

Partnership for Knowledge-based Poverty Reduction

**Multi-donor Trust Fund
Expansion and Extension Proposal
Revised Design Document
World Bank Office Jakarta
March 2013**



THE WORLD BANK | BANK DUNIA

I. Summary

Program Title	Partnership for Knowledge-based Poverty Reduction
Identification	TF No. 071514 (AusAID No. 56043)
Timeframe	Phase 1: July 2010 – June 2015 Phase 2: July 2015 – June 2017
Program Description	<p>The overall development objective of the program is: to strengthen national efforts to reduce poverty and vulnerability by supporting the Government of Indonesia in making informed and evidence-based policy and program decisions.</p> <p>The program will support the government through three main strategies:</p> <ul style="list-style-type: none">i) Providing poverty analytics and building analytical capacity to inform poverty and social protection policies, programs and strategies;ii) Supporting the government in the design, implementation and evaluation of key poverty and social protection programs, and:iii) Improving the quality and accessibility of data required for poverty analysis and policymaking. <p>Institution strengthening and capacity building are cross-cutting strategies that will be incorporated across each component in order to improve the sustainability of evidence-based approaches to policy making.</p>
Execution and Implementation	Activities under the revised program will continue to be both Bank- and recipient-executed. For the latter component, grants will be provided to non-government think tanks and university-based research institutes.
Partnerships	Program activities are planned and implemented in close cooperation with government partners, including the Secretariat of the National Team for the Acceleration of Poverty Reduction (<i>Tim Nasional Percepatan Penggulangan Kemiskinan</i> , TNP2K) housed in the office of the Vice-President, the National Development Planning Agency (Bappenas), Ministry of Social Affairs (Kementerian Sosial, Kemensos), and Statistics Indonesia (<i>Badan Pusat Statistik</i> , BPS). The Australian Agency for International Development (AusAID) is the primary development partner agency. There will be a major emphasis on developing partnerships with think tanks and university-based research institutes.
Governance	A joint management committee (JMC) co-chaired by the TNP2K Executive Secretariat, Bappenas, AusAID and the World Bank will be responsible for: a) providing guidance for overall trust fund strategies; b) reviewing annual workplans for trust-funded activities; c) reviewing annual reports; and, d) approving an operations manual that will provide details on the operation

of the trust fund. The existing committee has approved the proposal to expand and extend the trust fund. Strategic reviews of political and institutional changes in Indonesia, and the impact on the design and governance of the program, will be conducted on an annual basis.

Funding Structure	Financing will be channeled through the existing multi-donor trust fund (TF071514) that includes windows for both Bank- and recipient-execution. The multi-donor structure allows for the flexibility to accept funds from multiple donors, should the need arise. The trust fund will also have flexibility to increase the share of funds allocated for recipient-executed projects.
Initial Contribution	AUD 7.5 million
Contribution Request	The World Bank requests an additional AUD 25.4 million from AusAID to support the trust-funded program. Phase 1: Up to AUD 16 million Phase 2: Up to AUD 9.4 million
Task Team Leader	Vivi Alatas

II. Background

Sustained growth has allowed Indonesia to continue its downward trend in poverty reduction, but many households remain highly vulnerable. With the national poverty rate falling from 14.2 percent in 2009 to 12.5 percent in 2011 the number of the poor has dropped to 30 million. Despite these gains, 32.5 million Indonesians currently live below the poverty line and approximately half of all households remain clustered around the national poverty line (IDR 200,262/month). The gap between the poor and non-poor is also widening. The Gini coefficient, a measure of consumption inequality, has increased from 0.32 percent in 1999 to approximately 0.41 percent in 2011. Regional disparities also persist; eastern Indonesia lags behind other parts of the country, notably Java.

Shocks, however, may disrupt this positive trend in reducing poverty and vulnerability. Rice prices surged by 25 percent during 2010 due to poor crops that were caused by unusually wet weather. These increases in basic food prices particularly affect poor households as food items make up 63 percent of poor households' consumption basket on average. The poverty basket inflation rate in Indonesia in August 2011 reached 11.3 percent, around 5 percentage points higher than the headline rate—the largest gap between the two since the global food crisis in 2006. Poor and near-poor households may also be vulnerable to upcoming planned policy shocks. The government is considering further fuel subsidy reductions that could affect rate of poverty reduction if preventative policy responses are not planned in advance.

The current government is committed to accelerating the pace of poverty reduction. President Susilo Bambang Yudhoyono has declared that poverty reduction is the highest development priority of his new

administration. According to the medium-term development plan (*Rencana Pembangunan Jangka Menengah*, RPJM, 2010-2014), the government aims to lower the poverty rate to 8-10 percent by 2014. Sustained economic growth is essential to reaching this goal, as well as stronger job creation in the formal and non-agricultural sectors. In addition, the government will continue to implement its poverty reduction strategy that is articulated around three clusters: Cluster I focuses on assistance and services to individuals and households; Cluster II emphasizes interventions at the community level, largely consisting of PNPM-Mandiri; and Cluster III seeks to support enterprises and (micro-) private sector entrepreneurs.

The Government of Indonesia has been active in re-organizing itself to more effectively implement its poverty reduction strategy, with a strong emphasis on social assistance reform. In 2010, the President elevated oversight of the poverty strategy to the National Team for the Acceleration of Poverty Reduction (TNP2K), which is chaired by the Vice-President. The key objectives of the National Team are to: i) design and oversee a large-scale program of social assistance and poverty reduction; ii) consolidate, simplify, and improve the efficiency of existing programs, and; iii) identify important but troubled social assistance programs and resolve their implementation problems. The National Team is supported by a Secretariat that is responsible for drafting policies (with a priority on social assistance reform), establishing a national targeting system, and integrating monitoring and evaluation activities. The Secretariat includes six working groups that function as internal ‘think tanks’ focusing on: i) Cluster I; ii) health fee waivers for the poor (Jamkesmas); iii) Cluster II; iv) Cluster III; v) targeting, and; vi) monitoring & evaluation. The mandate of the National Team and its secretariat extends for the full duration of the current administration, until the end of 2014.

In addition to tackling poverty, the government is also paying more attention to broader vulnerability and is moving forward to implement a national social security system. The current social security coverage is limited to civil servants, the military, about 25 percent of formal sector workers, and (in design) the poor. Each segment has different benefits and a different administrator, the system of supervision is fragmented and ineffective, and enforcement is lax. As a result, only 12 percent of population has access to pensions and 50 percent has access to healthcare programs. Benefits can be lost when changing employment. Law No. 40 requires the establishment of a national social security system (SJSN), but the law does not define important details that would typically be contained in such laws including: benefit levels and contributions, methods to identify the poor whose costs are covered by the government, and the full legal and governance system. Recently, the Minister of Finance and a cabinet committee have been examining the overall strategy for the social security system and prepared a critical law on social security system administrators (BPJS) that was passed in November 2011.

Job creation is one of the government’s main goals, but until recently there has been little forward movement on this agenda. The current administration campaigned under a “pro-growth, pro-poor, pro-jobs” agenda. Policy attention has largely focused on the growth agenda (namely in the Masterplan for the Acceleration and Expansion of Indonesia Economic Development, MP3EI) and the poverty reduction agenda (through TNP2K); little attention has been paid to labor policy reforms needed to accelerate the pace of job creation. Nevertheless, over 3.8 million new jobs were created between February 2010 and February 2011. Although most jobs are in the informal sector, the share of formal sector employment has climbed from 38.6 percent in 2010 to 41.6 percent in 2011. In recent months, there has been increasing greater policy attention devoted to labor issues. This was triggered, in part, by concerns about high youth employment rates that contributed to political upheaval in Middle Eastern states.

III. About the Partnership

In 2010, the Executive Secretariat for the National Team requested the World Bank to provide support for the newly established TNP2K Secretariat. In response, the World Bank established the Partnership for Knowledge-based Poverty Reduction that was designed to strengthen national efforts to reduce poverty and vulnerability by supporting the Government of Indonesia in making informed and evidence-based policy and program decisions. A trust fund was established in 2010, with financial support from AusAID, to support the program through to the end of 2013.

The program has a three-prong strategy to support the Government of Indonesia:

- i) Providing poverty analytics and building analytical capacity to inform poverty and social protection policies, programs and strategies;
- ii) Supporting the government in the design, implementation and evaluation of key poverty and social protection programs, and:
- iii) Improving the quality and accessibility of data required for poverty analysis and policymaking.

The Government has an ambitious agenda to reform poverty reduction and social protection systems, which will require the concerted assistance from a range of development partner agencies. The level of support and assistance exceeds the scope and capacity of the World Bank or any other single development agency. There is a need for development agencies to work in close coordination with each other and the division of work should be based on respective comparative advantages, government requests, and availability of resources. Although the scope and the scale of the assistance will be limited by the timeframe and resources, the program aims to influence key policy decisions and the quality of spending of public resources allocated for poverty reduction programs. In this way, the program is able to leverage a small investment – through analytical studies, technical assistance, and experiments – to exert a potentially significant effect on national poverty reduction efforts.

