Design Document
Revitalizing Indonesia’s Knowledge Sector for Development Policy

Knowledge Sector Unit
July 2011
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Chapter One: Understanding Indonesia’s Knowledge Challenge

1. OVERVIEW OF THE PROGRAM

1. Indonesia’s recent emergence as a Middle Income Country carries with it significant implications for the country’s overall development strategy and the kinds of development assistance that it is likely to need from foreign partners. Development aid as a share of the overall development budget will continue to shrink, which places an ever-growing premium on ensuring that Indonesian policy makers make smart choices about how best to spend national budgetary resources. Furthermore, Indonesia’s ongoing democratization carries with it demands for informed public participation in which public policy can be accessed, understood, and debated by a broad range of stakeholders.

2. For a variety of reasons that will be discussed later in this design document, during the post-colonial and New Order years Indonesia did not develop the kind of domestic human resource infrastructure seen in other large developing countries such as China, India, Mexico, or Brazil. Instead, Indonesia has always relied heavily on international technical assistance to help develop policy options that could be presented to government decision-makers. Nor has Indonesia made much progress on providing an incentive framework for the private sector and civil society to provide these services. However, with the country’s growing wealth; the transition to democracy and the associated rise in importance of public debate over policies; and the increasing complexity of the choices facing government, this is no longer a viable strategy.

3. The objective of this design document is to describe a strategy and set of activities that will help Indonesia develop what for want of a better word shall be called the “knowledge sector”. The knowledge sector means the overall institutional landscape of government, private sector, and civil society organizations that support the development of public policy. It includes think tanks, university institutes, specialized agencies, certain types of private sector contractors, and a range of non-governmental organizations. The objective of using the term is not to nail down with full precision the boundaries of the sector, but to focus attention on the overall landscape rather than any one organization or area within it.

4. Treating “knowledge” as a sector carries with it certain implications that differ from how agencies typically think about more traditional projects. Sectors evolve rather than “end” the way projects do. Timeframes are long. Governance issues are usually more prominent within sectoral programs, particularly when, as is true for the knowledge sector, the key stakeholders cut across traditional boundaries of government, civil society, and private sector actors.

5. The Knowledge Sector Support Program (“the Program”) proposed for AusAID funding is being driven by both a broad-based program of consultation and analysis that has taken place across the two years of project preparation, and from a specific model of how to approach such a complex and challenging issue. Stripped to its basics, the Program’s “knowledge to policy” model contains four inter-connected pillars, each of which will be supported through this program:

(a) Research organizations that produce knowledge and evidence that influence policies – referred to here as the Supply side of knowledge production;
(b) Policy makers who demand and use evidence in formulating policies – generally referred to as the Demand side;

(c) Intermediary functions and bodies that translate, package, and communicate knowledge; and

(d) The enabling environment – the policies, regulations, and procedures that govern how the supply and demand sides operate and interact.

6. The Program will build capacity within all four pillars. However, the readiness and reform needs for the different pillars vary considerably. The Program design includes a mix of dialogue, analysis and investments within each of these program areas. An overarching governance structure will help programming respond appropriately to changing appetites and opportunities for reform.

7. The Program sits within a much broader program of donor and AusAID support to building policy capacity within a rapidly evolving Indonesia. In one direction, the Program is linked tightly to sectoral initiatives that will benefit from the knowledge sector program reforms and which will themselves be the drivers for the practical application of the Program. In another direction, the Program is also situated within a landscape of GOI and donor programs for human capital development that includes scholarship support, tertiary education reform, programs to improve the quality and reliability of policy relevant data, investments in science and technology development programs.

8. Success criteria for the knowledge sector program are primarily about improvements in Indonesia’s overall ability to produce and use high quality evidence for policy-making rather than on any clear policy outcome that can be attributed to the Program. Similarly, there is no one input to this program that will be determinant in whether it succeeds or fails. As will be explained in the text, it is the interaction between loosely articulated components that define the Program’s progress. Nevertheless, the knowledge sector program’s evaluation criteria include a broad range of indicators to assess whether AusAID’s contributions are effectively supporting the appropriate reforms.

9. This design document is organized as follows. This first chapter analyses the state of Indonesia’s knowledge sector – including its history, constraints and opportunities – and summarizes the analytical approach that guides the proposed program. Of particular interest in this discussion is the broad-based consensus that came from the consultations about the urgency of the knowledge sector reform agenda – and the frustration that so many Indonesian stakeholders feel about the difficulty of effecting change. The second chapter describes the Program’s proposed interventions, including an assessment of program risks and an assessment of the measurements proposed for tracking the Program’s progress and evaluating its results. The third chapter outlines the implementation arrangements of the Program.

10. Consultations and the involvement of stakeholders in the design of this program have been extensive. The full process is summarized in Annex 2. They include a working group of government, universities, and civil society representatives that met periodically over the course of preparation; briefings for GOI ministers and deputy ministers; workshops with other donors; and site visits to provincial universities, networks, and think tanks. This highly participatory approach will be continued throughout the Program’s operation. While AusAID and this knowledge sector reform initiative can contribute technical inputs and resources, ultimately the drivers for reform in this area will be the coming generation of Indonesian graduates, researchers, and policy makers.
II. THE STATE OF THE KNOWLEDGE SECTOR IN INDONESIA

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

11. It is difficult to place a benchmark on the knowledge sector across countries. Nevertheless, several international comparisons indicate that Indonesia’s knowledge generation is well below other countries with comparable economic standing. This section uses a selected set of common, accepted comparators to give a sense of why GOI policy makers and others are concerned with knowledge sector reform.

12. According to SCImago Journal and Country Rank, during the period of 1996-2008 Indonesia produced only 9,194 published scientific documents, placing its scientific prolificacy over 13 years below that of Bangladesh, Kenya, Lithuania and Nigeria — and far below that of neighbouring Thailand, Malaysia and Singapore.

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

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

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

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2 Suryadarma, D., Pomeroy J., Tanuwidjaja S., Economic Factors Underpinning Constraints in Indonesia’s Knowledge Sector, AusAID Knowledge Sector Diagnostic, 2011. SSCI indexes articles published in 2,474 social science journals across 50 disciplines. SSCI is owned by Thomson Reuters. For more information, see http://thomsonreuters.com/products_services/science/science_products/az/social_sciences_citation_index/
16. Indonesia’s low research output compared to other developing countries is an indicator of the broader and systemic problems underlying its knowledge sector.

17. A comparative review of knowledge sector development in other developing countries prepared for this program confirms that there is no one “best” path along which all countries can be ranked. Histories, institutional cultures, and long-term socioeconomic trajectories all contribute to making some strategies for creating and using knowledge more attractive than others. Nevertheless, there are some shared general characteristics of successful knowledge sector strategies:

- **Policy makers need to think long term and aim for consistent policy, regulatory, budgetary frameworks that support domestic research and development institutions**
- **Government is not the only source of demand, but its demand can underwrite domestic capacity to produce research.**
- **Diversity of knowledge institutions is a sign of a healthy sector. The government does not have to be the sole supplier or financier of research, but it can (i) supplement expertise, (ii) foster human capacity and (iii) set conducive regulations.**
- **Countries should clarify their objectives for international networks and assess whether they are maximising opportunities to raise local capacity.**

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3 Nielsen, G., Knowledge Sector Comparative Experiences of Five Middle Income Countries, AusAID Knowledge Sector Diagnostic, 2010.
Box 1.1. Knowledge Sector Strategy in Mexico

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

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

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


History: why does Indonesia have a knowledge sector problem?

18. Indonesia’s underdeveloped knowledge sector can be traced to the intellectual conformity imposed by its past regime. After independence in 1945, Indonesia’s budding knowledge sector was supported by national leaders such as Sutan Sjahrir and particularly the Indonesia Socialist Party (PSI). The 1966 coup d’etat saw General Suharto’s rise to power and the dawn of the New Order regime. New Order authoritarianism suppressed critical thinking and shut down spaces for policy contestation, although it encouraged narrowly defined technocratic input to policies.

19. In the academic realm, the New Order established over 20 state universities across the archipelago, allowing greater access to higher education. However, its education policies subjected universities to rigid centralised control of the government, which curtailed autonomy and academic freedom. The government had little interest in funding independent social research and created an environment which deterred the undertaking of research which could be critical of government policies.

20. Understanding the mechanisms by which this was achieved is crucial for developing the reform agenda that can reach down to the roots of today’s constraints. As Pompe has shown for the problems currently faced in the justice sector, the New Order government operated less by direct repression than by using the machinery of public administration and finance to bring presumptively independent institutions into the orbit and control systems of the New Order bureaucracy. Promotion criteria were based on the approval of bureaucratic superiors rather

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4 See esp R Mrasek, Sjahrir: Politics and Exile in Indonesia (1994), esp. on Pendidikan Nasional; Knowledge Sector Concept Note.
than on academic merit. Budget support was both highly centralized and extremely rigid, allowing civil servants to control allocations and apply punitive sanctions to institutions that allowed individual challenges to authority. Compressed salary structures gave further discretionary control to administrators, and they also encouraged a working environment where researchers depended heavily on consulting contracts to complement grossly inadequate salaries.

21. A second explanatory factor behind today’s knowledge sector challenge lies in the New Order’s extreme centralisation. It is not only important to be able to produce high-quality, independent policy knowledge, it is equally important to have an audience that is able and willing to use it. In the New Order, the main development function of sub-national governments was to execute national policies, not to develop their own policies and programs based on local assessments. Compared to countries such as Colombia, India, or the Philippines, where local officials and administrations were sufficiently accountable for autonomous policy decisions that they promoted tailored assessments and feasibility studies by universities, think tanks, and consulting groups, Indonesian legislators and administrators had little discretion and did not develop procedures for commissioning or reviewing high quality, locally generated research. Nor, for the most part, did the New Order government encourage local participation and debate, as often happens in other centralized countries such as China. Lacking both demand and accountability, there were few reasons for universities or independent institutes to develop systems for quality control, policy responsiveness, or applied research.

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

New Opportunities for Reform

22. A number of factors suggest not just that this model is no longer sustainable, but that the ownership and commitment needed to drive a reform program are now present. First, the sheer size and complexity of the Indonesian economy means that the demand for high quality policy analysis will rise. Decentralisation will accelerate this trend, and over time it will create demand for affordable local sources of analysis. Second, the lifting of New Order authoritarian controls has been accompanied by a big increase in the exposure of Indonesians to global media. The current generation of college graduates will be the first to have grown up in an environment of uncensored press, competitive elections, and a leadership role in global institutions. Professionally trained Indonesian analysts are not likely to accept passively career paths that are overly dependent on bureaucratic patronage and conformity. Third, with public policies now being openly and vigorously contested, the demand for evidence to back competing claims can only grow. Indonesia has also recently passed a comprehensive Freedom of Information Act which, if implemented, will provide a compelling mechanism to increase the release of

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government information into the public domain, where its quality and accuracy can receive critical review.

23. There are also several encouraging signs at the more “micro” level. AusAID and GOI have both made large and still rising investments in overseas scholarships. Studies prepared for this program show that returning scholarship students still face structural problems that deter them from careers in public policy, but the overall availability of potential contributors is a necessary pre-condition for successful reform. Secondly, while the omnibus tertiary education reform bill was invalidated by the Supreme Court, the reform push is still very much in play and follow-up actions are already being planned. Third, individual sectors are also undertaking knowledge-driven reform programs, such as Bappenas’ (National Planning Agency) masterplan to become a knowledge based institution, the ongoing quality upgrade of Indonesia’s National Statistics Bureau, or the Ministries of Health and Education’s efforts to improve their research institutes (“Balitbangs”). Fourth, civil society institutes are both increasing in number and diversifying their activities, with many of the older and better established groups now undertaking a much needed program of revitalization and renewal. Finally, while the point is diffuse, it is nevertheless important: while the New Order government did not allow for the development of the formal apparatus of think tanks, universities, and policy institute, Indonesia nevertheless benefits from a rich tradition of critical dialogue over national and local policy issues through its arts and cultural performances, social networks, and its religious institutions and organizations.

