes around improved policy and practice did happen, what happened, and what was the role of PRSF in this?

- To what extent were projects done in a manner to maximise the chance of uptake/influence?

255. The templates included in the 2012 M&E plan do not appear to include questions about who are the targeted stakeholders for each piece of work, nor how they were engaged. This needs to be included in the reports provided by proponents.

256. Thirdly, there is a need to further strengthen the utilisation-focus of the M&E strategy to ensure it truly meets the needs of the Facility and AusAID. This may be done by re-formulating some high level key evaluation questions around issues of most importance to the evaluation audience (the PRSF team and associated steering committees, AusAID and the GOI).

## 11.1 M&E for facilities

257.   Facilities may require a different approach to M&E than for programs, at activity level at least, since the activities are not known in advance. Facilities are often used as a modality for one of two reasons i) because there is a need to be responsive and flexible to the partner government ii) because it is uncertain how to best intervene in the development process due to the highly complex environment, or a new area where little is known about how best to engage[35].

258.   For PRSF the facility modality is appropriate for both reasons as long as a strategic hybrid facility is envisaged, as explained in section 5. There is a clear need to be responsive and flexible to the changing needs of the Indonesian Government. With an election in 2014, there will almost certainly be need to adapt to the incoming Government's priorities, and social protection is a rapidly evolving area in Indonesia. Secondly, PRSF operates in a highly complex environment in which it is difficult to predict what type of activities will get the most traction. It largely attempts to influence policy and procedure through provision of evidence - which, while important, is not necessarily sufficient to guarantee policy change. As well as evidence, it will take relationships, trust and credibility, and clear and deliberate influencing strategies to maximise the chance of influencing policy making process and content.

259.   For PRSF it is this second reason that most affects the M&E approach. PRSF can be conceptualised as a mechanism for trialling different types of intervention in an attempt to learn more about what type of assistance is most likely to work in this context. If sufficient knowledge can be gained through trialling initiatives and ideas, dropping those that don't work and building on what does work, then the chances of success are higher.

260.   This requires care to ensure that M&E in PRSF is conceptualised not only for its accountability dimensions but also for its contribution to ongoing program learning, adaptive management, and consequently improvement. To capitalise on this possibility, sufficient real time data will be needed to inform program managers about which interventions are working, and also there must be a commitment to flexibility to respond to lessons learned. This can be referred to as 'learning-based M&E', where the primary driver for M&E is formative rather than summative. In this scenario, M&E will play a very large role and this role will need a substantial effort and associated budget. But its focus must be on outcomes, and what is required to achieve them, rather than what is done at the activity level.

261.   Dawson's draft paper on Design, Monitoring and Evaluation of facilities (2009) cautions against measuring the success of facilities against open-ended, high order institutional capacity/ performance objectives. She stresses that the design problem comes when activity 1 plus activity 2, plus activity 3 cannot possibly add up to the stated objective in the associated component. To counter this, the post-2014 facility offers a set of intermediate outcomes in addition to the higher level end-of-program outcomes. Each funded initiative will be required to show how it will contribute to one or more of these intermediate outcomes.

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[35] Draft Discussion paper: Design, Monitoring and Evaluation of Facilities (Sue Dawson) 2009

262.    But because it is a responsive facility, it will be important to have an opportunity to recast the intermediate outcomes on an annual basis as more is learned about the emerging context and needs.

## 11.2 Proposed approach to M&E

263.    The M&E framework offers a set of intermediate outcomes in addition to the 3 high level end-of-program outcomes. Project success will be determined at the intermediate outcome level. Every activity funded under the facility should be accompanied by an activity-level logic indicating how one of more intermediate outcomes are expected to be achieved. Additionally each activity undertaken will be required to prepare an M&E plan (alongside a brief influencing and engagement plan for each activity).

264.    At the facility level, systems and processes will need to be embedded within the annual cycle of work to ensure that the lessons from individual activities are captured, aggregated and used to inform adjustments to the intermediate outcomes to enable progressively more strategic and informed decisions.

265.    The purpose of the M&E for the revised facility is therefore:

- to provide robust evidence that enables the decision makers to continually adapt the facility and its activities to maximise the extent to which it facilitates GOI to make steps towards a more comprehensive social protection system

- to enable us to learn which activities are most likely to influence policy and practice in this context

- to ensure that the gender is considered in all aspects of the facility in accordance with the gender strategy

- to provide accountability for funds spent.

266.    To crystallise the focus of the revised M&E plan a set of overarching M&E questions will be required. A draft set of questions is suggested in Table 5 that could form the basis of these questions[36].

267.    During consultation at the Theory of Change workshop the following principles were elaborated. The M&E system must:

- provide opportunity for learning to feed into decision making by the management of PRSF to really understand which projects are having an impact

- provide sufficient and timely data to enable decision makers to inform planning

- offer a schedule of annual reviews and mid-term reviews to ensure that program lessons can be used

- be based on a robust program logic with clear measureable outcomes

- include a nested approach to M&E where each project funded through the facility has its own M&E plan

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[36] Developed through a consultative process, involving over 20 participants. See workshop proceedings, theory of change workshop

- use mixed methods – both qualitative and quantitative.

## 11.3 Revised methodology for M&E plan

268. Given the purpose of the M&E plan and the range of overarching evaluation questions that need to be addressed, a number of different methodological approaches are proposed. Some of this is already present in the 2012 M&E plan.

**Table 5: Proposed methodology to address the key evaluation questions at the activity level**

| Key evaluation question | Additions or changes to the M&E plan |
|---|---|
| **At the activity level:** | |
| How relevant were the project activities to the intermediate outcomes and emerging needs of GOI? | At the proposal stage, each activity needs to indicate one or more intermediate outcomes that it will contribute towards. The relevance will be assessed at proposal stage. |
| Are the project outcomes likely to be sufficiently sustainable and enduring? | Assessed at the proposal stage and again at project completion (as indicated in 2012 M&E plan) |
| To what extent is the progress towards expected results adequate? (effectiveness)<br><br>• Which deliverables were achieved in full and on time?<br><br>• What was the quality of implementation?<br><br>• What results were achieved against the selected intermediate outcomes?<br><br>• Was the work sufficiently gender sensitive?<br><br>• To what extent were the activities value for money? | Each project will develop a basic M&E plan with project specific methods to monitor and evaluate progress against these questions. A basic influence and engagement plan will also be needed to identify stakeholders for influence and outline strategies for engagement. Guidelines and support would need to be provided to proponents<br><br>Agreed indicators may need to be developed for each intermediate outcome. |
| **At the facility level:** | |
| What worked in terms of influencing policy and practice, what didn't, why, and how can we do it better now? | Annually a reflection workshop will be held. Here a success ranking process will be conducted in a participatory manner. All activities will be ranked for success. Success will be determined by relevance, achievement of outcomes, and a basic value for money assessment.<br><br>This analysis will be used to refine the facility level logic, and refine the selection criteria. |
| Did PRSF sufficiently consider gender, disability and the most marginalised (equity)? | A gender and disability review will be conducted each year against the gender strategy and a disability strategy (as indicated in 2012 M&E plan). |
| How relevant were the program outcomes to the development | Annually all funded activities will be ranked for relevance to the changing context, and scores allocated. The program |

| context and needs? | logic at the facility level will be reviewed annually to ensure that it is meeting changing priorities of the GOI – here the intermediate outcomes can be adjusted. This data can be used to help assess relevance at the mid-term review and final evaluation, |
|---|---|
| **At the shared development goal level:** | |
| What was the shared <u>impact</u> of the revised approach to Social Protection program on the intended beneficiaries, considering gender, disability and the most marginalised? | The effectiveness and impact of Government's social protection programs, essentially "belongs" to GOI. However, AusAID has a clear stake in knowing about this impact. To address this, support for robust impact evaluations and robust monitoring systems of social protection will be prioritised under the facility itself. Impact evaluations will be funded activities. |

# 12. Activities

269. This section provides a detailed and comprehensive but indicative list of the activities that the design team propose in order to achieve the objective of the PRSF. It does not constitute an implementation plan but rather builds on the possible activities identified in Section 4. It will be the job of the SCC to make strategic decisions about priorities, activities and budget allocations.

270. Within the range of activities, the institutions that PRSF will work with are identified where possible. There are a number of activities where partners are not defined. This is because the home of the activities will be determined in part by the role and function of TNP2K post-2014 and this is, as yet, unknown. Rather than produce two distinct sets of activities for scenarios with and without TNP2K, we describe some activities that should be able to proceed relatively undisturbed by either scenario, and other activities where subsequent decisions about institutional homes will depend on the range of actors, and their specific mandates, after 2014. Anything more than this would mean too much guessing about, for example, the mandate and priorities of TNP2K post-2014.