This program complements the work of other facilities that have been established to support government-led poverty reduction efforts. This structure of this support is aligned with the Government's conceptual framework for poverty reduction and social protection, based on the three clusters of programs. The Poverty Reduction Support Facility (PRSF), executed by AusAID through a managing contractor, will take the lead responsibility in providing support for Clusters 1 and 3. The PNPM Support Facility (PSF), a multi-donor trust fund managed by the World Bank, will lead in providing support for Cluster 2. The Partnership for Knowledge-based Poverty Reduction focuses on strengthening an analytical base that cuts across all three clusters, as well as the broader enabling environment for poverty reduction. The program also provides complementary analysis and technical assistance on social assistance and social insurance policies and programs, which are the primary focus of current social protection reforms. The Partnership was established in 2010 as a separate multi-donor trust fund to provide a mechanism for the Bank to quickly respond to the TNP2K Executive Secretariat's request for support.

In response to government requests for greater support, the World Bank is proposing to expand and extend the Partnership for Knowledge-based Poverty Reduction. The expansion is to provide more intensive support on policy priorities that have been identified by the Government of Indonesia and where there is need for more intensive inputs. This includes strengthening the engagement in areas that

critical for reducing poverty and vulnerability – such as reforming the social security system, building systems to protect households from shocks, and helping to accelerate job creation – which were not included in the original program design. The program extension is to provide support over a longer period of time to strengthen the sustainability of initiatives that were launched during the initial phase of the partnership. The overall development objective for the expanded and extended program remains the same as in the original design document.

IV. Rationale for Expansion and Extension

The Partnership for Knowledge-based Poverty Reduction is directly supporting the Government of Indonesia to improve the effective of efforts to reduce poverty and vulnerability. President Susilo Bambang Yudhoyono has adopted a “pro-growth, pro-poor, pro-jobs” agenda that places poverty reduction as one of the highest development priorities of the government. According to the medium-term development plan (RPJM, 2010-2014), the government aims to lower the poverty rate to 8-10 percent by 2014. Towards this goal, the President issued two sets of legal instructions (InPres No. 1/2010 and No. 3/2010) that consisted of time-bound milestones towards the achievement of priority RPJMN targets. PKPR program activities are designed to directly support this national agenda. Bappenas has requested the World Bank to provide support in the preparation of future poverty planning documents for example the next medium-term development plan. Future partnership activities will be aligned to support the government in the design, implementation and monitoring of the development priorities identified in these plans.

Successes from the initial two years of the Partnership for Knowledge-based Poverty Reduction have helped in making a shift towards greater evidence-based policy making. Research and technical assistance delivered by the program has helped stimulate policy action by the government on key reforms that will improve poverty reduction programs. Analytical inputs from the World Bank, for example, directly contributed to the establishment of a national targeting system, the design of protection measures for shock preparedness, and social security reform planning. Government partners also requested “rapid response” analytical services from the team to influence major policy decisions, such as preparations for the compensation mechanisms for the proposed reduction in fuel subsidies.

This, in turn, has stimulated greater demand for analytical and technical assistance from government partners. Current work from the team will likely stimulate further reforms. Following the release of the social assistance program and public expenditure review, for instance, several government units have requested assistance from the team in providing support in developing reform strategies for social assistance programs. There have also been increasing requests for “rapid response” analysis that exceeds current team capacity to respond. Additional resources will be required to leverage global expertise and knowledge to support efforts to strengthen current poverty reduction programs, expand and test new approaches, and maintain in-time analytical services.

The government is requesting more support for developing strategies to address vulnerability. In addition to focusing on poverty, the Joint Management Committee of the multi-donor trust fund challenged the Bank to also address the challenge of high levels of vulnerability. This focus, however, was not included in the scope of the original program design. Some preliminary analytical work has already been carried out to better understand the nature of vulnerability in Indonesia, and extending social protection benefits to also reach vulnerable populations that live above the poverty line. The trust

fund expansion will allow the program to deepen activities that focus on reducing vulnerabilities but were not significant activities in the original program design. Some of these areas include providing support for the development of the national social security system, helping to establish a standing vulnerability and shock monitoring and response system, and supporting the government in formulating evidence-based policies that promote the acceleration of job creation.

Even though the demand for empirical evidence to inform policy choices in growing, the local supply for high-quality analytical inputs remains weak. There are few institutions in Indonesia that can provide the government with high quality, independent quantitative and qualitative analysis on key policy issues. These institutions are also over-subscribed and are not in a position to meet additional demand. Despite increasing investments in education, there is a shortage of skilled researchers, analysts and actuaries in the public sector and among research institutes and think tanks, particularly with a focus on poverty and social protection. There is a need for greater, and more strategic investments, in the capacity of individuals and institutions that can provide continuous analytical inputs for government policy makers in the medium- and long-term.

There is also a need to provide support for agencies responsible for the implementation of poverty and social protection programs. Activities during the first two years of the program focused predominantly on improving the design of social assistance and social security programs. There is an ongoing need, however, to better understand what is working in current social assistance programming and what is not working. Beyond program design and assessment, however, there is also a growing concern about the capacities of implementing agencies to carry out the policy reforms identified by policy planners. Similarly, support will be needed for the agencies that will be transformed to administer and implement the social insurance programs for both health and employment benefits. The program expansion will allow the Bank to scale-up support to strengthen the agencies responsible for poverty reduction and social protection programs.

Extending the timeframe of the trust fund will allow time to develop lasting systems and institutional capacity. Most of the activities under the current trust fund are carried out in close cooperation with the TNP2K Secretariat. This mandate of this institution will extend through to the end of 2014, after which the new administration will determine the home for poverty policy formulation functions and newly established institutions such as the national targeting system and the integrated M&E system. Extending the timeframe of the trust fund will allow the Bank to support the government during the transition period and ensure continuity of core institutions established with the assistance of the trust fund and the AusAID poverty facility. Also, the program is currently focusing on reforming and/or strengthening several key institutions – BPS, Kemensos, Bappenas, and sister think tanks – in addition to the TNP2K Secretariat. Institutional development and change management are complex processes that will require sustained and concentrated support over a medium-term horizon, which an extended trust fund timeframe would support.

V. Lessons Learned

Over the first two years of program implementation, the team has learned lessons about how to strengthen evidence-based policy making in the area of poverty reduction and social protection. These lessons learned influence the design of the expanded program detailed in this proposal.

Embedding reform mandates in upstream planning exercises. The mandate for government action on policy and program reforms is embedded in planning documents such as the medium-term development plan. The Bank was proactive in providing inputs to the transition team for the incoming administration in 2009 and the medium-term development plan for 2010-2014 that helped to create the basis for a strong government mandate for social assistance reform and integration. The team also provided clear and action-oriented inputs for the subsequent presidential instructions. In the case of establishing the national targeting system, these specific actions were key factor in maintaining continued pressure for reform actions against a time-bound schedule. There will be a similar window of opportunity with the incoming administration following the national elections in 2014 to explain the reasons for maintaining the current reform trajectory and continue investments in building Indonesia's social protection systems.

Create buy-in for reforms through the process of implementing research projects. Analytical reports that are shared with government partners after the project is completed have relatively low success rates for uptake. The Bank adopted a different approach for the two major research projects completed during the first two years of implementation - the social assistance public expenditure and program review, and the targeting report. Engagement with relevant government agencies was intense during each stages of the project: research design, collection of data, sharing of initial findings, and discussion of the policy implications. For this reason, many recommendations were already being implemented even before the final versions of the report were published. This high level of engagement, however, requires that the research agenda directly supports the mandate of the government counterpart, and that there is a sufficient level of analytical skills for the partner to engage in the research process.

Converting ideas and plans into action requires reaching out to new partners and cultivating new champions. Efforts to date are largely centered on partnerships with central executive offices and planning agencies to formulate a reform agenda for social assistance and social security in Indonesia. While evidence-based plans are necessary, they are not sufficient to create changes in practice. Parliamentary and public support is critical, as was seen in public debates concerning the proposed reduction in fuel subsidies. The media plays a central role in framing public dialogue and influencing public sentiments. Even if policy changes are approved, however, reforms will not be successful unless implementing agencies have both the willingness and the ability to implement the reforms. For these reasons, there is a need to expand partnerships to work more closely with these stakeholders. Within the government, champions are required to see reforms through. Providing analysis and global knowledge to aspiring leaders in the government can play an important role in helping them to assume champion roles for poverty and social protection reforms.

VI. Trust Fund Design Process

The program design was prepared in response to a request for support from the TNP2K Executive Secretary in the Office of the Vice-President. The Bank has met extensively with the Executive Secretariat to define the scope and nature of support that will be provided by the World Bank. Concurrent consultations with Bappenas and BPS also contributed to preparation process. The program design document was finalized in discussion with the donor, AusAID, to clarify the objectives, activities, governance arrangements and funding mechanisms.