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

III. HOW THIS PROGRAM WAS PREPARED

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

26. Preparation consisted of three types of activities:

- **Stakeholder consultations** (Annex 2) – The Joint Management Committee carried out bi-monthly structured consultations with three streams of relevant stakeholders: government officials, public and private universities, and NGOs. Consultations included both plenary workshops across the three groups, but they also carried out working sessions to identify priority reforms that would be relevant to their particular interests. Consultations also included in-depth interviews with individuals.

- **Diagnostic surveys** (Annex 3) – Sixteen empirical studies were conducted over the course of preparation. These studies covered themes such as:
  i. Economic and financing issues for knowledge sector institutions
  ii. Policy reviews
  iii. Institutional assessments
  iv. National and sub-national demand assessments

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v. Best practice case studies
vi. Historical and comparative reviews of knowledge sector initiatives

- **Action Learning program** *(Annex 4)* – The concept review concluded with a consensus that a key constraint on independent think-tanks was the lack of predictable core funding that would allow them the freedom to develop management plans. To see what proposals would emerge if this constraint were lifted, preparation included a large, participatory action learning program coordinated through the Asia Foundation. Eight independent think tanks were competitively selected to join a one year program of preparing (and sharing) strategic management plans for improving the quality and relevance of their research. These plans form the basis of this program’s first component.

27. Support and interest in the knowledge sector reform program continues to grow. Late in the preparation phase, AusAID was asked to present the design approach in a meeting chaired by the BAPPENAS Minister and attended by her Deputies for human resources and culture, economics, and poverty, manpower and small enterprises. The Minister welcomed the knowledge sector initiative and highlighted the links to Indonesia’s own efforts to promote intellectual connectivity and improve human capital, as outlined in its Master Plan for Acceleration and Expansion of Economic Growth. AusAID also convened a meeting with other donors working in linking research to policy options, where other major development partners such as the World Bank, USAID and CIDA expressed interest in joining an informal working group chaired by AusAID and BAPPENAS to coordinate a policy reform agenda and explore further complementarities of our programs.

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

28. The availability of evidence is only one element in the complicated mix of factors and forces behind governmental policy decisions. Decision making also depends on other considerations such as political feasibility assessments, negotiations among interest groups, imminent pressures for action, and so on. Nevertheless, the continuous production of research for policy purposes allows decision-makers and civil society to have access to a ready supply of evidence-based options for timelier, well-targeted and more responsive policy decisions.7

29. One model for thinking about how high quality knowledge is generated and then used by policy makers to make decisions comprises:

- the **research organisations** that produce knowledge and evidence which influence policies, which will be referred to here as the **Supply** side;
- the **policy makers** who demand and use evidence in formulating policies – generally referred to as the **Demand** side;
- the **intermediary** functions and bodies that communicate between policy-makers and research organizations; and
- the **enabling environment** where policies govern how the supply and demand sides interact, and the research systems operate.

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30. It should be noted that this is a model, not a rigid empirical description. Categories can be porous. Often, the intermediary function is carried out by the supply and the demand sides. For example research organisations can produce policy briefs to communicate their research findings to the government, while the government Balitbang can commission research to other organisations and collate the findings for use of policy makers. The intermediary can also be considered as part of the enabling environment, for example, a national research institute that communicates the government’s research agenda. In other cases, the intermediary can stand alone as a separate entity. For example, civil society organisations who use evidence to advocate for policy change are intermediaries who neither produce research (not part of supply) nor make policies (not part of demand).

31. These elements construct a knowledge-to-policy cycle (see Diagram 1.4.). It is by improving the elements and interactions within the knowledge-to-policy cycle that a healthier, more effective public policy-making process will be achieved.

32. The consultations and diagnostics during the design phase of this program provide an initial picture of the issues constraining Indonesia’s knowledge sector. This picture is still not complete, and it will need to be continuously filled in as the program develops. These constraints will be discussed according to the framework described above: supply side, demand side, intermediaries and the enabling environment.

Issues on the Supply Side

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

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8 Balitbang are the research and development divisions within technical ministries, such as the Ministry of National Education or the Ministry of Health.

9 The Asia Foundation, Enhancing Knowledge on the Knowledge Sector: Report to AusAID, 2011.
(a) **Inadequate core funding.** Adequate core funding allows organisations to set an independent research agenda and choose projects that fit with their core mandate. However, this is a luxury that most Indonesian organisations do not have. With limited core funding, the majority of contracts are short-term and do not always cover ongoing costs, overheads and institutional capacity building. Embarking in contract-based projects limits opportunities for staff to secure expertise in their core interest areas lead to high turn-over of short-term researchers.

(b) **Limited technical skills of research staff,** in:
- research methodologies, particularly in using statistical data and quantitative methods;
- research communication, e.g. packaging findings in a way which can suit different audiences;
- language barriers, which poses a challenge in accessing global literature.

(c) **Inappropriate financing and remuneration** – Pay structures for organizations and individual researchers produce perverse incentives that dictate against the production of quality research. At the level of organization, most think tanks and research institutes are paid by the number of research projects that they undertake, leading to an over-reliance on short-term or low-difficulty contracts. At the level of individual researchers, remuneration systems drive researchers to become over-extended or to take on non-research activities.

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

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<th>Box 1.2. How reliance on contract work affects capacity development within Indonesian research organizations</th>
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<td>Project involvement does not necessarily improve the capacity for high quality qualitative research in university research centres. By engaging in short term donor projects, researchers improved project-relevant skills. The skills associated with self-generated basic qualitative research have tended to atrophy (e.g. methodological skills, keeping up with current developments in social theory etc.). Moreover, given the orientation of researchers towards donor projects, researchers constantly need to adjust to donor priorities. As one junior researcher in PSKK noted, she found herself constantly adjusting to donor led problem definitions, methodologies, and timelines. As a consequence, university researchers have lacked the opportunity to develop an independent research profile or trajectory.</td>
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<td>Capable people tended to be over-committed to consultancy projects. This left little time for prolonged fieldwork, for reading widely in the literature, or for the type of reflection required for analytical work and high quality qualitative research. As one researcher at UI noted, it took him two years to find the time to write an analytical essay contracted by a foreign research project. To avoid the problems of over-commitment, researchers with good reputations and in high demand often subcontract others to carry out donor commissioned research work. Senior university staff tend to supervise work from their offices, at best going to the field for short periods of time. These practices can affect quality.</td>
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(e) **Weak quality assurance mechanisms.** Most organisations do not have a Monitoring and Evaluation (M&E) mechanism in place for the organisation as a whole, although they carry out M&E for discreet donor projects. They do not always have a set of standards for quality
or clear regulations regarding research ethics. Peer review is not an institutional mechanism and depends on individual preference and professionalism.

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

**Issues on the Demand Side**

34. Several studies point out that one of the main problems in knowledge to policy transfer is actually the absence or lack of policy makers’ demand for quality evidence.\(^{10}\) Policy makers’ absence of demand for evidence can be traced back to the civil service culture inherited from the

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<th>Box 1.3. How Remuneration Systems Drive Performance Incentives for Research</th>
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<td>To understand the economic constraints that affect Indonesian knowledge organization, a review commissioned by the knowledge sector program interviewed representatives from 27 Indonesian knowledge organizations (20 suppliers and 7 users). The review found two types of salary structure, each of which impedes the production of high quality research. For most non-governmental researchers, salaries are variable, with a high, positive correlation between salary levels and the number of concurrent research projects. Researchers thus gravitate towards taking on large numbers of short-term research projects. Researchers with a fixed take home pay in government offices suffer from the problem of a very low base pay rate – on average, just IDR4 million (approx. AUD440)/month. The result is that researchers will take on other jobs that generate money-making opportunities, and a review of their time allocation shows that this group spends a large share of its time in non-research related activities.</td>
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New Order. Although there are regulations that stipulate the use of evidence, policy makers often consider the commissioning of studies as a ‘tick the box’ exercise and do not assess or use the studies. For example, local governments often hire consultants to carry out studies as part of preparations for the local medium term development plan (RPJMD) or sector strategies (RENSTRA). However, a review confirmed that it is common for consultants to re-use studies from other areas and simply change the name of the location to suit the particular contract.

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<th>Box 1.4. Indicators of low policy research demand within sub-national governments</th>
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<td>Estimating government research budgets with any accuracy is extremely difficult given the budgetary fragmentation and lack of record-keeping. Nevertheless, interviews conducted with the city of Pekalongan, a city of approximately 300,000 people, provide a sobering illustration of scale. The city spends a total of Rps. 50 million/year to fund four to five research projects of IDR10 million each (approx. AUD1,250). In proportional terms, the city’s research budget is 0.01 percent of government spending.</td>
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\(^{10}\) Sutmuller, P. and Setiono I., *Diagnostic on Evidence-based Public Policy Formulation under Decentralisation* (2011); Suryadarma et.al, op.cit.;
35. **Balitbang** – In discussing policy makers’ demand for evidence, it is important to mention the role of Balitbang, the division within sectoral ministries that is responsible for developing and executing research and development according to the needs of their respective agencies. In reality, the Balitbang struggles to intermediate between research and policy making because of:

- disconnected lines of authority with other divisions responsible for developing policy options;  
- advancement procedures for research staff which does not sufficiently take into account the usefulness of the research being produced for policy making; and  
- inadequate technical capacity of staff in core areas such as research methodology, reviewing research products, or developing policy briefs.

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

37. Despite this general lack of demand, there, nevertheless, is a growing number of champions among policy makers who demonstrate real interest in using evidence. Also, several changes introduced over the 2001-2006 reform period pose opportunities to improve the demand for quality research.¹¹

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¹¹ Sutmuller and Setiono, op.cit.

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**Box 1.5. Understanding sub-national government’s limited demand for knowledge**

A survey of 21 regional governments, case studies in 11 local (city or kabupaten) governments interviewed more than 200 people (representatives from the Executive, the Legislative, universities, business community and civil society) and reviewing more than 100 local public policy documents, resulted in the identification of the following core issues related to using knowledge to formulate local government’s public policies:

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

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

(b) *Pressure from civil society* – CSOs who have better access to data (e.g. budget and expenditures) may pressure the government (executive or DPR) for better policies. In turn, this requires policy makers to defend existing policies or make future policy choices using evidence.

(c) *Introduction of Millennium Development Goals (MDGs)* – The central government’s introduction of MDGs as barometers for public policies obliged local governments to use MDG indicators, either as part of their situation analysis and targets or to picture the current situation, particularly in health and education.

(d) *The need to demonstrate results* – Democratically elected heads of local governments generally want to improve their chances for re-election by showing results. There is a growing appetite to use evidence-based planning and budgeting techniques to improve performance and demonstrate success.

**Issues with Intermediation**

<table>
<thead>
<tr>
<th>Box 1.6. Accounting for Change</th>
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<tr>
<td>Preparation for this program included a review of how sub-national governments obtain and use research for making policy decisions. This question is of particular concern given the ongoing consolidation of decentralization. The review found that while a majority of the public policies may not have been research-based and or evidence based, some local governments or local government agencies do have research-based and or evidence-based public policies. What triggered the eagerness for better public policies?</td>
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(1) The health and education sector agencies are more used to collecting and analyzing data and searching for evidence to improve their policies. They may not be perfect, but in general they are more research-based than the public policies of many of the other sectors;

(2) An elected leader who is visionary and brave, willing to do things differently, and who encourages his staff to be creative and innovative, will result in sector agencies searching for the cause of problems and for more research-based solutions;

(3) A capable head of a planning agency (the think tank for most public policies) is more likely to be interested and motivated to develop quality public policies, and, when the financial resources permit, to collect data and evidence for preparing future public policies;

(4) Professional heads of sector agencies are far more interested and feel far more responsible for their sector, than their non professional colleagues and will search for the causes of problems to develop public policies backed up with as much data and evidence as possible;

(5) When better public policies provides better access to funding, local governments will allocate funds for better preparation of public policies; and when better performance of a civil servant is appreciated (performance-based incentives), many more civil servants will put an extra effort into preparing research-based or evidence-based public policies.

38. Intermediary is mainly a function that communicates between the research community and the policy makers. The intermediary can either a) collate and package research findings in a friendly format for policy makers, b) communicate the government’s research needs to the research community (including commissioning research for policy purposes), or c) advocate for policy changes based on research findings. As such, this function can either stand alone or be embedded in the Supply side, the Demand side, or the Enabling Environment.