271. The activities are arranged by Components (1, 2 and 3). Some activities, for example policy dialogue or responsive research funds, are shared across all components but detailed examples are presented that are component specific. As noted in Section 1, the Australian aid program has not yet committed funds beyond 30 June 2015. AusAID could choose to fund some (not all) of the following activities:

| Component 1: Improving quality of social protection programs | | | | |
|---|---|---|---|---|
| Activity description | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Support to socialisation for SJSN programs (either pensions and / or health initially, followed by old age savings / accidents / death benefits). *What is the program? Who is responsible (nationally and locally for delivery? How will the program work?* | x | x | x | x |
| Support to Ministries to deliver required changes to existing program implementing systems and procedures to establish new SJSN programs (initially either health or pensions) | x | x | x | x |
| TA provided in Ministries to provide improvements in | x | x | x | x |

| Activity description | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
|---|---|---|---|---|
| quality of delivery of four main social assistance programs (program coverage, benefit type, benefit level, benefit duration). | | | | |
| Social Protection Status Report involving consultation, updating of WB Public Expenditure Review and identification of major challenges in the sector | x | | | |
| Flexible and responsive research window managed as a consultative process, to ensure ownership and understanding that leads to policy dialogue and subsequent reform. Informed by the status report. Examples of possible research include how to do PKH in Eastern Indonesia, implications of social protection where informal / community-based mutual reciprocity systems are important, assessment of implications of *Raskin* dilution / benefit sharing on intended beneficiaries beyond 15kg to 4 kg reduction. | x | x | x | x |
| Impact evaluations to explore effectiveness of social assistance programs. Large-scale evaluations, not restricted to randomised control trial models, exploring range of impacts across social protection programs. | | x | x | x |
| Rapid response teams / initial appraisals and evaluations to tackle immediate design or implementation challenges of SJSN roll out. | | x | x | x |
| Social assistance action learning pilots preparation (Steps 1 and 2): Implementing action learning about innovations in social assistance programs by providing funding to local government and other stakeholders at local level. Indication examples include testing innovations to make Making PKH context-variable / testing alternative systems for Raskin benefits (e.g. food versus cash; changing targeting) / testing alternate financial transfer systems for BSM | x | x | | |
| Social assistance action learning pilots preparation (Steps 3 and 4): Implementing pilots by providing funding to local government and other stakeholders at local level and delivering program reforms. | | | x | x |
| Delivering policy dialogue to allow more open public debate among stakeholders about the effectiveness and efficiency of specific programs including discussion of appropriateness of conditions in PKH, duration of benefits received, options for improvement payments mechanisms for BSM | x | x | x | x |

| Component 2: Comprehensive social protection system | | | | |
|---|---|---|---|---|
| Activity description | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| TA and core function support to DJSN Secretariat to enhance research, analysis and M&E capabilities | X will | X | X | X |
| Research on optimal mix of programs / responsibilities for vulnerability across a suit of programs in social assistance and social security including; most appropriate roles for social assistance and social security programs; identification of (new) gaps tackling poverty and vulnerability given emergence of SJSN programs. This | X | X | X | X |

| Activity description | | | | |
|---|---|---|---|---|
| activity augmented by TA to incorporate disability and other vulnerabilities including into UDB | | | | |
| Policy dialogue to ensure learning about on optimal mix of programs / responsibilities and wider questions about what range of social protection programs Indonesia should provide, how much expenditure on social protection is appropriate and affordable. | X | X | X | X |
| Delivering exposure to wider international experience in social protection: study tours, conferences, exchanges, placements, in order to tackle four key quality issues (most appropriate levels of coverage, benefit size and type, duration of support) | | | X | X |
| Pilot preparation: Establishing effective grievance mechanisms. Achievement of Pilot Steps 1 (design) and 2 (start up) | X | X | | |
| Pilot preparation: Local-national linkages for effective targeting. Achievement of Pilot Steps 1 (design) and 2 (start up) | X | X | | |
| Pilot implementation: Establishing effective grievance mechanisms. Steps 3 (implementation and learning) and possibly 4 (analysis, dialogue and policy reform). | | | X | X |
| Pilot implementation: Local-national linkages for effective targeting. Steps 3 (implementation and learning) and possibly 4 (analysis, dialogue and policy reform). | | | X | X |
| Pilot support unit / data clearing house to provide all data and monitoring information about program coverage, delivery systems, etc. to all pilots to maximise lesson learning (location / partner in government dependent on future of TNP2K post-2014). | X | X | X | X |
| (Support to) delivering Unified Database (UDB) whether it is located in TNP2K or under PRSF in a caretaker role, or elsewhere in government. | | | X | X |
| Flexible and responsive research window managed as a consultative process, to ensure ownership and understanding that leads to policy dialogue and subsequent reform. Delivering research to, for example, establish optimal level of program coverage / beneficiaries, types of benefits, levels of benefits and program duration. | X | X | X | X |
| Action learning about program access and graduation, especially from recertification, and support to subsequent policy reform | | | X | X |

| Component 3: Wider poverty reduction | | | | |
|---|---|---|---|---|
| Activity description | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Embedded TA to support mid-term strategies and budget development processes (RPJMN) in Bappenas for social assistance and social security and MP3KI. This activity could extend to a MP3KI Secretariat depending on the institutional landscape and mandates post-2014. | X | X | X | |
| Pilot preparation and implementation: Local level institutions to manage supply and demand. Achievement of Pilot Steps 1 (design), 2 (start up) and 3 | X | X | | |

| | | | | |
|---|---|---|---|---|
| (implementation and learning). | | | | |
| Pilot implementation: Local level institutions to manage supply and demand. Completion of pilot steps 3 (implementation) and 4 (analysis, policy dialogue and policy or program reform). | | | X | X |
| Support for quick wins in MP3KI. For example, provide support to design and roll out of livelihoods programs in three districts or help Bappenas to explore and articulate linkages between social protection, livelihoods, access to jobs and finance, including through relationships with private sector. | X | X | | |
| Development and implementation of M&E framework for MP3KI / RPJNM /annual planning | | | X | X |
| Flexible and responsive research window managed as a consultative process, to ensure ownership and understanding that leads to policy dialogue and subsequent reform. Delivering research to, for example, assess the impacts of social protection on human capital development or household asset portfolios or access to employment. | X | X | X | X |
| Policy Dialogue (e.g. on appropriate linkages between social protection and social service delivery and between social protection and support to household livelihoods, access to jobs, etc) | X | X | X | X |

| Cross-cutting component activities | | | | |
|---|---|---|---|---|
| Activity description | 2013-2014 | 2014-2015 | 2015-2016 | 2016-2017 |
| Local voices: working with a range of civil society organisation to get learning from the grassroots into policy and program design | X | X | X | X |
| Development of political economy strategy which identifies opportunities and constraints for PRSF partnering / working with various different parts of government and other stakeholders (therefore helping the decision about who does what after 2014) and b) informs the specific nature and focus of, and approach to, policy dialogue activities. | X | | | |
| National stakeholder exposure to international experiences: study tours, international conferences | X | X | X | X |

# Social Protection Scale-Up
# Inception Phase
## 28 February 2013

# Terms of Reference

## Introduction

AusAID is undertaking an inception planning process for an increase of its social assistance expenditure in Indonesia. AusAID current investment in the sector is $162 million between FY2009/10 and 2014/15.  Further funding will be sought after 2014/15. The current figure includes $7.5 million to deepen our social protection engagement with the World Bank, the majority of these funds however go through an existing AusAID-managed facility, Poverty Reduction Support Facility (PRSF). The goal of the social protection program is to increase the rate of poverty reduction in Indonesia and reduce the impact of shocks and stresses on the poor and vulnerable. AusAID's approach is to bear the risk of innovation and provide the Government of Indonesia (GoI) with the flexibility to reform existing national social assistance programs and create new ones where required. It is expected that the assistance will reach up to 80 million poor and vulnerable families through its involvement in national social assistance programs.

AusAID has prepared a proposal that outlines the rationale for the increased support for social protection that largely reiterates the expected outcomes, management arrangements and risk assessment for the current support to the sector. Because the additional funding will support an expansion of activities without introducing new ones, it was exempted from a detailed design process. Nevertheless, there are several reasons why AusAID now would like to revisit and assess the current implementation arrangements and operating environment and elaborate an implementation strategy for the increased support:

(a) Due to the nature of AusAID's investment development process, only limited consultation is possible until internal approval is reached. The inception activities will provide an opportunity to consult with key partners and stakeholders on strategy and implementation arrangements.

(b) The current managing facility has been highly flexible and responsive to the GoI poverty reduction program reform needs, not otherwise possible through GoI systems. With an increase in budget, a review of the adequacy of implementation and quality assurance arrangements is prudent, and there is time to make any necessary improvements.

(c) The proposal provides the analysis and program-level strategy for increased social assistance but less guidance on implementation. The inception will develop an implementation strategy that will help AusAID and its GoI partners plan, organise and manage the increased investments.

(d) It is uncertain whether TNP2K will continue to exist past 2014 when a new administration takes over Indonesia's government. The inception is an opportunity to consult with and include other partners in the social protection program that AusAID can work with past 2014, and who have responsibility to implement social assistance programs. This will also enable AusAID to

provide operational and capacity building support that new or reformed programs will necessitate.

AusAID will engage a design team comprising a range of specialists to assist the agency to address these areas.

# Background

In February 2010, the President issued a Presidential Instruction to form the National Team for Accelerating Poverty Reduction (henceforth TNP2K). The new inter-ministerial body is mandated to assist the GoI in developing policy and strategy, identifying gaps in the current suite of GoI poverty programs that cover almost 80 million people, and consolidating fragmented programs. AusAID was asked by the Vice President's office to support the establishment of TNP2K's working groups that would drive the policy and strategy development across GoI's three clusters of poverty reduction programs: Cluster 1–social assistance; Cluster 2–community-driven development; and Cluster 3–micro, small and medium enterprises.

AusAID developed a multi-donor Poverty Reduction Support Facility (PRSF) to support TNP2K, and since 2010 PRSF has been supporting TNP2K staff as well as financing activities that help take forward policy and strategy development. These activities include workshops, studies, evaluations and pilot programs.

PRSF's end of facility outcomes are:

1.  Realistic, gender sensitive, and implementable policy advice is formulated by TNP2K;

2.  Research, evaluations and pilots provide evidence base for policy formulation;

3.  Gaps in poverty reduction programs coverage are identified in support of TNP2K.

These outcomes are in support of TNP2K's policy outcomes:

1.  Government develops poverty reduction and social assistance policies based on evidence;

2.  Government improves delivery of social assistance services and programs to the poor;

3.  Government coordinates better to develop and implement integrated poverty reduction programs.

The World Bank is a close partner for AusAID in its support of TNP2K. AusAID funds a program of social protection analytical work conducted by the World Bank that helps TNP2K meet its objectives.