Discussions concerning the re-design of the program were initially held between AusAID and the World Bank. There was general agreement to maintain the overall objectives, but broaden both the scope and intensity of activities as well as extend the duration of the trust fund. A proposal for expansion and extension was presented to the Joint Management Committee during March 2012. The committee agreed to scale-up the size of the trust fund and extend its duration until 2016, and instructed the Bank to prepare a proposal for submission to AusAID.

The Bank proceeded with a series of consultations with stakeholders to discuss annual workplans and identify how the Bank can best support partners in the area of poverty reduction and social protection. Groups consulted included the TNP2K Secretariat, Bappenas, Statistics Indonesia, and Bank teams working in related areas. Internally, a proposal for program expansion and extension was discussed with the World Bank's Country Leadership Team, which endorsed the proposal for submission to AusAID.

VII. Partnership Guiding Principles

The design of the program is intended to support the following core principles:

Sustainability Capacity building activities will be incorporated into program activities to build skills in coordinating and implementing government agencies, enhance the analytical and training capacity of local research institutes, and support the institutional reform of the national statistical agency. Capacity will be built through specific projects designed to provide tools and improve skills, as well as through collaborating and coaching partners in the implementation of project activities.

The program will also focus on informing medium-term development policies to promote pro-poor growth and support continuation of poverty reduction and social protection programs.

Partnership The proposed program is based on a history of continuous partnership between the Government of Indonesia, donor agencies and the World Bank. The Poverty Team will implement proposed in close cooperation with government partners from Bappenas, the TNP2K Executive Secretariat, Kemensos, BPS, the Ministry of Finance, and local governments. At the same time, the team will partner with local research institutions, government line agencies and program carriers. Joint implementation teams with partners will be created for specific projects.

Client-driven The program supports the policy priorities identified by the Government and Indonesia and outlined in the RPJM and annual Presidential Instructions (Inpres). The trust fund strategy will respond to the priorities identified by TNP2K and Bappenas. The TNP2K Executive Secretariat and Bappenas will both be represented on the governance body that will oversee the use of funds and approves that general strategy. Activities supporting BPS will support the Change and Reform for the Development of Statistics (STATCAP-CERDAS) a five-year program to modernize BPS, which is part of their overall strategic plan (*Restra*).

Harmonization This is a program will operate under the oversight of a joint management committee that includes government representatives, contributing donor agencies and the World Bank. This will help to ensure that strategies are in alignment with other donors and areas where greater cooperation among donors can strengthen individual efforts. Where possible, the Bank will participate in coordination forums that are relevant to program activities, such as the Indonesia Knowledge Sector Working Group.

Knowledge Building The program will build on research and diagnostic work that has already carried out by the government, local think tanks and the World Bank. Knowledge-sharing activities will be integrated into program activities, including disseminating program findings and results across the government, civil society and academia and among other development partners.

VIII. Program Strategies & Activities

The Partnership for Knowledge-based Poverty Reduction is a programmatic trust fund with agreed upon objectives and strategies. Broad categories of activities will be defined as part of the strategy to achieve the program objectives. The scope and scale of activities will be assessed on an annual basis taking into account demands from the Government, balanced by the program’s finite resources. The following description of the individual program components outlines the structure and the specific objectives of the program, with indications of the types of activities that are likely to be financed through the trust fund.

Strategy One: Poverty Analytics, Labor and Capacity Building

Objective	To provide poverty and labor analytics and build analytical capacity to inform poverty, labor and social protection policies, programs and strategies.
------------------	--

Rationale	The government’s focus on poverty reduction over recent years has generated a greater demand for analytical inputs. Several institutions are currently conducting poverty analytics, including several research institutes and the TNP2K Secretariat. The analytical requirements of the government, however, are high and there is an on-going demand for the analytical services provided by the World Bank. The Bank’s analytical services complement those of other research-generating institutions, such as the TNP2K Secretariat, which is restricted to research activities supporting reforms that can be achieved in the lifespan of the current administration. The World Bank, on the other hand, can conduct research that tackles broader issues related to poverty and vulnerability over a long period of time.
------------------	---

Government partners also require ‘in-time’ analysis to inform responses on emerging policy issues related to poverty, labor and social protection. Current government procurement regulations make it difficult for government agencies to contract local

think tanks and research institutes to provide rapid response services. The World Bank can provide these inputs in order to ensure that government partners have the analytical inputs needed to make evidence-based decisions.

The government often turns to the Bank and other international development partners for their analytical needs because of the limited capacity of local think tanks and research institutes. Many of these institutions face significant challenges in providing government agencies with policy-relevant analytical products, including: weak technical capacities for qualitative and (especially) quantitative analysis; short-term financing that force institutions to pursue contracts rather than a longer-term research agenda; institutional policies and systems that make it difficult to scale up and sustain research capacity; lack of mechanisms to ensure the relevance and quality of analytical products. AusAID has developed a strategy to improve Indonesia's knowledge sector, and through this program, the World Bank will focus on building greater capacity in the thematic areas of poverty, labor and social protection.

Finally, there is a need to expand the audience for policy dialogue that is evidence-based. Research findings typically circulate among small circles technocrats, research institutes and development agencies. Over the past two years of implementation, however, other stakeholders – including parliamentary committees, media groups, unions and business associations - have approached the Bank to share findings from research activities. These groups include both decision-makers and opinion-makers that play a critical role in shaping the direction of poverty, labor and social protection policies. Outreach to these groups to date, however, has been limited.

Activities To reach the objective of this component, the team will rely on five main strategies:

- a. **Conducting original qualitative and quantitative poverty research.** The program will continue to plan and execute major analytical projects to support national poverty reduction efforts. There will be three main types of research projects undertaken by the team:
 - The first type of research will provide continuous update and analysis of poverty, social protection and labor based on recent releases of national socio-economic and labor surveys. It will clarify the changing nature of poverty and vulnerability, job creation and the labor markets.
 - The second type of research will aim to enhance knowledge to understand the causes and consequences of poverty, the broader enabling environment for sustained poverty reduction, the interactions with other programs and sectoral policies. The research will seek to understand the links and impact of various macro and micro policies on household welfare.
 - Informed by the above, the third type of research will involve designing and testing innovations to overcome identified constraints in the delivery of poverty, labor and social protection programs. This may include, for example, supporting TNP2K in exploring using mobile phone technologies to improve beneficiary awareness of programs and introduce bottom-up social accountability functions, and testing with rigorous evaluation embedded into the design of the pilot. Innovations will be

influenced by global knowledge of what has worked in other countries

The Bank will use both qualitative and quantitative research methods. Qualitative methods, such as interviews and case studies, improve the design by providing data that can give insights into how findings work and how findings can be translated to practice. By itself, a quantitative method can identify what works, but has limited explanatory power. By combining the two methods, we can obtain a much richer understanding. In other words, using a rigorous design the quantitative methods can tell us *what* works, while the qualitative methods can tell us *how* it works. Where possible, quantitative analysis will rely on data generated from BPS. When necessary, however, additional data will be collected by special modules that piggyback BPS national surveys, as well as stand-alone surveys.

Research findings will be shared publicly. Regular poverty and labor updates will be distributed through the Bank's social media channels as well as through policy notes and briefs (including the Indonesia Economic Quarterly). Research reports will be shared with AusAID and relevant government agencies and, unless stated otherwise, can be publicly distributed and shared. Dissemination events will be held to share and discuss the findings from the research, which will also be made available electronically through the Bank's website and social media channels.

- b. **Providing 'rapid-response' analytical services.** The team will respond to ad hoc requests from the government on issues related to poverty reduction and social protection. This responsiveness will provide government counterparts with empirical evidence – shared through policy memos and briefs – in order to make informed and in-time policy decisions. To manage a potentially high demand for these services, the Bank will assess requests periodically and discuss the priority and strategic needs with our client. The team will accommodate requests that are considered as high priority, as well as those for which the data and information is easily available. For all other requests, however, the team's responsiveness will depend on alignment with strategic priorities and availability of analytical resources.
- c. **Building capacities among government agencies and local research facilities to carry out quantitative and qualitative analysis.** The team will continue to prepare and distribute analytical tools, and provide hands-on training for a broad range of institutions responsible for carrying out analytical activities. This will include trainings in the use of easy-to-use data analysis tools, statistical software, poverty forecasting and measurement tools, and assessment and evaluation methods.

The team will also undertake select activities that target a future generation of analysts and policy makers. This will include building links with local universities to teach content on poverty and development economics to undergraduate and graduate students.

- d. **Developing partnerships with sister think tanks.** The aim of this strategy will be to increase the range of agencies producing high quality and independent poverty

research, and enhance their contribution to evidence-based policy dialogues with government agencies. Activities in this area will be coordinated with AusAID's knowledge sector program.

Institutional assessments will be conducted with selected sister think tank to identify areas of focus for research capacity building activities. Once the assessment has been completed and reviewed with partner organizations, the Bank will develop a tailored partnership strategy that identifies modes of capacity building support and core result areas (with indicators to monitor and measure progress).