39. Interviews and diagnostics carried out for this project pointed to a number of interesting reasons why the communication between policy makers and the research community does not meet either side’s needs:

(a) **Disincentives for government researchers to respond to policymaker’s needs** – The oversight of advancement procedures for functional researchers by LIPI (“The National Institute of Sciences”) reinforces the disconnect between civil service researchers and policy makers, as researchers adhere more to LIPI’s advancement procedure instead of internal feedback on the usefulness of their research products to their own institutions.

(b) **Civil society does not access information that explains the social and economic impacts of policy choices** – Civil society organisations (CSOs) are strong policy advocates which traditionally engage in direct political activism. Recently, CSOs have shown a growing appetite to engage in policy debates informed by analysis. However, they often lack access to these analysis or have limited capacity to utilise research for advocacy purposes.

(c) **Lack of multi-stakeholder policy journals and other media** – Compared to developing countries such as India, the Philippines, Mexico, or Brazil, Indonesia has very few journals where researchers, policy makers openly discuss and critique policy issues.

(d) **Poor communication skills and procedures** – Researchers everywhere produce long reports that will not be read by policy makers unless somebody else produces summaries that can extract the main points and assess their implications. This function is almost entirely absent in Indonesia. Government staff or research departments do not provide this service, and the number of think tanks and policy journals that can play this role is also extremely limited.

(e) **Limited Access to Reliable Information** – Researchers interviewed during preparation commented extensively on the difficulty that independent research groups have in gaining access to basic government data and planning documents. Even within government, because information is often not shared across agencies, quality controls to correct for inconsistencies do not operate well.

(f) **Corruption** – Studies and diagnostics carried out during preparation pointed repeatedly to endemic problems of corruption and the problems that ensure from it. Several of the best research organizations simply refuse to take contracts from government offices. In other cases, unqualified organizations can repeatedly win contracts; poor quality research can be submitted without correction; qualified researchers can be replaced by unqualified consultants, and so on. Field interviews suggest that as much as 40% of a government research contract gets diverted into leakage, with devastating effects on the quality of product.
Issues in the Enabling Environment: Systemic Barriers to Indonesia’s Knowledge Sector

40. Many of the challenges that research organisations, policy makers and intermediaries face stem from systemic barriers in the knowledge sector’s authorizing and enabling environment. Preparation studies indicate that these systemic barriers can be found in: the rigid and restrictive procurement regulations, the civil service structure and administrative procedures, and the roles and functions played by the National Institute of Sciences (LIPI).

41. These systemic barriers are the most difficult to address and will take considerable time to change. But if these barriers are not lifted and the operating ground rules for knowledge development are not changed, then any effort to revitalise Indonesia’s knowledge sector is unlikely to be sustainable. Recognizing the long-term nature of the reform agenda needed for the oversight environment, the Knowledge Sector Reform program concentrates in this first phase on diagnosing the constraints and building a constituency for reform.

Rigid and Restrictive Procurement Regulations

42. The main legislation which relates to knowledge procurement is the Procurement Law, Keppres no. 54/2010. It was initially passed with the main intention of safeguarding against corruption in GOI procurement. This Procurement Law has been amended eight times since 2003, yet many users still consider procurement processes and regulations to be complex, inconsistent and confusing. The Law is open to multiple interpretations and there is widespread perception that the Procurement Law prohibits GOI from directly purchasing research from not for profit institutions, which excludes most research organisations.

Civil Service Structure and Administrative Procedures

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

- The distinction between functional staff in research roles and structural staff in managerial positions. This distinction creates disconnect between the two types of staff, as demonstrated in the (weak) relationship between the Balitbang and other units. In other cases, this distinction does not reflect the reality of the work process when functional staff work under structural staff who task them with non-technical assignments.

Source: Sherlock, S., “Knowledge for policy: Regulatory obstacles to the growth of a knowledge market in Indonesia,” AusAID Knowledge Sector Diagnostic, 2010.
Rigid recruitment procedures – the civil service only allows staff to enter at a base level with minimum working experience. It does not allow the recruitment of people from outside the civil service at the middle and senior level. Once a person enters the civil service, it is very hard to exit, let alone re-enter. This limits the option of recruiting high calibre individuals with extensive experience outside the civil service who can provide knowledge-to-policy expertise. These individuals can only be hired as contractors with no decision making authority. Further, the hiring of short-term experts tends to be cumbersome, politicised, and not based on merit.

Box 1.8. Scholarships and the Knowledge Sector

The Australia-Indonesia Partnership program is making a large investment in providing scholarships, with approximately 1,400 scholarships having been provided for post-graduate study in Australia over the past seven years. Success rates from the program are high, and 95% of the returned alumni say that the skills they gained are directly relevant to their job. Nevertheless, a review prepared by AusAID’s scholarship team pointed out that while alumni are keen to improve their organizations, without a supportive environment, alumni skills can be wasted. Problems pointed out by the review for graduates returning to the public sector included the fact that alumni return to positions at the same level that they occupied before they left for graduate study; promotion and salary increases are guided by inflexible rules and regulations, and organizational cultures do not provide adequate incentives or opportunities for scholarship alumni. As a result, only six percent of Australian alumni occupy policy-level positions.

By creating a more rewarding, responsive environment for returning graduates, knowledge sector reform will provide an important complement to the investments being made in advance training for civil servants.


GOI Funding for Research

44. There is a lack of clarity on how much GOI actually invests in research, particularly in those relevant for development policies. GOI distributes its research funds through several channels, e.g. Menristek, LIPI, the National Research Council, line ministries (Balitbang and policy units\(^\text{13}\)), sub-national agencies, government research institutes, and state universities. These funds are channelled not only for research activities, but also for overhead and other costs. This makes it difficult to determine the level of investment in actual research activities. However, there is indication that Indonesia’s investment in research is very low compared to other countries. For example, using common indicators, UNESCO found that GOI’s expenditure in research is the lowest compared to other similar economies, with very little contribution from the business sector (see Diagram 1.5).

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

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\(^{13}\) Some directorates within line ministries allocate funding to procure research from their budget. Yet barriers posed by the procurement regulations may not allow them to procure knowledge effectively.
GOI National Research System: Weak Intermediaries

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

47. For example the Ministry of Research and Technology (MenRistek) and the National Research Council (DRN) play a significant role in the national research arena. However, both these entities are heavily geared towards science and technology. This is reflected in Ristek’s grants budget, where only a relatively small percentage could be considered related to development policy. Similarly, the DRN publishes the National Research Agenda (Agenda Riset Nasional or ARN), which is supposed to align with the government Medium Term Development Plans. However, recently, the Minister for Ristek took away its responsibility of implementing the ARN, which means that the DRN has no authority to ensure compliance with the ARN.\(^\text{14}\)

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

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\(^{14}\) M. Oey-Gardiner, “The role of the Indonesian Institute of Science (LIPI) in bridging between research and development policy”, AusAID Knowledge Sector Diagnostic, 2011.
significant assets, and authority to determine advancement procedures for government researchers.

**Box 1.9. The systematic under-funding of government researchers**

LIPI researchers are civil servants and thus remunerated at civil servants’ levels. Without adjustment, the lowest basic salary for new recruits (rank IIIa with 0 (zero) years experience) is IDR1.7 million, or about AUD200 per month, and for the highest ranked researchers with 32 years of service (about to retire) only IDR3.6 million, or about AUD400 per month. In addition, researchers are eligible to receive supplements to complement their functional positions as follows: First Class Researchers is IDR325,000 (about AUD36) per month rising to IDR1.4 million (AUD155) for Principal Researchers or Research Professors. Structural position holders are also given additional supplements, potentially doubling these meager salaries. Although exact calculations are impossible, in practice a typical center head is likely to make between IDR6-7 million a month or at the most still less than AUD800 per month.

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

**V. LESSONS LEARNED – EFFORTS TO IMPROVE POLICY KNOWLEDGE**

49. Donor support in this sector has traditionally been led by foundations, such as Ford, Rockefeller, and the Asia Foundation, or by a number of specialised engagements through the international aid agencies. Most of this support concentrated on the supply side. While these past efforts have seen the growth of several centres of research in universities or non-government research organisations, it was difficult to sustain progress because of constraints in the enabling environment and low demand from users. More recently, because of changes to their own funding bases, these international organisations have moved away from providing long-term core support for policy institutes. Nevertheless, drawing on their institutional experiences will be key to the success of the current effort.

50. AusAID itself in the past has invested some efforts to improve policy research. AusAID support to the knowledge sector is underpinned by Australia-Indonesia university-based research activities, the SMERU Research Institute, the Australia Indonesia Governance Research Partnership (AIGRP); and the Aceh Research Training Institute (ARTI). Equally important are AusAID scholarship and Fellowship programs and the Support Office for Eastern Indonesia, which develops networks of local researchers. Yet without changes to the macro-picture, Indonesia’s knowledge sector will not be able to develop or create the number of institutions with the kind of autonomy and stability that a large middle income developing country needs.
What are the main lessons that have been learned over the past decade of support to knowledge sector development in Indonesia? In a general sense, five lessons abstracted from donor and recipient reports guide the formulation of AusAID’s knowledge sector program. These are the need for:

(i) providing long-term commitments that can build up core capacities by providing predictable resources;
(ii) tackling the financial infrastructure of knowledge institutions and individuals;
(iii) introducing basic business management models for quality assurance, human resource management, and financial planning;
(iv) narrowing the gap between the producers and consumers of knowledge products; and
(v) building demand for high quality knowledge products from Indonesian organizations, not just increasing the supply.

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

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

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

Chapter Two: Design of The Knowledge Sector Program

I. OVERVIEW

1. The **overall goal** of this Program is that Indonesia has the capacity to develop effective and socially accountable policies that meet priority development needs. The **operational design** of the knowledge sector program is built from the knowledge-to-policy cycle described in the previous chapter. Each of the four pillars that make up a healthy knowledge sector translates into a program of analysis, engagement, and investments. Supporting this goal, AusAID’s Knowledge Sector Support Program’s **purpose** is that Indonesia’s knowledge sector produces evidence to inform priority social development policies.  

2. A high-level GOI-AusAID Steering Committee supported by a Technical Secretariat will provide overall policy guidance and periodically review progress across the four components. Program monitoring tracks whether inputs are being provided properly, while a range of process and outcome evaluations provide feedback on how effective inputs have been and how to modify the program as it moves through an evolving socio-political environment.

3. Revitalising the Indonesian knowledge sector is an enormous effort, one that is well beyond the scope of any one agency or development partner. AusAID’s objective in supporting this program is to catalyse the reform effort by providing partners with a framework and some resources to drive a reform process. It does not do everything. Designing the program interventions required striking a balance between the need for a comprehensive approach to knowledge sector reform with some realism about what can be achieved with limited capacities, resources, and timeframes. Nevertheless, the analysis of the previous chapter suggests that Indonesia is ripe for launching this change.

II. DESIGN PRINCIPLES

4. Four linked operational principles have been fundamental to the design of this program. The first is recognition of the long time period that will be needed for the reform program to take root and produce results. Because of this long-term perspective, issues of how to sequence the program rise in importance, but the design must also provide the “space” needed for reforms to take root and spread. The second principle is that rather than cover all forms of knowledge production in Indonesia, the Program will concentrate on the production and use of socio-economic development policies. Other donors and GOI agencies will be addressing related knowledge topics such as science and technology and industrial research.

5. The third principle is that the knowledge sector group will work in close partnership with a limited number of sectors that are of particular interest to GOI and to AusAID. These are Poverty, Decentralisation, Health, Education, and Economic Governance. Limiting the knowledge sector’s operational program to sectors that have shown commitment and where AusAID already has

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15 Policies refer to the general decisions made by government and can encompass laws, regulations, decrees, instructions released by government agencies from the Presidential down to the village level.
significant involvement not only makes the overall task more manageable, but it also makes for functionally driven partnerships within the organization. The Program’s first purpose is to identify and remove constraints on knowledge production, not to specify what type of knowledge gets produced or how it gets used, which remain the domain of the responsible sectors. Finally, recognizing that knowledge sector reform must be driven by Indonesian stakeholders, the Program highlights support for multi-stakeholder involvement and promotes mechanisms that encourage dialogue and exchange through a diverse range of media and fora.