AusAID also supports PNPM, a community driven development program that GoI includes in its approach to social protection. AusAID's strategy on PNPM is largely about helping the government manage the program's scale-up. PNPM now has nationwide coverage, and both parliament and the executive have confirmed that it will be sustained at current levels of financing and coverage until 2014. Many donors contribute to PNPM through the World Bank managed PNPM Support Facility but AusAID's contribution to PNPM, of $215 million over five years, makes it the largest bilateral donor.

# Context

## Poverty and Vulnerability

Although poverty levels in Indonesia are relatively low, much of the population lives clustered just above the poverty line. In 2011, 12.5 per cent of households lived below the national poverty line of

Rp 233,700 per person per month (around PPP$1.19 per day). In 2012, 11.9 per cent of households live below the national poverty line of Rp 248,707. However, much of the Indonesian population is clustered just above this line, with around 24 per cent below 1.2x the poverty line, 38 per cent below 1.5x the poverty line, and nearly 60 per cent below 2x the poverty line. Living standards remain low for many Indonesians, and relatively small shocks to their income and consumption can send them into poverty: typically half of poor households in a given year were not poor the year before, and 80 per cent of next year's poor will come from the bottom 40 per cent of households. At the same time, while poverty is falling inequality is rising: the gini index was 0.35 in 2008 and rose to 0.41 in 2011.

## National Policies and Priorities

The GoI has a strong public commitment to reduce poverty in Indonesia. The policy of poverty reduction in early 80s and 90s was focused on macro instruments. Since the 1997 economic crises the policy has been complemented with ones focused on the poor. Subsidised rice, health insurance for the poor and conditional and unconditional cash transfer programs are some of the social assistance programs designed under the new policy regime.

The GoI aims to accelerate the reduction of poverty. In medium and long term planning the target poverty rate has been set at 8-10 per cent by 2014, which would bring it down from its current rate of 11.9 per cent. The GoI also focusses on assisting those close to the poverty line who are at risk of falling into poverty. There are 90-100 million near-poor and poor in Indonesia. To help meet the GoI's poverty and vulnerability reduction goals, TNP2K was established in 2010. TNP2K is under the coordination of the Vice President.

Other donors active in social protection (both social assistance and social insurance) are GIZ, the World Bank, UNICEF and ILO. AusAID's current support for the government's social protection programs makes it the largest donor in the sector.

## AusAID's Policy Framework

AusAID social protection framework outlines three principles to guide social protection programming that are actively applied in the program here:

1. Social protection is a means to an end and complements other approaches to reduce poverty and vulnerability and improve human development outcomes.

2. Support for social protection programming will start with government priorities and be underpinned by a better understanding of political economy.

3. Decisions about social protection programming will be informed by a rigorous assessment of alternatives and trade-offs.

# Scope of Services

The inception activity will include review of documents, data collection and consultations with key stakeholders, a theory of change workshop and document drafting, with in-country and desk-based activities. The output will be an implementation strategy for PRSF that will include *inter alia* the following:

- Explanation of how the facility aligns with the constraints identified and modalities chosen to address them.

- Identify which parts of the facility require modification, including updated governance and management structures and processes appropriate to the scale and scope of increased investment. These should be flexible enough to allow TNP2K to pursue its twin roles of evidence-based policy influencing and policy brokering (i.e. using its position to catalyse,

facilitate or enable policy reform by other actors), in addition to letting it think strategically about its own future; and provide space for other stakeholders to access technical and financial support. There should be a clear description of how PRSF relates to TNP2K and other partners.

- A clear guide of how AusAID should engage over the life of the strategy in relation to policy (including cross-cutting policy commitments), relationships and programming, and which partners PRSF should engage with.

- Clear management and coordination arrangements for implementation (including AusAID's roles and responsibilities), annual assessment of performance, proposed approach to communicate results (internally and externally) and risk management, including a strategy for dealing with changes that may occur following 2014 elections and change in administration.

- Guidance that helps TNP2K/PRSF drive improvement, and a description of the quality assurance processes during each stage of the activity cycle.

- Determination of major activities and their indicative costing, prioritisation and sequencing.

- A detailed human resource plan for PRSF that will include staffing and consultant numbers, required skill sets and a strategy to address skill shortages, with an appropriate balance of managerial and technical resources.

- An assessment of the AusAID skills and resources available, and those required to implement, manage and monitor the strategy and how these will be accessed over the life of the implementation strategy.

- A stakeholder map of the relationships between all the parties and engagement strategy demonstrating a clear understanding of their roles in this outcome area and how these interact with the strategy chosen. This should include how potential overlaps will be managed and capacity needs addressed. An equivalent stakeholder mapping of typical provincial level relationships will also be included.

- A detailed schedule of what the managing contractor is responsible for and where it can add greater value.

- An updated performance and risk management framework and description of exit strategies.

## Inception Mission Objective

AusAID is mobilising an inception mission to develop an implementation strategy for the increase in social protection support based on AusAID's "Proposal for Additional Funding for Social Assistance". The implementation strategy should address the issues highlighted above, and others that emerge in the course of consultations and as agreed with AusAID and TNP2K.

## Methodology

### Preparation

(a) *Briefing session*. Team members will participate in an initial briefing by teleconference to be conducted by AusAID Indonesia's social protection manager and adviser, TNP2K representative and PRSF Team Leader.

(b) *Document review*. Team members will review key reference documents. Initial intra-team discussions will be conducted as necessary via phone/teleconference.

**Output 1:** A brief Inception Plan of five to ten pages (including a comprehensive mission work plan) that reflects the team's understanding of AusAID's expectation and of the policy and planning context for the inception as well as the data collection, stakeholder consultations and any other

activities required. The Inception Plan will be reviewed by the team during a planning meeting at the start of the in-country activities and adjusted as necessary.

- **Consultation and Information Collection**

The team will consult widely to gather the data and information needed to inform the design. The team will not operate as a whole group during this phase, but different members will work either individually or in sub-teams. Time should be built in for the team to share, discuss and analyse findings as a group.

(a) *Fieldwork.* The Team Leader/Design Specialist, Social Protection Specialist, Institutional Strengthening/Capacity Building Specialist and Management Specialist will travel to Jakarta to consult with AusAID Jakarta, PRSF, TNP2K, GoI agencies (such as Ministry of Social Affairs, Ministry of Planning, Coordinating Ministry for People's Welfare, etc.) and donors and multilaterals with an interest in social protection (including WB, GIZ, UNICEF and ILO). This will also include consultation in selected provinces and districts. An indicative list of individuals and agencies to be consulted is in Annex 2.

(b) *Data collection and analysis.* Individual members of the team will collect and analyse the technical data needed to deliver their specialist inputs to the implementation strategy. During the two week consultation period it is expected the team will schedule opportunities to work through and analyse findings as a group.

**Output 2**: A brief note and PowerPoint presentation on key issues arising from the consultations and the fieldwork. Team members will briefly present findings and key issues at a subsequent Theory of Change workshop.

- **Theory of Change workshop**

(a) A clear, logical and robust theory of change will form the core of the implementation strategy. To produce, this the M&E/Theory of Change Specialist will organize and facilitate a workshop to develop the Theory of Change with key stakeholders and the design team.

**Output 3**: Workshop notes including:
- A diagram/logic model of the theory of change produced by the end of the workshop;
- Draft narrative based on the theory of change diagram that will provide the basis for a detailed description of the theory of change and document the assumptions contained within it
- Agreed next steps which focus on using the outputs of the workshop to progress the implementation strategy including an understanding of how to develop the performance framework.

- **Report writing, review and finalisation phase**

(a) *Joint Design Team/AusAID drafting workshop.* This one-day workshop will provide an opportunity for the design team and AusAID social protection team to come together to consolidate individual and team findings; agree on the final version of the theory of change and strategic directions for the implementation strategy; develop an outline of the implementation strategy document; and allocate responsibilities for drafting the implementation strategy.

(b) *Preparation of draft implementation strategy document.* All members of the team will contribute written inputs in accordance with their individual Terms of Reference.

(c) *Initial review of draft implementation strategy document.* If required, the team will amend the draft implementation strategy document in light of feedback from AusAID.

(d) *Presentation of draft implementation strategy document.* The Design Team Leader and Social Protection Specialist will present (in Jakarta) the draft implementation strategy to TNP2K,

AusAID and other key stakeholders for review and discussion. If an independent appraisal and peer review of the draft is required it will be organised at this time.[37]

(e) *Final implementation strategy document.* Following receipt of formal feedback from AusAID and TNP2K, the team will finalise the document under the guidance of the Design Team Leader.

- *Written outputs for the report writing, review and finalisation phase*

**Output 4**: Implementation strategy outline. This will be a brief (2-3 pages) document. While the format of the outline is a matter for the team to determine, the document should provide AusAID with an overview of the broad directions of the proposed implementation strategy.

**Output 5**: Draft implementation strategy document. This document will be in accordance with the requirements of these Terms of Reference and the proposal and issues and options paper provided in Annex 1.

**Output 6**: Final implementation strategy document. The implementation strategy document will be finalised in accordance with AusAID's direction following the implementation strategy presentation to AusAID and TNP2K.

## Composition and Responsibilities of the Design Team

The implementation strategy for the social protection program will be undertaken by a team of five consultants:[38]

Team Leader/Design Specialist
Social Protection Specialist
Social Protection/Political Economy Specialist
Institutional Strengthening/Capacity Building Specialist
Management Specialist
Public Sector Management Specialist
M&E/Theory of Change Specialist

Other specialist support will be provided by AusAID and PRSF, including Gender Equality, Disability and Child Protection Specialists. AusAID Indonesia's Social Protection Adviser will be closely involved in all stages of the inception.