The partnership strategies may include a combination of the following possible forms of technical assistance: coaching on research design and methods, regional and global exchanges, quality control and peer review and/or coaching on improving policy linkages, in house trainings on analytical methods and tools. The Bank will also provide grants to sister think tank can use to fund core costs and agreed-upon research and capacity building activities.

- e. **Public dialogue on poverty and social protection issues.** The team will expand activities that are designed to stimulate public discussion on these issues, and influence public opinion on key policy debates. Events will be based on a review of available research findings that are packaged for easy accessibility for non-technical audiences. Activities will include annual conferences, workshops and individual meetings with targeted audiences, and media events.

Targeted audiences will include: a broad range of government agencies, parliamentary committees responsible for poverty and social protection, media outlets, civil society organizations, and other opinion-makers. The team will also increase awareness of poverty and social protection issues through social media channels, including Bank Twitter, Facebook, internet sites, and blogs.

Partner Institutions The team will consult with government partner agencies and AusAID on an annual basis in the process of defining the forward research agenda.

Research activities will be led by the World Bank but, where possible, will be co-implemented with sister think tanks in order to build their capacities for research design, data collection, analysis, and report preparation and dissemination. The pool of eligible institutions for sister think tanks will include independent research institutes, NGOs, think tanks and research centers based in universities.

Targeted groups for capacity building activities will include analysts from select central government agencies (particularly Bappenas and the TNP2K Secretariat) as well as local think tanks and research institutes. The World Bank also has an on-going teaching relationship with the Faculty of Economics, University of Indonesia, which will continue through this program.

The World Bank will participate as a member of the Knowledge Sector Working Group that is chaired by Bappenas, and will coordinate closely with AusAID's Knowledge

Sector Program. For example, broad capacity building activities (tool dissemination and training) will be made available all partner institutions supported through the Knowledge Sector Program.

The Bank is also starting to reach out to non-traditional partners, such as local media outlets, to improve public perceptions of poverty and vulnerability. As opportunities arise, poverty discussion and dialogue events will be held with non-government organizations, unions groups, employer associations, and political associations.

Strategy Two: Program and Systems Support

Objective To support the government in the design, implementation and evaluation of key poverty and social protection programs.

Rationale “Protecting Poor and Vulnerable Households in Indonesia,” a comprehensive research report completed and released by the team during the first phase of the program, identifies a series of reforms that are needed to improve the performance and impact of Indonesia’s current social assistance programs. The agencies responsible for the implementation of these programs require support in translating research findings into action and implementing recommended reforms.

There are gaps, however, in the current range of poverty reduction programs, both in the coverage of vulnerable populations as well as the types of risks covered. Support is needed to support the government in filling these gaps. This includes the creation of a standing shock and vulnerability monitoring and response system that can be quickly deployed to buffer communities and households from shocks.

Progress has been made in the integration of poverty reduction programs through the national targeting system. TNP2K is responsible for maintenance and application of the unified registry of poor and vulnerable households (PPLS11), but further work is needed to build the capacity of the TNP2K working group and develop remaining functions of the systems (e.g., complaint and grievance systems, and updating mechanisms). In addition, support is needed for other integration functions, including monitoring and evaluation.

Policy design for poverty reduction programs, unified targeting, and integrated monitoring and evaluation functions are under the responsibility of the TNP2K Secretariat until 2014. Following general elections, however, it is not clear where these functions will be housed. On-going and sustained support is required to support the continuation of strategic policies and integration functions through the institutional arrangements that will be chosen by the incoming administration.

Finally, as more Indonesians escape poverty, a new generation of social insurance programs is needed. The government of Indonesia will implement a new national social security system over the course of the next four years that will radically change the social protection paradigm. The legal bases for these changes are the national

social security (SJSN) law, enacted in 2004, and the recent law on administrators (BPJS), enacted in November 2011. The new social protection program will cover all Indonesians for five benefits – health, pension, old-age savings, death benefits and worker accident.

There will be two administrators – one providing health insurance for everyone (BPJS Health) and one providing pension, old-age savings, death benefits and worker accident benefits for formal and informal sector workers (BPJS Employment). Designing the programs and preparing for the transformation of current agencies will require significant support and technical assistance, particularly for BPJS Employment that has received little support from other donor agencies.

Activities Interventions will support the translation of analytics into program and policy change through the following strategies:

- a. **Providing support for the preparation of national plans for poverty reduction.** The team will provide support for the TNP2K Secretariat in the development of an overall social assistance policy framework. Also, in response to a request from Bappenas, the team will provide support for the preparation of the next medium-term development plan (RPJM 2015-2019) focusing on the components related to poverty reduction and social protection, and Presidential instructions towards implementation of the RPJM targets. Following general elections in 2009, the Bank will also prepare advisory briefs for incoming administration on how to maintain progress in reducing poverty and vulnerability.
- b. **Supporting social assistance reforms.** Following up on the findings from “Protecting Poor and Vulnerable Households in Indonesia,” the program will provide assistance to the TNP2K Secretariat that is taking the lead in developing an overall social assistance policy framework and reform white papers for individual programs. The Bank will draw from global knowledge on social assistance programs to help inform program reforms.

The program will provide support for government agencies that are responsible for the implementation of social assistance programs. Modes of support may include: diagnostics of the institutions and mechanisms for the delivery of these programs, identifying gaps in implementation capacities, and supporting measures to strengthen institutional performance in these areas. Support in this area will be limited to social assistance programs that are prioritized by the government.

Finally, the team will provide support to the government for filling in the gaps in the emerging social protection framework. One of the main priorities will be the development of a permanent vulnerability and shock monitoring and response system, building on the prototype developed with the AusAID supported project for the global financial crisis response. The project will consist of three components: data monitoring activities, support for response mechanisms (existing and new), identifying triggers and protocols, and creating a dashboard system.

New programs, however, may need to be introduced to improve the coverage of poor and vulnerable households from the risks they face. To this end, the team will also support the design, piloting and testing of new programs, such as a national public works program that provides temporary employment for low-wage workers.

- c. **Monitoring and evaluating poverty reduction programs.** The team will continue to support the government in assessing the performance of current policies and programs through process assessments and impact evaluations. The team will coordinate activities with government agencies that have responsibilities for monitoring and evaluation, specifically Bappenas and the TNP2K Secretariat. Where possible, activities will be carried out through or in close cooperation with sister think tanks to enhance their capacity to provide independent monitoring and evaluation functions for the government and development partners.
- d. **Strengthening the coordination and integration of poverty and social protection programs.** During the first two years of the program, the Bank helped the TNP2K Secretariat in creating a unified registry of approximately 25 million poor and vulnerable households from which social assistance program beneficiary will be extracted. The team will continue to provide support for the Targeting Working Group, based in the TNP2K Secretariat, to strengthen its institutional capacity to maintain and utilize the registry. At the same time support will be provided to complete the remaining elements of a national targeting system, including assessment and updating mechanisms to capture the newly poor.

The team will also provide support for the government in the development of common safeguard functions including: socialization, grievance resolution, and monitoring and evaluation for all programs in the sector. Support will also be provided for identifying and supporting common support platforms, such as improving synergies with community-based poverty reduction programs (i.e., PNPB Mandiri) to improve supply-side constraints in the delivery of social services and bottom-up social accountability mechanisms.

The program will continue to provide assistance to the central institutions responsible for the coordination and integration of poverty reduction and social protection. This may include activities designed to strengthen skills that support cross-agency coordination, communication, monitoring and evaluation.

The team will hold discussions with the incoming administration following 2014 general elections concerning continuation of sectoral coordination functions that are currently under the responsibility of the TNP2K Secretariat. Support will be provided for continuation of these functions should they remain housed in the Office of the Vice-President, or whether they will be transferred to another institution (either government or independent agency). The team will also support the government in exploring institutional arrangements, based on experiences from other middle-income countries, for the delivery of social assistance and other poverty reduction programs.

-
- e. **Assistance in the establishment of the national social security system.** The team will provide technical assistance and policy advice support for the government in several areas: design, costing and financing of the SJSN employment programs; support for the legal framework and implementing regulations for the BPJS law; and advising the government on the use of unique ID numbers for the SJSN system. When requested by the Ministry of Finance, the team will also provide analytical services and policy advice related to the establishment of the SJSN health programs, in coordination with other development partners working in this area.

There will also be a focus on strengthening the institutions responsible for the design and delivery of social security programs. Technical assistance will be provided to the government to help it develop risk management capacity to manage the financial risks of the SJSN programs. The team will also provide advice regarding the transformation of Jamsostek to BPJS Employment by providing technical assistance as requested on the organizational structure, job descriptions, business processes and needed IT systems, and a roadmap for the transformation process.

Partner Institutions The primary policy-focused partner for this engagement will be the TNP2K Cluster 1 Working Group and the Directorate of Poverty and the Directorate of Social Protection (Bappenas). The team will also work with the implementing agencies that are responsible for delivering social assistance programming including the Ministry of Social Affairs (Kemensos) and the Ministry of National Education (Kemdikbud).