6. Given these starting design principles, a number of practical applications follow:

- **The program’s operational starting point is a whole-of-system approach** – The proposed design is built around four project components. While the Supply Component will build up the “factories” that produce and distribute high quality knowledge, the Demand Component will support select government and non-governmental agencies to procure and use evidence for policy making. The third component, on Intermediaries, will strengthen the interaction between these agencies and research organisations. Last, the Enabling Environment Component will advocate for relevant policy reforms.

- **The operational time frame for this program is approximately 18 years**, broken down into three phases that allow sufficient time to achieve results but still provide breakpoints that allow AusAID and GOI to step back and make major readjustments as needed. Long time frames provide participating institutions with predictability and allow for the careful sequencing of actions.

- **The Program will work at both the national and sub-national levels**, but in sequence. It will begin by building upon existing capacities at the national level. It will then aim to incrementally work with select sub-national areas and scale them up over time, as capacities improve and funding sources diversify. Selection of sub-national areas will consider the degree of interest among policy makers and research organisations to be part of a functioning knowledge-to-policy cycle, and the likelihood of demonstrating success. It will take into account what can realistically be achieved in those areas within the resources and time available under the Program.

- **The Program will build upon existing programs under the Australia Indonesia Partnership.** Other AusAID sectoral programs already have activities which are focused on improving policy recommendations and achieving key sectoral reforms. These programs have built close relationships with GOI counterparts, developed an understanding of the issues particular to the Ministry in question and begun working on building demand for good policy processes. The knowledge sector program can complement those programs by a) sharing technical resources to improve the performance of policy makers and their corresponding research organisations, and b) supporting advocacy to remove the systemic barriers in the knowledge-to-policy cycle.

- **The governance of the knowledge sector partnership needs to be strategic.** A high level of government engagement is critical since a first goal of the program is to help GOI articulate a long-term vision for its knowledge sector needs and how it plans to supply them. At the same time, much of the program’s operational activities consist of undoing New Order legacies and encouraging independent, critical thinking and debate. The experience gained during preparation provides useful guidance. The Program’s governance will focus on strategic objectives, work plans, and diagnostics, and not engage in detailed review of individual proposals.
• **The program needs to be pragmatic and flexible** – The regulatory and organizational constraints facing Indonesia’s knowledge sector are formidable; furthermore, by now several anti-reform constituencies are well-embedded within the bureaucracy. At the same time, as awareness and support for the knowledge sector reform agenda grows, the program must have the capacity to respond quickly to new opportunities. The program will need mechanisms that allow it to adjust as doors close and open.

• **The program will adopt from the beginning a core policy of transparency**, which will include a philosophy of support for the free and open exchange of information. This policy will build on GOI’s Right to Information Act and Australian Government Freedom of Information (FOI) policies on information disclosure.

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

8. **Defining time frames and expectations** – Diagram 2.1 provides a schematic view of how the overall program unfolds over its 18 year timeframe. Within the first five years, the Program will help place the initial blocks to build up the supply of high quality research, to provide an alternative model for policy-making that requires policy makers to demand and use evidence, and to start mobilising constituents to advocate for policy and institutional reform. In the second five years, the Program will start making decisions about areas of investment to improve the enabling environment, with a particular focus on a national program for knowledge needs promotion and on-budget funding support for knowledge institutions. The third five-year phase consolidates the program, with special emphasis given to nurturing and developing international partnerships for supporting the national strategy.

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

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

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

### III. SUMMARY OF PROJECT COMPONENTS

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

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

**A. Component 1: Supply**

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

**B. Component 2: Demand**

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

**C. Component 3: Intermediation**

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

**D. Component 4: Enabling Environment**

*Component 4 Outcome:* Important systemic and regulatory barriers to an effective knowledge sector are identified and mitigated
IV. PROGRAM COMPONENTS DESCRIBED

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

4.1. COMPONENT 1: SUPPLY

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

13. Contributing outcomes under the Supply Component are:

- Selected research organisations develop and sustain quality research programs;
- Selected research organisations design, conduct and communicate research findings effectively to policy makers and users;
- Effective ways of integrating indigenous knowledge into social development policy are identified.

Activities under Component 1 (Supply)

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

- Capacity building and core funding for selected research organisations – The Program will provide capacity building and core funding for 10-12 research organisations, initially. It will then incrementally increase the number of research organisations to reach 16 organisations. Participating research organizations will be able to develop and sustain quality research programs, and communicate their research findings effectively to policy makers and other users. This program will also fold in AusAID’s ongoing support to the SMERU research group;
- Small grants for developing indigenous knowledge to inform the policy process – A total fund of around $1 million per year will be made available by the second year of the Program to support innovative projects exploring effective approaches in generating and communicating indigenous knowledge to influence policy;

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Box 2.1. Should the KS Program Support Women’s Study Centres (WSCs)?

An outstanding question to decide by appraisal is whether the Knowledge Sector Program should provide sustaining support to the Women’s Research Centres. For the most part the knowledge sector program will be addressing gender concerns through its mainstream program work, in cooperation with the Women’s Leadership Program now being prepared for AusAID financing. On the “pro” side, these women’s study centres are the only institutional sources of research on Indonesian women. All but a few of these centres have been abandoned by donors and, not surprisingly, are at the very margins of university or government funding. A possible compromise might be to include some short-term dedicated technical assistance to help the best of the remaining WSCs compete in the Component 1 selection process.

Description of Activity A: Building Capacity for Select Research Organizations

15. This activity is based on the lessons learned from preparation’s Action Learning Program (see Annex 2), The Asia Foundation assisted pilot that worked over 18 months to prepare quality improvement business plans. Eligible research organisations can be university-based, independent think tanks, or civil society organisations that produce primary research.
Selection of Research Organisations

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

- Extension for organisations under preparation’s Action Learning Program – these 8 pilot organisations will be given an extension for six months (considered as transition period) until mid 2012. This transition is needed to build their absorptive capacity and assess their suitability for the long-term program. Their selection into the Program will be based on the progress they have made by the end of the extension;

- Selection of 4-6 new research organisations at the national and sub-national level, using selection criteria refined from the Learning Program. Research organisations at the sub-national level will compete with their peers from the same region;

- Selection of 2-4 specialized research organisations with capacity or expertise relevant to the policy issues supported under the Demand component – this selection will use the issues-based approach (as at Annex 5);

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

Capacity Building

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

- Technical (research) capacity – broadly included under this are research methodologies, systematic reviews, peer review mechanisms, mentoring, access to international literature.

- Organisational capacity – broadly included under this are human resource management, organisational planning, strategic leadership, project management, financial management, administrative processes.

- Advocacy capacity (networking with users and other organisations) – broadly included under this are network strengthening, communication skills, writing policy briefs or editorial pieces, and policy dialogue. This will strengthen the organisation’s intermediary function.

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

- Establish a methodology for organisational assessment, assessing the key factor or aspects of organisational performance that need to be addressed;

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

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

18 Part of human resource management is attracting and maintaining a skilled workforce, which is a common problem among research organisations.

19 For example, the International Development Research Centre (IDRC) has developed a methodology to assess research organisations. This methodology was adapted and used in the Learning Program.
• Conduct an organisational assessment of selected organisations, including an assessment of the technical capacity of research staff and a network mapping exercise;

• Develop a capacity building plan for each organisation – this plan will reflect an institutional change approach rather than a resource intensive, large training exercise;

• Implement specific activities, with strong monitoring and evaluation against the plan.

![Diagram 2.2. Example of supply side improvement plan](image-url)

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

20. The specific activities will be tailored according to the organisation’s business development plan. The plan will be largely self-determined – based on facilitated organisational assessments – with approval from AusAID and the Knowledge Sector Consultative Group. However each organisation must have a fully defined program of interventions that will, taken together, result in demonstrable performance improvements rather than employing a gap filling or menu approach to capacity building.
Box 2.2. Knowledge Sector Cooperation with Australian Award Scholarships

The Australian Award is a long standing scholarships program which builds individual capacity and in turn benefits the organisation. The knowledge sector program will work with AusAID’s scholarship program to build the capacity of partners under the Supply or Demand components. Capacity building will be based on the organisation’s business development plan. Where applicable, scholarships as part of organisational capacity building will be granted through the Australian Award. This will include short courses, graduate studies, or fellowships. Where scholarship is identified as a need, the organisation’s plan will include how the scholarship returnees will contribute to their organisational development.

This cooperation can bring several benefits:
- a more attractive environment for scholarship returnees and more certainty of returnees staying in their respective organisation after their studies,
- more opportunities to strengthen cooperation between Supply and Demand actors through joint short courses, and
- the scholarships program has opportunities to assess the impact of individual capacity building to the organisation as a whole.

Core Funding

21. A main problem for research organisations is the scarcity of core funding. This limits the organisation opportunities to develop an independent research agenda and to retain and develop top quality research staff. To build strong research organisations, it is important for the Program to provide core funding, while developing the capacity of the organisations to diversify their sources of income.

22. The Program will provide core funding to selected research organisations under the Supply component. The funding level will ensure that these organisations continue to pursue projects which will maintain their networks with users and can diversify their sources of funding. The funding level should be enough to allow these organisations to be selective and cultivate their research niche in the market, yet also allow them to decline projects which do not suit their mandate. The Program will develop a formula to determine the amount of core funding for each organisation, based on lessons from the Learning Program and reflective of each organisation’s absorptive capacity.

23. The Program will also build the capacity of organisations to diversify their sources of income. Conventional methods to do this include building capacity in proposal writing and applying for international grants, or forging linkages with private philanthropies. Apart from implementing conventional methods where relevant, the Program will also explore innovative ways for organisations to diversify their funding.

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

Network Building

25. Apart from building the individual capacity of select organisations, the Program will also forge a network among these research organisations. This network will allow for knowledge sharing and for building collective efforts to initiate or advocate for reform. Some areas of activity already identified by the group during preparation include: developing a peer review system among participating organisations, create an ethics standard, and build in-country trainers and mentors. Where feasible and relevant, the network will expand to include policy makers and CSOs (who intermediate between the policy makers and the research organisations).
Description of Activity B: Small grants for innovative projects on indigenous knowledge

26. Indigenous Knowledge (IK) refers to knowledge generated by local communities to inform decisions at the local level. IK can be a powerful knowledge base that informs effective practices in the local context. However, throughout much of the New Order period, traditional forms of knowledge were marginalized, despite the fact that both the issues and the vocabulary of indigenous knowledge were where policy discourse was taking place. The objective of this activity is to restore the organic link between practical discourse and social policy, both by providing resources but also by providing forums and legitimacy to non-traditional but very rich sources of social knowledge.

Small grants

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

Box 2.3. Supporting Indigenous Knowledge through the Knowledge Sector

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

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

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

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

Technical assistance

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

4.2. COMPONENT 2: DEMAND

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

29. Contributing outcomes under the Demand Component are:
   - Selected government policy makers increased demand for high quality evidence
   - Selected government policy makers procure high quality evidence
   - Selected government policy makers utilise evidence in the policy process

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

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

Selection of government agencies

31. Selection under the Demand component will use the issues-based approach (see Annex 4). Bappenas and AusAID will determine priority issues where the knowledge-to-policy cycle can be effectively modelled. Then, the Program will do a mapping of stakeholders in those priority issues. Based on this mapping, the Program will choose government agencies that:
   - play a strong role within the priority issue; and
   - demonstrate strong interest in using evidence for policy making.

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

Approach

33. In the first years of the Program, building on other AusAID sectoral program, the priority issues will be poverty alleviation, decentralisation, health, education, and economic governance. The Program will thus work with other AusAID program in those sectors, i.e. the Poverty Reduction Support Facility (TNP2K), the Decentralisation partnership (AIPD), the Health Systems Strengthening Program (HSSP), the Litbang in Diknas, and the Fiscal Policy Office of MOF. These organizations will define their knowledge needs, map potential sources of supply, and work with the program to improve the efficiency and quality of their interactions with knowledge providers. While funds may go to the apex organizations themselves, in general they are already well-funded but are often not themselves sable to access appropriate knowledge resources.