Under the overall direction of the Team Leader, all members will work collaboratively as a team has individual responsibilities with working days (including travel days) allocated accordingly as specified below. As described above an inception plan will be prepared that will describe detailed activities for each team member. All team members will participate in the theory of change and drafting workshops and contribute to the writing of the draft strategy.

| *Team Leader/Design Specialist* | |
|---|---|
| *Tasks* | a) Participate in all elements of the mission. |
| | b) Provide professional and substantive leadership for the team and ensure a collegial working environment. |

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[37] AusAID will investigate the level of quality assurance required.
[38] Two of the team members (team leader and management specialist) will also have participated in the Independent Progress Review. This will help ensure greater continuity and efficiency between the two activities.

| | c) Ensure all the required outputs meet AusAID's quality requirements and are in accordance with the proposal to increase AusAID's support for social assistance and the mission's Terms of Reference. |
| --- | --- |
| | d) Liaise with AusAID to ensure that AusAID, GoI, relevant service providers, the current PRSF contractors, other donors and other parties as required are consulted as part of the inception design process.[39] |
| | e) Allocate work responsibilities among the team consistent with their Terms of Reference and expertise. |
| | f) Lead stakeholder consultations during the fieldwork and the team's presentation of the draft implementation strategy. |
| | g) Coordinate inputs from other team members and main responsibility for the development, writing, consolidation, completion and submission of the final draft implementation strategy and its associated annexes, ensuring timely conduct of activities, quality and timely implementation of all outputs. |
| *Level of effort* | The Team Leader will undertake these tasks and deliver these outputs in up to 49 working days. |
| *Social Protection Specialist* | |
| *Tasks* | a) Carry out consultations with TNP2K, its social assistance working group and other key stakeholders to recommend an implementation strategy that supports the social assistance cluster's activities. The implementation strategy should be informed by the findings of the political economy study and results of the independent progress review. It should also include an approach to identify and exploit synergies between clusters and cluster programs. |
| | b) Identify and discuss implementation design issues, inputs, and elements to strengthen the strategy. |
| | c) Support the team leader in progressing program development processes including drafting/reviewing/revising/finalising relevant sections of the implementation strategy and its associated annexes. |
| | d) Provide strategic and technical guidance to the team in relation to good practice for social protection systems. |
| | e) Participate in a workshop to present the draft implementation strategy. |
| | f) Other contributions to the mission's outputs as requested by the Team Leader. |
| *Level of effort* | The Social Protection Specialist will undertake these tasks and deliver these outputs in up to 37 working days. |
| *Social Protection/Political Economy Specialist* | |
| *Tasks* | a) Undertake consultations in selected provinces and districts of low, medium and high capacity and different degrees of poverty and remoteness to review challenges of supporting localities to provide social assistance coverage at sub-national levels. |
| | b) Contribute to the stakeholder mapping exercise, with a particular focus on typical provincial (and district) level relationships, in coordination with the institutional strengthening specialist. |

[39] PRSF will arrange meetings and support other logistics for the inception team's activities.

| | |
|---|---|
| | c) Recommend mechanisms to ensure greater attention to political economy considerations and how these can be integrated into the implementation strategy.<br><br>d) Support the social protection specialist in developing an implementation strategy for social assistance activities, including consultations and support strategies with social security agencies.<br><br>e) Other contributions to the mission's outputs as requested by the Team Leader. |
| *Level of effort* | The Social Protection/Political Economy Specialist will undertake these tasks and deliver these outputs in up to 20 working days. |

### Institutional Strengthening/Capacity Building Specialist

| | |
|---|---|
| *Tasks* | a) Organise a stakeholder mapping exercise and recommend an engagement strategy.<br><br>b) Carry out a rapid assessment of capacity development needs and related major issues and constraints for TNP2K, PRSF and among TNP2K's key partners in social assistance (relevant departments in the Ministry of Planning, Ministry of Social Affairs and Coordinating Ministry for Welfare).<br><br>c) In consultation with TNP2K's social assistance working group recommend capacity development strategies & actions.<br><br>d) Other contributions to the mission's outputs as requested by the Team Leader. |
| *Level of effort* | The Institutional Strengthening/Capacity Building Specialist will undertake these tasks and deliver these outputs in up to 32 working days. |

### International Management Specialist

| | |
|---|---|
| *Tasks* | a) Organise consultations and workshops with TNP2K and PRSF management to review the findings and recommendations of the Independent Progress Review with respect to the governance and management structure and process. Scope development of any changes required for the next phase of the program, including other GoI agencies that may be included in PRSF, how they can access support, and implications for governance and management.<br><br>b) Consult with other potential PRSF partners (e.g. Ministry of Planning, Ministry of Social Affairs).<br><br>c) Explore with TNP2K and PRSF development of a quality improvement system and how this can be integrated into enhanced business process management.<br><br>d) Prepare recommendations for agreed revisions to PRSF's governance and management structure and processes and how these can be implemented, including: quality improvement/assurance, human resourcing, performance and risk management and exit strategies.<br><br>e) Deliver the design of key systems development to systematize critical processes, in a context of wider management and accountability amendments<br><br>f) Make other contributions to the Mission's Outputs as requested by the Team Leader. |

| | |
|---|---|
| *Level of effort* | The Management Specialist will undertake these tasks and deliver these outputs in up to 32 working days. |

| **Public Sector Management Specialist** | |
|---|---|
| *Tasks* | a) Support the International Management Specialist in undertaking his/her tasks, and particularly bringing in the local context of the analysis related to the public sector management. |
| | b) Help the Inception team in liaising with the program stakeholders, such as TNP2K and other potential PRSF partners (e.g. Ministry of Planning, Ministry of Social Affairs), ensuring the buy-in from the stakeholders on the Inception objectives, processes, findings and recommendations. |
| | c) Facilitate discussions and workshops with TNP2K and other agency leaders to identify changes to existing governance and management arrangements or creation of new arrangements that support PRSF's mandate and objectives and reach consensus with key parties. |
| | d) Jointly with the International Management Specialist prepare recommendations for agreed revisions to PRSF's governance and management structure and processes and how these can be implemented, including the design of key systems development to systematize critical processes, in a context of wider management and accountability amendments. |
| | e) Make other contributions to the Mission's Outputs as requested by the Team Leader |
| *Level of effort* | The Public Sector management Specialist will undertake these tasks and deliver these outputs in up to 25 working days. |

| **M&E/Theory of Change Specialist** | |
|---|---|
| *Tasks* | a) Prepare materials, handouts etc. for a theory of change workshop |
| | b) Facilitate a participatory process with team members, TNP2K, AusAID, PRSF and other stakeholders to develop a robust, clear and logical theory of change for the implementation strategy, including: |
| | c) Introduce theory of change to AusAID, TNP2K, design team and other workshop participants |
| | d) Facilitate development of a theory of change for the implementation strategy with reference to the proposal |
| | e) Outline how the theory of change can inform the completion of the implementation strategy. |
| | f) Document workshop outcomes and make recommendations for the facility's theory of change. |
| | g) Write a description of the approach to monitoring and evaluation for inclusion in the implementation strategy. |
| | h) Write a concise draft document explaining the Theory of Change as a narrative and diagram, as working document to assist the design team. |
| *Level of effort* | The M&E/Theory of Change Specialist will undertake these tasks and deliver |

| | these outputs in up to 21 working days. |
|---|---|
| | An assistant to the Theory of Change Specialist will provide workshop preparation, facilitation and documentation support in up to 7 working days. |

| *Gender Equality, Disability & Child Protection Specialists (desk-based)* | |
|---|---|
| **Tasks** | a) Review PRSF operational and strategy documents against gender equality, disability and child protection good practice and future needs under a larger program and recommend any changes. |
| | b) Provide advice to the team on gender equality, disability and child protection issues and good practice options to address within the implementation strategy. |
| | c) Review all outputs to ensure gender equality, disability and child protection issues are addressed in a coherent manner |
| **Level of effort** | Each specialist will undertake these tasks and deliver these outputs in up to 5 working days. |

# Timeframe

| Activities | Timing |
|---|---|
| Preparation (briefing, document review, team consultation) | Up to 5 days, from 4-8 March 2013 |
| In-country consultation, information collection and analysis | 10 days, from 11-22 March 2013 |
| Theory of Change & drafting workshops | 4 days, 25-28 March 2013 |
| Drafting of the implementation strategy | April 2013 |
| Initial review and revisions to draft implementation strategy | May 2013 |
| Presentation to TNP2K, AusAID and other stakeholders | June 2013 |
| Finalize Implementation Strategy | June 2013 |

## Annex 2. Additional assumptions

These assumptions were identified based on the PRSF Independent Progress Review, AusAID's experience with PRSF to date, and the Design Team's assessment of the assumptions on which the theory of change is based. These assumptions will be expressed as risks as part of the overall design document and rated according to their likelihood, impact and risk level, with mitigating strategies identified.

**General Assumptions**

- Indonesian Government appetite stays focused on addressing social protection after the election (High – but easy to mitigate) Evidence: political parties stating poverty reduction is a goal if elected.
- The focus on poverty reduction after the election is on the same poverty reduction priorities as that of PRSF.

- That it is possible to make measurable progress towards a more comprehensive joined-up social protection system in four years (low risk, Evidence, programs already made progress).
- That it is possible for the PRSF to have sufficient influence to see some progress towards creating synergy between wider ranks social protection and poverty reduction policy and planning in four years (Low. Some change may be possible: 30% success rate OK).