The team will also work with line ministries that are responsible for the implementation of poverty and social programs including the Ministry for Social Affairs (Depsos), Ministry of Health (Depkes) and the Ministry of National Education (MoNE).

Counterparts for the engagement on social security will be the Ministry of Manpower and Transmigration, Bappenas, National Social Security Council (DJSN), Jamsostek, Ministry of Finance, TNP2K, and the Vice President’s Office. To a lesser extent, the team will also engage with the Ministry of Health and Askes. The Bank will also coordinate closely with other development organizations and donors that have an interest in this area, including AusAid, GIZ, WHO and ADB.

Strategy Three: Data Quality

Objective To improve the quality – in terms of accuracy, relevance, timeliness and accessibility – of data required for poverty analysis and policymaking.

Rationale High quality research and analysis depends on the timely availability of high quality data. Also recent shocks – financial, food and fuel – have demonstrated the need for

'real-time' data to detect shocks, quickly plan and support programs to mitigate the impact on the poor. Weak data quality, lack of data availability on time, and data methodological issues hamper the government's ability to assess policy priority needs and evaluate major poverty and social protection programs. Some of the key priorities in this component are to improve the quality and frequency of major social statistical products: the National Socio-economic Survey (Susenas) and the National Labor Force Survey (Sakernas).

Improvements in individual statistical products, however, cannot be sustained without broader institutional reforms within the statistics agency itself. To this end, BPS has committed to improve its data quality, data availability, and data processing and management through its institutional reform program (Change and Reform for the Development of Statistics Program, CERDAS), which will be implemented during 2010-2014. The World Bank has been assisting BPS in the preparation for the project that will improve its current business processes, data management and data processing activities and gain access to statistical experts to improve the methodological issues in collecting and compiling the data.

There are also challenges in the accessibility of BPS products by data-users, including government agencies, universities and research institutes. Indonesia has made commitments to improving the open availability of data through the global Open Data Initiative and memorandums of understanding between BPS and other government agencies on data sharing arrangements. Much work remains to be done, however, in ensuring that these commitments are translated into action with systems and protocols designed to ensure availability.

Activities

Interventions will improve data quality and support the on-going development of a modern statistics agency by:

- a. **Support the review and improvement of the methods used to collect, process and manage poverty-related data.** In cooperation with statistical experts and other national statistics agencies, the programs will assist BPS in reviewing its current methodology, survey operations, data processing and data management to improve the accuracy and reliability of its poverty data. BPS staff will receive training and support to implement the new business process, technology and governance around the improved data collection and management systems.
- b. **Building the institutional capacity of BPS to undertake continuous improvements and sustain statistical reform.** Current assistance to BPS to implement its institutional program through the Statistical Capacity Building-Change and Reform for the Development of Statistics (STATCAP-CERDAS) will continue. Implementation of the current phase of the reform program in BPS extends through 2016, and the extension of the Trust Fund program will enable the Bank to focus on ensuring the sustainability of the reform program through putting in place strengthened institutional capacity for continuous improvement.

On-going assistance will continue to support change management initiatives in

the BPS reform process. This will support institutionalizing significant changes in business processes, technology and systems, human resources management, and organizational re-design will require a strong change management process.

The team will continue to promote regional knowledge sharing among official statistics organizations, and organizing regional forums for sharing knowledge and experiences on reform and modernization initiatives among national statistics offices in the Asia and Pacific region. In addition to the above on peer-to-peer sharing of good practices among statistical organizations, the program will provide support in additional areas, such as human capital management systems, open systems and platforms initiatives for governments, and capacity building through certification and benchmarking of the organization using international standards.

- a. **Improving the accessibility of statistical data.** In collaboration with the Bank’s Open Data Initiative, which provides the public with global access to data and information sources. The program will facilitate collaboration with the Open Data team to improve accessibility to data and information in Indonesia for use by policy makers and researchers. The team will also provide support for BPS in developing systems and procedures for data-sharing arrangements with government agencies and public universities.

- c. **Building the capacity of BPS to better engage data users, media and local research facilities about key data such as poverty data.** The current trend in national statistical offices is to transition from focus on “disseminating” to “communicating” statistics with the aim of facilitating the interpretation and use of statistics by end-users, such as policymakers. The program will support bridging innovations in this area, such as data visualization.

Partner Institutions

The primary counterpart is Statistics Indonesia (BPS). The Team will cooperate with other development partners and national statistical offices (NSOs) as described below. In the Bank, the Team will work with other teams working on public sector reforms and Open Data initiatives.

We collaborate with donors and development partners including: AIPEG and other NSOs, such as the Australian Bureau of Statistics (ABS), who provide technical assistance for specific areas, while the Bank also provides sustained support for institutional development and reform. Other donors are also providing some technical support to BPS such as IMF and ADB for improvement of macroeconomic statistics.

The Bank also has collaboration with the Partnership in Statistics for Development in the 21st Century (PARIS21) to provide tools (software, standards and guidelines), training and technical support for documentation, archiving and dissemination of micro-data.

IX. Risks & Mitigation Measures

The overall risk level for the proposed program is moderate. There are two categories of risks that are associated with this program: i) risks related to the political and institutional context, and ii) operational risks related to the Bank's ability to deliver programmed activities. The most significant risks to the program relate to the former. Both types of risks, and corresponding mitigating measures, are proposed below.

Political and Institutional Risks

- a. **Commitment of the incoming administration for poverty reduction and social protection.** The current government administration identified poverty reduction as one of Indonesia's top development priorities. With general elections approaching in 2014, there is a low level of risk that the next administration will not prioritize poverty reduction.

The World Bank will provide a series of briefing notes to the incoming administration, one of which will focus on poverty reduction and social protection. Through this note, the team will flag the importance of maintaining these as top development priorities for the incoming administration. In addition, Bappenas has requested the team to provide support in the preparation of the next medium-term development plan. This will provide an opportunity to stress the importance of this agenda, pressing for continued commitment for poverty reduction and social protection.

- b. **Sustainability of systems established under temporary agencies.** The program is supporting the establishment of integration functions, such as the national targeting systems and future integrated monitoring and evaluation system, in the TNP2K Secretariat. There is a high level of uncertainty about the continuity of these functions after the end of TNP2K's mandate, which currently is set to expire at the end of 2014.

There are four possible scenarios for the future of functions established in the TNP2K Secretariat: i) the continued existence of TNP2K or a similar body under the new Vice President's office; (ii) the transfer of integration, coordination and monitoring functions into one of the government central planning and/or coordination agencies; (iii) the decentralization of functions into each of the implementing agencies, including the Ministry of Social Affairs (Kemensos); and (iv) transfer of functions to a newly created independent agency.

The main strategy of the TNP2K Secretariat to ensure sustainability is to demonstrate the utility of their new systems, which will stimulate buy-in and demand from the users and other stakeholders. For example, there have been high levels of demand from central government agencies and local governments to use the unified database to extract beneficiary lists for poverty reduction programs, increasing the chance that the future administration would retain the system.

The Bank will also initiative a discussion with the TNP2K Secretariat and AusAID (as donor for the Secretariat) to undertake a contingency planning exercise. Other agencies can later be drawn into the discussion to build allies for continuing current integration systems, particularly with the

National Development Planning Agency (Bappenas) that is the most likely home for these functions in the bureaucracy. The Bank also will engage Bappenas in discussions and technical assistance activities on key topics – including targeting, monitoring and evaluation – in order increase sense of ownership of these functions and interest in maintaining integration systems. Finally, the Bank will prepare a policy brief for the incoming administration on how other countries have established and maintained systems to unify their poverty reduction efforts. This will provide policy options and recommendations, including for the continuation of the systems that were launched by the current administration.

Given this level of uncertainty, the program will adopt review and planning mechanisms that allow for changes in the design, implementation and governance of the program in response to significant changes in the political and institutional environment. The Bank will initiate annual strategic reviews to assess these changes and the potential impact on the program. Proposals to revise or adjust the program in response to changes in the operating environment will be discussed with AusAID and possibly with the Joint Management Committee, if it affects the overall strategy of the program and the governance arrangements.

- c. Limited capacity or willingness of government ministries to implement reform actions.** Even though high-level strategies have been agreed that mandate reform, there is a high level of risk that the strategies may not actually be translated into actions. The barrier for the lack of execution could be limited willingness of a ministry to change, but it could also be that a reform-minded agency does not have the necessary capacity to implement the reform.

The World Bank support thus far has focused on strengthening the capacity of coordinating and integrating agencies, such as Bappenas and TNP2K. During the next phase, the Bank will also focus on strengthening the capacity of implementing agencies, with a particular focus on the Ministry of Social Welfare (Kemensos) and BPJS Employment. Activities are included under Strategy Two of this proposal.

The team will recruit an international expert with experience in the implementation of poverty reduction and social assistance programs, who will be responsible for deepening the Bank's relationship with Kemensos and developing a medium-term engagement strategy with the agency. The engagement will be based on the findings from individual program reviews and future implementation assessments, and translating the reports' recommendations into an action-oriented reform agenda. The programmatic design of the trust fund will allow flexibility in responding to the opportunities for partnership that emerge with Kemensos, strengthening implementation of the social assistance reform policies that are emerging from the TNP2K Secretariat.