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

**Technical activities**

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

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

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

37. These activities are not intended to provide whole-of-organisations capacity building, but will use the issues-based approach to ensure the relevance and targeting of interventions within the agencies.

**Funding for government departments to procure research**

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

**Management review**

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

4.3. **COMPONENT 3: INTERMEDIARIES**

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

40. Contributing Outcomes under the Intermediary Component are:

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

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

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

**Selection of civil society organisations (CSOs)**
42. After the Program selects the initial batch of partner organisations under Components 1 and 2, it will then select several CSOs to be given support on utilising evidence for advocacy. It will initially select 5-7 CSOs and incrementally add to that number to support 15-20 high performing CSOs. The CSOs will be selected based on:
   - the extent of their existing networks with policy makers and research organisations;
   - the strength of their advocacy work and their organisational capacity;
   - their relevance to the priority issues (poverty, decentralization, health, education, economic governance).

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

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

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

45. The Bappenas Policy Analysis Unit (PAU) is a potential driver for the modelling of the knowledge-to-policy cycle. Formed during project preparation, the PAU reports to the Minister and the Vice Minister. Its role is to help Bappenas develop and communicate a resourced research agenda, procure and supervise research activities, assess the quality of research product and translate research products into a format suitable for decision-makers. It will also conduct systematic reviews of the literature to inform policy processes and content. In short, the PAU is potentially the test case for a within-government knowledge intermediary.

46. The Minister for Development Planning has requested assistance from AusAID for the PAU, which AusAID has responded to on an interim basis by funding for the staffing and equipping of the PAU. In addition to this core support, AusAID will provide further support for PAU to model the
knowledge-to-policy cycle, based on the PAU’s work plan. The work plan will include the PAU’s research agenda, resource needs, and organisational management.

**Description of Activity C: Support for Journals**

47. Preparation diagnostics identified lack of access to well-edited journals and other shared media where policy makers and researchers can exchange information. This activity will support improvements to the quality and usage of policy journals, based on specific requests by qualified organisations. This activity will serve as a model for quality journal development. It will support best practices in conducting peer review, upholding ethics, and improving quality.

48. Options can include editorial assistance, bilingual translation, subscriptions, internships, and, in rare cases, assistance for start-ups. This activity can also support the linkages between the home organisation who manages the content with publishers who can print and distribute the journals widely. It will also look into the possibility of developing high quality web-based journals which can reach a broader audience.

**4.4. COMPONENT 4: ENABLING ENVIRONMENT**

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

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

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

50. Based on the diagnostics and consultations during the design phase, these are potential areas for support under the Enabling Environment:

- Exploring ways for GOI to channel competitive research grants to non-government research organisations, particularly those focusing in socio-economic science and humanities;
- Clarification of Procurement Law, which currently prohibits GOI from procuring research from not for profit organisations;
- Exploring ways to mitigate the 10% value-added tax which applies to research projects;
- Mitigating barriers to research in the tertiary education sector (in cooperation with AusAID’s upcoming tertiary education program);
- Exploring the possibility of a national research foundation focused on socio-economic science and humanities; and
- Identifying entry points for reform of the legal and regulatory framework for the civil service (human resources), targeted on a limited number of changes that would allow for a better alignment of researcher and policy user incentives.

**Approach**

51. The specifics of what the Program will finance under this component will be decided on a rolling basis – depending on the availability of opportunities, the strength of constituents and the political climate. Efforts in addressing the issues above will progress at different speeds.
52. The Program will take an opportunistic approach in supporting efforts for reform. The issues listed above are initial findings from preparation diagnostics. Changing the Enabling Environment is highly political since it involves sensitive policy reform and system changes. Opportunities may arise from interest shown by newly appointed high level government officials or from changes derived by political pressures. The Program should seize such opportunities as they arise. Correspondingly, the Program will develop a robust M&E framework which can identify whether traction and progress are being made in addressing the right barriers.

53. The Program will continue to explore the lay of the sector to more accurately identify opportunities and barriers. The Program will mobilise constituents throughout all its components to advocate for reform where feasible. Building constituents is imperative to push for changes in the system. Also, the Program will identify where there is a paucity of knowledge and commission analytical diagnostics accordingly. This includes critical areas where there are mixed understandings (for example, GOI funding flows for research) where high level clarifications can resolve bottlenecks without requiring any further reforms.

**Policy Assistance**

54. Due to the complexity and nature of the issues involved, assistance under the Enabling Environment will require a high degree of GOI ownership and a long-term time horizon. Some changes might only happen after the life time of the Program.

55. The Program will establish several issues-based taskforces – as the need arises. For the life of the Program, these taskforces will be engaged on retainer to explore the reforms full time in close consultation with GOI. These taskforces will be made up of national and international experts with expertise in the technical areas of reform as well as expertise in policy assistance. These taskforces may draft the clarifications of laws required, develop a road map for each of the policy reforms and be responsible for taking these reforms forward with relevant GOI entities.

56. These taskforces will be required to support relevant champions to develop a long term policy assistance strategy. Policy assistance can be provided at different stages in the policy process: policy agenda, policy formulation, or policy implementation. For some policies, getting reforms on the policy agenda would be considered adequate progress. The focus of work at the early stages would be getting access to leadership, increasing awareness of emerging policy issues, enhancing networks to stimulate debate and introducing new ideas into the policy debate. Where there is stronger recognition for the need for reform, assistance would be directed at the policy formulation stage. Here assistance would focus on proposing specific policy options based on experiences studied under this Program, increasing awareness of successful policy options, and preparing policy content with relevant partners. At the policy implementation stage, work could involve addressing the budget required to implement an existing policy, developing supportive regulations to existing laws, or creating demand to ensure organisational structures and procedures align with existing policies and regulations.

57. Policy assistance under the Enabling Environment component will use lessons learned from the Demand and Supply components. It will also mobilise the constituents engaged in the other components to push for policy reforms. The taskforce will be supported by the Knowledge Sector Consultative Groups and the AusAID knowledge sector team, which will have a corresponding representation strategy. The taskforce together with the AusAID knowledge sector team will a) have a broad engagement approach (build constituents as needed), b) put forward opportunistic

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20 See Governance Arrangement section, p.37 (for KS consultative groups) and p. 63 (for AusAID KS team).
dialogs, c) generate relevant discussion papers, d) establish a forum to advocate for reform, e) systematically use evidence to advocate for reform, and e) trial approaches for advocacy.

**Public Expenditure Review**

58. Starting in the first year, the Program will carry out a Public Expenditure Review, which will investigate where GOI research funding is channelled and how much is actually allocated for policy research.\(^{21}\) It will also investigate the barriers in GOI budget for research, for example the low billing rates and reimbursable budget for researchers. This study is expected to take more than 12 months because of the complexities of GOI funding flows. It will suggest what a fixed system would look like. This study will be used to advocate for specific changes to improve the effectiveness of GOI investment in policy research.

**Donor Advocacy**

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

**Decision on Future Support to LIPI**

60. LIPI ("Lembaga Ilmu Pengetahuan Indonesia") is the Indonesian Institute of Science. Dating back to 1817, it has the authority to accredit researchers, promote research, and advise the national government on the country’s knowledge needs. It can therefore potentially play a strong role in changing the enabling environment. Unfortunately, LIPI today faces a large number of legacy and structural challenges that cloud its future suitability as a driver for this dimension of the knowledge sector agenda. Despite perceived challenges,\(^{22}\) it is important to engage with LIPI, particularly in the initial phase of the Program.

61. Initial engagement with LIPI could possibly include a management review to assess constraints within LIPI and identify relevant assistance. The Program can also provide competitive funding for LIPI staff to carry out policy relevant research. This funding will allow LIPI researchers to decline consultancy projects and instead carry out research which will be relevant to their own portfolio and GOI needs. A periodic review of the Program’s support to LIPI will be used to determine the level of assistance in the following year.

62. This initial engagement will ensure the inclusion of LIPI as an important constituent in the knowledge sector while assessing its amenability to change. Specifics of this engagement will be jointly determined by LIPI, GOI, and AusAID. Based on engagement in the first phase, the Program will make decisions on further investments in LIPI during the second phase.

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<th>Table 2.1. Summary of Knowledge Sector Project Interventions</th>
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<td><strong>Component</strong></td>
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<td>1. Improving Supply</td>
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\(^{21}\) See Analysis section.  
\(^{22}\) See Analysis Section, Chapter 1.
| 2. Increasing Demand in 5 main sectors | Management reviews of selected government agencies |
|                                        | Technical activities to strengthen research utilisation for policy purposes |
|                                        | Funding to procure research |
| 3. Intermediaries                      | Support to Policy and Analysis Unit (PAU) |
|                                        | Strengthening of civil society advocacy networks |
|                                        | Improving journals and other media |
| 4. Enabling environment                | Working groups on policy specific issues |
|                                        | Public Expenditure Review |
|                                        | Technical assistance to prepare roadmaps |
|                                        | Civil service working group |
|                                        | Donor dialogue |
|                                        | Management review of LIPI and provision of technical assistance |

**V. GOVERNANCE ARRANGEMENTS**

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

**The Program Steering Committee**

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

- Bappenas;
- Central policy making agencies such as the Ministry of Finance;
- Other agencies responsible for policy relevant to the knowledge sector;
- Two to three senior, well regarded representatives of the supply side. Any organisation with whom the representative is associated shall not be eligible for support through the Program; and
- AusAID.

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

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

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

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

**The Program Technical Secretariat**

69. The Program Technical Secretariat will comprise Bappenas and AusAID. The Secretariat will be chaired by the Bappenas Director coordinating the inter-deputy team, and co-chaired by the AusAID Counsellor for Education and Scholarships.

70. The intent is to keep the governance arrangements as simple as possible to ensure clear accountability, and simple decision-making processes.

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

71. The Secretariat will meet quarterly. The Contractor will attend meetings of the Secretariat in a support capacity.

**Consultations**

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

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

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

75. Similarly, the Program will establish issues-based working groups to match the demand side program. These consultative sessions are designed to strengthen the program and to ensure there is a public accountability mechanism to allow various stakeholders to liaise directly with the Program Technical Secretariat and the technical specialists working with government and civil society to bring about reforms in the enabling environment. The issues based working groups will be made up of temporary members and formed on the basis of perceived need. These will be representatives of AusAID’s sectoral teams, GOI agencies, technical specialists, civil society and other stakeholders who are active under the Program’s issue-based approach under the demand component.

VI. RISKS AND RISK MANAGEMENT STRATEGY

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

- **Lack of sustainability and capacity of supply side institutions**: While AusAID has a long track record of working with supply side organisations, these have been short term, project-based contracts with specific outputs. This program seeks to provide longer term engagement with supply side organisations, with more flexibility for these organisations to develop their capacity to conduct research tailored to policy makers needs. These organisations lack financial support from the private sector. To absorb increased funds and attract future funding from GOI and the private sector, the program will require a change in the mindset of these organisations and the internal systems to support this;

- **Lack of GOI policy maker support for reform agenda**: The GOI may not opt for a full-fledged reform agenda, which would necessarily include developing sustainable financing for knowledge sector work from its budget. At present Indonesia benefits from high levels of grant support for world-class policy advisers channelled through multilateral development agencies. The key indicator over the long term will be commitment to allocating a proportion of the national budget to developing the knowledge sector. Similarly, a risk for the Program is that there will be no entry points to influence policy beyond the key ministries engaging in the reforms under this program (Bappenas, MOF etc);

- **Research agenda captured by adversarial elites**: In the post-Suharto era, there has been a reconfiguration of power by New Order elites, which means that often those adversarial to research to policy links from the New Order may still occupy positions of power within the bureaucracy. Program governance remains a significant risk that will be difficult to mitigate. The problem lies in striking a balance between high-level GOI ownership and the risk of capture by the same incumbents who currently constrain knowledge sector reform. Addressing this risk over the long term will require sufficiently high level engagement to identify a sustainable long-term location (possibly the Ministry of Education, Bappenas, or even the Vice Presidential Office), and a dynamic, high level anchor within government. A change of government that does not support the Program’s reform agenda at the 2014 Presidential and General Elections may also inhibit the longer term success of the program;
No institutional home for the program: As the program has yet to identify a clear home for the program, this could lead to problems of coordination in GOI and with donors;

Overall quality of tertiary education lacking: The root problem of the knowledge sector may lie in the overall quality of tertiary education. That is, the supply of highly qualified researchers and policy analysts may be limited and already fully taken up by government, private sector, and international organizations. This risk is considered to be high, but variable given the ongoing changes in the quality of higher level education;

Program perceived to infringe upon national sovereignty: As the Program will work at high level policy reforms, claims might arise that Australia is meddling in Indonesia’s affairs;

The long term aims are overlooked by short term gains: A challenge for the Program will be to maintain a longer term focus on institutional strengthening and regulatory reform versus ever changing short term policy needs. Including a component that will finance pilot programs generates a risk that short-term interest in receiving funds for the pilot swamps the bigger and more challenging objective. This risk will be monitored carefully;

GOI Research financing systems do not support knowledge to policy links: longer term sustainability of the Program will depend on GOI financial support. There is some uncertainty around the ability of GOI research funding systems to promote the knowledge sector. In the initial first phase of the program (five years), AusAID will assess to assess the fiduciary risk of working through GOI research financing systems;

Lack of Australian Support for the Program: Australian universities lose interest as the focus of AusAID grant resources moves to Indonesian institutions. This risk will be addressed by close engagement with individual “Indonesianists” within the university system as well as dialogue with whole of government counterparts to find alternative sources of income for Australian universities’ Indonesia programs.