**End-of-facility outcomes - broader goals**

- That a comprehensive social protection system will enable the benefits of growth to be inclusive (low).
- That a comprehensive social protection system will lead to a reduction in poverty and vulnerability (low).
- That in order to achieve the long term goal of a comprehensive social protection system, it is necessary to work simultaneously towards strengthening existing social protection programs with tangible results whilst laying the foundations for a more comprehensive and joined-up social protection system. (Evidence that this works from other facilities/programs?).

**Immediate changes - end of facility outcomes {outcome 1}**

- That the selected social assistance programs will not be disbanded or subject to political interference.
- That knowledge from pilots and research will be presented in a sufficiently engaging manner to influence targeted individuals to change attitudes and practices.
- That it is possible to facilitate or incentivise different agencies to work together.
- Through the facility we are able to facilitate policy pressure via people with "power in the system".
- That public debate will happen on social protection, and that this debate will be positive.
- That it possible to sufficiently influence budget commitments (high risk, low chance).

**Immediate changes - end of facility outcomes {outcome 2}**

- That the people who are able to make changes at a systems level will be open to exploring lessons arising from evidence.

- That targeted individuals (champions) will engage and influence others to commit to systems-level change.
- Public discourse about social protection creates an enabling environment for reform (example one party came out against poverty reduction – negative poll and turn around).

## Immediate changes - end of facility outcomes {outcome 3}

- That the advisors themselves know how to embed social protection in practice and are able to articulate this to Bappenas etc. (big risk- mitigate by diversifying the pool of advisors – eg universities).
- That development partners are willing to align around issues of social protection (low importance).
- That there is sufficient base-level capacity of government planners to: i) balance supply and demand side issues ii) iii) (high risk, high chance) – may need to break down the steps – make simpler programs and build capacity where possible.
- That owners of medium term plans and annual plans are willing to engage around social protection and see it as a sufficiently important priority (low risk)
- Public debate and media messaging will be sufficient and be pro-social protection/ poverty reduction and be a vehicle for change that this facility is aiming for (low risk).

## Foundational assumptions

- That the location of the facility will not impede relationships between advisors and their targeted stakeholders (appropriate location will mitigate this – take time to appraise location before move).
- That sufficient proposals of high quality will be generated (high risk) mitigating factors – (clear and visible guidelines for activities – check lists etc. and build capacity and support for quality assurance).

## Modality assumptions

- That this strategic facility is able to generate sufficiently strategic activities so that the sum of the activities does add up to result in measureable changes at the outcome level (medium chance).
- That steering committee selects priorities that match the 'strategic vision/ road map' (based on logic).
- That advisors will have the capacity to build relationships that permit policy debate with targeted stakeholders (qualitative and quantitative).

## Annex 3: Facilities typology and lessons learned

We examined a cross-section of AusAID Indonesian facility typologies to select the most suitable fit for PRSF.

Secondly, we considered facility management structure. All facilities are run by a Managing Contractor. The contractor has a fairly broad mandate to develop relationships across several government agencies and sometimes NGO/private sector; and to fund sub-activities in strategic partnership with government.

Thirdly, we extracted lessons learned from three facilities – decentralisation, economic governance and justice.

Finally, we provide an example of a facility's response to an emerging issue. The approach was innovative and responded at a pace that could be absorbed within the Indonesia bureaucracy. It illustrates well the four principal categories of capacity development: (i) advisory support (ii) learning and knowledge brokering (iii) pilots and action research (iv) financial support. Engagement strategies and leveraging from other AusAID programs were also key features of the approach. The outcomes were achieved over a 10 year period. And Australia continues to provide support.

This information draws upon publicly available reviews, discussions with the economic, legal, infrastructure and health facilities, and the author's experience working with facilities including the very early phases of Australia Indonesia Partnership for Economic Governance (AIPEG)and the Australia Indonesia Partnership for Justice (AIPJ).

## Type of facilities

We looked at a cross-section of AusAID Indonesian facility typologies including an AusAID M&E help desk review of facilities[40] with the objective of selecting the most suitable fit for PRSF after 2014.

The help desk review identified two types of facilities:

- **Responsive**: the initiative is specifically required to be responsive and flexible to meet the evolving needs of a partner government, often in a rapidly changing context. Being responsive is seen as more important than achieving a substantive institutional development outcome with a robust program logic.

- **Progressive engagement towards a program approach: this may be appropriate** in a sector or setting where AusAID has limited knowledge of the context, and engages for a period of time before committing to a series of substantive institutional development objectives. There is a progressive movement from a facility approach towards a more clearly defined program.

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[40] Dawson, S. 2009. *Draft Discussion Paper: Design, Monitoring and Evaluation of Facilities.* M&E Help Desk (Asia Regional, China and Indonesia). Note: the paper does not necessarily reflect corporate views of AusAID.

We would also add a third type of facility: **purely logistical**. It employs a logistical firm with no technical responsibilities. These types of facilities primarily organise events, provide administrative support and make sure things run smoothly. A previous road loan project is an example of a logistical facility.

While we broadly agree with Dawson's typology, **we contend that it is not as clear cut as this:**

- it is **not necessarily an either/or scenario** of responsive versus progressive engagement
- there is often **not a neat linear progression** from progressive engagement that leads directly to a program approach.

We have identified **three phases of facilities** (see <u>diagram 1</u> below that outlines the lifecycle of AIPEG).The first is broadly in line with the Dawson proposal; the other two are not as clear cut:

**Phase 1:** In the early first phase of facilities they tend to pursue a flexible reform agenda that cannot be fully designed in advance. **This is broadly in line with Dawson's responsive facility.** There was an expectation of quick wins. The approach was largely demand driven. Praise for this fleetness and getting runs on the board was typical. However, when critiqued a few years into the facilities' establishment, the flexibility to respond sometimes meant the necessary due diligence and/or strategic planning wasn't in place. Often it wasn't recognised that these quick wins demonstrated the facilities' usefulness to GOI, creating confidence within bureaucracies to open doors for a more strategic long-term approach. It also provided an opportunity to test the temperature before committing significant funding.

Facilities needed to *"generate trust before meaningful cooperation could happen"* (noted in a refreshingly honest Australia Indonesia Partnership for Decentralisation (AIPD) 2011 state of the program report). This might not immediately be seen as a 'result', but it lays solid groundwork for better future collaborative outcomes. This progressive engagement and partnership approach has been a feature of all three facilities.

**Phase 2:** All facilities showed a natural transition from this crucial first phase of responsiveness and flexibility through to a **second more strategic engagement stage, while maintaining room to move**. **This is not necessarily a linear move towards a program,** as described by Dawson. During this transition there is often a tension between the pure facility model and consolidating or programming key components of support with government agencies.

Many facilities have a similar approach to the economic facility: there has been enough progressive engagement so that aspects of assistance can be strategically programmed while maintaining a high degree of flexibility and responsiveness to a constantly emerging partner government agenda. **We have christened this the 'hybrid' strategic facility: and we believe it is where PRSF best fits now and possibly for the foreseeable future.**

This second phase of transition to our newly christened **hybrid strategic facility** is not without its problems. There was potential for all facilities to be seen as 'belonging' to a particular agency in the first phase.

**Phase 3: Some facilities move too far towards a program approach, while others are encouraged to do so.** For example, in this phase, AIPEG was seen as losing its flexibility, not engaging with GOI agencies outside its core component areas and being too 'programmed' – this is after 15 years in the sector. Conversely, other facilities do become a program – for example, the AIPJ. This is where we see the fundamental difference between the two facilities put forward by Dawson: progression towards a program is not always encouraged or warranted, rather the facility needs to maintain long-term flexibility with aspects programmed (hybrid while remaining strategic).

In a sector which is new and/or continuing to emerge for both donor and recipient country this may sometimes be the best way to continue exploration of where to place future assistance, gain confidence and to test commitment to change. It also allows for mistakes and learning.
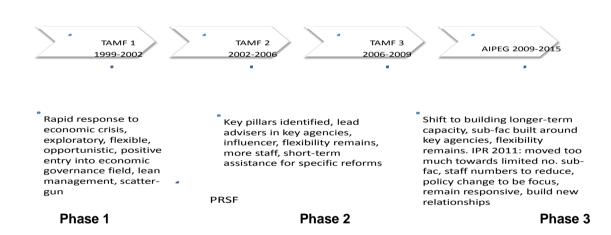
| TAMF 1 1999-2002 | TAMF 2 2002-2006 | TAMF 3 2006-2009 | AIPEG 2009-2015 |

Rapid response to economic crisis, exploratory, flexible, opportunistic, positive entry into economic governance field, lean management, scatter-gun

Key pillars identified, lead advisers in key agencies, influencer, flexibility remains, more staff, short-term assistance for specific reforms

PRSF

Shift to building longer-term capacity, sub-fac built around key agencies, flexibility remains. IPR 2011: moved too much towards limited no. sub-fac, staff numbers to reduce, policy change to be focus, remain responsive, build new relationships

**Phase 1**   **Phase 2**   **Phase 3**

**Diagram 1. AIPEG lifecycle**

## Facility management structure

We also considered the management structure of other facilities, identifying two broad structures:

- **The first structure – 'fat' – refers to the high staffing numbers sitting inside a facility**. This can create an internal bureaucracy of advisers and systems. By its very nature the inherent flexibility of a facility is lost, along with the ability to deliver on a demand-driven approach. It can be slower to identify and respond to emerging issues.

- **The second structure – 'thin' – has a lean internal staffing structure.** This does not necessarily mean there are less people employed by the facility, rather that advisers with a small team are **embedded in agencies**. Embedding advisers ensures strong knowledge of emerging issues and close engagement with partners.