In cases of slow reform progress due to limited willingness to change, it will be important for the integrating and coordinating agencies, such as TNP2K and Bappenas to invest in mechanisms to open up channels for public communication and participation, and to create awareness and demand as described above. This may also provide some external impetus for government ministries to implement reform.

- d. Government utilization of analytical services by local research institutes and think tanks.** Currently, the government has expressed the need for more analytical services to support policy making and program monitoring and evaluations, which are not fully met by local institutions, such

as the research and development divisions of government agencies and ministries. However, there is a medium level of risk that even with increased capacity of local research institutes and think tanks that the government may not utilize their services.

The Bank team will provide support to bridge supply and demand. This will include capacity building on the demand side for policy makers to be able to define the policy research questions to be able to commission analytical services and to interpret and utilize the results of analysis. While at the same time, the Bank will support the capacity building of local research institutes and think tanks to tailor research and analytical services to be able to cater to expressed policy maker needs.

There may be other potential bottlenecks to bridging supply-and-demand, such as government procurement regulations and practices, and possible impacts they may have on the government to utilize external research and analytical resources. The team will identify whether such barriers exist and collaborate with AusAID's program on Revitalizing Indonesia's Knowledge Sector for Policy Development and other teams within the Bank working on public procurement reform issues with the government procurement agency (LKPP).

Operational Risks

- e. **Challenges in recruiting qualified researchers and analysts.** While there is growing demand for analytical capacity to support evidence-based policy making, the pool of available individuals with relevant expertise and experience is very limited. The Bank has successfully recruited new graduates as research assistants and analysts, providing them with in-house training to carry out basic analytical functions. There is a gap, however, in the availability of researchers with more advanced skills (i.e., economists) that cannot be developed through in-house training. This will create challenges for plans to marginally increase to the size of the Bank's implementation team from 18 to approximately 24 individuals, which will include one more locally-hired economist. It also created problems for government and other development partners that are searching for similar skills sets (including the TNP2K Secretariat). Offering more attractive compensation packages, there is a risk that international development agencies or contracting firms may attract individuals from the local research institutes and think tanks that the program is intending to support. This is a high-level risk.

For the recruitment of locally-hired economists, the team will seek to attract individuals working and living abroad in order to expand the pool of researchers working on poverty reduction and social protection. Where possible, The Bank will share CVs for qualified candidates with the TNP2K Secretariat and other partner institutions that are also seeking research analysts and economists. Team recruitment will not jeopardize the aims of the capacity building activities, therefore the team will refrain from hiring individuals from institutions that are selected as sister think tanks, as well as individuals that are selected as participants in the proposed work placement program.

- f. **Cross-institutional collaboration.** There is the potential for overlap and/or duplication of activities between the main agencies that are currently supporting social assistance and social security reforms in Indonesia including: the TNP2K Secretariat, AusAID, GIZ, and the World Bank. Inter-agency coordination and collaboration is dependent on inter-personal relationships more so than established mechanisms. This is a medium-level risk.

Some mitigation measures have already been taken to reduce this risk during the first phase of the program. For example, draft annual workplans have been shared with partners agencies for review and input. There is a need, however for workplans to be shared reciprocally and discussed on regular basis. AusAID has played a coordination role in hosting meetings to discuss plans and coordination issues. Establishing these as regular meetings, at least on a semi-annual basis, would be useful to encourage on-going collaboration and coordinated responsiveness.

- g. Challenges in sustaining institutional transformation of sister think tanks in medium-term horizon.** Part of the capacity building strategy is to work with select university-based research centers and think tanks in order to build their institutional capacity. The Bank has invited a group of institutions to submit applications and received an enthusiastic response. A review of applicant institutions revealed some major challenges, one of which is that in-house quantitative analytical skills levels are much lower than expected (and in many cases nonexistent). Given low current levels, there is a risk that the program will not have the resources and the timeframes required to support the transformation of institutions to be capable of conducting and sustaining high quality research activities using mixed methods. This is a high-level risk.

The Bank will aim to develop realistic capacity building plans for sister think tanks, based on what can be achieved within a short timeframe. As needed, the team will contract additional services to support capacity building activities to complement efforts by team members. An emphasis on institutional and organizational reforms will help to ensure that sustainability of sister tanks. This will be provided either in collaboration with AusAID's program on Revitalizing Indonesia's Knowledge Sector for Policy Development or through contracting a service provider with expertise in this area. The Bank will also develop graduation strategies for sister think tanks once the program draws to an end. This will be done in close coordination with AusAID that has a 15-year time frame for knowledge sector activities and could potentially provide longer-term support.

X. Execution and Implementation

The proposed trust fund will be both Bank- and recipient-executed. The Bank will execute projects under all components. Capacity for poverty analytics will be strengthened by providing grants for recipient-executed projects supporting the first and second components (poverty analytics and program and systems support, respectively). Recipients will include local universities and think tanks that have been identified through World Bank selection processes. Grants will be accompanied by capacity building support from World Bank focusing on quantitative and qualitative research methods, gender analysis, and communication strategies to disseminate knowledge and facilitate uptake of policy recommendations. The trust fund will retain flexibility in adjusting the share of funds allocated for recipient-executed projects, to expand the possibilities for execution through local partners over the program duration.

Activities will be implemented in close cooperation with partners from the TNP2K Executive Secretariat, Bappenas and BPS. Select activities will be contracted out to government partners, partner research institutions and service providers.

The World Bank will also be responsible for overall management and administration of the trust fund. The Bank will also be responsible for the supervision of recipient- and Bank-executed activities and ensure quality control.

XI. Planning, Monitoring & Evaluation and Reporting

Planning

The World Bank will prepare annual workplans for Bank-executed activities. The workplan will consist of a series of digests that include descriptions of major projects and expected outputs for the following 12 months. Draft workplans will be distributed to AusAID, government counterparts for a two-week consultation period. During this period, feedback will be collected through written comments, individual meetings, and an annual roundtable meeting. Inputs will be taken into account as the World Bank finalizes the workplan. Final versions of the workplan will be shared with AusAID and other members of the Joint Management Committee. Where appropriate, individual project workplans will be shared with partnering institutions and stakeholders related to the project.

Major research and technical assistance projects will follow the Bank's internal review and approval processes, allowing teams across the Bank opportunities to discuss major analytical projects. When appropriate, the team will conduct additional consultations on specific projects, such as major research projects and early findings, with a broader range of relevant stakeholders (key research institutes, academics, specialists and international experts).

Monitoring & Evaluation

Proposed program outcomes and indicators are detailed in the result-based framework for the program (Annex I). The framework will be revised in late 2012, based on recommendations made by the Independent Progress Review (funded by AusAID) of the trust funded program as well as consultations with select program stakeholders to test the logic of the framework. Any revisions of the results-based framework will be presented and discussed during annual roundtable meetings and submitted to the JMC for review.

An independent consultant will prepare a baseline report, collecting information on development objective and outcome indicators at the outset of the program. The report will be based on analysis of government data (including the national socio-economic survey, Sakernas), government documents, interviews with key counterparts, and staff reports. An independent consultant will conduct a baseline capacity evaluation of sister think tanks and research partners, as well as periodic progress reviews throughout and after the recipient-executed grants. A consultant will also be engaged to track program indicators on a regular basis.

The World Bank will monitor the implementation of Bank- and recipient-executed projects, and will monitor progress against the results-based framework by conducting six monthly internal reviews of progress against the baseline. Donor representatives may join supervision missions of recipient-executed trust fund grants (as members of the mission based on pre-agreed terms of references) or may be present in the field during Bank supervision. Activity implementation will also be monitored through

desk reviews and regular reports that will be submitted by implementing agencies. These reports would include financial management reports and procurement reviews.

Evaluations of program and policy reforms made by the government based upon technical assistance from the World Bank will be conducted. These may be government-led with World Bank assistance, World Bank-led, or externally conducted. Examples include evaluating the accuracy and effectiveness of the national targeting system.

AusAID will conduct mid-term and final reviews to assess overall performance against the proposal and the results-based framework. The reviews will be conducted by an independent review team.

Reporting

Reporting will be through semi-annual narrative and financial reports that will be submitted to the JMC, and distributed to contributing donors. The report will details on key outputs to date, implementation progress against the annual workplan and budget, progress towards achievement of outcomes, projected activities and disbursements for the next period, and flagged issues for resolution.

The timing of the report will be aligned with AusAID's internal Quality at Implementation reporting deadlines.

The team will also prepare a presentation for the annual program review by the JMC highlighting achievements, lessons learned, and upcoming plans. Other donors and government agencies may be invited to join these reviews depending on mutual concerns, shared issues for discussion and interest in contributing to the Trust Fund.