While the overall level of risk for this program is measured to be Medium to High, there are a number of ways the Program will manage these risks. The Risk Management process for the Program has four stages: 1) Identify Risks; 2) Assess Risks; 3) Identify Risk Treatment; and 4) Review Risk Profile. The Risk Management Strategy (see Annex 5) analyses these major risk to Program success and will be used to treat these risks.

VII. CROSS-CUTTING POLICY ISSUES

Implementation of the Knowledge Sector Program will be informed by a number of overarching GoA policies that will ensure the Program’s effectiveness. The overarching policies that guide the program’s implementation include:

- Sustainability
- Capacity development
- Working in Partner Systems
- Gender
- Environment and Disaster Risk Reduction
- Anticorruption
- Disability
Sustainability
79. The ability of the Program to sustain its results beyond the period of funding is central to its success. There are at least five strategies built into the Program design that will help to ensure the sustainability of results.

80. Fundamentally, the design of the Program is built around the objective of sustainability through its system-wide approach. Failure to address critical shortcomings in any one area (supply, demand, or the enabling environment) will mean that positive achievements in the other areas will not be sustainable.

81. These arguments have been discussed at length elsewhere, and will not be repeated here. However, there are some other specific operational strategies that will also enhance the likelihood of sustainability.

82. First is the focus on capacity development. Capacity is a driver of sustainability, and capacity development will be a key theme in the support that is provided to all organisations. Likely approaches to capacity development are discussed under the following heading.

83. Second, on the supply side there is the strategy for providing core funding to selected supply side organisations. If the funds are managed effectively, providing core funding can work against sustainability. However, the Program’s strategy involves providing an appropriate level of core funding that will enable recipients to focus on long term strategic positioning and capacity development issues, without short term concerns about funding. At the same time, funding will not be significant enough for recipients to withdraw from the market altogether.

84. Funding will be progressively reduced over the funding period so that, as research organisations move into a position to implement new strategies effectively, they are required to operate more independently. This will provide an incentive to make the best use of the funding and other support while it is available.

85. Third is the focus on facilitating interaction and building linkages amongst stakeholders. This focuses on the relationships between the key players in the knowledge to policy cycle – including research organisations, CSOs (in their role as policy advocates), other intermediaries, and policy making bodies.

86. Improved relationships between these bodies will provide the basis for a better understanding among policy makers of the potential support that research organisations can provide; and a better understanding among research organisations’ of policy makers needs an expectations (and of the policy process more broadly). This will provide a better understanding of mutual benefits, and thus a greater incentive to engage in an effective knowledge to policy cycle. Incentives such as these are crucial to sustainability.

87. Fourth is the strategy of building ownership of and buy-in to the principles of reform. If policy makers, in particular, see the benefits of an effective knowledge sector, this provides the basis for continued pressure for reform, for addressing constraints in the enabling environment, and for insisting on a rigorous, evidence-informed policy process.

88. The nature of the policy process itself is a critical determinant of the long term role of the knowledge sector. The Program cannot expect to ‘change’ the policy process as a whole. However, it does expect to demonstrate how knowledge can inform better policy. Thus the
Program will need to focus clearly on the task of *advocacy* to demonstrate success and build appetite for reform.

**Capacity Development**

89. As noted above, capacity development is a central strategy of the Program. Capacity development activities will be undertaken in both government agencies (in Components 1 and to an extent Component 3), and CSOs and research organisations (in Component 2). The Program will take into account the following points in developing a capacity development strategy.

90. As described in the Program Description, all capacity development activity must be informed by a thorough institutional analysis, with subsequent capacity development plans tailored to the organisation’s needs. The analysis should look broadly at all the factors that influence organisational performance – not only capacity. It is important to understand all of these factors before implementing any capacity development activities, to ensure that support is relevant and feasible. (In other words, not all *performance* problems have *capacity development* solutions.)

91. Where capacity development is provided to government agencies, it will not be feasible (or appropriate) to conduct an institutional analysis of the entire organisation. However, there should still be enough analysis undertaken to properly understand the functions and capacity of the relevant unit within their institutional context.

92. A clear definition of ‘capacity’ is required for each institution, focusing not only on skills, but on procedures, policies and structures as well. Capacity development strategies should then be as broad as they need to be to ensure success. They should take a long term view, recognising that in most cases, significantly improving any organisation’s performance (sustainably) requires a long term effort. Full advantage should be taken of the Program’s ten year timeframe.

93. The capacity development strategy should also include a framework for assessing capacity and performance improvements, linked to the M&E Plan.

**Working in Partner Systems**

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

**Gender**

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

**Environment and Disaster Risk Reduction**

96. One of the likely areas of support under the knowledge sector program is the environment and disaster risk reduction. As GOA’s disaster risk reduction policy, *Investing in a Safer Future*, outlines the importance of considering disasters in development programs. Where appropriate,
the knowledge sector program will consider the impacts of different. In assessing each policy
cycle will include consideration of the hazards here needed.

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

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

Disability
99. AusAID’s Inclusive Development strategy guides AusAID’s integration efforts for disability. The
knowledge sector Program will identify here there are policies that might disadvantage the
disabled and impaired. Where opportunities exist to support knowledge to policy transfer, the
Program will focus on policies that support inclusive development.

IX. EVALUATING RESULTS OF THE PROGRAM

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

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

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

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

103. It will be crucial to test this hypothesis once the Program is well into its implementation after
a few years. The measurement on whether improvements to production of high quality
policy advice will be conducted in year 3-4 of program implementation. The testing of this
hypothesis will be done through independent evaluation studies over the life of the Program.
The Component level hypotheses will help determine if the Program is effective. The indicators in Table 2.4 below will be used to guide measurement from established baselines assessed in the design phase of the program:

<table>
<thead>
<tr>
<th>Component</th>
<th>Hypothesis</th>
<th>Major Indicator</th>
<th>How measured?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>Quality of Indonesian knowledge institutions rises</td>
<td>Global ranking</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Quantity and quality of output</td>
<td>Tabulated</td>
</tr>
<tr>
<td>Demand</td>
<td>Interest in research by policy makers rises</td>
<td>Number of studies commissioned</td>
<td>Tabulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Budget for studies rises</td>
<td>Tabulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Self-reporting</td>
<td>Survey</td>
</tr>
<tr>
<td>Intermediaries</td>
<td>Research findings are exchanged with policy makers</td>
<td>Number of briefs produced</td>
<td>Tabulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Number of public forums held</td>
<td>Tabulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Website hits</td>
<td>Tabulated</td>
</tr>
<tr>
<td>Enabling environment</td>
<td>Regulatory constraints are lifted</td>
<td>Better instructions are issued</td>
<td>Tabulated</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supply and demand sides report</td>
<td>Survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>improvements</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Policy makers commission studies</td>
<td>Qualitative survey</td>
</tr>
<tr>
<td></td>
<td></td>
<td>using APBN</td>
<td></td>
</tr>
</tbody>
</table>
105. DIAGRAM 2.2 and 2.3: SUMMARY OF GOVERNANCE ARRANGEMENTS

Diagram 2.3 Decision Making Body

- **Program Steering Committee**
  - Set Strategic priorities
  - Monitor progress and context
  - Advocate on policy issues

- **Program Technical Secretariat**
  - Bappenas and AusAID
  - Make recommendations to PSC
  - Oversee implementation by Contractor

- **Contractor**
  - Program planning delivery and management

- **Program Governance and Decision Making Body**

Diagram 2.4 Program Consultation Arm

- **Program Technical Secretariat**
  - AusAID and Bappenas

- **Donor Working Group**
  - Discuss donor policy issues

- **Issues-based Working Group**
  - Discuss technical issues related to policy issue

- **Issues-based Working Group**
  - Discuss technical issues related to policy issue

- **Issues-based Working Groups**
  - Discuss technical issues related to policy issue
Annex 1: Consultations and summary of input

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

**TABLE 1: SUMMARY OF INPUT FROM CONSULTATIONS**

<table>
<thead>
<tr>
<th>WHO</th>
<th>INPUT</th>
<th>RESPONSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fasli Djalal</td>
<td>Reforming higher education is a very important part of revitalising the knowledge sector. Without reforming Indonesian higher education, the human capital who can carry out quality research will not improve.</td>
<td>a) Inclusion of higher education reform on research issues under the Enabling Environment component.</td>
</tr>
<tr>
<td>Vice Minister of Education (then DG for Higher Education), University Working Groups, Prof. Hal Hill (ANU)</td>
<td></td>
<td>b) AusAID will design and implement a separate Higher Education (HE) program, which will be closely related to the Knowledge Sector program. This HE program originated from discussions under the Knowledge Sector design.</td>
</tr>
<tr>
<td>Armida Alisjahbana, Minister of National Planning Agency (Bappenas)</td>
<td>Welcomed the initiative, particularly because it is long term. Policy Analysis Unit will be a means to mainstream knowledge to policy. The program will need focus on what it will reach.</td>
<td>Issues based approach to focus the program (limit its scope). Sequencing of the activities, based on priorities and what can be feasibly achieved.</td>
</tr>
<tr>
<td>Management Committee workshop</td>
<td>The importance of choosing development issues to limit the scope of the Program and capitalise on potential successes, where there is already a strong demand for evidence.</td>
<td>The Program’s issues-based approach to select policy makers under the Demand component and link them with potential Supply research organisations and Intermediary CSOs. The issues will be selected by AusAID and Bappenas based on GOI and AusAID priorities, consultations and scoping study.</td>
</tr>
<tr>
<td>Should Intermediary be a separate Component or a function embedded in the other components?</td>
<td></td>
<td>Although there will be a separate Intermediary component, the activities under Supply, Demand and Enabling Environment will also improve intermediary functions.</td>
</tr>
<tr>
<td>Topic</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>-------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>Should the Program specifically include <em>Balitbang</em>?</td>
<td>Where relevant, depending on the issues selected, the Program will work with <em>Balitbang</em>. The focus will be on strengthening the <em>Balitbang’s</em> role as an intermediary which links between the research community and the policy makers (e.g. commissioning research, packaging research products in policy briefs, etc.).</td>
<td></td>
</tr>
</tbody>
</table>
| How do we increase demand for knowledge among policymakers? | a) Work from their target of achievements as entry point for evidence.  
   b) Competition among local governments can increase demand. |
| Working Group meetings | Suggested list of constraints in the knowledge sector and possible solutions. These inputs were incorporated in the design document. |
| Concept Peer Review | The Program needs AusAID’s long term commitment in the sector. Incorporated in design, which spells out approximately 15 years, broken down into three phases (first phase for six years). |
| | The tertiary education review should be parallel to the knowledge sector design process. AusAID will start a separate tertiary education program with review starting in parallel with knowledge sector design. |
| | The Program needs to have strong GOI ownership. GOI (through Bappenas) chairs the Management Committee of the design and is actively involved in shaping the program. Consultations on program approach included Bappenas Minister and deputies as well as GOI working group from various agencies. |
| | Strengthening demand would need to be carried out in selected areas, where AusAID already has a heavy involvement. Demand component will be carried out in close cooperation with AusAID sectoral programs. The first years will include these 5 sectors: Poverty Alleviation, Health, Decentralisation, Education, and Economic Governance. |
## Annex 2: AusAID Diagnostics