Advisers are responsible for working with GOI or other partners in developing concepts and work plans for approval. A lean facility team supports these advisers. Additional specialist support can be drawn down as needed.

The most productive facilities in Indonesia seem to be those that are embedded in GOI agencies, ensure close engagement with emerging issues and do not become overly bureaucratic; but where technical support on specific issues, management and quality assurance are handled internally by the facility. We, therefore, propose a relatively lean facility approach for PRSF, especially on the administrative side, while ensuring that PRSF will have sufficient technical skill and perspective to deliver on the strategic facility role. It is important that the pursuit of 'lean-ness' should not prevent employment of technical staff required for effective performance. Given the size of budget and challenge, PRSF will necessarily require considerable internal technical staff resources.

## Facility Lessons Learned

Typically, AusAID facilities in Indonesia have the **following characteristics in common:**

- the long-term nature of support required to have an impact on whole-of-government agendas

- the emergent nature of the work undertaken and the need to remain flexible (more recently a facility has been described as an **emergent design**. But the intent is the same to be: flexible, fleet, responsive to change, not be afraid to make mistakes, foster a learning culture, opportunistic with some programmed aspects)

- the need to build trust before cooperation is achieved

- three broad phases of a facility:

    o a flexible reform agenda that cannot be fully designed in advance

    o transition from this crucial first phase through to a second more programmed approach with flexible aspects

    o some facilities move even closer to a largely programmed capacity development approach, while others maintain flexibility

- recognition of the importance of public debate in achieving outcomes

- the need to address local service delivery along with higher level policy work at central level.

We believe that the social protection agenda in Indonesia has a whole-of-government impact that will require long-term support. To support GOI, PRSF must remain flexible, build trust, and address the downstream service delivery work as well as the upstream policy.

The long-term nature of support required to influence whole-of-government big-ticket agendas is underlined in all facilities. Decentralisation is the only fledgling facility, though it has built upon a previous program in Nusa Tenggara (ANTARA) which began in 2005. The others are long-standing, having been established since the late 1990s. All are slated to continue for the foreseeable future. Additionally, capacity development support to the economic governance sector in Indonesia has been occurring for up to 30 years prior to

this AusAID support. Similarly, it will take decades to achieve substantial improvements in social protection service delivery, policy, coordination and planning.

**Governance and management arrangements** mature as facilities develop. The two long-standing facilities initially only worked at the central government level. Both had a very lean staffing structure in the early days (10 or so people). All facilities now have high staffing levels.

All have very similar governance and management arrangements: a strategic oversight body, an activity approval panel and strong technical advice. They work across several Ministries, though have their Subsidiary Arrangement with only one agency. In the long-standing facilities there are agency embedded Lead Advisers with sub-facility staff, probably reflecting the trust built up over time with GOI. (See diagram 2 below.)

| | | | | | |
|---|---|---|---|---|---|
| AIPD | MOHA | Bappenas, MOHA, 5 Prov Gov (20 districts) | Fledgling | High | • PCC<br>• PAC |
| AIPEG | CMEA | MOF, MOT, CMEA, Bappenas | Long-standing (IPR: refine objective, devl new sub-fac) | High (reducing) | • Board<br>• Joint App Panel<br>• Lead Adv |
| AIPJ | Bappenas | AGO, Sup Court, HRC, Min Law/HR, Corruption EC, Jud Comm, TAF, NGOs, Prov Offices | Long-standing (now a program) | High | • Board<br>• W'G<br>• Snr./ Lead Adv |

**Diagram 2. Snapshot of facilities**

There are some **key lessons learned that PRSF will be able to take on board**:

**Strategic oversight body:**

- have a clear agreed mandate: employ Chatham House rules for relevant parts of meetings

- ensure a focussed small group and not too many people in the room

- invite guest speakers on high profile agenda items

- AusAID needs to take a strong role in preparation of these strategy meetings

- organise a yearly panel of all stakeholders to share ideas.

**Activity approval panel:**

- have a collegiate approach to activity development and approval (ideally with a Lead Adviser working directly with counterparts on initial drafting)

- quality assurance should be rigorous but not onerous – stream line where feasible and allow for fast tracking

- concept notes can be 2-3 pages long – smaller activities can be approved to further scope or refine the concept without committing to the overall concept

- activities up to $100,000 can be approved out of session.

**Management**

- be careful not to create a facility bureaucracy – keep internal facility staff to a minimum – advisers should be sitting in GOI agencies

- maintain flexibility and recognise the key role it plays in building trust

- value reportable results but also build partnerships

- ensure adequate technical advice on the management team

- have M&E inside and outside the facility.

**Address actual service delivery at the local level:**

Focussing on upstream policy work is not enough: it must be complemented with downstream actual service delivery. Under decentralisation, all facilities have seen the need to open the floor to public debate at the local level to affect lasting change. The subsequent demand for quality services is often not matched on the supply side.

AIPD and AIPJ have established provincial and/or district offices. AIPEG mainly works at the central level but has assisted with such local initiatives as the roll-out of the national tax consensus across Indonesia and funding district health offices. PRSF might need to consider a provincial presence at some point, though for the immediate future efforts at the national level will suffice.

## An example of a facility's response to an emerging issue

The points below briefly outline the approach taken by the economic facility in supporting GOI establish an effective anti-money laundering regime. Australian support began in 2002 and continues to this day.

- Australia and other donors at diplomatic level impress on Indonesia's Presidential Office, DPR and elites the urgency of possible international financial sanctions on Indonesia's banking systems

- Indonesia nominates key contacts in the Indonesia Central Bank to deal with the issue

- AusAID, through the economic governance facility, contracts a $50,000 scoping mission to outline priorities required to begin establishing an effective anti-money laundering regime in Indonesia (note: a similar scenario occurred with AusAID assistance for a small scoping study on the National Broadband Network – this led to bringing over $700 million into the Indonesian economy)

- AusAID, through the legal facility, begins to work with GOI to draft a Presidential Decree on establishment of an anti-money laundering Unit; and assists Justice Department to draft laws and regulations

- AusAID staff collaborate with the Head of the Unit and key staff to consider approaches and roll-out of assistance; other donors come on board

- AusAID staff establishes and co-chairs with the Head of the Unit regular donor coordination meetings. This includes AusAID assisting with drafting agendas/invitations, speaking notes/responses for the Head of Unit and mentoring key staff in the Unit to provide these services in the longer term

- Short term advisors are engaged, through the economic facility, to get basic systems in place

- A twinning arrangement is made with the Australian anti-money laundering unit (Austrac). Study tours to Australia are arranged. Austrac staff provide short-term secondments to Indonesia

- Long-term advisors are requested by Indonesia and are engaged by the economic facility

- A local communications company is engaged to arrange key stakeholder dialogues at all levels: from the elite to local bank users. A culturally appropriate media campaign is carried out, including to inform bank customers of the reason for identity points needed to maintain and open bank accounts (all this was done carefully with Indonesian and Australian approval)

- Staff from the Unit were provided with opportunities for mentoring and access to Australian professional fellowships, scholarships and placements

- Linkages were made to other government departments in Australia and Indonesia

- Continued assistance to present.

Results included: passage of anti-money laundering laws; Indonesia removed from the Financial Action Taskforce AML watch list; a functioning Unit with investigative powers; better banking systems; and links to Austrac.

## Annex 4: Guidelines for developing an influence and engagement strategy

Developed by Jess Dart, Clear Horizon Consulting. Based on work conducted for the office of development effectiveness and the Victorian Department for Natural Resources and Environment

### 1. About these guidelines

These guidelines take you through a step-by-step process for developing an influence and engagement strategy. This process draws on current thinking in the discipline of engagement more generally.

The guidelines include:

- steps that can be followed to develop an influence & engagement plan

- a set of associated thinking tools that can be used to develop this plan

- a template with which to create a plan (annex)

### 1.1 What do we mean by stakeholder engagement?

Whenever a group of practitioners gather to discuss 'what is **engagement**,' a discussion about diversity of terminology usually emerges. Depending on the situation in which you are working, 'engagement' can cover consultation, dissemination, communication, education, participation, involvement or working in partnership. For the purposes of this guide, 'engagement' is used as a generic and inclusive term to describe a broad range of interactions between people. It can include a variety of approaches, such as one-way communication or information delivery, consultation, involvement and collaboration in decision-making, and empowered action in informal groups or formal partnerships. [It should be noted that in the literature engagement includes communications].

The word '**stakeholder**' is also a very broad term used to define groups of people. 'Stakeholder engagement' is therefore a deliberate process with the specific purpose of working with identified groups of people, whether they are connected by geographic location, special interest or affiliation.

## 2. Steps to develop a stakeholder engagement plan

The following eight steps can be used to create a stakeholder engagement plan.

Identify & understand the system you are trying to influence

Develop some engagement objectives

Determine the people who we need to engage with to achieve these objectives

Determine what success would look like for each targeted stakeholder group

Determine the level of engagement we aim for

Select the appropriate tools/ approaches

Determine scheduling and resources required

Evaluate the influence

## 2.1 Identify & understand the system you are trying to influence

One way to begin to get your ideas together for an engagement plan is to develop a simple mind map. The sorts of things to consider are:

- The "problems" with how things are done currently

- The policies you may wish to influence

- Programs about to be designed

- People who make decisions about this topic

- Outside organisations that have influence on the system

- People who are affected by this topic

- People who need to have a basic understanding of the intervention or program

- It can help to develop a 'mind map' that depicts the 'system' as you see it. Mind maps are an external 'photograph' of the complex inter-relationships of your thoughts at any given time. They enable your brain to 'see itself' more clearly, and greatly enhance the full range of your thinking skills. A mind map consists of a central word or concept (in this case we may use the name of the policy).