XII. Capacity Building & Sustainability

A major aim of this program is to support the strengthening of Indonesia's "knowledge sector" in order to support evidence-based policy making in the poverty reduction and social protection sectors. These efforts will be aligned with AusAID's program on "Revitalizing Indonesia's Knowledge Sector for Policy Development," which aims to improve Indonesia's capacity to develop effective and socially accountable policies that meet priority development needs. The World Bank's efforts will follow the same conceptual framework in the design of its capacity building efforts that consists of a four-pillared approach: i) strengthening research organizations that produce knowledge and evidence that are designed to inform policy choices; ii) encouraging policy makers so that they have the skills and incentives to demand and use research-based evidence when generating or assessing policies; iii) enhancing intermediary functions and bodies that communicate between policy-makers and research organizations, and; iv) reforming the enabling environment where policies govern how the supply and demand sides interact with each other.

Strengthening Supply

The program will adopt a three-pronged strategy to improve the research capacity of institutions that focus on thematic areas related to poverty reduction and social protection:

- a. **Broad-based Skills Development.** There is a strong and growing demand among government and non-government agencies for opportunities to strengthen quantitative and qualitative research skills. This program will design and implement a series of courses that focus on poverty analysis skills including: introduction to data, introduction to STATA, micro-econometric analysis using STATA, poverty and inequality, poverty forecasting, automated data analysis, qualitative research methods, and quantitative impact evaluation methods. Courses will be offered to analysts from university-based research institutes, think tanks, and partner government agencies (with priority to the TNP2K Secretariat and Bappenas) on a competitive enrollment basis.

The trainings will build on materials and toolkits that have already been prepared and piloted by the Bank in Indonesia, including a poverty forecasting tool and an Indonesian version of ADePt (a software platform for automated economic analysis that includes modules on poverty, inequality, labor, gender, education, health, and social protection). The team will also review external resources for building analytical capacities and seek opportunities for synergies in the provision of training services. The strategy will consider possible modes of cooperation with other institutions that provide training opportunities, which may include: providing information on international training opportunities to qualified candidates, adapting training materials to the Indonesian context, and possibly contracting third-parties to extend training services to Indonesia. Within the Bank, preparations for the training program will be jointly led by the Poverty Cluster in PREM and the PSF Analytics Team.

The team will also monitor and assess the nature of “rapid response” requests from the government for the team’s analytical services. As possible, the analytical skills sets required to respond to these requests will be incorporated into the training courses, to provide a local institutions with the capacity to be able to respond to similar requests in the future. Furthermore, when possible, the Bank will attempt to link government demands with trained local analysts and researchers to provide similar “rapid response” analytical services.

The comprehensive training program will be considered a pilot program in the first year. In subsequent years, the team will explore the options for providing financial and technical support for local institutions that could deliver training services. This may include a focus on developing institutional linkages between local training service providers and international agencies that provide and/or support analytical capacity building services. Course materials and videos also will be made available on-line to reach broader audiences beyond the reach of local service providers.

Some additional activities will also be continued to stimulate greater interest in research and analysis for development policy. For example, the program will continue to partner with the Faculty of Economics, University of Indonesia, in delivering a course on Development Economics.

b. **Sister Think Tanks**

Through this program will support a sister think tank initiative in which the Bank will partner directly with independent research institutes, NGOs, think tanks and/or research centers based in universities. The aim of the initiative is to increase the range of agencies producing high-quality and independent poverty research, and enhance their contribution to evidence-based policy dialogues with government agencies. Sister think tanks will be selected on a competitive basis, with final clearance from the Joint Management Committee.

Institutional assessments will be conducted for each selected sister think tank to identify areas where support is needed for institutional development and enhancing technical skills. Once the assessment has been completed and reviewed with partner organizations, we will develop a tailored partnership strategy that identified modes of capacity building support and core result areas, with indicators to monitor and measure progress. The strategies will include three modes of assistance:

- **Technical skills development.** This may include coaching on research design and methods, regional and global exchanges, joint implementation of research projects, quality control and peer reviews, and coaching on improving policy linkages.
- **Organizational capacity building.** Where possible, the Bank will coordinate with AusAID's program to provide support in human resource management, organizational planning, strategic leadership, project management, financial management, and administrative processes. If AusAID is not partnering with the sister think tank, the Bank will contract a third-party to provide institutional development support.
- **Recipient-executed grants.** The Bank will also provide a grant that the sister think tank can use to fund agreed-upon research activities and some core operational costs. Grants can be used to finance: goods, consultant services, trainings and workshops, and incremental operating costs (defined as increases in operating costs directly attributable to the proposed project, including staff and other costs).

In order to ensure that capacity will be preserved in sister think tanks, clauses will be negotiated in the grant recipient contracts wherein the PREM network team in Indonesia agrees not to hire staff from the recipient institution during the partnership and for a period of two-year after the conclusion of the granting partnership. The team will also explore the possibility to develop systems to track individuals working with sister think tanks to avoid recruitment by other Bank networks in Indonesia.

c. **Secondment Program**

The Bank will explore options for the development of a secondment program that will aim to improve technical capacities of researchers in select think tanks and university-based research centers. These institutions will be invited to nominate researchers, who will be assessed and selected on a competitive basis. Successful candidates will be embedded in analytical teams within the Bank for a limited duration (no longer than a two-year extended-term contract). Seconded individuals will improve skill sets through the design and implementation of research projects, which may be identified by the home institution and/or part of the Bank's research and analytical agenda. Once the participation in the secondment program is completed there will be no possibility for contract extension with the team; researchers will be expected to return to their home institutions as per agreements between the Bank and the individual, and between the Bank and the home institution. To sustain capacity in the home institution, the PREM network team in Indonesia agrees not to hire individuals who were seconded for a period of two-year after the conclusion of the seconding period.

Encouraging Demand and Enhancing Links

Several training courses offered by the program will specifically target policy makers, who are the primary end users of research and evidence. A primer course on impact evaluations will be developed, for example, that focuses on raising the awareness of policy makers for how to design programs that incorporate rigorous M&E systems and how to commission and monitor contracts for project evaluations. In addition, courses on the use and application of ADePT modules will be tailored specifically for policy makers from central agencies and district governments. The Bank will seek to implement courses for local governments in coordination with Bappenas' pilot project to strengthen planning and budgeting with local government, as well as the TNP2K Secretariat's plans to develop a training syllabus for the analysis of local poverty conditions.

The Bank will also aim to create forums through which policy makers and research institutions engage to determine research agenda and discuss the implications of research findings. This will include planning and hosting policy dialogue events that are designed to introduce evidence and facilitate discussions on key issues related to the poverty reduction and social protection agenda in Indonesia. The Bank will also aim to promote the use of research advisory committees in its partnership with sister think tanks. The committee, which may consist of prominent researchers as well as policy makers with academic backgrounds, will provide a forum for policy makers and researchers to discuss the relevancy of forward looking research agendas and how to share and discuss findings to encourage policy uptake.

Enabling Environment

Access to data is one of the barriers to quantitative research undertaken by universities and independent think tanks. The Bank will continue to work with BPS to improve the availability of statistical data through the Open Data Initiative as well as providing support for the implementation of the MOU between BPS and the Ministry of National Education to provide free access to survey data products.

Institutional Strengthening

The program will provide direct assistance to strengthening core government institutions responsible for the design, delivery and assessment of poverty reduction and social protection policies and programs. The mode and intensity of support will be determined based on requests from partner agencies, but the program will focus largely on providing assistance to the TNP2K Secretariat, Bappenas and the Ministry of Social Affairs.

XIII. Gender

The overall aim of this proposal is to support the Government of Indonesia in making informed and evidence-based policy and program decisions. The aim will be to improve women's access to poverty reduction and social protection programs, improve access to quality jobs, and improve protection for female workers including international migrant workers. Globally, the World Bank has been placing greater focus on issues related to gender that includes the preparation of a World Development Report on gender. This program will access global knowledge in this area to identify ways to improve gender equity in Indonesia.

Gender-Disaggregated Data

Individual data produced by BPS is largely gender-disaggregated. Only those with access to the raw data, however, can use this data for analytical purposes. The program will work, therefore, with BPS to improve the public availability and release of gender-disaggregated statistics. In addition, the team will work with Bank and AusAID gender experts to assess current surveys and whether they collect sufficient information on access to social assistance program and public services for men and for women, as well as information on intra-household decision making. Follow-up discussions with BPS will focus on the benefits of possibly including additional survey questions to track gender-disaggregated indicators that can help inform policy responses to improve equitable access.

Gender Analysis

Gender analysis will be incorporated into analytical activities to understand more about women's access to poverty reduction programs and whether program participation benefits them. There is a need to support evidence based public action on gender equality through better data, better knowledge generation and sharing, and better learning. Quantitative analysis will disaggregate data by sex to detect gender gaps, which will be followed with qualitative research to understand binding constraints to gender equity. The program will also design and deliver research projects that improve our understanding of the challenges that are unique to poor and vulnerable women. Examples of future research projects include:

- Study on migrant workers. The study will aim to help our understanding to what extent migration and remittances may affect the livelihoods of the migrant's origin household as well as their general economic development. Since the majority of international migrants in Indonesia are female, the study will be useful for general migration policies that will benefit mostly for female migrants.
- Study on shocks that women experience through the life cycle, including malnutrition, access to education, labor market participation and type of employment, pension and old age.
- Study on informal risk management (IRM). This study will include a special section that addresses the gender dimension of IRM. It will document and analyze gender specific risks, its management, and woman's roles (as beneficiaries or providers). It will also examine differential effects of shocks between male and female household members and how it relates to poverty dynamics.