<table>
<thead>
<tr>
<th>Diagnostic Study</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  Comparative Analysis of Middle Income Countries’ Knowledge Sector Investments (Nielsen)</td>
<td>Compares the institutional landscape of Indonesia’s knowledge sector to five other middle income countries: Brazil, Mexico, Philippines, Singapore and Malaysia. Assists Indonesian stakeholders to consider other middle income countries experiences.</td>
</tr>
<tr>
<td>2  Regulatory Constraints and Procurement Laws (“Regulatory obstacles to the growth of a knowledge market in Indonesia”) (Sherlock)</td>
<td>Analyses the features of the Government of Indonesia human resources management and procurement regulations that restrict the flow of knowledge to government from outside sources.</td>
</tr>
<tr>
<td>3  Economic Incentives study</td>
<td>Investigates the role economic incentives and disincentives play in explaining the low quality of Indonesian policy research.</td>
</tr>
<tr>
<td>4  Review of Social Science Capacity Building Support to Indonesia’s Knowledge Sector (McCarthy and Ibrahim)</td>
<td>Identifies the major factors limiting the development of qualitative social science research; discusses approaches and solutions that donors have already tried; considers new directions of support</td>
</tr>
<tr>
<td>5  The SMERU Research Institute: history and Lessons Learned (Sudarno Sumarto)</td>
<td>Provides an overview of the history of SMERU and lessons for other research organisations operating in the sector and identifies the practices that enable indigenous think tanks and research suppliers to do useful social policy research for policy makers.</td>
</tr>
<tr>
<td>6  LIPI and DRN Review (Mayling Oey-Gardener)</td>
<td>Reviews LIPI and the National Research Council’s (DRN) role in bridging research to development policy in Indonesia; including a) detailing the strengths and weaknesses of LIPI; and b) determining whether AusAID’s program in this area should include support to LIPI in implementing required institutional reforms and any risks associated with this; and c) detailing the reforms/needed to become an effective institution in Indonesia’s knowledge sector</td>
</tr>
<tr>
<td>7</td>
<td>Gender Institutions in the Knowledge Sector (Ruth Eveline)</td>
</tr>
<tr>
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<tr>
<td>8</td>
<td>Decentralisation study: Knowledge Needs at the local government level (Paul M Sutmuller)</td>
</tr>
<tr>
<td>9</td>
<td>Assessment on the roles, functions and performance of Litbangs (Hetty Cislowski)</td>
</tr>
<tr>
<td>10</td>
<td>The Political Economy of Policy Making in Indonesia</td>
</tr>
<tr>
<td>12</td>
<td>Overview of the Indonesian Knowledge Sector (Karetji)</td>
</tr>
<tr>
<td>13</td>
<td>Scholarships and Alumni Assessment</td>
</tr>
</tbody>
</table>
Annex 3: Lessons from the Asia Foundation Action Learning Program

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

The pilot program focused on three activities: technical, organisational and advocacy capacity. Activities selected by the institutions included mentoring, training (in research methodology and communication techniques), reforming standard operating procedures and hiring additional administrative staff.

Some key lessons learned from the Action Learning Program, are:

1. Relatively minor activities made a significant change in supply side organisations ability to carry out research given the relatively low capacity and high demand for assistance.  
2. In selecting institutions, there needs to be attention to large capacity gaps beteen Javanese and regional area research organisation. In the Pilot, Java dominated almost exclusively. If this program aims to develop research organisations in regional areas it will need to include a second tier of selection based on geographic areas.  
3. Similarly, if Indonesia aims to foster centres of excellence, the capacity building program should include already high performing knowledge institutions to reach international standards. Low hanging fruits: PSHK, CSIS, UGM (Centre for demographic studies).  
4. Having a dedicated staff member working on knowledge sector program and its reforms / spending within the pilot organisations has a significant impact on the success of the reforms and improving the quality of research and networks. This is particularly the case where the dedicated staff member is at the director level with the authority to initiate change. Some of the lowest performers have been organizations where directors have not played this role and have also been reluctant to delegate work, reforms and decision making to other staff in the organisations. These behavioural systems have been the hardest to change.  
5. It takes time for the organisations to increase their absorptive capacity. These organisations have a long history of working on a ‘shoestring’ budget charging no overheads. Therefore the longer term program will need to cultivate more ambitious thinking in selection of activities, for example hiring international researchers, twinning with international research organisations. This will be achieved by providing longer term commitments and matching support for increased funding with capacity building.

23 Fitra had for five years attempted to have work published in Kompas, but had not succeeded. They achieved their first Op Ed piece in the nationwide newspaper, after receiving one writing training session.  
24 As GOI has repeatedly suggested, the five “SMERU’s” (high performing institutions that govt can draw upon) on the five islands of Sumatra, Kalimantan, Sulawesi, Eastern Indonesia and Papua.
6. Due to the short time frame of the pilot program, AusAID funding was used to support activities additional to the overheads that they had secured from ongoing research projects. A longer term program would enable the organisations to use the funding for three broader components: core funding, research funding, and capacity building.

7. Under the Action Learning Program, the organisations mostly selected a large number of small value activities instead of a small number of large value activities. This is resource intensive for the organisations and TAF. The long term program will need to help the organisations to prioritise and invest in more personnel and systems to support increased absorption of funds.

8. The pilot demonstrated the limited availability of trainers and mentors. Mentoring was an activity selected by almost all of the organisations. It will be important for the supply side program to cultivate a good quality pool of mentors and trainers to draw on. This should include a twinning arrangement with institutions overseas or the top tier Jakarta based think tanks and research institutions. Similarly, selecting mentors who are relatively not senior (and closer to the level of the research organisations in prestige and calibre) though still have significant experience and technical assistance to impart, will provide a meaningful relationship that will ultimately last longer and be more rewarding/useful for the research organization.

9. Funding is being spent fairly evenly across two of the three objectives, with sensible spending self-directed by partners.

10. Major areas of funding across the organisations include: additional staff member (to oversee knowledge sector work) – Survey Meter, Fitra and JIKTI; mentoring programs – PSSK-MAK and Survey Meter; books / subscriptions – several; hosting forums to expand stakeholder network and advertise work - Survey Meter.

11. Networks (as opposed to university research centres or think tanks) are proving the hardest to work with, because activities often include an element of building the capacity of researchers (in remote areas, who form part of the network), through an organisation that is itself part of the program and needs capacity building. Future program will need to invest resources to support their role as intermediary function.

12. The program has taken greater levels of time and technical assistance than anticipated. This is a very ‘hands-on’, time consuming program (as perhaps other pilots are, and a boutique approach was chosen intentionally). However, it does deliver results, in a short time frame and is met with great demand and enthusiasm by partners. A larger scale program may need a similar partnership approach between an organisation that has close relationships and technically able to act as capacity builder and a managing contractor.

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25 (i) Technical capacity (ii) institutional capacity and (iii) advocacy capacity – budget are currently being spent predominantly on technical and advocacy capacity. Institutional support is not featuring prominently in the organisations’ budgets, however this is because core institutional costs are largely being funded by the research organisations’ other existing projects / contracts. Historically when a new project begins funds are immediately streamed into core costs to cover staff, rent, electricity, and other essential systems. Knowledge sector funding remains relatively recent (since April 2010 at earliest disbursements) and is being provided with minimal tagging/earmarking, thus has been allocated to new, elective ‘less dire’ activities that organizations have been wanting to implement for some time.
Annex 4: Issues-based Approach in Action

4.1 COLLABORATION WITH THE POVERTY REDUCTION TEAM

1. A key feature of the knowledge sector reform proposal is its plan to cooperate with five sectoral programs: poverty, decentralization, health, education, and economic governance. But how the knowledge sector will cooperate with AusAID’s sectoral programs is not immediately obvious. While none of the five sectors has a fully developed cooperation program yet, a summary of the state of play between the knowledge sector program and AusAID’s support for poverty reduction in Indonesia will illustrate the general framework being proposed for cooperation with the other four sectoral programs.

2. Shortly after the 2008 election, the Indonesian government announced an ambitious plan to lower poverty rates from 14% to 8% by the close of the SBY administration in 2014. To get there, the government planned to increase its funding for targeted programs from 2% to 5% of GDP, or roughly to nearly AUD$20 billion. Financing for this massive commitment would come from a mix of general revenue, savings from reductions in subsidies, and international aid.

3. Twenty billion dollars is a lot of money. The government realized that it would make no sense to simply scale up its current portfolio of poverty programs, few of which could have absorbed such amounts without collapsing. Furthermore, the political mix of poverty programs meant that their current portfolio was highly fragmented among a large number of ministries. Little data existed on basic issues of cost-effectiveness, targeting efficiencies, poverty trajectories and the like, nor was there a good system for linking poor people’s needs back into the policy process that would be assessing, consolidating, and designing new programs.

4. To address these issues, the vice-president formed a national poverty commission (“TNP2K”), which is supported through an AusAID grant facility. The purpose of this facility is to carry out the analysis of options and trade-offs that can be presented to the Cabinet for political decisions about what portfolio of poverty programs can best meet the needs of the poor. TNP2K is a high consumer of evidence for policy making. To prepare policy options, TNP2K feeds on a steady diet of surveys, evaluations, reviews, and policy assessments. Many of these are commissioned from Indonesian universities and research institutes, but to date the most influential policy group remains the World Bank’s poverty team, which has a cooperative program of support to TNP2K that is also supported by AusAID. Thus, while TNP2K is a high profile, highly capable apex policy making group, even TNP2K finds itself relying on either the AusAID Facility or the World Bank poverty team to procure and manage the reviews and studies that it needs.

5. Both TNP2K and the World Bank poverty group strongly support the knowledge sector program: both groups observe repeatedly the gap between their wish to build a big program of applied research executed through national institutions, and the problems of quality and interpretation they face with the supply. Diagnostics of the universities and think-tanks revealed both examples of good practice and a general trend of improving quality, but even the best institutions would report a litany of constraints that limited their quality and effectiveness.

6. The Knowledge Sector Program will work with TNP2K to strengthen each pillar of the knowledge-to-policy cycle. Specific activities that will strengthen the **Supply Side** include:
• a five year partnership agreement between the MIT-based Jameel Poverty Action Lab and the University of Indonesia that will train Indonesian economists in high quality experimental evaluations of poverty reducing interventions, including support for them to design and manage their own free-standing programs;
• Training for qualitative research in poverty issues so that graduate researchers can meet the quality standards of the National Team;
• Core support for SMERU and SurveyMeter, two of Indonesia’s premier survey research and analysis institutes

7. On the Intermediary function, the Program will complement the work of the Facility by providing technical assistance for TNP2K’s partners to develop policy briefs and to design research communication strategies so that their findings can be shared within government and with civil society at large. This way, policy makers will be able to understand and benefit from the analytical studies. The Program will also support public access to research through publications, public events, and support to intermediary NGOs that can summarize for a national audience what are the poverty issues being discussed and how they can contribute to the discussions. As demand develops, the knowledge sector program will provide training and management support to the DPR Commission XI and newly formed provincial level poverty reduction planning groups (“TKPK-d”), whose job is to feed local diagnostics and evaluations into budget formulation.

8. On the Demand side, the Program will provide technical assistance to build the capacity of relevant line ministry staff to utilise the analytical pieces produced by TNP2K. The Program can assist partner line ministries to formulate their own poverty research agenda and to developing research questions, which either they themselves or the Facility can then use to commission targeted research. The knowledge program’s support for the Bappenas Policy and Analytical Unit will further help translate the poverty work into operational programs and feedback requests for information from line ministries and sub-national governments.