- Around the central word you jot down five to 10 main ideas that relate to that word. You then take each of those words, referred to as 'child words', and jot down another five to 10 ideas that relate to each of those words. In this way a large number of related ideas can quickly be produced. The more information your mind map contains, the better chance you have of addressing a range of issues related the development of your Engagement Plan.

- On either side of the mind map, there are columns for including "helping" and "hindering" factors. Consider which factors (or people!) might help or hinder the success of your engagement and note them here. Here you can also consider people who might potential block the influence of your work if you do not bring them on board.

- This is a fairly loose tool - that helps you broaden your thinking before you pin down your engagement objectives.

## 2.2 Develop some engagement objectives

After developing your mind map, you should be in a position to answer some critical questions about the likely influence you can have on this system. It is then important to narrow down your focus and develop some actionable engagement recommendations.

Firstly we suggest you answer the following questions:

- What decisions about the program have already been made that will affect the development of the influence and engagement plan?

- What are internal stakeholder current interests, and knowledge of and involvement in this program?

- What are partner stakeholder current interests, and knowledge of and involvement in this program?

- What are your resources for engaging stakeholders?

- Are there any existing conflicts between project stakeholders about this particular area of intervention?

- What is the level of complexity of the program and what are the possible implications on the engagement process?

Then crystallize your thinking by developing a set of engagement objectives for each intervention – for example:

- to influence the way evidence is used to shape the policy making process

- to influence the way the partners conduct policy dialogue and engage civil society

- to influence the quality of programs concerning social assistance and social insurance

It is ok to have more than one objective per influence plan, but perhaps a maximum of three.

## 2.3 Determine the people we need to engage with to achieve these objectives

After developing your engagement objectives, the next step is to think about **who** you may need to influence and the pathways of influence to achieve the desired influence objectives.  There are a couple of tools that can help you consider who to focus your efforts on.
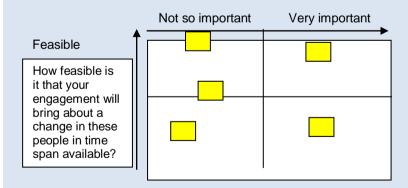
All begin by brainstorming all the stakeholders associated with this objective – they could be people who need to change their behaviour, people who may champion your messages or others who need to be informed.

*Tool 2: Power/ influence matrix*

Brainstorm all the stakeholders who may need to be influenced to achieve your objective and write on individual stickies. It doesn't matter if there is any overlap – in fact it is good if they do.

**When done:** Ask individuals to take a handful and stick them into appropriate space on the power and influence matrix – get other members of group to 'interrogate' the placement of stickies and debate where they should be placed.
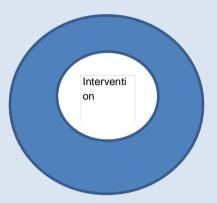
How important it is for your intervention to engage these people to achieve your objectives



Try to cluster together any people who you need to influence in similar ways – if it helps give the cluster a title. The ones that are **important and feasible** are one clear set of people to add to your target list. You may also wish to look at the very important but not so feasible, to see if you can think of a less direct pathway to influence them.

*Tool 3: Ego-centric network map*

If you several important but hard to reach stakeholder, you might find it helpful to develop a network map:



Take all the 'important but hard to reach' stakeholder groups and place them outside your 'donut'.

Think about those stakeholders that are your intermediaries and/or conduits to help you reach the above stakeholders – place them in the fleshy part of your donut and show the links.

If you like, you can draw the lines of contact between them.

Cluster where it makes sense to cluster, e.g. where you work in the same way with different groups, you may be able to cluster them together.

Give each of these clusters of Intermediaries a title – these intermediaries may also need to be engaged with!

After doing these exercises, you should develop a list of the key targeted stakeholder groups. Write into your engagement plan.

## 2.4 Determine what success would look like for each targeted stakeholder

For each targeted stakeholder group, consider what success would look like. Imagine a time in the future (after the intervention has been implemented and the process complete). If you were successful how would your targeted stakeholders be influenced? What would have changed in terms of their attitudes/ knowledge/ aspirations/ practices/ decisions? Write into your engagement plan – in the table below. Defining what success would look like can be useful as a benchmark to evaluate your success against.

Tool 4: Table for clustering stakeholders and describing success

|  | *Title for this 'cluster'* | *Which stakeholders fit this?* | *What does success look like? What would they be DOING/ knowing differently as a result of your engagement? And who/ how would they be influencing others?* |
|---|---|---|---|
|  |  |  |  |

## 2.5 Determine the level of engagement to aim for

There are a number of different "levels" of engagement. A scale such as the one below can be helpful to think through the level of engagement we should make with our different categories of targeted stakeholders. This scale is adapted from the IAP2 spectrum (International Association of Public Participation). It can also lead us into thinking about how best to engage them. Write into your engagement plan.

Tool 5: The level of engagement

| Inform | Consult | Involve | Collaborate |
|---|---|---|---|
| To provide balanced and objective information to assist stakeholders in understanding problems, alternatives and solutions associated with the intervention | To gain feedback by way of consultations during the implementation process to ensure that different stakeholder views are taken account of | To involve targeted stakeholders in the design/ conduct/ development of the intervention so their stakeholder views and concerns are consistently understood and considered | To partner with targeted stakeholders in various aspects of the intervention process. |
| **Promise**: We will keep you informed about the intervention | **Promise**: We will keep you informed, listen and acknowledge your views, and provide feedback on as we implement | **Promise:** We will work with you to ensure your views are considered and **respond** to your recommendations & comments<br><br>Where required we will build your capacity so that you can be meaningfully involved | **Promise:** We will look to you for direct advice in developing and implementing the program |
| **How:**<br><br>Inform: Social media tools such as blogs; twitter; fact sheets; web page etc. see communication tools<br><br>Also face to face meetings at critical times to explain information. | **How**:<br><br>Consult with these stakeholders throughout the process using both formal (steering committee meetings) and informal means (ad hoc meetings and exchanges) | **How**:<br><br>Involve these stakeholders in the process by: being on a working group; providing feedback on program reporting, attending a planning and review workshop etc. | **How**:<br><br>Collaborate with them fully as part of the core team responsible for implementation. |

How to use the scale - for each of your clusters of stakeholders, decide which level of engagement you should aim for. This can be documented in the template.

## 2.6 Select the appropriate tools/ approaches

Using the above matrix, the next step is to choose your actual approach. It is worth doing a re-cap of your mind-map of the system you wish to influence to take on board any particular issues associated with this intervention and its intended influence.

## 2.7 Determine scheduling and resources required

Finally, in order to develop a schedule of what to do when, and to allocate responsibility, it is worth re-plotting your plan against the actual methods. See the second table in the annex.

## 2.8 Evaluating the influence

After implementing each intervention and its associated engagement plan, it is worth evaluating to see whether this was successful. Ultimately it is important to address the following key evaluation questions:

- To what extent did the intervention influence objectives?

- To what extent did engagement meet the engagement promise?

- To what extent were targeted stakeholders influenced as expected?

The key question can be broken down into two parts, firstly whether the engagement process was met or not, and secondly whether this engagement actually had the expected influence.

## Stakeholder engagement/ Influence strategy

| Stakeholder name/ group | Division / Role | Ease of Reach Low – Medium - High | Level of Importance Low- Medium - High | What success looks like | Engagement Level Inform, Consult, Involve, Collaborate | Engagement tools to be used |
|---|---|---|---|---|---|---|
| 1 | | | | | | |
| 2 | | | | | | |
| 3 | | | | | | |
| 4 | | | | | | |
| 5 | | | | | | |
| 6 | | | | | | |
| 7 | | | | | | |
| 8 | | | | | | |
| 9 | | | | | | |

## Engagement schedule

| Engagement Level | Tool/ activity | Stakeholders targeted | Resources required | Who is responsible? | Start and finish dates | Feedback method | Who is responsible? | Start and finish dates |
|---|---|---|---|---|---|---|---|---|
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# Annex 5. Typology of capacity development support

Types of capacity development support are divided here into four principal categories: (i) advisory support (ii) learning and knowledge brokering (iii) pilots and action research (iv) financial support. Engagement strategies and policy dialogue (discussed elsewhere) should also be regarded as part of any capacity development strategy.