Gender-sensitive Programs and Policies

Technical assistance focusing on program design and implementation will examine programs through a gender lens so that reforms improve women's participation in government interventions and the equitable allocation of benefits. A particular focus will be applied to social assistance program responses to female-headed households, female children, female students, and female old-age dependents. Program design inputs will include strategies to promote the participation of women, increase awareness of central programs, stimulate willingness to participate in programs, and ensure the equitable receipt of benefits. The program will explore how gender issues can be addressed in the next generation of programs, such as piloting parenting education through mothers' groups in the conditional cash transfer program. In the development of a Public Works program for Indonesia, particular attention will be paid to generate options for *gender-neutral* work or different work choices that female and male household members can self-select into.

A particular focus will be applied to the monitoring crisis impacts on female-headed households, occupations dominated by female workers, female school drop out and maternal-related health behaviors. Response evaluation will consider the ability to reach marginalized groups, such as widows.

Social security design also has a strong gender component. Defined benefit pension programs, such as SJSN pension, are known for their ability to protect vulnerable groups such as women, the disabled and the underemployed. These programs can be designed to recognize women's longer life expectancy following retirement, women's temporary absence from the labor force to raise children, and the need to give higher benefits relative to pay to those with lower earnings and shorter periods of employment. These programs also must be designed to provide income to homemakers following the death of their spouses. The Bank will raise these considerations when providing technical support to the government in the design of social security employment programs.

Capacity Building for Gender Analysis

The team will seek to improve the availability and accessibility of sex-disaggregated data that is needed for gender informed analysis. This will be incorporated into activities linked to the Open Data Initiative. The team has also developed gender sensitive toolkits that generate sex disaggregated data is available the tables can all be run with gendered variables, as well as a specific gender module that produces tables related to poverty, education, employment and labor, access to services by women. These tools will be provided to government and non-government analysts with trainings on the interpretation of findings and policy implications. Gender analysis and awareness training will be provided for sister think tanks.

Raising Public Awareness on Gender Issues

Main messages of the World Development Report 2012 emphasizes that Gender Equality is the right thing to do and also the smart thing to do. Greater gender equality can enhance productivity, improve development outcomes for the next generation, and make institution more representative. It also shows that reforms for gender equality require broad-based support. It is essential to raise public awareness on gender issues and to build a coalition that mobilizes around the reforms. The team will continue to work with prominent media and sector colleagues in promoting public awareness on various poverty issues and gender issues. The work on supporting Citizen Journalism in collaboration with Tempo Institute (prominent newspaper in Indonesia) can become one of the vehicles.

XIV. Financing & Governance Arrangements

Support for this program will be channeled through a multi-donor fund that was established in 2010 (TF071514). The World Bank will manage and administer the trust fund.

A Joint Management Committee (JMC) was established to oversee the design, implementation and review of the trust fund. This committee has agreed to extend its mandate to oversee the extended and expanded trust fund. Several changes are proposed for the composition and functions of the JMC.

	Original JMC	Revised JMC
Chair	Co-chaired by a representative from Bappenas and the TNP2K Executive Secretary	Co-chaired by representatives from: Bappenas, the TNP2K Secretariat, AusAID and the World Bank. Successors or other government representatives may be agreed to by consensus of the then-existing JMC co-chairs and members.
Members	Coordinating Ministry for People's Welfare (Menko Kesra); World Bank's Country Director for Indonesia (or his/her delegate); AusAID and other donors who contribute above a specified threshold will also participate as committee members.	Government representatives and donors contributing to the trust fund as agreed to by consensus of the then-existing JMC co-chairs and members.
Roles	a) Revising overall trust fund strategies; b) Identifying policy priorities; c) Reviewing progress of trust funded programs; d) Clearing selection of each grantee for recipient-executed grants; e) Approving the operations manual.	a) Providing guidance for overall trust fund strategies; b) Reviewing annual workplans for trust-funded activities; c) Reviewing annual reports; d) Approving an operations manual.

The World Bank is the trustee of the trust fund. In this capacity, the Bank will be responsible for: a) approving Bank-executed projects and activity plans; b) approving recipient-executed projects, including project objectives, activities, and budgets, and all changes to recipient-executed projects. The Bank, as trustee of the trust fund, retains the right to not implement the recommendations of the JMC should the direction not be agreed to or if the decisions are contrary to the Bank's internal rules and processes.

An operations manual will provide details on the operation of the trust fund, including: a) the roles, functions and mechanisms for calling, conducting and recording meetings of the JMC, any sub-committees that may be formed to assist the JMC; b) frequency and conduct of consultations with donors and other stakeholders that may be held in addition to the JMC meetings; c) decision-making guidelines on the acceptance of additional contributions to the trust fund; d) rules regarding the admission of additional donors to the JMC; e) decision-making rules; and, f) other implementation arrangements as agreed between the World Bank and the JMC. The operations manual, and any changes to the manual, shall be approved by the JMC.

XV. Timeframe

The original activity end date of the program was 30 December 2013, with all disbursements completed by 30 June 2014.

Under the proposed trust fund extension, the end date for activities will be 30 June 2015, with a possible extension until 30 June 2017. This will also be the closing date for grants to recipient institutions. The disbursement end date will be six-months after the activity completion date.

XVI. Donor Coordination

The proposed trust fund is coordinated with other trust funds and facilities that are providing support for the Government of Indonesia to improve poverty reduction and social protection. These include:

1. The PNPM trust fund that will continue to lead on the Cluster II programs (community-based programs, including the PNPM program).
2. A multi-donor poverty reduction support facility (PRSF) was established to lead on Cluster I and III programs (household transfers programs and microfinance programs for the poor, respectively) and support the TNP2K Secretariat. This TF will be executed by AusAID and implemented by a contractor.
3. The PKPR trust fund complement the two above MDTFs by supporting cross-cutting and analytical work on poverty that can apply across all clusters. The reason to keep this program separate from the PNPM trust fund is so that Poverty Team can provide analytical and cross-cutting support, covering areas (i.e., Cluster I) that are not within the scope of the PNPM trust fund.

The planning and implementation of activities will be closely coordinated with the PSF and the Poverty Reduction Support Facility (PRSF) to avoid overlap and duplication of activities. Regular planning and update meetings will be held with the TNP2K Secretariat to coordinate activity plans, and key documents (all concept notes, report drafts, and final drafts) will be shared to improve transparency.

The team will also hold regular exchange meetings with the PSF analytical team. Although this team focuses on Cluster II, there is scope for greater coordination and, at times, joint project implementation. There will be internal planning consultations to discuss and provide inputs on respective action plans.

XVII. Resources

Additional resources will be required for the expansion and extension of the trust fund. Over the period FY13 (starting July 2012) through FY15 (ending June 2015), the projected program budget is AUD\$ 16 million. Subject to AusAID approval for its extension until June 2017, the projected additional budget is AUD\$ 9.4 million. ~~An indicative breakdown of program budget is detailed below (by component in Table 1, and by expenditure type in Table 2).~~

~~From the original administrative agreement, AusAID will disburse the final tranche of AUD 2 million in July 2012. The additional amount requested for expansion and extension activities is therefore AUD 24.9m. Contributions to the trust fund are subject to a central administration fee of 2 percent, or approximately AUD 500,000. The total amount that the World Bank requests from AusAID to support the proposed expansion and extension is AUD 25.4 million.~~

Four Bank-executed child trust funds have been established to disburse funding received in the parent trust fund: two for project activities, one for overall program supervision, and one for trust fund management and administration.

Additional child trust funds will be set-up for recipient-executed activities (i.e., grants to sister think tanks) during FY13. The trust fund will retain flexibility to allow in adjusting the share of funds allocated for recipient-executed projects. The indicative budget for recipient-executed components may be increased as partnerships are developed with non-government agencies that can execute analytical projects.

Human and Bank Resources

The team responsible for the management, administration and implementation of program activities currently consists of 18 individuals, both internationally and locally hired recruits. An expansion and extension of the program will require a modest expansion of the team size to approximately 24 individuals. The team staffing plan will be annually reviewed by the World Bank and, if necessary, adjusted to ensure adequate human resources are in place to deliver the annual approved workplans.

The Task Team Leader and the Lead Economist of the Poverty Reduction and Economic Management (PREM) unit will provide day-to-day management and technical support to the team. The Bank will also provide additional resources needed for team operations, including: office space, operating equipment and supplies, administrative assistance, and accounting services. In addition the team will have access to technical support from various PREM teams when needed cross support from other units, such as poverty and social protection, and gender specialists.