9. As noted, at present TNP2K and Bappenas both face major barriers to procuring their own research, which is why they rely so heavily on an AusAID and the World Bank infrastructure. Nor could TNP2K recruit or retain top Indonesian economists if foreign donors were not paying their salaries. Part of the PAU’s explicit mandate is to help Bappenas (which chairs the national procurement regulatory body) clarify the procurement law so that government ministries can in the future use their own budgets to procure research. The knowledge sector program will hold awareness raising discussions with line ministries such as Depsos, Jamkesmas, and DepDagri, which oversee national poverty programs, to provide their financial and procurement offices with up-to-date guidelines and training so that they can respond to internal requests for planning studies and evaluations.

10. While the governance arrangements for the knowledge sector’s poverty work would be that described in the text of this project design, the operational program would coordinate closely with TNP2K through mechanisms such as a presentation of its semi-annual work plan and joint events with relevant participants in the knowledge sector program.

11. The knowledge sector would not be commissioning any studies of its own to analyze poverty itself. Its field would be the business plans and manage reforms that would improve the quality and enhance the performance of institutional stakeholders working on poverty. All substantive work would be the responsibility of the AusAID poverty unit manager and her counterparts.

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

### Table 1. Illustration of Knowledge Sector Support to Poverty Reduction

| Supply | • International twinning partnership with University of Indonesia to improve training of poverty research economists  
• Executing management plans of top national survey analysis institutes  
• Training in high quality ethnographic research |
| Demand | • Support to line agency planning units to request and use poverty research  
• NGOs develop cooperative research and dissemination agenda on poverty.  
• Building capacity for public budgeting and expenditure analysis on poverty |
| Intermediary | • Production of policy briefs  
• Support for public engagement on policy  
• Training for parliamentary commissions and sub-national governments on how to analyze government analysis and policy advice  
• TNP2K and BAPPENAS Policy Analysis Unit synthesizes poverty research for Bappenas Minister and Deputies |
| Enabling environment | • Piloting direct procurement of poverty research by government  
• Lifting fee and service restrictions on donor support for Indonesian poverty researchers |
4.2 KNOWLEDGE SECTOR COLLABORATION WITH AUSAID HEALTH SECTOR PROGRAM

1. High economic growth has contributed to gains in key health indicators in Indonesia over the past 40 years. Though government health spending has increased over the past 10 years, Indonesia still has drastically low investment in the health of its people compared with other South East Asian countries. GOI’s commitment to expand MDG performance will inevitably require increased financing and system-wide improvements. AusAID’s health sector delivery strategy is built around support for these reforms.

2. Health system and financing reforms are known to need context and issue specific evidence; national capacity to generate and use such evidence; and effective translation of this evidence into policy design and resource allocation decisions.

3. In the context of challenges facing Indonesia, some of the core research and analysis needed will require local capacities in:
   - geographical and socioeconomic equity in health financing and access including longitudinal data analysis from household surveys;
   - benefit incidence analysis including to assess current levels and possibilities for expansion of social health insurance coverage of the informally employed; and
   - costing and economic evaluation of health services for progressing achievement of the MDGs, particularly in reducing maternal mortality, and for addressing the large and increasing burden of non-communicable diseases.

4. In decentralised systems, clarity in roles and functions of central versus decentralised levels in health financing and planning is essential in progressing toward universal coverage. Quick access of local decision makers to relevant evidence is needed. To achieve this, it will be necessary to enhance the research capacity of regional organisations and to support greater linkage between these and higher capacity institutions in Java.

5. Some existing datasets in health provide an important base for further analysis of health resourcing in Indonesia. Unfortunately, to date, although there has been some exploitation of this data for research by Indonesian health policy researchers, most research and publication from these datasets has been produced by international researchers. Longitudinal datasets like this provide prime opportunity for health policy guidance, monitoring, and evaluation, and whilst there is some reference by Government of Indonesia Departments to national surveys such as the demographic and health surveys, there is little evidence of results of any detailed survey analysis being used to guide specific health policy design or resource allocation at central or decentralised levels.

Clear linkages between health sector program and knowledge sector program in AusAID Indonesia

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

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

   **Output 5**: Universities, research institutes and civil society organisations are able to deliver evidence based data and advocate to central and local policy makers on health financing and human resourcing issues and provide technical assistance and training to districts and Puskesmas to increase health access for the poor and near poor in Indonesia.
7. To enable cross program coordination across the health and knowledge sector support programs, it is suggested that the Health Policy Network proposed in the HSS design and the health sector’s Civil Society Challenge fund not start from a zero base, but instead build on institutions and management structures already supported through the knowledge sector pilot. The health insurance and financing institute “PPSP-MAK” at the University of Gadjah Mada is one of the pilot institutions receiving core support from the knowledge sector program. It has relevant expertise for the health systems strengthening and other AusAID health sector support programs. Survey Meter, another institution receiving core support from the knowledge sector program, has useful skills in survey data collection, consolidation and management that will be essential for longitudinal monitoring and evaluation of health system and financing policy changes. Health sector demands on both institutions are likely to be high.

8. The HSS PMO’s location within the Ministry of Health (but outside of the Litbang) will provide an opportunity to test different incentives and collaboration arrangements for producing greater alignment between policy and technical staff within the Ministry of Health. It will also allow the piloting of direct procurement for needed research from the PMO located in the Ministry with the PMO (including the technical adviser) working with the Litbang to articulate research questions from policy questions.

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

9. Table 1 below summarises the types of approaches the knowledge sector program can take to help the health program build evidence-informed decision making for health policy that will benefit the poor and near poor in Indonesia.

10. At a national level, the Litbang in the Ministry of Health is utilised (particularly its head) as a go-to place for analysis and evidence by the Minister for Health. In turn the Litbang has relationships with key individuals in the University of Indonesia as well as University Gadjah Mada. If possible, an institutional profile of the Ministry of Health Litbang should be undertaken under the knowledge sector rather than health program.

11. On the demand side, the knowledge sector program will work with the PMO for the Health Systems Strengthening program. This office, being based in the Ministry of Health, is an important unit that will work together with the Litbang and other units within the Ministry to assess and articulate research questions from policy needs and write terms of reference for the commissioning of these to domestic research institutes (see link with supply below).
12. A number of Ministries have an expressed need for good evaluation to demonstrate the effectiveness of current and planned programs as a means for gaining budget increases from the Ministry of Finance. Under the knowledge sector program, key units within the Ministry of Health will be provided with assistance on understanding and using costing and economic evaluation for demonstrating value from health investments and to advocate for greater budgets on this basis.

13. At a decentralised level, local decision makers in the 20 focus districts of the HSS program will be supported to better define and prioritise evidence needs for local health resource allocation decisions, procure the research and effectively use it in decision making.

14. A focus on the intermediary function of linking research to policy will include
   - building on existing use by the Minister for Health of the Litbang, and the established health policy unit within it by providing support to its role as an intermediary through training in evidence synthesis and writing for policy
   - core support to key NGOs to undertake evidence based advocacy in the health sector including FITRA (where exchange visits to key influential budget analysis NGO’s in other countries will be supported) and specific support for training in key techniques to undertake evidence based advocacy on such as benefit incidence analysis.

1. On the supply side the knowledge sector program will
   - undertake a mapping of relevant health policy research providers in Indonesia. Initial mapping of providers with greatest capacity in health systems, financing and policy research show research institutes within the Faculty of Medicine at University of Gadjah and the University of Indonesia - Faculty of Public Health to have the greatest output on policy research, consultancy and advocacy in health systems and financing issues (UI for health economics and financing and UGM for human resources for health and health systems). Mapping will be continued to look at the relationships within these institutions and between them, government and other regional groups in provinces outside Java.
   - Provide core support to key public health, health policy and financing research institutions such as UGM PPSP-MAK.
   - Whilst the knowledge sector will not itself be commissioning any studies itself to contribute to health sector planning, (which will be done AusAID’s health sector program), principles and partners of the knowledge sector program will be used by the health program to commission early pieces of analytical work. This will include joint definition of questions with Ministry of Health and collaboration between higher capacity institutions locally, regionally and potentially internationally with local lower capacity groups. Where possible these will build on existing collaborations of strength (such as that between UGM and the University of Edinburgh on human resources for health and University of Indonesia with the International Health Policy Program in Thailand and institutions in the UK such as Brunel University).

<table>
<thead>
<tr>
<th>Table 1 : Illustration of Knowledge Sector Support to Health Systems and Financing in Indonesia</th>
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<tbody>
<tr>
<td><strong>Supply</strong></td>
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</table>
### Demand
- Support to MoH planning and policy units to request and use health systems, policy and financing research including understanding of cost effectiveness analysis, benefit incidence analysis and framing policy questions from National Health Accounts data
- Build capacity in writing terms of reference for commissioning research within Litbang

### Intermediary
- Support to the Litbang for the synthesis of health research and production of policy briefs
- Exchange visits for Litbang staff to key high performing government intermediaries in the region such as the International Health Program in Thailand
- Work with key NGO’s in evidence based advocacy in the health sector including FITRA on equity analysis and advocacy on health budget

### Enabling environment
- Build greater alignment between Litbang staff and those within other parts of Ministry of Health
- Testing different approaches to direct procurement of health research through the PMO in the MoH
- Lifting fee and service restrictions on donor support for Indonesian health researchers
### Annex 5: Risk Matrix

<table>
<thead>
<tr>
<th>Risk Event</th>
<th>Program Impacts</th>
<th>L</th>
<th>C</th>
<th>R</th>
<th>Risk Management</th>
<th>Responsibility</th>
</tr>
</thead>
</table>
| Lack of sustainability and capacity of supply side institutions | The organisations will not survive or be able to provide high quality and policy-targeted research after AusAID funding ceases.                                                                               | 4 | 4 | H | Longer term engagement and provision of core funds matched with capacity development. Explore possibilities of endowment funds in the fourth year for strong organisations. | Managing Contractor  
AusAID |
<table>
<thead>
<tr>
<th>Research agenda captured by adversarial elites (eg. change in government)</th>
<th>Ineffective knowledge to policy cycles.</th>
<th>4</th>
<th>5</th>
<th>H</th>
<th>The program adopts an issues-based approach and stakeholder mapping of demand side, which will identify where there is appetite. The program will reassess and identify champions after change in GOI personnel.</th>
<th>Managing Contractor</th>
</tr>
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<tbody>
<tr>
<td>No institutional home for the program</td>
<td>Difficult to coordinate reforms across GOI. Donors continue to fund piecemeal interventions in supply side.</td>
<td>3</td>
<td>3</td>
<td>M</td>
<td>Initially, through the PAU, advocate for reforms in GOI. Identify options for an institutional home in first phase.</td>
<td>Bappenas and AusAID</td>
</tr>
<tr>
<td>Overall quality of tertiary education lacking</td>
<td>Lack of quality researchers and decision makers graduating from higher education institutions.</td>
<td>4</td>
<td>4</td>
<td>H</td>
<td>A separate program of support to higher education is being designed.</td>
<td>AusAID</td>
</tr>
<tr>
<td>Program perceived to infringe upon national sovereignty</td>
<td>Lack of support from program stakeholders.</td>
<td>2</td>
<td>4</td>
<td>M</td>
<td>The program will follow GOI’s lead.</td>
<td>Program Technical Secretariat Program Steering Committee</td>
</tr>
<tr>
<td>The long term aims are overlooked by short term gains</td>
<td>Short-term interest in receiving funds for the pilot swamps the bigger and more challenging objective of tackling reforms to the enabling environment.</td>
<td>3</td>
<td>3</td>
<td>M</td>
<td>The</td>
<td>Program Steering Committee</td>
</tr>
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<td>-----------------------------------------------------</td>
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</tr>
<tr>
<td>GOI Research financing systems do not support knowledge to policy links</td>
<td>Any long term funding will be absorbed effectively to support evidence informed policy making.</td>
<td>4</td>
<td>5</td>
<td>H</td>
<td>AusAID will assess the fiduciary risk of working through GOI research financing systems in the first phase of the program.</td>
<td>AusAID</td>
</tr>
<tr>
<td>Lack of Australian support for the Program</td>
<td>Australian universities lose interest in the program, as the focus of AusAID grant resources moves to Indonesian institutions.</td>
<td>2</td>
<td>3</td>
<td>M</td>
<td>Continued close engagement with individual “Indonesianists” within the university system as well as dialogue with whole of government counterparts to find alternative sources of income for Australian universities’ Indonesia programs.</td>
<td>AusAID</td>
</tr>
</tbody>
</table>

**Legend:**

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