## Advisory support

Advisory support can comprise short and long term personnel or teams of personnel that are recruited commercially either internationally, regionally or locally. Advisory support can also include the secondment of experts from public institutions, or it can include retired professionals, who serve as mentors. Institutional twinning arrangements with varying degrees of formality can also be considered. Expert panels of academics and practitioners that work on a drawdown of services basis is a further option. The types of support listed below are not mutually exclusive and are often combined for maximum effect.

| Type of Support | Purpose | Example |
|---|---|---|
| Policy advice | Provision of expert opinion on specific topics or issues, usually on a short term basis | Supporting the preparation of a new law or regulation<br>Providing substantive knowledge on a specific technical issue |
| System development | To help draft and rollout rules, guidelines procedures and associated implementation arrangements including imparting skills. Can be short or long term | Introducing new planning, budgeting and accounting tools and instruments<br>Developing a system for monitoring and evaluation |
| Process facilitation | Mentoring and supporting change processes within and across organisations, including providing strategic guidance and managing CD process, and pointing to sources of knowledge | Supporting an organisational review and restructuring process.<br>Providing technical guidance on implementing a reform program. Facilitating exchanges and interaction between different institutions. |
| Implementation | Performing a gap-filling or substitution role whereby a substantive task is carried out often with executive authority, and often without a specific capacity building role | Often a technical function; e.g. MIS expert, line manager, planner, engineer etc. |

## Learning and knowledge

Learning and knowledge acquisition is a key part of capacity development and usually focuses on the needs of individuals. Advisory support contributes to learning and knowledge particularly when an advisor has a clear responsibility for mentorship and skills sharing through on-the-job training. Below are various mechanisms that can contribute both to individual and group learning. These can be delivered by local, regional or international service providers and often in combination.

| Type of Support | Purpose | Examples |
|---|---|---|
| Workshops | To raise awareness, brainstorm ideas and build consensus on usually operational issues and challenges. An informal way to impart skills in selected operational areas | Introducing a new program, reviewing/ developing a policy or strategy, providing orientation and awareness of new guidelines or procedures. Up to one week duration |
| In-service training | To impart skills in functional areas related to a person's job, usually part of staff development and career advancement, for which a qualification recognising the competency gained is awarded. Often non-academic, but usually vocational | Courses in functional/ vocational areas such as IT proficiency, monitoring and evaluation, use of financial management systems, planning and budgeting processes, human resources management etc. From one week to several months duration. |
| Long term training | To develop professional skills and competencies and acquire formal academic qualifications often at advanced level often required for promotional purposes/ career advancement. Can be internet based/ distance learning, | Post-graduate diplomas and degrees in academic disciplines and specialised professional areas. Often 1-2 years or more, can be full time or part time |
| Peer learning | An informal mechanism for learning and experience sharing among peers. Can be done through structured exchanges, or virtually through email/ internet discussion groups | This can include bringing officials from one province/ district to see what another province is doing, or to second one official to work with another office for a fixed period. |
| Institutional twinning | Structured collaboration between two or more organisations aimed at building long term partnerships for knowledge exchange and learning. Can involve secondments, organisation of training events and sharing of resources. | Often promoted in context of south-south cooperation and triangular cooperation. Partnerships may begin small with a once off secondment of staff for finite period, and eventually grow into a more structured partnership. Might typically involve partnering an Indonesian institution with a sister public institution in Australia. |
| Study Tours | International study tours, when well prepared and with clear objectives provide opportunities for exposure to new ideas and to see what can work under specific circumstances | Exposure of senior decision makers and technocrats to other countries in the region or further afield. E.g. conditional cash transfer systems in Brazil |

## Pilots and action research

Pilots and action research are structured approaches to learning and development of operational solutions that can be up-scaled can inform policy and can be incorporated into practice. They are particularly useful in complex areas where no easy solutions are available. However, they need to be closely linked into a policy process, requiring complementary engagement and dialogue. See further annex on Pilots.

## Funding support

A partner may have a clear strategy in place for capacity development but may lack the financial resources to implement it. Or it may have competent personnel but lack the resources to retain them. In such circumstances, the best form of support might be a financial one – i.e. providing the required funding to enable the partner to implement its change strategy, or providing some form of salary supplementation (with due consideration of sustainability issues). It can also include provision of core funding to small NGOs/ policy research institutes to enable them to maintain their operational independence.

| Type of Support | Purpose | Examples |
|---|---|---|
| Funding capacity development activities | To help the partner meet the costs of its CD strategy. This may be done through a call for proposals/ competitive fund or through a negotiated agreement. | A partner may have in place a staff development plan, or may wish to extend an existing twinning arrangement, but lacks the resources to fully finance it. |
| Funding personnel | To provide supplementary funding to public servants to ensure their retention in key strategic positions, as an alternative to fielding advisors | A partner may have capable staff in place that are key to taking forward a reform process but lacks resources to retain them. Supplementation may offer a way to retain them and ensure the reforms are carried forward |
| Core funding | To help small usually non-state actors meet their operational costs and retain their independence | Meeting portion of staff and recurrent costs of NGOs and research institutes against agreed performance indicators. |

## Annex 6: AusAID roles and responsibilities

To date, AusAID's role in relation to PRSF has largely been in terms of:
- being a provider of social protection technical advice
- quality control gatekeeper of high value funding proposals
- contract management

This has been due to the lack of quality assurance and social protection capacity available within PRSF.

As a result, little time has been available to carry out the responsibilities outlined across the Individual Performance Agreements for AusAID's Social Protection Unit. For example:
- building relationships with Bappenas and other GOI agencies working in social protection
- engaging in upstream policy work
- improved social protection coordination within AusAID and with other stakeholders
- using influence to bring together key stakeholders
- spending time to identify the best use of resources.

In general terms, the Social Protection Unit should be responsible for strategy development, information exchange, coordination, reporting and contract management. Within AusAID, the Social Protection Unit should be responsible for substantive discussion of the social protection agenda, including:
- its coherence and fit within the country strategy
- promoting synergies at operational level across program areas
- providing and disseminating information about the program to support organisational learning and development of social protection as a practice area across AusAID
- reporting as appropriate to technical and political leadership.

Fulfilling these roles will help address potential overlaps while leveraging synergies across AusAID programs. Coordination across AusAID programs should not be an optional extra but a core responsibility.

When a Social Protection Delivery Strategy is developed AusAID should give further thought to the sector capacities and specific sets of knowledge needed within AusAID. In the meantime, the Unit should have the opportunity to develop further their social protection knowledge base.

The revised management arrangements for PRSF up to end 2014 as well as this design will see PRSF having better quality assurance systems in place, stronger on-the-ground technical advice on social protection and a management team that ensures good implementation of programs. AusAID should, therefore, review the roles of the SP Unit so that it can become an effective partner for GOI agencies, able to develop a strategic approach to social protection.

Outlined below are **suggested key roles and responsibilities of each member of the Unit post-2014 and the co-chairs of the SCC and TAB in regard to PRSF** (each team member has a much broader scope of work, which should be outlined in the Delivery Strategy for the whole sector).

## Minister-Counsellor

Co-chair the Strategic Coordinating Committee to set policy and priorities, approve annual work plans and budgets and review six monthly reports prepared by PRSF. Maintain strong and effective relationships with GOI agencies, Australian whole-of-government partners and other key stakeholders in the social protection sphere through the SCC. This will be a twice a year commitment, so should not be unnecessarily time consuming. But the co-chair being at this level will be crucial to bringing a more strategic focus to these meetings and matching the expected level of GOI agency input at Echelon 1.

## Counsellor

Co-chair the TAB to review specific activity proposals from a technical and financial point of view and approve funding. The Counsellor will oversee effective cross-program linkages within AusAID of the social protection agenda. She/he will maintain strong relationships with GOI agencies and other partners through the TAB. This will likely be a quarterly commitment and could be demanding of time. It is suggested that once these meetings are established and running smoothly that the Unit Manager could possibly co-chair the TAB.

## Unit Manager Social Protection

The Unit Manager will play a critical role in supporting the Minister-Counsellor and Counsellor in their roles as co-chairs of the SCC and TAB. She/he will need to prepare short briefing notes and speaking points for the AusAID co-chairs of these meetings.

The Unit Manager will need to input to meeting agendas, do a final quality assurance in terms of the political direction of documents going to the SCC and TAB, and help shape the strategic direction of the facilitated dialogues of the SCC.

A key role of the Unit Manager will be establishing the internal AusAID working group on social protection: looking for development linkages with other programs will be crucial to ensuring PRSF is greater than the sum of its parts. The Unit Manager will lead on cross-cutting issues such as South-South cooperation and Australian whole-of-government cooperation and interaction (e.g. engaging relevant Australian Government Departments).

She/he will also need to provide regular briefings and advice to Canberra on progress on the social protection front. Management of cross-country visits and official delegations related to PRSF will be a key role of the Unit Manager.

**Social Protection Adviser**

The Social Protection Adviser will be given the time and space to move away from quality assurance of designs to focus more on improving GOI agencies' understanding of social protection and shaping the direction of PRSF. She/he will need to keep abreast of emerging issues. This Adviser should look to build strong working relationships with GOI agencies: this would include working with GOI agencies/PRSF on significant design documents and providing policy advice to GOI agencies.

She/he will be responsible for overall social protection strategy coherence and information exchange within AusAID and with other stakeholders. Together with the Unit Manager, she/he will be responsible for assuring that the co-chairs of the SCC and TAB are well-prepared for their meetings. Also, she/he will play a pivotal role in substantive discussions on social protection linkages with other AusAID programs through the internal working group established by the Unit Manager.

The Social Protection Adviser could periodically organise, outside strict PRSF framework, events such as seminars, lectures, and related activities aimed at strengthening partnerships and promoting AusAID's social protection work in Indonesia.

Along with the Unit Manager, the Social Protection Adviser will need to input to meeting agendas, do a final quality assurance in terms of the social protection direction of documents going to the SCC and TAB, and help shape the strategic direction of the facilitated dialogues of the SCC.

**Senior Program Manager – Social Protection 1**

The Senior Program Manager will be the primary support to the Social Protection Adviser. This could include: assistance with designs, support to quality assure documents going to TAB and SCC, developing papers for the internal AusAID Social Protection working group, doing research for the facilitated SCC dialogues and organizing activities to strengthen the partnership with GOI.

She/he will ensure relevant research on emerging issues in social protection is mapped, gaps identified and analysed; then that succinct briefings are provided to the team, along with a clear action plan for implementing any recommendations.

She/he will maintain positive and regular communication with PRSF to track progress. And she/he will manage collaborative relationships with key stakeholders in GOI agencies and feedback any concerns to the team.

**Senior Program Manager – Social Protection 2**

The second Senior Program Manager will oversee contract management of PRSF (together with the Program Manager). She/he will maintain positive and regular communication with social protection stakeholders and will support the team in ensuring cross-linkages within AusAID.

**Program Manager**

The Program Manager will ensure PRSF day-to-day planning and budgeting, financial management, procurement, reporting and contractual matters, as well as internal reporting and financial/contract management.